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# Journal for Global Business Education

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# A Country in Crisis: Will Greece Survive?

Lana Carnes

## Abstract

A well-educated Grecian guide discussed with a 2017 tour group her conviction that her native country will not survive the multiple crises that the country has endured since 2007. Will this ancient country known for its rich history and the scholars and philosophers walking and talking in the Acropolis and the Ancient Agora cease to exist? This article seeks to fill a void identified by Blaszczyński (2017) regarding the need for more in-depth international business articles regarding specific countries and the many aspects of their cultural identity and the way they conduct business. The country of Greece will be studied to help build an understanding of the current crisis affecting the economic, political, and societal wellbeing of this country. The austerity measures currently imposed on Greece and the influx of refugees entering Europe through this gateway country will be explored for their impact on the Grecian people. Activities for incorporating the article into international business classes are provided.

## Introduction

Without question, the world is becoming increasingly interdependent and accessible for traveling, studying abroad, and conducting business. Yet much of what students know about other countries is superficial and lacking in a deep understanding of issues and challenges these countries are confronting. Blaszczyński (2017) points to the fact that more in-depth articles regarding specific countries are needed to help students understand the international business environment in these countries. Kuh (2008) states that classrooms should include high-impact activities and active learning to increase rates of student retention and engagement. One such high-impact education practice is diversity/global learning to help students explore cultures, societies, and global views that different from their own. Included in these studies might be human rights, political, economic, and health issues. Through the lens of international business, “global cultural literacy opens connections among the full array of disciplines” (Colby, Ehrlich, Sullivan, & Dolle, 2011, p.133).

Monthly, if not daily, for the past seven years, international attention has been centered on Greece and the economic crisis occurring there, yet many Americans do not understand the impact of the crisis on Greece and the Grecian people (Catsambas, 2016). This article will provide information for international business students to analyze and understand the economic crisis in Greece in the following areas: background, political and institutional context, and societal issues. Activities for incorporating the information into international business classes are provided.

## Background of the Crisis

The global financial crisis of 2007-08 illustrated by the collapse of subprime mortgage markets, the collapse of several financial corporations, and the recession in the United States affected the Greece economy more than any other European country (Kondilis, Giannakopoulos, Gavana, Lerodiakonou, Waitzkin, & Benos, 2013; Nena, Steiropoulos, Papanas, Kougkas, Zarogoulidis, & Constantinidis, 2014). Greece joined the European Union (EU) in 2001, and continued borrowing heavily in international capital markets to fund government budgets and current account deficits resulting in a budget deficit of 15.6% of GDP and external debt reaching 115% of GDP (Rady, 2012). Both the budget deficit and external debt level far exceeded the debt permitted by the EU's Economic and Monetary Union (EMU) and resulted in a sovereign

debt rating from A- to BBB+. In April 2010, Standard and Poor's downgraded Greece's credit rating to junk status prompting then Prime Minister George Papandreou to appeal to the EU, the European Central Bank (ECB), and the International Monetary Fund (IMF) for help. These three international institutions appealed to for help were referred to as the Troika (Catsambas, 2016).

Lasting from May 2010 to December 2014, the first Troika did not cause the crisis, although some wanted to blame the group for the harsh realities that manifested themselves on the Greek people as a result of the financial crisis. Most analysts agree that the crisis was caused by large public deficits, irresponsible public spending, international debt, lack of exports, minimum competition basis, malfunctioning of the labor market, and the private capital markets pulling out of Greece, thereby, bringing Greece to the brink of default (Sklias & Maris, 2013). To save Greece from bankruptcy, in 2010 the IMF, in accord with the Troika, lent Greece 30 billion Euros, the largest loan ever made by the IMF. Subsequent loans from the IMF and Eurozone followed with a total of 283 billion Euros provided during the 2010-2014 period. Although Greece agreed to repay the debt, the country was unable to do so by the specified date. The IMF granted a grace period and a deferral of interest payments until 2022 to avoid Greece defaulting on the July 1, 2015 repayment due the IMF (Catsambas, 2016).

Although Greece's economy began showing signs of stabilization in 2014, six years of continuous GDP contraction resulted in a very different Greece than the country in 2008. A poorer country existed. Unemployment was 25%. Of those unemployed, 74% had been jobless for over one year, thus receiving no benefits (Stamouli, 2017). Highly educated citizens left Greece for work in other countries. Standards of living fell. Social services declined. Health problems were not treated. A large portion of the Greek population experienced downward social mobility in a rapid timeframe. Austerity measures were stipulated by the loan policies and agreements. The results of these austerity measures included salary cuts, pension cuts, hiring freezes, reduced social expenditures, privatizations, higher taxes, loss of public sector jobs, school closings, and new taxes imposed on luxury items (Tsatsanis, 2016). Should Greece default on the loans, ancient monuments and numerous publically owned historical sites could become the property of the lenders.

Currently, Greece has applied for an additional 86 billion Euro bailout loan from the European Stability Mechanism (ESM) as a drastic measure to remain in the Eurozone. The bailout talks are deadlocked, with no decision forthcoming as of September 2017. Meanwhile, in March 2017, Greece requested a 3 billion Euro loan from the World Bank to help reduce unemployment (Stamouli, 2017). The World Bank has not rendered a decision at the time of this article.

Given that a large number of Greek citizens experienced a period of rapid economy decline with a very fragile recovery process struggling to maintain the country's solvency, the political system of the country was affected as well and may be to blame for the magnitude of the crisis. The next section will discuss the political and institutional context of the economic crisis.

### **Political and Institutional Context**

Sklias and Maris (2013) argue that the root cause of the Greek crisis was the underdevelopment of Greece's political and institutional model and its failed model of governance. Greece went from a small Mediterranean country, famous for its rich ancient history rather than its present status and known for the beauty of its coastline and numerous islands, to a country associated with crisis. "The mere mention of its name would conjure up images and concepts associated with bankruptcy, economic mismanagement, profligate government, reckless borrowing, unproductive and over-rewarded civil servants and corrupt and populist politicians. In short, a

country in constant need of economic rescue and beset with riots and civil unrest, extremism, and political instability” (Tsatsanis & Teperoglou, 2016, p. 2).

The poor political performance in Greece can be traced to the last 30 years of inadequate and volatile political leadership (Sklias & Maris, 2013). In 1974, the military dictatorship that had been in power collapsed creating two main political parties: PASOK, the left-wing party, and ND, the right-wing party (Gemenis & Nezi, 2015). The two parties alternated in power from 1974-2014. Throughout this period, the Greece experienced a political institution characterized by: economic expansion based on manipulation of the country’s resources without providing a stable tax basis to fund the growth, a large and expansive political system geared toward patronage politics, and ethnocentric nationalism demonstrating the belief that Greece was superior to other nations and was not motivated to modernize and work with other nations (Sklias & Maris, 2013). Thus, a series of political factors can be viewed as key factors of the current crisis in Greece: “the development of statism, the failed Europeanization, the high level of corruption, the impact of syndicates and interest groups on the formation of economic policies, the skewed model of governance, populism, and the unstable political and parliamentary regime” (Sklias & Maris, 2013).

Since 2008, protests, demonstrations, and riots have occurred with unprecedented levels of participation. Some estimates indicate that one-third of the adult population of Greece participated in the demonstrations (Tsatsanis, 2016). In 2012 as rising opposition mounted to the bailout austerity measures imposed by the political leaders, a volatile and polarizing election led to the growth of two parties: SYRIZA and Golden Dawn, a party known for its extremist and violent anti-immigrant and anti-democratic ideological profile. In 2015, SYRIZA won 27% of the national vote and succeeded in controlling the Parliament vote and electing Prime Minister Alexis Tsipras (Tsatsanis, 2016). Golden Dawn emerged as the third largest political party in Greece despite almost all of the party leaders jailed for conspiracy to form a criminal organization (Teperoglou, Tsatsanis, & Nicolacopoulos, 2015). What does this political volatility mean for Greek’s society at large?

### **Societal Issues**

The impact of the last several years on the Greek society is readily apparent. The financial crisis and the resulting austerity policies and large unemployment rates have been linked to the downgrading of the general health of the population (Kentikelenis, Karanikolos, Papanicolas, Basu, McKee, & Stuckler, 2011); a substantial increase in suicide rates (Economou, Madianos, Theleritis, Peppou, & Stefanis, 2011); a significant decrease in birth rates with a corresponding increase in contraceptive use and abortions (Farfaras, Pateras, Panariti, Pierrakos, Sarris, Soulis, & Skolarikos, 2016); a steep increase in the homicide mortality rate (Michas, Varytimiadi, & Micha 2013); and a society with high stress, depression, and anxiety levels and a lack of hope among young people (Faresjo, Theodorsson, Chatziarzenis, Sapouna, Claesson, Koppner, & Faresjo, 2013). Job insecurity resulted in a loss of sleep and an increase in nightmares, a feeling of suffocation, and use of anti-acid medications (Nena, Steiropoulos, Papanas, Kougkas, Zarogoulidis, Constantinidis (2014). An increase in substance abuse, infectious diseases including tuberculosis and HIV, and mental health related issues have been reported (Kondilis, Giannakopoulos, Gavana, Ierodiakonou, Waitzkin, & Benos (2013).

While health needs were increasing in the stressed society, the austerity measures imposed cut government spending for health care. In addition, since health care is often determined by employment, those people without jobs as well as their families, estimated to exceed two million people, were left without health coverage (Karanikolos & Kentikelenis, 2016). Measures put in place that limited access to health care included: reductions in the salaries of health professionals working in the public sector, introduction of copayments of services at public hospitals, closures of public hospitals and clinics, decrease in social insurance health benefits,

and restriction of services to patients with private insurance, thus restricting public patients' access to hospital services (Kondilis, et al., 2013). These cuts coupled with job and wage loss caused many people to forgo the medical attention they needed which led to dangers to the public health of Greece.

Other societal concerns are also evident in Greece including: poverty, social inequality visible in the rising number of homeless people and daily soup kitchens, political unrest, and loss of small retailers and artisans (Dalakoglou, 2013).

Clearly, one of the greatest societal concerns is the large number of refugees entering Greece. Between 1991 and 2001, over 600,000 migrants moved to Greece primarily from Albania (Dalakoglou, 2013). The wars in Afghanistan, Iran, and Syria have produced an historic global refugee crisis accounting for 6 million refugees by the end of 2014 (Lamb, 2016). With the refugees added from African countries, the global number of refugees totaled 14 million, half of whom were under the age of 18 (Lamb, 2016). Refugees entering Europe chose Greece as their preferred entry point. A staggering 860,000 refugees and migrants entered Greece by sea in 2015, almost 8 percent of the country's entire population (Giannakopoulos & Anagnostopoulos, 2016). Meeting the basic and immediate needs is an ongoing challenge as well as solving more complex challenges regarding cultural and national identity issues and refugee management (Lamb, 2016). The confusion and lack of resources resulting from the flood of refugees is a problem only compounded by the ongoing economic crisis. These problems have given rise to the Golden Dawn because of its anti-immigrant platform. Many of the Golden Dawn supporters are "...ordinary Greeks who fear that waves of impoverished foreigners are draining the state's dwindling resources and taking their jobs in a country where nearly a quarter of the population is unemployed" (Griswold, 2012, p. 23).

Recognizing the extreme hardship the refugees place on small countries already in dire conditions, the European Union put a resettlement agreement in place; however, few EU countries are living up to their commitments to relocate the refugees who arrived in Greece and Italy (Pop & Hinshaw, 2017).

### **Activities for International Business Classes**

The following activities and discussion questions are provided for students in international business classes.

#### **Activities**

After reading the case, student teams will discuss the following prompt and provide answers to the questions posed:

1. A tour guide in Greece recently told her tour group that she did not think Greece would exist in another decade. What do you think she meant? Do you agree or disagree with her assertion? What elements of the case support your agreement or disagreement?
2. Assign topics for students to research outside of class to supplement the case discussion. In teams of four, students will share their articles with their teammates to further their knowledge of and interest in the topic. Suggested topics might include: Golden Dawn, refugees entering Greece, ancient Greece, geography of Greece, top industries in Greece, tourism in Greece, manufacturing in Greece, and population trends.
3. Structure a debate on the topic: Should Greece allow refugees to enter and remain in the country as permanent residences?
4. Invite someone who has lived or visited Greece to discuss the country's current economic, political, and social climate.

5. Encourage students to become engaged citizens of the world and develop a deep interest in a specific country through their involvement in reading current events articles, attending special programs where cultural literacy issues are discussed, and promoting study abroad opportunities.

### Discussion Questions

1. Why do you think the political parties shifted in power during the recent crisis in Greece?
2. Do you believe austerity measures should have been put into place as dictated by the lending institutions? Support your answer with three or more points.
3. Why do you think Golden Dawn has gained in political power over the last five years?
4. If you were one of the political leaders in Greece today, what steps would you take to help Greece survive?
5. What do you think is the major problem currently confronting Greece? Why?
6. What opportunities does Greece have to strengthen its international trade?
7. What industries do you think provide the best opportunities for Greece to advance?
8. What steps would you suggest to improve the quality of life for citizens of Greece?
9. Describe 5 negative consequences of a high unemployment rate.
10. Tourism is the second largest industry in Greece. How do you think a large number of refugees might affect the tourism industry?

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#### **About the Author**

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**Format:** The style manual used for the *Journal for Global Business Education* is the *Publication Manual of the American Psychological Association, 6<sup>th</sup> Edition*. Papers should be no longer than 15 pages (3,000 words), including references, tables, and figures. All manuscripts should include an abstract of 250 words or less. A copy of the manuscript should be sent to Tamra Davis via e-mail for consideration for publication.

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- Single-spaced with one blank line between paragraphs and before/after headings
- No other formatting should be used
- Word 2003 or higher software ONLY
- Font should be a standard serif or sans-serif font, 12-point.
- All graphics should be encased in a box
- Margins should be 1-inch
- No header or footer should be included
- No page numbers
- A title page that includes the manuscript title and author(s) name, name and address of institution, email address, and telephone number for primary author must be included
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