

## **Abstract**

The financial crisis of 2007-08 has had momentous consequences for most developed countries and triggered recession on the global financial markets. Consequently, economies with pre-existing deficiencies were hit in particular. In the European Union, especially two groups of member states with specific imbalances could be discerned. This thesis is intended to discuss the impacts on economies with external imbalances, where the crisis was not rooted in public finance profligacy. The main protagonists, Ireland and Spain, experienced resembling economic boom prior to the crisis, later accompanied by accumulation of foreign debt and real estate bubbles. Nonetheless, despite the strong similarities in their economic development their paths diverged after the bust, and Ireland has been given as an example for successful austerity. This thesis presents key determinative factors which differentiated Spain from Ireland in the reviving processes to discuss the hypothesis that the Irish recovery was generated solely by the implemented countermeasures and that it can therefore be considered a model for future crisis management. The objective of this thesis is to address this assertion and to evaluate its correctness using a detailed overview of structural specificities of the economies, as well as of the undertaken steps.