

CURRENT ACCOUNT BALANCE, PRIVATE DEBT AND EURO AREA SOVEREIGN DEBT CRISIS: A COMPARISON OF NORTH AND SOUTH

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Abstract

The objective of this paper is to determine the difference, if any, between North and South in Euro Area, by testing the influence of current account and private sector debt on the general government debt. We used panel data analysis for the period 2000 - 2011 and the results showed that current account and private sector debt influence the dynamics of public debt both in Northern and Southern countries, but the dependence is higher in the latest. Monte Carlo simulations are then used in order to predict the variation of public debt for both Northern and Southern country groups.

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