Papandreou’s PanHellenic Policy: The Greek Deficit Crisis

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Synopsis
In this decision case, students are asked to weigh the options before George Papandreou, newly elected president of Greece. Dealing with a faltering economy and a growing national deficit, Papandreou was confronted in April 2010 with news that the deficit had been severely underreported. The deficit that had been reported to be only 3.6 percent of Greece’s GDP was actually 13.6 percent. This put Greece in serious default of the European Union’s requirement that all member nations keep their deficits below 3 percent of GDP. Papandreou would have to decide whether to impose significant austerity measures on the Greek economy to reduce its deficit, or attempt to withdraw from the European Union.

Learning Outcomes
The outcomes of this case are:
1. List and understand the economic guidelines that the EU has for member states.
2. Assess the economic conditions in Greece when George Papandreou took office.
3. Describe how Greece’s economic position compared with other European countries and with the United States.
4. Contrast the economic consequences of pursuing fiscal austerity measures versus withdrawing from the European Union.

Application
This case will be especially applicable for Intermediate Macroeconomic classes, International Economics, and Strategy classes.

Key Words
Greece, European Union, Public Debt,

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