

Reflections on Greece - 5 - you can't run a government ...

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I've been [reflecting on the situation in Greece](#) and have pointed out that much of what is happening is the inevitable consequence of neoliberal thinking.

So too is the fact that Greece suffers endemic tax evasion. It is thought that 30% of revenues are lost to evasion in Greece, with the rich being especially prone to non-payment.

There is a reason for this: neoliberal thinking reinforces the often held view that the payment of taxes is detrimental to a person's well-being. The evidence is obviously to the contrary in this case: Greece would clearly be in a better position, and its population would also very clearly be in a better position if these taxes have been collected and the country was able to pay its debts . You can't even argue that many of those who should have paid would have been materially worse off as a result of their paying this tax. As [Veblen would have argued](#), much of this money will have been used on conspicuous consumption. As a result these people would have only been comparatively worse off, and if all had seen their after-tax incomes used as the basis for their conspicuous consumption rather than their gross income then the outcome would have been similar for all social purposes: a hierarchy of conspicuous wealth would still have been apparent.

Neoliberalism does, however, ignore this point. It argues that any interference in a person's ability to choose the way in which they spend their gross, pre-tax, income diminishes their well-being because only they can know their preferred consumption preferences. This, however, is wrong. There is now a vast body of research showing that people are very poor at decision-making, particularly when it comes to their long-term well-being, and anyway, as I have frequently argued, a person's entitlement is not to their gross income, but to their net income after tax is paid. All property rights to income, assets and on the transfer of ownership are conditional. In other words, a person is only entitled to the net benefit of the transaction after taxes are paid and until the tax due has been settled this claim to ownership is always incomplete.

It is clear that the Greek government did not share my view. If it had, and had pursued with the necessary vigour the collection of the tax that was owing to it then its current predicament would not exist, the Greek people would not be facing crisis, Greek banks would be solvent, Greek business would have a future, and the Eurozone would not be facing a calamitous breakdown.

Neoliberalism view on taxation is quite simply wrong. It is very clear that people wish that democratically elected governments provide service on their behalf that they cannot provide themselves, and which in many cases they cannot anticipate requiring. Use of the word 'cannot' in that sentence is quite deliberate: many people cannot anticipate unemployment, ill-health, or even the fact that they will need considerable help in most cases in the period of terminal care prior to their deaths, for example.

'Cannot' may have another use in this context though. It may be that people cannot see the benefit of the tax they pay until it is too late. That might be what is happening in Greece. If that is true, however, there is a simple need, a need for confident politicians who believe in the role of the state, the importance of taxation, the power of democracy and the merit of public services that meet communal need paid for out of taxation which the state has an absolute right to collect. This is the basis the stable economies. This is the basis the stable societies. This is the basis on which sound businesses can be built. None of these things can be achieved in any other way.

Put simply, you can't run a government, a country, an economy or a society without a solid, progressive, effective and confident tax system that collects the money that is due.

That's the joy of tax - and it brings wondrous results in its wake.