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THE DEBT PROBLEM OF PIIGS COUNTRIES AND RECOVERY MECHANISMS BUILT AT THE MONETARY UNIT LEVEL

Cagdas Bektas ⁽¹⁾ Ozgur Sarac ⁽²⁾

⁽¹⁾ Master of Public Finance Program, Dokuz Eylul University, Izmir, Turkey.

⁽²⁾ Faculty of Economics Administrative Sciences, Department of Public Finance, Dokuz Eylul University, Izmir, Turkey.

Abstract

Purpose - Using the data of the last 20 years of PIIGS countries' budget deficit and debt burdens in the period before the Covid 19 epidemic, this study presents a chronological set of information about the measures taken at the monetary union level in the face of debt problems and aims to contribute to the discussions about the future of the EU from the perspective of public finance.

Methodology - In the study, the financial support mechanisms of the EU were discussed and the financial performances of PIIGS countries were examined based on budget deficit and debt burden data indexed to GDP from the pre-monetary union period to today, between 1998-2018.

Findings- Budget deficits of PIIGS countries have been reduced to reference values, but debt burdens have increased even more than the pre-crisis period. The support provided by the Union to these countries did not solve problems, and postponed them. Both the monetary union and PIIGS countries need comprehensive reforms.

Conclusion- The financial problems of PIIGS countries became more severe after the 2008 global crisis and turned into a European Debt Crisis in 2011. Various measures were taken at the European Union (EU) level in the face of the 2011 Debt Crisis. The expected gains from these measures, called "rescue packages" in the public, have not been achieved. The serious financing problem and public finance problems that have not been solved for a long time have become more clearly threatening the future of the EU.

Author Keywords

PIIGS countries, Budget deficits, Debt crisis in 2011, Fiscal consolidation, Debt criteria

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