

Fiscal Balance and Public Debt: The Greek Crisis



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A Snapshot of Greece Today

(2015 est. unless otherwise noted)

- Population: 10.8 million; 20.5% \geq 65 yrs.
- GDP (PPP): \$281.6 b [about 2% of eurozone total]
- GDP Real Growth Rate: -2.3% [\downarrow 26% from 2007-2013]
- GDP/Capita (PPP): \$25,600 [\approx 2/3 of top eurozone economies]
- Unemployment Rate: 25.8%
- Population Below Poverty Line: 44% (2013 est.)
- Gini Coefficient: 0.35 (2013 est.)
- Budget Deficit: 3% of GDP
- Public Debt: 182% of GDP
- Tax Wedge: 39.3% of labor cost
- Private Capital Flows: -685.1 m (2014)
- Inflation Rate: -1.4%
- Life Expectancy at Birth: 80.4 years
- Literacy Rate: 97.7%

A Brief Chronology of the Crisis

- Growth rate averaged 4% from 2003-2007
- Global financial crisis triggered recession in 2009
- Credit rating downgraded in late 2009 due to deteriorating public finances, inaccurate/misleading data, stalled reforms
- Bailout program called for: reduced government spending; better tax enforcement; reform of civil service, health care, and pension systems; reform of labor and product markets
- Lowest credit rating possible in April 2010
- IMF/ECB/EC “troika” \$147b bailout in 5/2010 & \$169b in 10/2011
- First signs of recovery in 2014
- SYRIZA (Coalition of the Radical Left) elected in 2015
- Capital controls imposed in 6/2015 and then missed IMF payment
- “No” victory in referendum on bailout terms in 7/2015 but agreed to new IMF/ECB/EC \$96b bailout in 8/2015
- Alexis Tsipras government re-elected in 9/2015

Discussion Questions

- Who is to blame for the Greek crisis?
- Who are the winners and losers of the troika bailouts?
- Are the bailout terms an appropriate response to the crisis?
- What are policy alternatives to these bailout terms?
- What if Greece left the eurozone (“Grexit”)?
- Does the Greek crisis offer any policy lessons for Vietnam?