

[EconSouth Third Quarter 2013](#)

“Sovereign Debt: Two Perspectives,” by Galina Alexeenko, director of the Regional Economic Information Network at the Atlanta Fed, and Andrew Flowers, a senior economic research analyst in the Atlanta Fed’s research department

Discussion questions

1. What is the “debate” over debt levels that the article references? Does recent evidence support a link between debt levels and economic growth?
2. What are three examples of “austerity” measures that countries can undertake to reduce debt levels? Why are these measures not seen more often in countries such as the United States, Japan, and Great Britain?
3. What is meant by the term “fiscal multiplier”? Do policymakers agree about what the multiplier is?
4. What austerity measures did the United States undertake in 2013? How did this affect gross domestic product growth?
5. Which five European countries are known as “peripheral Europe”? What interventions were necessary to shore up their economies during the debt crisis?
6. The five European countries in the article undertook austerity measures to reduce their debt levels. What trade-offs did these countries make to increase fiscal austerity?
7. Which countries saw the largest increases in unemployment as a result of the fiscal tightening programs? How do their unemployment rates compare to the present rate in the United States?
8. Have the programs that the five countries undertook been successful? Why have fiscal targets been moderated recently?

Related links

[“Demystifying Sovereign Debt in Greece: Why It Matters to Us,”](#) Andrew Flowers, *EconSouth*, Second Quarter 2010

This article chronicles the origins of the Greek debt crisis, its spread across Europe, interventions taken to abate the crisis, and implications for the rest of the world.

[The European Debt Crisis: Lessons for the U.S.,](#) President James Bullard, Federal Reserve Bank of St. Louis

The St. Louis Fed president highlights important lessons for the United States from the European debt crisis.

[European Union website](#)

[Sovereign Debt: A Modern Greek Tragedy, Part I,](#) Dialogue with the Fed, Federal Reserve Bank of St. Louis, May 8, 2012

View this video in which St. Louis Fed economists discuss key ideas about the debt crisis and participate in question-and-answer session.

[Why a New York Cheese Buyer Hangs on the Euro's Fate](#), David Kestenbaum, NPR's Planet Money, November 21, 2011, with [discussion questions](#)

Listen to this podcast (with transcript), which explains why the debt crisis matters for all of us by examining its effects on a small New York cheese buyer. Discussion questions help students understand the interrelated nature of the world economy and how crises abroad may affect our own consumption habits at home.