

The real challenge facing Syriza is beating tax abuse

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The focus of much comment resulting from Syriza's win in the Greek general election will be the EU and debt. That's important of course. It's equally important to note though that Syriza is pro-Europe and has no desire to leave the Euro. All it wants to do is make membership viable. Its Euro partners would be wise to heed its demands as a result.

Having said which, the really big issue facing Syriza is much more deeply embedded and will take longer to solve. If those who voted for it were not anti-EU they were definitely anti-austerity and they understood that austerity in Greece is being promoted by the very same people who refuse to address the crisis facing Greece and many other countries. That is the crisis of corruption driven by tax abuse.

Give or take a bit (and all estimates of the illicit activity are always subject to margins of error) the Greek economy [loses about 27% of its tax revenues as a result of activity in its shadow economy](#). That was, when I last looked, about 80% of its annual deficit: given that the deficit has been cut it may be more now. It was over 100% of annual health spending.

No state can survive under these conditions: this is trying to operate a government with the active resistance of far too many of those being governed. If the Syriza vote was about anything it was about rejecting this corruption and this attitude to the state.

Can endemic abuse of this sort be eliminated from an economy? That's hard to say. What I do know from what I have seen of the Greek tax system is that three things will be needed.

The first is that the crippling bureaucracy that has very obviously been designed to prevent action by tax inspectors needs to be swept from its systems. I was in Greece a couple of years ago and was shown documentation that needed to be signed to get a fairly minor action under way. More than 20 signatures were needed: the chance that one or more of them could not be bought off was low. Radical reform to let tax inspectors take necessary action is required in Greece.

Second, there must be investment in the tax authority so that it has three things. The

first is adequate numbers of trained staff. The second is decent equipment and systems. The third is data. If the Germans want to impose conditions on Greece then it should link them to tax recovered and then give assistance on all three of these fronts. In particular, international cooperation to trace Greek money is needed. The country cannot recover what it needs without help, and it is a small state.

The third need is possibly the most important: Syriza needs to make clear that tax collection will allow tax cuts and so mobilise a majority people against tax cheats. In a society where tax cheating is undoubtedly commonplace that will be hard. And the need will undoubtedly be to start at the top, because that is where the big money will be. But unless Syriza keeps popular support with it on this issue it cannot beat tax abuse and the corruption that permits it to happen.

The challenge facing Greece is enormous. It will be risky: many of those asked for money will deeply resent it however much it is due. But unless this issue is tackled no other reform will take place because a fair and just tax system is the basis of a fair and just society and the foundation of a fair and balanced mixed economy, which is precisely what Greece needs.

I wish them well.