A SFC-IO Analysis of Greece's Economy in the Wake of Internal Devaluation

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This study introduces an empirical and theoretical framework that integrates Stock-Flow Consistent (SFC) modeling with Input-Output (IO) analysis, specifically tailored to investigate the economic adjustments in Greece following the initiation of internal devaluation measures in 2009. This period marks a significant shift in Greece's economic policy, aimed at enhancing competitiveness and restoring fiscal stability. While traditional SFC models have been instrumental in analyzing demand-driven aspects of the economy, emphasizing macro-financial dynamics, they have largely overlooked the complexities associated with the supply side. Our framework addresses this gap by incorporating IO analysis, thereby enriching our understanding of the economy's structural and productive dimensions.

This approach allows for an in-depth examination of the principal challenges that have emerged in the Greek economy, such as increased indebtedness, widespread unemployment, and structural vulnerabilities. It further explores the impact of austerity measures, including wage reductions, pension cuts, and the downsizing of the public sector, on the macroeconomic and financial spheres. Through detailed sectoral analysis, the study facilitates an exploration of the interactions among various sectors and economic agents.

Merging SFC and IO methodologies, this paper presents an analytical tool for stakeholders, including policymakers, economists, and scholars, enabling the development of more nuanced and effective economic policies. It provides a holistic and dynamic overview of the Greek economy's evolution in response to austerity and internal devaluation, leveraging data from the Organisation for Economic Co-operation and Development (OECD) and the Hellenic Statistical Authority (ElStat). So, this study underscores the critical link between policy measures and economic outcomes, offering key insights for informed policymaking.