

Abstract

The recent financial and economic crisis led to a deepening of fiscal problems in many countries all over the world. European countries were also hit hard by the economic downturn. The critical situation in Greece and its negative impact on the economic situation in the whole Euro zone has brought up many questions about the rigidity and functionality of the euro concept. A majority of economists and politicians support the idea of saving the Euro zone since the break up would be quite costly. There are many ideas regarding a solution to the current situation, and one of the most radical is the introduction of a parallel currency in the states which are trapped in the debt crisis. The aim of the thesis is to take a critical look at the historical development of different approaches to this theme with a focus on theories based on the devaluation as the solution. The parallel currency theory is compared to Euro zone break-up scenario and hard restructuring option and the positives and negatives of each approach are analysed. Finally the simulation on the Greek case is performed to prove or disprove the positive effects of parallel currency establishment.

JEL Classification

E31, E42, E52, E63, F15, F36

Keywords

Parallel currency, financial crisis, the euro,
the European Union, the Euro zone