ABSTRACT

Over the last decade, Greece's growth performance was based on unsustainable drivers, such as; consumption and residential investment booms were accompanied by high real wage increase and rapid credit growth, and low real interest rates associated with euro adoption and financial market liberalisation fed the boom. The 2008-2009 global crisis exposed the vulnerabilities, including; unsustainable fiscal policies, rigid labour and product markets, loss of competitiveness and rising external debt, and while not the origin, the banking sector was affected by the economic and confidence crisis. Risk premiums for Greek government bonds have risen drastically as a result of the crisis, and the country has had to pay higher and higher charges on its borrowing. Accruing debt is becoming increasingly expensive for other countries in the euro zone as well, among them Portugal and Spain. There is speculation that Greece and other southern euro zone countries could default on their sovereign debt and observers are not ruling out the possibility of national bankruptcies.

The purpose of this research is to describe about the Greece crisis and how the European Union policy in solving this crisis in order to prevent the bad effect from this crisis

This research used descriptive qualitative method. Data were colleted by study library. Therefore, this research used secondary data by using books, mass media, and also websites which is relevant with this research.

The result for this research that Greece goverment couldn't solve their financial crisis by themselves and to help Greece in solving their problem, a loan agreement was reached between Greece, Eurozone countries, and IMF. The Eurozone countries and IMF agreed to give a rescue package for a total amount