

On the Transmission of the Greek Crisis to the EMU: Testing for Financial and Structural Channels (2001-2012)

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Abstract: Since the 1990s the growth of GDP in Greece has been very high. However, as a result of international and local factors, the Greece faced a severe economic recession and since then a number of austerity measures have been implemented by the so-called “troika” (ECB/EU/IMF). However, no adequate attention has been paid, so far, to the transmission of the economic crisis from Greece to the other EMU countries and *vice-versa*. In fact, only limited analysis of the transmission of economic fluctuations between countries has been conducted. In this work, we employ various econometric and quantitative techniques in order to examine the transmission of fluctuations between Greece and the other twelve (12) initial members states of the Eurozone, in the 2001–2012 period using quarterly data. The results highlight the structural (debt) dimension of the crisis in combination with the financial channels. No doubt, future and more extended research on the subject is necessary focusing on the transmission channels.

Keywords: business cycles, crisis, debt, financial channels, Eurozone, Greece.

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