

BUSINESS

Beware of Greeks Bearing Bonds

As Wall Street hangs on the question “Will Greece default?,” the author heads for riot-stricken Athens, and for the mysterious Vatopaidi monastery, which brought down the last government, laying bare the country’s economic insanity. But beyond a \$1.2 trillion debt (roughly a quarter-million dollars for each working adult), there is a more frightening deficit. After systematically looting their own treasury, in a breathtaking binge of tax evasion, bribery, and creative accounting spurred on by Goldman Sachs, Greeks are sure of one thing: they can’t trust their fellow Greeks.

BY MICHAEL LEWIS • PHOTOGRAPH BY JONAS FREDWALL KARLSSON

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VOW OF PROPERTY

Father Arsenios at the Vatopaidi monastery, overlooking the Aegean Sea, in Mount Athos, Greece. He is considered by many to be Vatopaidi’s C.F.O., “the real brains of the operation.”

After an hour on a plane, two in a taxi, three on a decrepit ferry, and then four more on buses driven madly along the tops of sheer cliffs by Greeks on cell phones, I rolled up to the front door of the vast and remote monastery. The spit of land poking into the Aegean Sea felt like the end of the earth, and just as silent. It was late afternoon, and the monks were either praying or napping, but one remained on duty at the guard booth, to greet visitors. He guided me along with seven Greek pilgrims to an ancient dormitory, beautifully restored,

where two more solicitous monks offered ouzo, pastries, and keys to cells. I sensed something missing, and then realized: no one had asked for a credit card. The monastery was not merely efficient but free. One of the monks then said the next event would be the church service: Vespers. The next event, it will emerge, will almost always be a church service. There were 37 different chapels inside the monastery's walls; finding the service is going to be like finding Waldo, I thought.

"Which church?" I asked the monk.

"Just follow the monks after they rise," he said. Then he looked me up and down more closely. He wore an impossibly long and wild black beard, long black robes, a monk's cap, and prayer beads. I wore white running shoes, light khakis, a mauve Brooks Brothers shirt, and carried a plastic laundry bag that said eagles palace hotel in giant letters on the side. "Why have you come?" he asked.

How on earth do monks wind up as Greece's best shot at a Harvard Business School case study? I work up the nerve to ask.

That was a good question. Not for church; I was there for money. The tsunami of cheap credit that rolled across the planet between 2002 and 2007 has just now created a new opportunity for travel: financial-disaster tourism. The credit wasn't just money, it was temptation. It offered entire societies the chance to reveal aspects of their characters they could not normally afford to indulge. Entire countries were told, "The lights are out, you can do whatever you want to do and no one will ever know." What they wanted to do with money in the dark varied. Americans wanted to own homes far larger than they could afford, and to allow the strong to exploit the weak. Icelanders wanted to stop fishing and become investment bankers, and to allow their alpha males to reveal a theretofore suppressed megalomania. The Germans wanted to be even more German; the Irish wanted to stop being Irish. All these different societies were touched by the same event, but each responded to it in its own peculiar way. No response was as peculiar as the Greeks', however: anyone who had spent even a few days talking to people in charge of the place could see that. But to see just how peculiar it was, you had to come to this monastery.

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Q&A: Michael Lewis talks about the banks that brought down Greece.

I had my reasons for being here. But I was pretty sure that if I told the monk what they were, he'd throw me out. And so I lied. "They say this is the holiest place on earth," I said.

I'd arrived in Athens just a few days earlier, exactly one week before the next planned riot, and a few days after German politicians suggested that the Greek government, to pay off its debts, should sell its islands and perhaps throw some ancient ruins into the bargain. Greece's new socialist prime minister, George Papandreou, had felt compelled to deny that he was actually thinking of selling any islands. Moody's, the ratings agency, had just lowered Greece's credit rating to the level that turned all Greek government bonds into junk—and so no longer eligible to be owned by many of the investors who currently owned them. The resulting dumping of Greek bonds onto the market was, in the short term, no big deal, because the International Monetary Fund and the European Central Bank had between them agreed to lend Greece—a nation of about 11 million people, or two million fewer than Greater Los Angeles—up to \$145 billion. In the short term Greece had been removed from the free financial markets and become a ward of other states.

That was the good news. The long-term picture was far bleaker. In addition to its roughly \$400 billion (and growing) of outstanding government debt, the Greek number crunchers had just figured out that their government owed another \$800 billion or more in pensions. Add it all up and you got about \$1.2 trillion, or more than a quarter-million dollars for every working Greek. Against \$1.2 trillion in debts, a \$145 billion bailout was clearly more of a gesture than a solution. And those were just the official numbers; the truth is surely worse. "Our people went in and couldn't believe what they found," a senior I.M.F. official told me, not long after he'd returned from the I.M.F.'s first Greek mission. "The way they were keeping track of their finances—they knew how much they had agreed to spend, but no one was keeping track of what he had actually spent. It wasn't even what you would call an emerging economy. It was a Third World country."

As it turned out, what the Greeks wanted to do, once the lights went out and they were alone in the dark with a pile of borrowed money, was turn their government into a piñata stuffed with fantastic sums and give as many citizens as possible a whack at it. In just the past decade the wage bill of the Greek public sector has doubled, in real terms—and that number doesn't take into account the bribes collected by public officials. The average government job pays almost three times the average private-sector job. The national railroad has annual revenues of 100 million euros against an annual wage bill of 400 million, plus 300 million euros in other expenses. The average state railroad employee earns 65,000 euros a year. Twenty years ago a successful businessman turned minister of finance named Stefanos

Manos pointed out that it would be cheaper to put all Greece's rail passengers into taxicabs: it's still true. "We have a railroad company which is bankrupt beyond comprehension," Manos put it to me. "And yet there isn't a single private company in Greece with that kind of average pay." The Greek public-school system is the site of breathtaking inefficiency: one of the lowest-ranked systems in Europe, it nonetheless employs four times as many teachers per pupil as the highest-ranked, Finland's. Greeks who send their children to public schools simply assume that they will need to hire private tutors to make sure they actually learn something. There are three government-owned defense companies: together they have billions of euros in debts, and mounting losses. The retirement age for Greek jobs classified as "arduous" is as early as 55 for men and 50 for women. As this is also the moment when the state begins to shovel out generous pensions, more than 600 Greek professions somehow managed to get themselves classified as arduous: hairdressers, radio announcers, waiters, musicians, and on and on and on. The Greek public health-care system spends far more on supplies than the European average—and it is not uncommon, several Greeks tell me, to see nurses and doctors leaving the job with their arms filled with paper towels and diapers and whatever else they can plunder from the supply closets.

"The Greek people never learned to pay their taxes because no one is ever punished. It's like a gentleman not opening a door for a lady."

Where waste ends and theft begins almost doesn't matter; the one masks and thus enables the other. It's simply assumed, for instance, that anyone who is working for the government is meant to be bribed. People who go to public health clinics assume they will need to bribe doctors to actually take care of them. Government ministers who have spent their lives in public service emerge from office able to afford multi-million-dollar mansions and two or three country homes.

Oddly enough, the financiers in Greece remain more or less beyond reproach. They never ceased to be anything but sleepy old commercial bankers. Virtually alone among Europe's bankers, they did not buy U.S. subprime-backed bonds, or leverage themselves to the hilt, or pay themselves huge sums of money. The biggest problem the banks had was that they had lent roughly 30 billion euros to the Greek government—where it was stolen or squandered. In Greece the banks didn't sink the country. The country sank the banks.

And They Invented Math!

The morning after I landed I walked over to see the Greek minister of finance, George Papaconstantinou, whose job it is to sort out this fantastic mess. Athens somehow manages to be bright white and grubby at the same time. The most beautiful freshly painted

neoclassical homes are defaced with new graffiti. Ancient ruins are everywhere, of course, but seem to have little to do with anything else. It's Los Angeles with a past.

At the dark and narrow entrance to the Ministry of Finance a small crowd of security guards screen you as you enter—then don't bother to check and see why you set off the metal detector. In the minister's antechamber six ladies, all on their feet, arrange his schedule. They seem frantic and harried and overworked ... and yet he still runs late. The place generally seems as if even its better days weren't so great. The furniture is worn, the floor linoleum. The most striking thing about it is how many people it employs. Minister Papaconstantinou ("It's O.K. to just call me George") attended N.Y.U. and the London School of Economics in the 1980s, then spent 10 years working in Paris for the O.E.C.D. (Organisation for Economic Co-operation and Development). He's open, friendly, fresh-faced, and clean-shaven, and like many people at the top of the new Greek government, he comes across less as Greek than as Anglo—indeed, almost American.

When Papaconstantinou arrived here, last October, the Greek government had estimated its 2009 budget deficit at 3.7 percent. Two weeks later that number was revised upward to 12.5 percent and actually turned out to be nearly 14 percent. He was the man whose job it had been to figure out and explain to the world why. "The second day on the job I had to call a meeting to look at the budget," he says. "I gathered everyone from the general accounting office, and we started this, like, discovery process." Each day they discovered some incredible omission. A pension debt of a billion dollars *every year* somehow remained off the government's books, where everyone pretended it did not exist, even though the government paid it; the hole in the pension plan for the self-employed was not the 300 million they had assumed but 1.1 billion euros; and so on. "At the end of each day I would say, 'O.K., guys, is this all?' And they would say 'Yeah.' The next morning there would be this little hand rising in the back of the room: 'Actually, Minister, there's this other 100-to-200-million-euro gap.'"

This went on for a week. Among other things turned up were a great number of off-the-books phony job-creation programs. "The Ministry of Agriculture had created an off-the-books unit employing 270 people to digitize the photographs of Greek public lands," the finance minister tells me. "The trouble was that none of the 270 people had any experience with digital photography. The actual professions of these people were, like, hairdressers."

By the final day of discovery, after the last little hand had gone up in the back of the room, a projected deficit of roughly 7 billion euros was actually more than 30 billion. The natural question—How is this possible?—is easily answered: until that moment, no one had bothered to count it all up. "We had no Congressional Budget Office," explains the finance minister. "There was no independent statistical service." The party in power simply gins up whatever

numbers it likes, for its own purposes.

Once the finance minister had the numbers, he went off to his regularly scheduled monthly meetings with ministers of finance from all the European countries. As the new guy, he was given the floor. “When I told them the number, there were gasps,” he said. “*How could this happen?* I was like, *You guys should have picked up that the numbers weren’t right.* But the problem was I sat behind a sign that said GREECE, not a sign that said, THE NEW GREEK GOVERNMENT.” After the meeting the Dutch guy came up to him and said, “George, we know it’s not your fault, but shouldn’t someone go to jail?”

As he finishes his story the finance minister stresses that this isn’t a simple matter of the government lying about its expenditures. “This wasn’t all due to misreporting,” he says. “In 2009, tax collection disintegrated, because it was an election year.”

“What?”

He smiles.

“The first thing a government does in an election year is to pull the tax collectors off the streets.”

“You’re kidding.”

Now he’s laughing at me. I’m clearly naïve.

Fraternal Revenue Service

The costs of running the Greek government are only half the failed equation: there’s also the matter of government revenues. The editor of one of Greece’s big newspapers had mentioned to me in passing that his reporters had cultivated sources inside the country’s revenue service. They’d done this not so much to expose tax fraud—which was so common in Greece that it wasn’t worth writing about—but to find drug lords, human smugglers, and other, darker sorts. A handful of the tax collectors, however, were outraged by the systematic corruption of their business; it further emerged that two of them were willing to meet with me. The problem was that, for reasons neither wished to discuss, they couldn’t stand the sight of each other. This, I’d be told many times by other Greeks, was very Greek.

The evening after I met with the minister of finance, I had coffee with one tax collector at one hotel, then walked down the street and had a beer with another tax collector at another hotel. Both had already suffered demotions, after their attempts to blow the whistle on colleagues who had accepted big bribes to sign off on fraudulent tax returns. Both had been removed from high-status fieldwork to low-status work in the back office, where they could no longer witness tax crimes. Each was a tiny bit uncomfortable; neither wanted anyone to

know he had talked to me, as they feared losing their jobs in the tax agency. And so let's call them Tax Collector No. 1 and Tax Collector No. 2.

Tax Collector No. 1—early 60s, business suit, tightly wound but not obviously nervous—arrived with a notebook filled with ideas for fixing the Greek tax-collection agency. He just took it for granted that I knew that the only Greeks who paid their taxes were the ones who could not avoid doing so—the salaried employees of corporations, who had their taxes withheld from their paychecks. The vast economy of self-employed workers—everyone from doctors to the guys who ran the kiosks that sold the *International Herald Tribune*—cheated (one big reason why Greece has the highest percentage of self-employed workers of any European country). “It's become a cultural trait,” he said. “The Greek people never learned to pay their taxes. And they never did because no one is punished. No one *has ever been* punished. It's a cavalier offense—like a gentleman not opening a door for a lady.”

The scale of Greek tax cheating was at least as incredible as its scope: an estimated two-thirds of Greek doctors reported incomes under 12,000 euros a year—which meant, because incomes below that amount weren't taxable, that even plastic surgeons making millions a year paid no tax at all. The problem wasn't the law—there was a law on the books that made it a jailable offense to cheat the government out of more than 150,000 euros—but its enforcement. “If the law was enforced,” the tax collector said, “every doctor in Greece would be in jail.” I laughed, and he gave me a stare. “I am completely serious.” One reason no one is ever prosecuted—apart from the fact that prosecution would seem arbitrary, as everyone is doing it—is that the Greek courts take up to 15 years to resolve tax cases. “The one who does not want to pay, and who gets caught, just goes to court,” he says. Somewhere between 30 and 40 percent of the activity in the Greek economy that might be subject to the income tax goes officially unrecorded, he says, compared with an average of about 18 percent in the rest of Europe.

The easiest way to cheat on one's taxes was to insist on being paid in cash, and fail to provide a receipt for services. The easiest way to launder cash was to buy real estate. Conveniently for the black market—and alone among European countries—Greece has no working national land registry. “You have to know where the guy bought the land—the address—to trace it back to him,” says the collector. “And even then it's all handwritten and hard to decipher.” But, I say, if some plastic surgeon takes a million in cash, buys a plot on a Greek island, and builds himself a villa, there would be other records—say, building permits. “The people who give the building permits don't inform the Treasury,” says the tax collector. In the apparently not-so-rare cases where the tax cheat gets caught, he can simply bribe the tax collector and be done with it. There are, of course, laws against tax collectors' accepting bribes, explained the collector, “but if you get caught, it can take seven or eight years to get prosecuted. So in practice no one bothers.”

The systematic lying about one's income had led the Greek government to rely increasingly on taxes harder to evade: real-estate and sales taxes. Real estate is taxed by formula—to take the tax collectors out of the equation—which generates a so-called “objective value” for each home. The boom in the Greek economy over the last decade caused the actual prices at which property changed hands to far outstrip the computer-driven appraisals. Given higher actual sales prices, the formula is meant to ratchet upward. The typical Greek citizen responded to the problem by not reporting the price at which the sale took place, but instead reporting a phony price—which usually happened to be the same low number at which the dated formula had appraised it. If the buyer took out a loan to buy the house, he took out a loan for the objective value and paid the difference in cash, or with a black-market loan. As a result the “objective values” grotesquely understate the actual land values. Astonishingly, it's widely believed that all 300 members of the Greek Parliament declare the real value of their houses to be the computer-generated objective value. Or, as both the tax collector and a local real-estate agent put it to me, “every single member of the Greek Parliament is lying to evade taxes.”

On he went, describing a system that was, in its way, a thing of beauty. It mimicked the tax-collecting systems of an advanced economy—and employed a huge number of tax collectors—while it was in fact rigged to enable an entire society to cheat on their taxes. As he rose to leave, he pointed out that the waitress at the swanky tourist hotel failed to provide us with a receipt for our coffees. “There's a reason for that,” he said. “Even this hotel doesn't pay the sales tax it owes.”

I walked down the street and found waiting for me, in the bar of another swanky tourist hotel, the second tax collector. Tax Collector No. 2—casual in manner and dress, beer-drinking, but terrified that others might discover he had spoken to me—also arrived with a binder full of papers, only his was stuffed with real-world examples not of Greek people but Greek companies that had cheated on their taxes. He then started to rattle off examples (“only the ones I personally witnessed”). The first was an Athenian construction company that had built seven giant apartment buildings and sold off nearly 1,000 condominiums in the heart of the city. Its corporate tax bill honestly computed came to 15 million euros, but the company had paid nothing at all. Zero. To evade taxes it had done several things. First, it never declared itself a corporation; second, it employed one of the dozens of companies that do nothing but create fraudulent receipts for expenses never incurred and then, when the tax collector stumbled upon the situation, offered him a bribe. The tax collector blew the whistle and referred the case to his bosses—whereupon he found himself being tailed by a private investigator, and his phones tapped. In the end the case was resolved, with the construction company paying 2,000 euros. “After that I was taken off all tax investigations,” said the tax collector, “because I was good at it.”

He returned to his thick binder full of cases. He turned the page. Every page in his binder held a story similar to the one he had just told me, and he intended to tell me all of them. That's when I stopped him. I realized that if I let him go on we'd be there all night. The extent of the cheating—the amount of energy that went into it—was breathtaking. In Athens, I several times had a feeling new to me as a journalist: a complete lack of interest in what was obviously shocking material. I'd sit down with someone who knew the inner workings of the Greek government: a big-time banker, a tax collector, a deputy finance minister, a former M.P. I'd take out my notepad and start writing down the stories that spilled out of them. Scandal after scandal poured forth. Twenty minutes into it I'd lose interest. There were simply too many: they could fill libraries, never mind a magazine article.

The Greek state was not just corrupt but also corrupting. Once you saw how it worked you could understand a phenomenon which otherwise made no sense at all: the difficulty Greek people have saying a kind word about one another. Individual Greeks are delightful: funny, warm, smart, and good company. I left two dozen interviews saying to myself, "What great people!" They do not share the sentiment about one another: the hardest thing to do in Greece is to get one Greek to compliment another behind his back. No success of any kind is regarded without suspicion. Everyone is pretty sure everyone is cheating on his taxes, or bribing politicians, or taking bribes, or lying about the value of his real estate. And this total absence of faith in one another is self-reinforcing. The epidemic of lying and cheating and stealing makes any sort of civic life impossible; the collapse of civic life only encourages more lying, cheating, and stealing. Lacking faith in one another, they fall back on themselves and their families.

The structure of the Greek economy is collectivist, but the country, in spirit, is the opposite of a collective. Its real structure is every man for himself. Into this system investors had poured hundreds of billions of dollars. And the credit boom had pushed the country over the edge, into total moral collapse.

Road to Perdition

Knowing nothing else about the Vatopaidi monastery except that, in a perfectly corrupt society, it had somehow been identified as the soul of corruption, I made my way up to the north of Greece, in search of a bunch of monks who had found new, improved ways to work the Greek economy. The first stage was fairly easy: the plane to Greece's second city of Thessaloniki, the car being driven along narrow roads at nerve-racking speeds, and a night with a lot of Bulgarian tourists at a surprisingly delightful hotel in the middle of nowhere, called the Eagles Palace. There the single most helpful hotel employee I have ever met (ask for Olga) handed me a stack of books and said wistfully how lucky I was to be able to visit the place. The Vatopaidi monastery, along with 19 others, was built in the 10th century on a 37-mile-long-by-6-mile-wide peninsula in northeast Greece, called Mount Athos. Mount Athos

now is severed from the mainland by a long fence, and so the only way onto it is by boat, which gives the peninsula the flavor of an island. And on this island no women are allowed—no female animals of any kind, in fact, except for cats. The official history ascribes the ban to the desire of the church to honor the Virgin; the unofficial one to the problem of monks hitting on female visitors. The ban has stood for 1,000 years.

This explains the high-pitched shrieks the next morning, as the ancient ferry packed with monks and pilgrims pulls away from the docks. Dozens of women gather there to holler at the tops of their lungs, but with such good cheer that it is unclear whether they are lamenting or celebrating the fact that they cannot accompany their men. Olga has told me that she was pretty sure I was going to need to hike some part of the way to Vatopaidi, and that the people she has seen off to the holy mountain don't usually carry with them anything so redolent of the modern material world as a wheelie bag. As a result, all I have is an Eagles Palace plastic laundry bag with spare underwear, a toothbrush, and a bottle of Ambien.

The ferry chugs for three hours along a rocky, wooded, but otherwise barren coastline, stopping along the way to drop monks and pilgrims and guest workers at other monasteries. The sight of the first one just takes my breath away. It's not a building but a spectacle: it's as if someone had taken Assisi or Todi or one of the other old central-Italian hill towns and plopped it down on the beach, in the middle of nowhere. Unless you know what to expect on Mount Athos—it has been regarded by the Eastern Orthodox Church for more than a millennium as the holiest place on earth, and it enjoyed for much of that time a symbiotic relationship with Byzantine emperors—these places come as a shock. There's nothing modest about them; they are grand and complicated and ornate and obviously in some sort of competition with one another. In the old days, pirates routinely plundered them, and you can see why: it would be almost shameful not to, for a pirate.

There are many places in the world where you can get away with not speaking Greek. Athens is one of them; the Mount Athos ferryboat is not. I am saved by an English-speaking young man who, to my untrained eye, looks like any other monk: long dark robes, long dark shaggy beard, fog of unfriendliness which, once penetrated, evaporates. He spots me using a map with thumbnail sketches of the monasteries and trying to determine where the hell I am meant to get off the boat: he introduces himself. His name is Cesar; he's Romanian, the son of a counter-espionage secret-policeman in the nightmarish regime of Nicolae Ceaușescu. Somehow he has retained his sense of humor, which counts as some kind of miracle. He explains that if I knew anything about anything I would know that he was no monk, merely another Romanian priest on holiday. He's traveled from Bucharest, with two enormous trunks on wheelies, to spend his summer vacation in one of the monasteries. Three months living on bread and water with no women in sight is his idea of a vacation. The world outside Mount Athos he finds somehow lacking.

“The Greek newspapers, they call us a corporation, but I ask you, Michael, what company has lasted for 1,000 years?” says Father Arsenios.

Cesar draws me a little map to use to get to Vatopaidi and gives me a more general lay of the land. The mere fact that I don't have a beard will expose me as a not terribly holy man, he explains, if my mauve Brooks Brothers shirt doesn't do it first. “But they are used to having visitors,” he said, “so it shouldn't be a problem.” Then he pauses and asks, “But what is your religion?”

“I don't have one.”

“But you believe in God?”

“No.”

He thinks this over.

“Then I'm pretty sure they can't let you in.”

He lets the thought sink in, then says. “On the other hand, how much worse could it get for you?” he says, and chuckles.

An hour later I'm walking off the ferry holding nothing but the Eagles Palace hotel laundry bag and Cesar's little map, and he's still repeating his own punch line—“How much worse could it get for you?”—and laughing more loudly each time.

The monk who meets me at Vatopaidi's front gate glances at the laundry bag and hands me a form to fill in. An hour later, having pretended to settle into my surprisingly comfortable cell, I'm carried by a river of bearded monks through the church door. Fearing that I might be tossed out of the monastery before I got a sense of the place, I do what I can to fit in. I follow the monks into their church; I light candles and jam them into a tiny sandpit; I cross myself incessantly; I air-kiss the icons. No one seems to care one way or the other about the obviously not Greek guy in the mauve Brooks Brothers shirt, though right through the service a fat young monk who looks a bit like Jack Black glares at me, as if I was neglecting some critical piece of instruction.

Otherwise the experience was sensational, to be recommended to anyone looking for a taste of 10th-century life. Beneath titanic polished golden chandeliers, and surrounded by freshly cleaned icons, the monks sang; the monks chanted; the monks vanished behind screens to utter strange incantations; the monks shook what sounded like sleigh bells; the monks

floated by waving thuribles, leaving in their wake smoke and the ancient odor of incense. Every word that was said and sung and chanted was Biblical Greek (it seemed to have something to do with Jesus Christ), but I nodded right along anyway. I stood when they stood, and sat when they sat: up and down we went like pogos, for hours. The effect of the whole thing was heightened by the monks' magnificently wild beards. Even when left to nature, beards do not all grow in the same way. There are types: the hopelessly porous mass of fuzz; the Osama bin Laden/Assyrian-king trowel; the Karl Marx bird's nest. A surprising number of the monks resembled the Most Interesting Man in the World from the Dos Equis commercial. ("His beard alone has experienced more than a lesser man's entire body.")

The Vatopaidi monks have a reputation for knowing a lot more about you than you imagine they do, and for sensing what they do not know. A woman who runs one of the big Greek shipping firms told me over dinner in Athens that she had found herself seated on a flight not long ago beside Father Ephraim, the abbot of Vatopaidi (business class). "It was a *very* strange experience," she said. "He knew nothing about me, but he guessed everything. My marriage. How I felt about my work. I felt that he completely knew me." Inside their church I doubted their powers—in the middle of a great national scandal they have allowed a writer from *VANITY FAIR*, albeit one who has not formally announced himself, to show up, bunk down, and poke around their monastery without asking the first question.

But coming out of the church I finally get seized: a roundish monk with a salt-and-pepper beard and skin the color of a brown olive corners me. He introduces himself as Father Arsenios.

Grecian Formulas

For most of the 1980s and 1990s, Greek interest rates had run a full 10 percent higher than German ones, as Greeks were regarded as far less likely to repay a loan. There was no consumer credit in Greece: Greeks didn't have credit cards. Greeks didn't usually have mortgage loans either. Of course, Greece wanted to be treated, by the financial markets, like a properly functioning Northern European country. In the late 1990s they saw their chance: get rid of their own currency and adopt the euro. To do this they needed to meet certain national targets, to prove that they were capable of good European citizenship—that they would not, in the end, run up debts that other countries in the euro area would be forced to repay. In particular they needed to show budget deficits under 3 percent of their gross domestic product, and inflation running at roughly German levels. In 2000, after a flurry of statistical manipulation, Greece hit the targets. To lower the budget deficit the Greek government moved all sorts of expenses (pensions, defense expenditures) off the books. To lower Greek inflation the government did things like freeze prices for electricity and water and other government-supplied goods, and cut taxes on gas, alcohol, and tobacco. Greek-government statisticians did things like remove (high-priced) tomatoes from the consumer

price index on the day inflation was measured. “We went to see the guy who created all these numbers,” a former Wall Street analyst of European economies told me. “We could not stop laughing. He explained how he took out the lemons and put in the oranges. There was *a lot* of massaging of the index.”

Which is to say that even at the time, some observers noted that Greek numbers never seemed to add up. A former I.M.F. official turned economic adviser to former Greek prime minister Konstantinos Mitsotakis turned Salomon Brothers analyst named Miranda Xafa pointed out in 1998 that if you added up all the Greek budget deficits over the previous 15 years they amounted to only half the Greek debt. That is, the amount of money the Greek government had borrowed to fund its operations was twice its declared shortfalls. “At Salomon we used to call [the head of the Greek National Statistical Service] ‘the Magician,’ ” says Xafa, “because of his ability to magically make inflation, the deficit, and the debt disappear.”

In 2001, Greece entered the European Monetary Union, swapped the drachma for the euro, and acquired for its debt an implicit European (read German) guarantee. Greeks could now borrow long-term funds at roughly the same rate as Germans—not 18 percent but 5 percent. To remain in the euro zone, they were meant, in theory, to maintain budget deficits below 3 percent of G.D.P.; in practice, all they had to do was cook the books to show that they were hitting the targets. Here, in 2001, entered Goldman Sachs, which engaged in a series of apparently legal but nonetheless repellent deals designed to hide the Greek government’s true level of indebtedness. For these trades Goldman Sachs—which, in effect, handed Greece a \$1 billion loan—carved out a reported \$300 million in fees. The machine that enabled Greece to borrow and spend at will was analogous to the machine created to launder the credit of the American subprime borrower—and the role of the American investment banker in the machine was the same. The investment bankers also taught the Greek-government officials how to securitize future receipts from the national lottery, highway tolls, airport landing fees, and even funds granted to the country by the European Union. Any future stream of income that could be identified was sold for cash up front, and spent. As anyone with a brain must have known, the Greeks would be able to disguise their true financial state for only as long as (a) lenders assumed that a loan to Greece was as good as guaranteed by the European Union (read Germany), and (b) no one outside of Greece paid very much attention. Inside Greece there was no market for whistle-blowing, as basically everyone was in on the racket.

That changed on October 4 of last year, when the Greek government turned over. A scandal felled the last government and sent Prime Minister Kostas Karamanlis packing, which perhaps is not surprising. What’s surprising was the nature of the scandal. In late 2008, news broke that Vatopaidi had somehow acquired a fairly worthless lake and swapped it for

far more valuable government-owned land. How the monks did this was unclear—paid some enormous bribe to some government official, it was assumed. No bribe could be found, however. It didn't matter: the furor that followed drove Greek politics for the next year. The Vatopaidi scandal registered in Greek public opinion like nothing in memory. "We've never seen a movement in the polls like we saw after the scandal broke," the editor of one of Greece's leading newspapers told me. "Without Vatopaidi, Karamanlis is still the prime minister, and everything is still going on as it was before." Dimitri Contominas, the billionaire creator of a Greek life-insurance company and, as it happens, owner of the TV station that broke the Vatopaidi scandal, put it to me more bluntly: "The Vatopaidi monks brought George Papandreou to power."

After the new party (the supposedly socialist Pasok) replaced the old party (the supposedly conservative New Democracy), it found so much less money in the government's coffers than it had expected that it decided there was no choice but to come clean. The prime minister announced that Greece's budget deficits had been badly understated—and that it was going to take some time to nail down the numbers. Pension funds and global bond funds and other sorts who buy Greek bonds, having seen several big American and British banks go belly-up, and knowing the fragile state of a lot of European banks, panicked. The new, higher interest rates Greece was forced to pay left the country—which needed to borrow vast sums to fund its operations—more or less bankrupt. In came the I.M.F. to examine the Greek books more closely; out went whatever tiny shred of credibility the Greeks had left. "How in the hell is it possible for a member of the euro area to say the deficit was 3 percent of G.D.P. when it was really 15 percent?" a senior I.M.F. official asks. "How could you possibly do something like that?"

Just now the global financial system is consumed with the question of whether the Greeks will default on their debts. At times it seems as if it is the only question that matters, for if Greece walks away from \$400 billion in debt, then the European banks that lent the money will go down, and other countries now flirting with bankruptcy (Spain, Portugal) might easily follow. But this question of whether Greece will repay its debts is really a question of whether Greece will change its culture, and that will happen only if Greeks want to change. I am told 50 times if I am told once that what Greeks care about is "justice" and what really boils the Greek blood is the feeling of unfairness. Obviously this distinguishes them from no human being on the planet, and ignores what's interesting: exactly what a Greek finds unfair. It's clearly not the corruption of their political system. It's not cheating on their taxes, or taking small bribes in their service to the state. No: what bothers them is when some outside party—someone clearly different from themselves, with motives apart from narrow and easily understood self-interest—comes in and exploits the corruption of their system. Enter the monks.

Among the first moves made by the new minister of finance was to file a lawsuit against the Vatopaidi monastery, demanding the return of government property *and* damages. Among the first acts of the new Parliament was to open a second investigation of the Vatopaidi affair, to finally nail down exactly how the monks got their sweet deal. The one public official who has been strung up—he's had his passport taken away, and remains free only because he posted a bail of 400,000 euros—is an assistant to the former prime minister, Giannis Angelou, who stands accused of helping these monks.

In a society that has endured something like total moral collapse, its monks had somehow become the single universally acceptable target of moral outrage. Every right-thinking Greek citizen is still furious with them and those who helped them, and yet no one knows exactly what they did, or why.

Monk Business

Father Arsenios looks to be in his late 50s—though who knows, as their beards cause them all to look 20 years older. He's about as famous as you can get, for a monk: everyone in Athens knows who he is. Mr. Inside, the consummate number two, the C.F.O., the real brains of the operation. "If they put Arsenios in charge of the government real-estate portfolio," a prominent Greek real-estate agent said to me, "this country would be *Dubai*. Before the crisis." If you are kindly disposed to these monks, Father Arsenios is the trusted assistant who makes possible the miraculous abbacy of Father Ephraim. If you are not, he's Jeff Skilling to Ephraim's Kenneth Lay.

I tell him who I am and what I do—and also that I have spent the past few days interviewing political types in Athens. He smiles, genuinely: he's pleased I've come! "The politicians all used to come here," he says, "but because of our scandal they don't now. They are afraid of being seen with us!"

He escorts me into the dining hall and plants me at what appears to be the pilgrim's table of honor, right next to the table filled with the top monks. Father Ephraim heads that table, with Arsenios beside him.

Most of what the monks eat they grow themselves within a short walk of the dining hall. Crude silver bowls contain raw, uncut onions, green beans, cucumbers, tomatoes, and beets. Another bowl holds bread baked by the monks, from their own wheat. There's a pitcher of water and, for dessert, a soupy orange sherbet-like substance and dark honeycomb recently plundered from some beehive. And that's pretty much it. If it were a restaurant in Berkeley, people would revel in the glorious self-righteousness of eating the locally grown; here the food just seems plain. The monks eat like fashion models before a shoot. Twice a day four days a week, and once a day for three: 11 meals, all of them more or less like this. Which raises an obvious question: Why are some of them fat? Most of them—maybe 100 out of the

110 now in residence—resemble their diet. Beyond thin: *narrow*. But a handful, including the two bosses, have an amplex to them that cannot be explained by 11 helpings of raw onion and cucumber, no matter how much honeycomb they chew through.

After dinner the monks return to church, where they will remain chanting and singing and crossing and spraying incense until one in the morning. Arsenios grabs me and takes me for a walk. We pass Byzantine chapels and climb Byzantine stairs until we arrive at a door in a long Byzantine hall freshly painted but otherwise antique: his office. On the desk are two computers; behind it a brand-new fax machine—cum—printer; on top of it a cell phone and a Costco-size tub of vitamin-C pills. The walls and floor gleam like new. The cabinets exhibit row upon row of three-ring binders. The only sign that this isn't a business office circa 2010 is a single icon over the desk. Apart from that, if you put this office side by side with the office of Greece's minister of finance and asked which one housed the monk, this wouldn't be it.

"There is more of a spiritual thirst today," he says when I ask him why his monastery has attracted so many important business and political people. "Twenty or 30 years ago they taught that science will solve all problems. There are so many material things and they are not satisfying. People have gotten tired of material pleasures. Of material things. And they realize they cannot really find success in these things." And with that he picks up the phone and orders drinks and dessert. Moments later a silver tray arrives, bearing pastries and glasses of what appears to be crème de menthe.

Thus began what became a three-hour encounter. I'd ask simple questions—Why on earth would anyone become a monk? How do you handle life without women? How do people who spend 10 hours a day in church find time to create real-estate empires? Where did you get the crème de menthe?—and he would answer in 20-minute-long parables in which there would be, somewhere, a simple answer. (For example: "I believe there are many more beautiful things than sex.") As he told his stories he waved and jumped around and smiled and laughed: if Father Arsenios feels guilty about anything, he has a rare talent for hiding it. Like a lot of people who come to Vatopaidi, I suppose, I was less than perfectly sure what I was after. I wanted to see if it felt like a front for a commercial empire (it doesn't) and if the monks seemed insincere (hardly). But I also wondered how a bunch of odd-looking guys who had walked away from the material world had such a knack for getting their way in it: how on earth do monks, of all people, wind up as Greece's best shot at a Harvard Business School case study?

After about two hours I work up the nerve to ask him. To my surprise he takes me seriously. He points to a sign he has tacked up on one of his cabinets, and translates it from the Greek: the smart person accepts. the idiot insists.

He got it, he says, on one of his business trips to the Ministry of Tourism. “This is the secret of success for anywhere in the world, not just the monastery,” he says, and then goes on to describe pretty much word for word the first rule of improvisational comedy, or for that matter any successful collaborative enterprise. Take whatever is thrown at you and build upon it. “Yes ... and” rather than “No ... but.” “The idiot is bound by his pride,” he says. “It always has to be *his* way. This is also true of the person who is deceptive or doing things wrong: he always tries to justify himself. A person who is bright in regard to his spiritual life is humble. He accepts what others tell him—criticism, ideas—and he works with them.”

I notice now that his windows open upon a balcony overlooking the Aegean Sea. The monks are not permitted to swim in it; why, I never asked. Just like them, though, to build a beach house and then ban the beach. I notice, also, that I am the only one who has eaten the pastries and drunk the *crème de menthe*. It occurs to me that I may have just failed some sort of test of my ability to handle temptation.

“The whole government says they are angry at us,” he says, “but we have nothing. We work for others. The Greek newspapers, they call us a corporation. But I ask you, Michael, what company has lasted for 1,000 years?”

At that moment, out of nowhere, Father Ephraim walks in. Round, with rosy cheeks and a white beard, he is more or less the spitting image of Santa Claus. He even has a twinkle in his eye. A few months before, he’d been hauled before the Greek Parliament to testify. One of his interrogators said that the Greek government had acted with incredible efficiency when it swapped Vatopaidi’s lake for the Ministry of Agriculture’s commercial properties. He asked Ephraim how he had done it.

“Don’t you believe in miracles?” Ephraim had said.

“I’m beginning to,” said the Greek M.P.

When we are introduced, Ephraim clasps my hand and holds it for a very long time. It crosses my mind that he is about to ask me what I want for Christmas. Instead he says, “What is your faith?” “Episcopalian,” I cough out. He nods; he calibrates: it could be worse; it probably is worse. “You are married?” he asks. “Yes.” “You have children?” I nod; he calibrates: *I can work with this*. He asks for their names ...

Notes on a Scandal

The second parliamentary inquiry into the Vatopaidi affair is just getting under way, and you never know what it may turn up. But the main facts of the case are actually not in dispute; the main question left to answer is the motives of the monks and the public servants who helped them. In the late 1980s, Vatopaidi was a complete ruin—a rubble of stones overrun

with rats. The frescoes were black. The icons went uncared for. The place had a dozen monks roaming around its ancient stones, but they were autonomous and disorganized. In church jargon they worshipped idiorhythmically—which is another way of saying that in their quest for spiritual satisfaction it was every man for himself. No one was in charge; they had no collective purpose. Their relationship to their monastery, in other words, was a lot like the relationship of the Greek citizen to his state.

That changed in the early 1990s, when a group of energetic young Greek Cypriot monks from another part of Athos, led by Father Ephraim, saw a rebuilding opportunity: a fantastic natural asset that had been terribly mismanaged. Ephraim set about raising the money to restore Vatopaidi to its former glory. He dunned the European Union for cultural funds. He mingled with rich Greek businessmen in need of forgiveness. He cultivated friendships with important Greek politicians. In all of this he exhibited incredible chutzpah. For instance, after a famous Spanish singer visited and took an interest in Vatopaidi, he parlayed the interest into an audience with government officials from Spain. They were told a horrible injustice had occurred: in the 14th century a band of Catalan mercenaries, upset with the Byzantine emperor, had sacked Vatopaidi and caused much damage. The monastery received \$240,000 from the government officials.

Clearly one part of Ephraim's strategy was to return Vatopaidi to what it had been for much of the Byzantine Empire: a monastery with global reach. This, too, distinguished it from the country it happened to be inside. Despite its entry into the European Union, Greece has remained a closed economy; it's impossible to put one finger on the source of all the country's troubles, but if you laid a hand on them, one finger would touch its insularity. All sorts of things that might be more efficiently done by other people they do themselves; all sorts of interactions with other countries that they might profitably engage in simply do not occur. In the general picture the Vatopaidi monastery was a stunning exception: it cultivated relations with the outside world. Most famously, until scandal hit, Prince Charles had visited three summers in a row, and stayed for a week each visit.

Relationships with the rich and famous were essential in Vatopaidi's pursuit of government grants and reparations for sackings, but also for the third prong of its new management's strategy: real estate. By far the smartest thing Father Ephraim had done was go rummaging around in an old tower where they kept the Byzantine manuscripts, untouched for decades. Over the centuries Byzantine emperors and other rulers had deeded to Vatopaidi various tracts of land, mainly in modern-day Greece and Turkey. In the years before Ephraim arrived, the Greek government had clawed back much of this property, but there remained a title, bestowed in the 14th century by Emperor John V Palaiologos, to a lake in northern Greece.

By the time Ephraim discovered the deed to the lake in Vatopaidi's vaults, it had been designated a nature preserve by the Greek government. Then, in 1998, suddenly it wasn't: someone had allowed the designation to lapse. Shortly thereafter, the monks were granted full title to the lake.

Back in Athens, I tracked down Peter Doukas, the official inside the Ministry of Finance first accosted by the Vatopaidi monks. Doukas now finds himself at the center of the two parliamentary investigations, but he had become, oddly, the one person in government willing to speak openly about what had happened. (He was by birth not an Athenian but a Spartan—but perhaps that's another story.) Unlike most of the people in the Greek government, Doukas wasn't a lifer but a guy who had made his fortune in the private sector, inside and outside of Greece, and then, in 2004, at the request of the prime minister, had taken a post in the Finance Ministry. He was then 52 years old and had spent most of his career as a banker with Citigroup in New York. He was tall and blond and loud and blunt and funny. It was Doukas who was responsible for the very existence of long-term Greek-government debt. Back when interest rates were low, and no one saw any risk in lending money to the Greek government, he talked his superiors into issuing 40- and 50-year bonds. Afterward the Greek newspapers ran headlines attacking him (DOUKAS MORTGAGES OUR CHILDREN'S FUTURE), but it was a very bright thing to have done. The \$18 billion of long-term bonds now trade at 50 cents on the dollar—which is to say that the Greek government could buy them back on the open market. "I created a \$9 billion trading profit for them," says Doukas, laughing. "They should give me a bonus!"

Not long after Doukas began his new job, two monks showed up unannounced in his Finance Ministry office. One was Father Ephraim, of whom Doukas had heard; the other, unknown to Doukas but clearly the sharp end of the operation, a fellow named Father Arsenios. They owned this lake, they said, and they wanted the Ministry of Finance to pay them cash for it. "Someone had given them full title to the lake," says Doukas. "What they wanted now was to monetize it. They came to me and said, 'Can you buy us out?'" Before the meeting, Doukas sensed, they had done a great deal of homework. "Before they come to you they know *a lot* about you—your wife, your parents, the extent of your religious beliefs," he said. "The first thing they asked me was if I wanted them to take my confession." Doukas decided that it would be unwise to tell the monks his secrets. Instead he told them he would not give them money for their lake—which he still didn't see how exactly they had come to own. "They seemed to think I had all this money to spend," says Doukas. "I said, 'Listen, contrary to popular opinion, there is no money in the Finance Ministry.' And they said, 'O.K., if you cannot buy us out, why can't you give us some of your pieces of land?'"

This turned out to be the winning strategy: exchanging the lake, which generated no rents, for government-owned properties that did. Somehow the monks convinced government

officials that the land around the lake was worth far more than the 55 million euros an independent appraiser later assessed its value as, and then used that higher valuation to ask for one billion euros' worth of government property. Doukas declined to give them any of the roughly 250 billion euros' worth controlled by the Ministry of Finance. ("No fucking way I'm doing that," he says he told them.) The monks went to the source of the next most valuable land—farmlands and forests controlled by the Ministry of Agriculture. Doukas recalls, "I get a call from the Minister of Agriculture saying, 'We're trading them all this land, but it's not enough. Why don't you throw in some of your pieces of land, too?'" After Doukas declined, he received another call—this one from the prime minister's office. Still he said no. Next he receives this piece of paper saying he's giving the monks government land, and all he needs to do is sign it. "I said, 'Fuck you, I'm not signing it.'"

And he didn't—at least not in its original form. But the prime minister's office pressed him; the monks, it seemed to Doukas, had some kind of hold on the prime minister's chief of staff. That fellow, Giannis Angelou, had come to know the monks a few years before, just after he had been diagnosed with a life-threatening illness. The monks prayed for him; he didn't die, but instead made a miraculous recovery. He had, however, given them his confession.

By now Doukas thought of these monks less as simple con men than the savviest businessmen he had ever dealt with. "I told them they should be running the Ministry of Finance," he says. "They didn't disagree." In the end, under pressure from his boss, Doukas signed two pieces of paper. The first agreed not to challenge the monks' ownership of the lake; the second made possible the land exchange. It did not give the monks rights to any lands from the Finance Ministry, but, by agreeing to accept their lake into the Ministry of Finance's real-estate portfolio, Doukas enabled their deal with the minister of agriculture. In exchange for their lake the monks received 73 different government properties, including what had formerly been the gymnastics center for the 2004 Olympics—which, like much of what the Greek government built for the Olympic Games, was now empty and abandoned space. And that, Doukas assumed, was that. "You figure they are holy people," he says. "Maybe they want to use it to create an orphanage."

What they wanted to create, as it turned out, was a commercial-real-estate empire. They began by persuading the Greek government to do something it seldom did: to re-zone a lot of uncommercial property for commercial purposes. Above and beyond the lands they received in their swap—which the Greek Parliament subsequently estimated to be worth a billion euros—the monks, all by themselves, were getting 100 percent financing to buy commercial buildings in Athens, and to develop the properties they had acquired. The former Olympics gymnastics center was to become a fancy private hospital—with which the monks obviously enjoyed a certain synergy. Then, with the help of a Greek banker, the monks drew up plans for something to be called the Vatopaidi Real Estate Fund. Investors in the fund would, in

effect, buy the monks out of the properties given to them by the government. And the monks would use the money to restore their monastery to its former glory.

From an ancient deed to a worthless lake the two monks had spun what the Greek newspapers were claiming, depending on the newspaper, to be a fortune of anywhere from tens of millions to many billions of dollars. But the truth was that no one knew the full extent of the monks' financial holdings; indeed, one of the criticisms of the first parliamentary investigation was that it had failed to lay hands on everything the monks owned. On the theory that if you want to know what rich people are really worth you are far better off asking other rich people—as opposed to, say, journalists—I polled a random sample of several rich Greeks who had made their fortune in real estate or finance. They put the monk's real-estate and financial assets at less than \$2 billion but more than \$1 billion—up from zero since the new management took over. And the business had started with nothing to sell but forgiveness.

The monks didn't finish with church until one in the morning. Normally, Father Arsenios explained, they would be up and at it all over again at four. On Sunday they give themselves a break and start at six. Throw in another eight hours a day working the gardens, or washing dishes, or manufacturing crème de menthe, and you can see how one man's idea of heaven might be another's of hell. The bosses of the operation, Fathers Ephraim and Arsenios, escape this grueling regime roughly five days a month; otherwise this is the life they lead. "Most people in Greece have this image of the abbot as a hustler," another monk, named Father Matthew, from Wisconsin, says to me in a moment of what I take to be candor. "Everyone in Greece is convinced that the abbot and Father Arsenios have their secret bank accounts. It's completely mad if you think about it. What are they going to do with it? They don't take a week off and go to the Caribbean. The abbot lives in a cell. It's a nice cell. But he's still a monk. And he *hates* leaving the monastery."

The knowledge that I am meant to be back in the church at six in the morning makes it more, not less, difficult to sleep, and I'm out of bed by five. Perfect silence: it's so rare to hear nothing that it takes a moment to identify the absence. Cupolas, chimneys, towers, and Greek crosses punctuate the gray sky. Also a pair of idle giant cranes: the freezing of the monks' assets has halted restoration of the monastery. At 5:15 come the first rumblings from inside the church; it sounds as if someone is moving around the icon screens, the sweaty backstage preparations before the show. At 5:30 a monk grabs a rope and clangs a church bell. Silence again and then, moments later, from the monk's long dormitory, the *beep beep beep* of electric alarm clocks. Twenty minutes later monks, alone or in pairs, stumble out of their dorm rooms and roll down the cobblestones to their church. It's like watching a factory springing to life in a one-industry town. The only thing missing are the lunchpails.

Three hours later, in the car on the way back to Athens, my cell phone rings. It's Father Matthew. He wants to ask me a favor. *Oh no*, I think, *they've figured out what I'm up to and he's calling to place all sorts of restrictions on what I write*. They had, sort of, but he didn't. The minister of finance insisted on checking his quotes, but the monks just let me run with whatever I had, which is sort of amazing, given the scope of the lawsuits they face. "We have this adviser in the American stock market," says the monk. "His name is Robert Chapman. [I'd never heard of him. He turned out to be the writer of a newsletter about global finance.] Father Arsenios is wondering what you think of him. Whether he is worth listening to ..."

The Bonfire of Civilization

The day before I left Greece the Greek Parliament debated and voted on a bill to raise the retirement age, reduce government pensions, and otherwise reduce the spoils of public-sector life. ("I'm all for reducing the number of public-sector employees," an I.M.F. investigator had said to me. "But how do you do that if you don't know how many there are to start with?") Prime Minister Papandreou presented this bill, as he has presented everything since he discovered the hole in the books, not as his own idea but as a non-negotiable demand of the I.M.F. The general idea seems to be that while the Greek people will never listen to any internal call for sacrifice they might listen to calls from outside. That is, they no longer really even want to govern themselves.

Thousands upon thousands of government employees take to the streets to protest the bill. Here is Greece's version of the Tea Party: tax collectors on the take, public-school teachers who don't really teach, well-paid employees of bankrupt state railroads whose trains never run on time, state hospital workers bribed to buy overpriced supplies. Here they are, and here we are: a nation of people looking for anyone to blame but themselves. The Greek public-sector employees assemble themselves into units that resemble army platoons. In the middle of each unit are two or three rows of young men wielding truncheons disguised as flagpoles. Ski masks and gas masks dangle from their belts so that they can still fight after the inevitable tear gas. "The deputy prime minister has told us that they are looking to have at least one death," a prominent former Greek minister had told me. "They want some blood." Two months earlier, on May 5, during the first of these protest marches, the mob offered a glimpse of what it was capable of. Seeing people working at a branch of the Marfin Bank, young men hurled Molotov cocktails inside and tossed gasoline on top of the flames, barring the exit. Most of the Marfin Bank's employees escaped from the roof, but the fire killed three workers, including a young woman four months pregnant. As they died, Greeks in the streets screamed at them that it served them right, for having the audacity to work. The events took place in full view of the Greek police, and yet the police made no arrests.

As on other days, the protesters have effectively shut down the country. The air-traffic

controllers have also gone on strike and closed the airport. At the port of Piraeus, the mob prevents cruise-ship passengers from going ashore and shopping. At the height of the tourist season the tourist dollars this place so desperately needs are effectively blocked from getting into the country. Any private-sector employee who does not skip work in sympathy is in danger. All over Athens shops and restaurants close; so, for that matter, does the Acropolis.

The lead group assembles in the middle of a wide boulevard a few yards from the burned and gutted bank branch. That they burned a bank is, under the circumstances, incredible. If there were any justice in the world the Greek bankers would be in the streets marching to protest the morals of the ordinary Greek citizen. The Marfin Bank's marble stoop has been turned into a sad shrine: a stack of stuffed animals for the unborn child, a few pictures of monks, a sign with a quote from the ancient orator Isocrates: "Democracy destroys itself because it abuses its right to freedom and equality. Because it teaches its citizens to consider audacity as a right, lawlessness as a freedom, abrasive speech as equality, and anarchy as progress." At the other end of the street a phalanx of riot police stand, shields together, like Spartan warriors. Behind them is the Parliament building; inside, the debate presumably rages, though what is being said and done is a mystery, as the Greek journalists aren't working, either. The crowd begins to chant and march toward the vastly outnumbered police: the police stiffen. It's one of those moments when it feels as if anything might happen. Really, it's just a question of which way people jump.

That's how it feels in the financial markets too. The question everyone wants an answer to is: Will Greece default? There's a school of thought that says they have no choice: the very measures the government imposes to cut costs and raise revenues will cause what is left of the productive economy to flee the country. The taxes are lower in Bulgaria, the workers more pliable in Romania. But there's a second, more interesting question: Even if it is technically possible for these people to repay their debts, live within their means, and return to good standing inside the European Union, do they have the inner resources to do it? Or have they so lost their ability to feel connected to anything outside their small worlds that they would rather just shed themselves of the obligations? On the face of it, defaulting on their debts and walking away would seem a mad act: all Greek banks would instantly go bankrupt, the country would have no ability to pay for the many necessities it imports (oil, for instance), and the country would be punished for many years in the form of much higher interest rates, if and when it was allowed to borrow again. But the place does not behave as a collective; it lacks the monks' instincts. It behaves as a collection of atomized particles, each of which has grown accustomed to pursuing its own interest at the expense of the common good. There's no question that the government is resolved to at least try to re-create Greek civic life. The only question is: Can such a thing, once lost, ever be re-created?

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