

# ICABE -2023

## Financial fragility hypothesis and social security systems: what have we learned from the paradigmatic Greek case?

Dionysios Kyriakopoulos<sup>1</sup>, John Yfantopoulos<sup>2</sup> and Theodoros V. Stamatopoulos<sup>3</sup>

### Abstract

We develop and investigate the research question “Is the financial fragility hypothesis (FFH) compatible with the long run or steady state Greek social security payments, for the sample period 1995-2022?” The FFH combine the effects of both the Minsky’s financial instability hypothesis (1986), as it has been extended by Arestis and Glickman (2002) for the open economies, and De Grauwe's (2011) Eurozone fragility hypothesis. We propose the extension of these theories with the term of the *hyper*-speculative finance of the Greek units in order to express the *endogenous* interaction’s effects of the super-speculative financing and the fragility which arises because the Eurozone member-countries issue debt in the euro-currency over which they have no control. From the empirical findings, first, the stylized facts for 40 relative variables show that the research question should be affirmatively replied; second, the error-correction forms of the ARDL ( $p, q_1, \dots, q_k$ ) estimated models also confirms the statistical significance of factors representing the relevant theoretical stages of the super-speculative, hyper-speculative and Ponzi financing, along with the snowball effect or domestic fiscal and external monetary policy of Greece as a member of the incomplete European Economic and Monetary Union (EMU). The paper contributes theoretically and empirically the relevant literature of the “financialization”. It is considered that further research has to be done in giving more scientific support in favor to regulate the financialized "market-dominated economies" so as to restore the welfare state and a more human livelihood.

**Keywords:** Financialization; Minsky’s Financial Instability Hypothesis; Eurozone’s Fragility Hypothesis; Financial Fragility Hypothesis; Social Security System; Greece.

**JEL codes:** F36; F44; F62; G28; H12; H55; H63; I38.

---

<sup>1</sup> National and Kapodistrian University of Athens, School of Economics and Political Sciences, Department of Political Science and Public Administration, 106 78 Athens, Greece; [dionysis.kyriakopoulos@gmail.com](mailto:dionysis.kyriakopoulos@gmail.com)

<sup>2</sup> MBA University of Athens, National and Kapodistrian University of Athens, School of Economics and Political Sciences, 106 78 Athens, Greece; [yfantopoulos@gmail.com](mailto:yfantopoulos@gmail.com)

<sup>3</sup> Corresponding author: [stamth@uniwa.gr](mailto:stamth@uniwa.gr) ; Tel.: +30-210-5381-789. University of West Attica, School of Administrative, Economics and Social Sciences, Department of Accounting and Finance, Ancient Olive Grove, 250 Thivon & P. Ralli Str., Aegaleo, Hellas (Greece), 122 41 Athens, Greece. ORCID iD <https://orcid.org/0000-0002-9710-0870> .