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How can the troika's policy process engaged in with bailout requesting states, and subsequently produced conditionality programmes be explained?

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Abstract

This piece of research concerns the EU's institutional and policy output in the wake of the debt crisis. In the aftermath of the eurozone debt crisis starting in 2010, a myriad of new European institutional forms were constructed, the most unique of which is the so-called troika: a joint formation of the IMF, the European Commission, and the European Central Bank. This institutional grouping was responsible for coordinating the bailouts and accompanying policy conditionalities placed on the European countries in debt. How can the policy output emergent from the negotiations between nation states and this novel institutional formation be explained?

This question was approached through a comparative case study of Ireland and Greece, the two countries exemplifying the biggest successes and failures of the troika's bailout process, respectively. The most significant element constituting each case are qualitative interviews conducted with senior-level participants in the bailout process from each country, including chief negotiators, ministerial advisors, and technical staff. The interviewees were all directly involved with the troika and the negotiations, and provided invaluable insight into the interactions between the troika and the national level within the policy process.

Utilising a combination of state-centric theories of European integration, and state-centric explanations for IMF-EU cooperation as a theoretical lens, the results of this comparative case study highlight the manner in which the IMF was used by states within the context of intergovernmental bargaining. The troika was not a novel supranational actor but a novel incarnation of existing intergovernmental dynamics, wherein the IMF was utilised at the bargaining table within and across the levels of the policy making process. This piece of work hopes to contribute original evidence for an expansion of existing state-centric theories to encompass interactions between states and international organisations and shed light on the dynamics guiding the troika, and in doing so explain the institutional dynamics underlying the current Ordoliberalisation of Europe.

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To Kevin, Noemi, Adrian, Ewa, Papa, James, Magi, Joey, Madeleine, and all of my interviewees.

Author's Declaration

I declare that the work in this dissertation was carried out in accordance with the requirements of the University's *Regulations and Code of Practice for Research Degree Programmes* and that it has not been submitted for any other academic award. Except where indicated by specific reference in the text, the work is the candidate's own work. Work done in collaboration with, or with the assistance of, others, is indicated as such. Any views expressed in the dissertation are those of the author.

SIGNED: .... DATE:..........................

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List of Abbreviations

DG	Directorates-General
DGCOMP	Directorate General for Competition
EC	European Commission
ECB	European Central Bank
ECOFIN	Economic and Financial Affairs Council
ECSC	European Steel and Coal Community
EFSF	European Financial Stability Facility
EFSM	European Financial Stability Mechanism
EMS	European Monetary System
EMU	European Monetary Union
ELA	Emergency Liquidity Assistance
EP	European Parliament
ESM	European Stability Mechanism
EU	European Union
EWG	Eurogroup Working Group
GDP	Gross Domestic Product
GLF	Greek Loan Facility
GNP	Gross National Product
IBRD	International Bank for Reconstruction and Development
IEO	Independent Evaluation Office
IFAC	Irish Fiscal Advisory Council
IFSC	International Financial Service Centre
IFI	International Financial Institution

IMF	International Monetary Fund
L2WP	Level Two Winning Position
L2WS	Level Two Winning State
MEP	Member of European Parliament
MoU	Memorandum of Understanding
NAMA	National Asset Management Agency
NRP	National Recovery Programme
OECD	Organisation for Economic Cooperation and Development
rQMV	Reverse Qualified Majority Voting
SPV	Special Purpose Vehicle

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I: INTRODUCTION

The idea that influenced the start of this investigation in late 2015 and early 2016, concerned that of austerity. Austerity was a live topic of political debate in the UK, with Jeremy Corbyn leading Labour as an explicitly anti-austerity candidate. Austerity had also been implemented to great backlash and condemnation in Greece as part of the Eurozone Debt Crisis, and the question was, where did it come from, if it was both economically disproven, and unpopular?

Through the course of my studies, this question then grew more specific, and concerned austerity, specifically as a dominant policy response to the Eurozone debt crisis through the configuration of ostensibly supranational institutions of the troika in the European Union (EU). The troika is a joint formation of the International Monetary Fund (IMF), the European Commission (EC), and the European Central Bank (ECB), and was formed in order to coordinate and negotiate the bailout conditionality programmes Eurozone countries in debt would be required to enter into to receive funds.

The answer to the question of austerity, and what lay behind its dominance as a policy in Europe from an ideological and ideational perspective, can be found within the European public policy literature that focuses on macroeconomic governance, institutional change, and resistance. The European Union, it is argued, is in the process of a neoliberalisation—or Ordoliberalisation.

Ordoliberalism refers specifically to a style of neoliberalism originating in Germany in the early twentieth century, after which it was 'uploaded' to the European level during the creation of the European Monetary Union (EMU). The adoption of Ordoliberal principles was one of the conditions for Germany's joining the EMU, and they were subsequently adopted by leading figures within European institutions, as well as internalised by elites in other member states. (Papadopoulous and Roumpakis, 2018: 507; Ryner, 2015: 284).

Ordoliberalism purports that it is not the free market itself that is the desired end-goal, but the erection of the regulatory structure that would allow markets to function as if they were free within it, that is desired. The state's role is to create the necessary rules and norms in order to create an environment in which the market can function. These are the so-called *Rahmenbedingungen* (Papadopoulous and Roumpakis, 2018: 507; Ryner, 2015: 284; Worth, 2018: 130).

Similar to neoliberalism, the main policy tenets of Ordoliberalism are the strengthening of private property rights, fiscal discipline, wage compression, rolling back social and labour rights, and rolling back public pensions. Crucially, however, Ordoliberalism includes a legal enshrining of certain principles of economic governance, effectively removing monetary and fiscal policy levers from the political realm. Examples of this include the principle of the independent central bank: the ECB, empowered to determine monetary policy without political input; and the European Stability and Growth Pact of 1999 placing legal limits on the fiscal deficits and debts national governments can accrue (Gill, 2017: 638-639).

The removal of economic governance from the political realm can be seen as profoundly anti-democratic in that technocratic bodies are empowered, while democratic bodies are disempowered, removing the desired policy agenda—austerity—from democratic control. This 'iron cage of Ordoliberalism', imposed by unelected bodies like the ECB and significantly backed by Germany, allowed austerity to become a dominant policy agenda despite popular backlash. Through the enshrinement of Ordoliberalism into law, it is locked in '*as the sole possible pattern of governance of economic and social development—and to correspondingly lock out the possibility for socialist or other potential alternatives*' (Gill, 2017: 638). Effectively, only capital can access the levers of of economic governance, while labour, as well as all other dissenting forces are kept out of the conversation, and are in a relatively fragmented position, outside of the political mainstream (Giannone, 2015; Gill, 2017: 638-640; Papadopoulos and Roumpakis, 2018: 506-508; Varoufakis, 2017; Woodruff, 2016; Worth, 2018: 131, 139).

These same Ordoliberal patterns are applicable in the analysis of the bailout proceedings during the Eurozone crisis. The unelected troika was created, and empowered to demand 'market enhancing' policies and austerity measures as conditionalities for monetary assistance to member states. The crisis was also used as an accelerant; as an opportunity to further the Ordoliberalisation of the European periphery through 'shock doctrine' tactics. 'The crisis serves as an occasion to move forward the boundaries of the possible' (Ryner, 2015: 283), moving European states like Greece along on the journey from debt state to consolidation state (Streeck, 2013: 161).

The questions that guided this study emerged from this analysis of the Ordoliberal ideological landscape of EU economic governance, and its developmental path, yet focused on the detail and the specific mechanics of the *how* of institutional change, policymaking and the relationship between EU institutions and its member states. That is, between the newly-created, unelected, troika and bailout-seeking countries, as well as the functioning of the European policy process, and the way in which new institutions are created:

How was austerity delivered through this unelected institutional formation? Did the troika arrive in countries requesting bailout funds with a list of demands fully formed? In what ways did the troika interact with the domestic political system during the bailout negotiations? What were the troika's main objectives and policy priorities? How can the negotiation process between the troika and national governments be conceptualised? Who were the troika, beyond their institutional identities, and to whom were they answerable? Were they a new supranational formation?

From this set of questions, the focus of this investigation was derived; how can the policy responses to the Eurozone Debt Crisis in Ireland and Greece that emerged from the bailout negotiation process between nation states and the troika be explained? How can the dynamics and processes surrounding the creation of the conditionality programmes that emerged from the negotiations between the troika—a newly formed EU institutional formation that included an external presence in the IMF—be explained?

To address this question on the mechanics and processes of institutional change, the theoretical literature on European integration is utilised. This literature is concerned with the direction that EU institutional change has taken and will take in future in terms of integration and disintegration, and provides a range of interpretations as to what the driving forces behind this institutional change are. As a new EU institutional formation, the troika is a development of a kind in EU institutional change, and therefore fits into the remit of this literature. Within the ranks of the theories of integration, the state-centric perspectives brought forward by Milward (1992) and Moravcsik (1993) provide convincing explanations for institutional change in the EU, tackling specifically the political dynamics that govern institutional change in the EU.

This state-centric theoretical approach argues that integration is dependent on the interests of states themselves. The degree to which Europe integrates, or disintegrates, that is, the direction of institutional change, is determined by the economic and political interests expressed within the most powerful states within the EU. Moravcsik's liberal intergovernmental two-level game is located within this tradition, putting forward a theory of preference formation and bargaining at the national and intergovernmental levels, and further explaining the process within and between states that produces EU institutional output. This theory traces the forces behind the creation of EU institutions, and further, the policy that these theoretical institutions create to the winning EU state's position in the intergovernmental bargaining phase.

Added to this, is another element that theories of integration do not take into account: the possible presence of an external actor within an EU institutional formation, in this case, the IMF. Further state-centric scholarly approaches to the state-institution relationship do fill in this gap, providing elaboration on the specific interaction and relationship between the EU and the IMF within the troika. Theorists argued that institutions provide states with a set of benefits that allow them to achieve their goals and interests. Among these benefits are an ability to absorb and diffuse political costs by being a laundering agent for policy, specific knowledge and expertise, and projecting an air of depoliticisation and neutrality. The IMF specifically, as an outsider to the EU, is theorised to be a particularly powerful incarnation of the above, and was thus asked to join the troika group on these merits. One other theory by Henning (2017) suggests that the IMF also served powerful states in that its addition into the EU institutional mix created opportunities for dispute between the members, and therefore corresponding opportunities for resolution by powerful states.

What is missing from these theories, when it comes to applying it to an analysis of the formation of the troika, is a more detailed theorisation and examination of the possible policy process that institutions that are created, can engage in. This is particularly salient in this case, as one of the most significant purposes of the troika was to engage in negotiations with national governments. This implies an intermingling between various levels of policymaking, the dynamics that govern which are also left undescribed, and to be expanded upon.

This gap in the literature coincides with the interest of this study: what was the policy process that the troika engaged in with national governments? How were the policy outcomes from this process determined? Is an explanation of the troika and its policy process and output accessible from within the guiding structure of the state-centric two-level game structure, or does this policy process the troika engaged in represent a wholly new supranational level of policymaking that exists beyond the existing structure?

Answering these questions is approached through a comparative case study of Ireland and Greece. These two countries have experienced vastly different kinds of debt crises within the EU, and approached the bailout negotiations with the troika in vastly different ways. While Greece represented a more oppositional relationship between the national government and the troika, Ireland appeared to display a greater alignment between the negotiating parties. The comparative analysis of these specific cases and their contexts, coming at the negotiation process from very different positions and possessing opposite approaches to negotiations with the troika, may then help uncover the nature of the dynamics within the troika policy process.

The most significant elements constituting each case are qualitative interviews conducted with senior-level participants in the programme negotiation process from each country, including chief negotiators, ministerial advisors, and principal and technical staff. The interviewees were all directly involved with the troika and the negotiations, and provided invaluable insight into the various axes of interaction identified by the two-level theoretical approach: the interactions between the bailout recipient government and the troika, the programme's policy output, and the troika's relationship with the EU intergovernmental level.

The analysis of both cases from a state-centric theoretical position highlights through their differences and similarities, the manner in which the troika was created as a proxy entity to shield powerful EU states from blame in their pursuit of their national interest. The IMF was used within this context as a more powerful shield. The policy process the troika was engaged in with nation states was not one of supranational relation, but can be encompassed by an expansion of the existing framework of intergovernmental bargaining, and is still governed by the winning position at the EU level.

The troika, as an institutional formation produced by the EU intergovernmental level of bargaining, is governed by its principal throughout the negotiation process with nation states. The IMF was utilised within the troika bargaining space, as well as at the EU and the national level and by states and institutions alike. The IMF provided the necessary political cover to make undesirable policy outcomes possible, obscure the interests of powerful states, depoliticise events, protect EU institutions from responsibility, and maintain the reputation of the EU project as a whole with domestic audiences. The interactions between nation states and the troika are governed by the same forces that govern the two-level game: the power relations that determine the winner at the intergovernmental level. The troika is merely a proxy for the winners of this intergovernmental level, and thus the negotiation space that is created is also a product of the winning condition at the EU intergovernmental level.

I argue that Moravcsik's theory of the state-centric two-level game be expanded to encompass an understanding of both an external institution in the IMF being included, as well as the policy process between institutions created at the intergovernmental level and national governments.

Ultimately, my work speaks to the literature on Ordoliberalism, providing an expanded theory for the mechanism through which Ordoliberalism (as an ideological expression of dominant states' interests) emerges and reproduces itself through institutions and a dominant policy agenda.

II: LITERATURE REVIEW

2.1 Introduction

In the aftermath of the Eurozone debt crisis starting in 2010, a unique institutional formation was created: the so-called troika. It was a joint formation of the IMF, the European Commission, and the European Central Bank. This institutional grouping was responsible for coordinating the bailouts and accompanying policy conditionalities carried out within EU countries in debt. How can these policy programmes that emerged as a result of negotiations between national governments and the troika during the debt crisis be explained? How can this policy process be conceptualised?

To begin answering this question, the existing literature regarding the EU policy process is consulted. The theories of integration make up an important part of this literature and prove useful in understanding the EU's policy output post-debt crisis. Broadly, the theories of integration can be placed within three main paradigms; the supranational, the multi-level and state-centric, which constitute the focus of this investigation. Following a discussion of these traditions, each is analysed with regard to their ability to aid in explaining the policy process behind the bailout conditionalities, emerging from the troika.

A crucial element, however, is missing from these above theories. Though they examine the institutional development of the EU, they do not explain the shape of the institutional formation that was produced, or the dynamics of policymaking it subsequently engaged in. The troika, responsible for negotiating loan repayments and oversight of reform agendas, included two EU institutions, ECB and the European Commission, as well as the IMF. Its roots trace back to before the Eurozone debt crisis, to 2008, when Hungary, Romania, and Latvia requested financial assistance from the IMF, which, as members of the EU, had to go through Commission approval (Kincaid, 2016). As two-thirds of the membership of the troika is taken up by European Union institutions, Theories of European Integration can go a ways in explaining the policy process it was engaged in, yet one-third of the troika, is taken up by the IMF, an international financial institution, the function and interests of which aren't captured within these theoretical perspectives.

Explaining the policy outcomes negotiated by the troika and national governments, therefore, also requires an investigation into international financial institutions like the IMF, as it was a part of the troika alongside the EU institutions. A discussion of the history of International Financial Institutions (IFIs), and the changes that have taken place in their mission and scope since their inception as part of the Bretton Woods institutions after WWII (Taylor, 2004; Vines and Gilbert, 2004) provide the context for a presentation of the arguments in the literature as to the drivers of their policy agendas, their purpose in world politics, and their relationships with national governments. These theories usefully mirror the supranational and state-centric approaches to the policy process, and shed light on the dynamics influencing the IMF in terms of their policy agenda. They do not, however, yield an explanation for the policy responses emerging from the negotiation process between the troika and national governments. What is missing is an exploration of the interactions between the institutions involved (the EU institutions and the IMF), and their roles within the troika policy process (Boas and McNeill, 2004; Stiles, 1991).

The connective tissue between the IMF and the EU, and an approach to the issue of the policy process between these institutions within the troika is provided by the literature on EU-IMF relations. Accounts have theorised that the nature of, and reasons for, the IMF's involvement with the EU during the debt crisis, within the context of the troika, was as a tool the EU used to lend credibility to its own actions and deflect blame. Others have argued that the IMF's involvement was a necessity due to their experience and knowledge in the realm of bailout programmes, or as a de facto EU institution due to states' mistrust of the Commission as a principal. These perspectives are theoretically concordant with state-centric theories of integration, providing explanations for the IMF-EU cooperation within the troika, and its relationship with nation states, yet also highlighting potential areas of necessary theoretical expansion (Henning, 2017; Hick, 2018; Hodson, 2015).

This gap; the lack of theoretical explanation for the novel IMF-EU troika, created by the EU, and interacting with national governments. The core question driving this investigation is therefore: how can the policy process and the policy output resulting from the negotiations between the troika and national governments during the Eurozone debt crisis be explained? This question implies an inquiry into the national experience of the mission process in order to investigate the nature of the policy negotiations and therefore the policy process, laying bare whether the troika's interactions with the national level represent a supranational governance structure and dynamic, or whether they can be explained through modifications to the existing state-centric perspectives.

2.2 EU Institutions and the Policy Process

In order to provide the necessary context for a discussion of the novel EU institutional forms created in the aftermath of the Eurozone debt crisis, the EU's existing institutional makeup must be investigated. The EU is currently made up of a heterogeneous mixture of institutions that produce decisions in both supranational and intergovernmental ways. This reflects the incremental and contested journey it went on, starting from its inception as the European Coal and Steel Community in 1951-2 and ending in its current state as an economic, regulatory and monetary union with wide reaching competencies. An understanding of these institutions, as well as the intricacies of their interplay within the EU policy process provides the groundwork for further discussion of the ways in which the existing theoretical literature understands and seeks to explain the process of EU institutional change, that is, the process of integration (McGiffen, 2005: 14).

The European Union's institutional landscape, as it is currently constituted, is made up of the Council of Ministers (formally the Council of the European Union), the European Parliament (EP), the European Commission, and the European Council. The European Council is charged with setting the political direction of the European Union, and is made up of heads of national government. The Council of Ministers on the other hand represents each country's national interest, and works as a collection of fora for ministers from each issue area. These two pillars can be argued to represent the intergovernmental strands within the institutional framework of the EU, facilitating consensus between national governments. On the other hand, the European Parliament is a directly elected body that represents the will of the European citizens, while the Commission represents the interests of the EU as a whole. These two bodies can be argued to be the supranational strand of institutions within the EU, as they have authority separate from, and over, member states. These institutions jointly produce EU policy, and take up different roles within the EU policymaking process (Daly, 2017; European Commission, 2021a; McGiffen, 2005: 14)

2.2.1 The European Council

The European Council is composed of heads of state or government, ministers of foreign affairs, as well as the President of the Commission, and meets quarterly to make decisions about the short, as well as long term political direction of the EU. The European Council additionally convenes in informal meetings to discuss and sound out the state of the debate on various issues in a more intimate setting. It is also tasked with handling topics that the existing EU treaties do not further define, or if the existence of a definition or interpretation is unclear. Despite the fact that the European Council does not not have the formal power to pass any EU laws, its decisions have wide reaching ramifications that can lead to changes in EU treaties, new Community measures, directives or regulations. In these cases, the process is not formally initiated by the European Council, but by the Commission on their behalf (European Commission, 2021a; McGiffen, 2005: 14; Salmon, 2002: 23).

The Council has two main formal policy-making powers. The first is to reject or amend proposals that come from the Commission. This idea is related to its second main power: the Council is empowered to define the long-term goals of the EU. To this end, the idea of ‘delegation’ is key: the Council is effectively empowered to ‘delegate’ its power to the Commission. In other words, the latter pursues the long-term goals defined by the former (Chari and Kritzinger, 2006: 21).

2.2.2 The Commission

The European Commission is charged with representing the interests of the EU as a whole, rather than the interests of any one member state or group of member states. It consists of a group of 27 Commissioners, one hailing from each member state government, each Commissioner heading a Directorate-General (DG), the EU's equivalent of a ministry. The Commission is the so-called 'guardian of the treaties', making sure the treaties are respected and correctly implemented, and ensuring that existing EU law is followed. It is the executive to the Council, responsible for applying EU rules in the areas of competition, mergers and the disbursement of funds like the Structural Fund. The Commission is also involved in crisis management and the supervision of the implementation of existing laws, with the ability to sanction, apply punitive measures and prosecute before the European Court of Justice (ECJ), member states that fail to implement laws. It also represents the EU externally in economic matters, and deals with foreign relations, negotiating international agreements to subsequently be approved by the Council (Chari and Kritzinger, 2006: 21; McGiffen, 2005: 21-22; Salmon 2002: 20)

The Commission has the 'Power of Initiative' within the EU policy process. It is the EU's sole initiator of legislation, and proposes all new measures. This may be done at the request of the Council, and must then be approved, and can be amended by the Council, and potentially the Parliament, yet the Commission exerts influence over policy through their ability to initiate proposals. The Council and the Commission have been argued to constitute a 'dual-executive' at the supranational level. The Commission's power lies in its ability to develop regulation in areas like international trade and the budget, and has the power to ensure implementation, while the Council has the power to amend and reject the Commission's policy initiatives, and defines the EU's long-term trajectory (Chari and Kritzinger, 2006: 21-25).

2.2.3 The Council of Ministers

The Council of Ministers is an abstract term that encompasses several councils that consist of each member state's minister in each corresponding policy area. Two of the most significant of these are the General Affairs Council of foreign ministers, and ECOFIN, the council of finance ministers. These councils take decisions in their respective policy areas, and as they consist of member states' government ministers, they represent the interests of each of the member states. In addition to the ministers, the Council of Ministers system also includes the European Council (the heads of state or government), a non-voting representative of the Commission, and the Committee of Permanent Representatives (Coreper) working groups, which are the EU civil servants who cooperate on a permanent basis to bring about agreement between member states (Chari and Kritzinger, 2006: 20; McGiffen 2005: 16).

After the Commission has proposed a law, The Council of Ministers is tasked with the negotiation and adoption of the law, in conjunction with the European Parliament. 'It coordinates member state's policies, develops the EU's foreign and security policy based on guidelines from the European Council, concludes agreements between the EU and other countries or international organisations, and adopts the annual EU budget - jointly with the European Parliament' (European Commission, 2021).

2.2.4 The European Parliament

The European Parliament consists of 732 Members of the European Parliament (MEPs), elected by citizens in each member state. The EP's role within the EU policy process is as the junior partner to the Council of Ministers. Depending on the area of policy, the EP must either be consulted for non-binding opinion on legislation, does not have to be consulted at all, or in some cases its assent is required (Salmon 2002: 26). For instance, it must assent to any additional new member states entering the EU, major international agreements between the EU and third countries (not including forgein policy), the election method used in EP elections, the role of the ECB, the EU budget, and legislation within the realms of public health, consumer protection, culture, education and the internal market. Additionally, the EP appoints all new commissioners after member states have nominated potential candidates.

2.2.5 European Court of Justice

The ECJ is made up of one representative from each member state, appointed by 'common accord of the governments of the Member States' for six-year terms. The appointed Justices choose a President from amongst their ranks, and they serve an initial three-year term and may be re-elected. The ECJ ensures the uniform application of European Union law in the member states, strengthening the Commission's role in monitoring and policing the application of directives and regulations, as well as the treaties themselves (Chari and Kritzinger, 2006: 27-30; McGiffen, 2005: 29).

2.2.6 European Central Bank

The ECB's main decision-making body is its Governing Council, consisting of six members of the Executive Board, as well as the nineteen governors of the euro area's national central banks. The president of the ECB sits at the head of the Executive Board, the Governing Council, as well as the General Council of the ECB, and is appointed by a qualified majority vote in the European Council. The bank is structured like a corporation, in that it has shareholders and stock capital, the latter of which is owned by the 27 EU member states' central banks. The European Central Bank's main objective is to maintain price stability within the Eurozone. It is in charge of the Eurozone's monetary policy, conducts foreign exchange operations, safeguards the Eurozone's foreign reserves, and operates the financial market infrastructure for Europe. Additionally, it has the exclusive right to authorise the issuance of Euro banknotes (European Central Bank, 2020).

2.2.7 The Community Method

In a process called 'the Community Method', the European Parliament, the Council of Ministers and the Commission cooperate to produce EU legislation. The Commission initiates the process by proposing new legislation, and the Council of Ministers either accepts, rejects or amends the proposal, after hearing the European Parliament's input. The Council of Ministers and the European Parliament jointly oversee the process of transposition of EU level agreements to the national level. If a legal dispute concerning the interpretation and transposition ensues, the ECJ adjudicates, aiming to maintain balance between the institutions. Implementation is then also the responsibility of the Commission and the member states, with the Commission additionally monitoring implementation, checking that laws are applied correctly (Daly, 2017: 96; Salmon, 2002: 17).

The EU's institutional structure and each institution's role within the EU policy process elucidates the tensions at work within the EU; where the Commission and Parliament constitute the elements of supranational governance present, the Council of Ministers and the European Council constitute those of intergovernmentalism. From this snapshot of the EU's existing institutional and policymaking configuration, the dynamics of institutional change within the EU can be approached. The theoretical literature on EU integration seeks to address the development of the EU institutions; the direction of change, and the forces determining it. Understanding the explanations for and dynamics behind institutional change and creation will help address the creation of the troika, and therefore help explain the policy output from its negotiations with national governments.

2.3 Theories of Integration

Having laid out the EU's institutional foundation, it can now be situated within the wider theoretical literature concerning EU integration and policymaking, which can help explain the creation of the troika. The dominant theoretical approaches to EU integration can broadly be divided into two main traditions: supranational governance and intergovernmentalism. While supranational governance theory contends that the Commission is (or should be) the dominant policy actor, initiating the policy process in its own interests, intergovernmentalism argues that it is the nation state (or the institutional expression thereof on the European level in the Council of Ministers), that is dominant (Chari and Kritzinger, 2006: 37). Understanding the ways in which the intergovernmental or state-centric, and supranational tendencies within the EU have been theorised can elucidate the processes that created the troika, the space it occupies within this framework, and how its policy output may be understood. The theories of integration help explain the nature of power within the EU, and whether it is exercised from below, that is, originating from the member states, or whether there is a movement toward increasing top-down authority by supranational EU institutions.

Theorising about the nature, direction, process, and outcome of European integration started in the post WWII world, when the beginnings of the now EU, then the European Coal and Steel Community (ECSC), were formed in 1952. The members of this early union were France, West Germany, Italy, Belgium, the Netherlands and Luxembourg (McCormick, 2008: 45), and this group were undergoing what was perceived as a radical experiment together. At a 1950 press conference, the French foreign minister Robert Schuman announced to reporters that there would be a European union of coal and steel industries, which would be organised under a joint authority. This would mark the beginning of a process that, through experimentation, crisis and opportunity, would develop into the modern EU (McCormick, 2008: 46). Within this context, the academic world was trying to come to terms with the nation state, and what was to become of it. Toxic nationalism was seen to have led to incredible destruction on the continent in the form of world wars, and there was a serious question about whether the nation state was fit to deliver a stable socio-economic order to the people of Europe going forward. Contemplating the merits and future of the nation state, produced a wide variety of theoretical approaches, which, between them, try to dictate, predict, and explain what was happening in Europe, and what might and should lie in its future (O'Neill, 1996: 21).

2.3.1 Supranationalism

Supranational theories contend that the nation state is obsolete in the modern world, and is to be transcended. The most extreme strand of this suprnanationalist strand of thinking, is federalism. This theoretical strand lies close to the boundary between theory and politics, as it has no explanatory power, and lies closer to a prescription or an ideology. The international balance of power that, through shifting allegiances and self-correcting tendencies, would not allow the over-accumulation of power by one state, was seen to have failed after WWII, with Germany consolidating its power from the latter half of the 19th century. To replace this obsolete paradigm, and specifically to contain the threat of German power and Franco-German conflict, the idea of Europe began to take shape. Federalists argued that the way in which the nation state *should* be transcended is through the establishment of two levels of government: the federal level, and the state level. These two levels would work in harmony to deliver the most decentralised, yet efficient form of government that would be explicitly pluralist, and would not allow the accumulation of power by any one state. The outcome would be an explicitly defined supranational state that would dampen down the belligerent tendencies of its constituent states, provide economies of scale, and provide greater strength on the international stage (Rosamond, 2000: 20-27). In essence, what federalist theory aims to do is to 'define formal outcomes and recommend suitable institutional frameworks' rather than 'uncovering the processes or sociological dynamics that lie behind political change' (O'Neill,1996: 23).

Using a federalist approach to try to understand EU institutional change post-Debt crisis provides quite difficult, therefore. Due to its nature as a political and activist, rather than analytical tradition, it is hard to seek to explain events with it. It can, however, provide some insight that other theories go on to develop in detail, when the situation is approached from a federalist ideological perspective. The core argument that federalists make is that a supranational government is needed in order to alleviate the destructive power struggle between nation states, and specifically between Germany and France on the European continent. Arguably, despite the development of some supranational institutions within the EU, the EU itself does not represent what federalists believe solves issues of power and accumulation. Judged simply by the type of policymaking mechanism used, the policy leadership from the EU after the Eurozone Debt Crisis was based on intergovernmental agreements, rather than supranational leadership, which reflects a growing recent tradition within the EU away from supranational policymaking, and towards policy by the intergovernmental Councils. The precedent was set post-Maastricht, according to Verdun (2007, 2015) when the EU expanded substantially, yet no supranational changes occurred, which has set the tone and been embedded in the direction of institutional travel (2015: 221). This development, from a federalist's perspective, would very much leave the door open for a power struggle between nations, as a true supranational government may be able to rule more pluralistically (Rosamond, 2000: 29). The insight given by this tradition, into the creation of the troika, can therefore be thought of as hinting at one of powerful-state dominance, and imbalances of power during decision making, leading to policies implemented based on powerful state interests (Bickerton et al, 2014; McNamara, 2010).

Concurrently, the troika, as an institutional development, could also be argued to represent a divergence from overt intergovernmentalism, not in terms of the decision making mechanisms behind its inception, but in its ensuing remit and power, and its interactions with national governments. It is made up of two 'supranational' EU institutions: the ECB and the EC, as well as an institution apart from the EU altogether in the IMF. Its interactions with national governments within the context of the bailout negotiations and the policy responses emerging from them, could be seen as an exercising of supranational authority, therefore. Within the context of the normative federalist argument, this is a positive development, as it represents a departure from the tyranny of the dominant European states within the bailout process, the troika being a supranational, and therefore capable of exercising power in a more impartial or egalitarian manner.

The other major theory within the supranational paradigm is rather less extreme in its outlook. Where federalism was concerned with what *should* happen, neofunctionalism is primarily concerned with *how* it *will* happen. Neofunctionalism has its roots in the earlier theory of functionalism, which, like federalism, was born during the 1940s' search for the end of human conflict. Functionalism's most important author, David Mitrany, contrary to federalist theory, was not interested in normative ideology. His ideas were not 'about the "ideal" *form* of international society, but about what its essential *functions* should be' (Rosamond, 2000: 32). In this quest, functionalist thinking is centred around what kind of society and organisation is needed for human welfare, expressing doubt as to whether the state is capable of fulfilling it. In a technocratic sense, functionalism is about maximising human welfare through the design of new ways of governance, and ignoring old rigid institutions that are seen as inefficient and ineffective at delivering these (Mitrany, 1933: 103). Instead, a network of international functional agencies *should* be erected, which would gradually absorb the functions and authorities of the traditional state (O'Neill, 1996: 32).

Neofunctionalism, contrary to its earlier incarnation, is less preoccupied with prescription, leaving all concern for *formal* results of integration at the door, and instead focusing on testable hypotheses about the *processes* of integration. Rather than, like functionalism, advocating for the design of new institutions to best maximise welfare in a rational sense, these theorists devised a strategy of incremental change that was based on human interaction, rather than rational design. Rather than being an evil, the nation-state is thought to be obsolete and unable to meet the challenges of the modern world. Instead, some form of supranational body must inevitably grow to replace it. The strategy being advocated for starts with the integration of key economic sectors (like coal and steel for example), and the creation of a supranational authority to oversee the process. The creation of this body will exact functional pressure on related sectors to integrate as well, creating momentum and a spillover into related areas. Another avenue through which this pressure is exerted is through supranational actors themselves, who will urge the process along through their socialisation on the supranational level. As integration picks up steam, it will no longer only be guided by the supranational body, but by society itself, as the location of authority naturally shifts from the nation state to the higher body. Economic integration will then beget political integration, which will lead to long term peace in Europe (Rosamond, 2000: 52; O'Neill, 1996: 37).

Neofunctionalism can help explain the creation of the troika in a marginal way. From a neofunctionalist perspective, Vilpisauskas (2013) argues that integration is an incremental process that is powered by interest group demands for more economic integration. More integration is then supplied by supranational institutions, and a gradual transfer of competences follows from member states to the EU, after which the cycle continues when interest groups demand yet more integration. When applied to the EU's institutional evolution post-debt crisis, the structure of the monetary union could be considered an area of incompleteness that was in need of a functional spillover into close policy areas. These functionally close areas would be a fiscal and banking union, and a transfer mechanism to deal with asymmetric shocks to, and anti-cyclical tendencies in the Eurozone. Not only did the EU lack the coordinating capacity or mechanism to deal with a monetary crisis, it did not have a budget that would allow it to respond quickly. Additionally, the EU relied heavily on the Council of Europe and the European Council to facilitate its actions. The EMU itself was lacking in its capacity, because while monetary policy was controlled supranationally by the ECB, fiscal policy remained in the hands of the member states, and the EU lacked a stabilising mechanism between the two. The crisis then, it could be argued, acted as the impetus to complete the institutional asymmetry in the EMU's foundation (Dannreuther, 2014; Palmer, 2011; Wec, 2013; Nowotny, 2014), as the ECB, dealing with monetary policy, needed a stronger complimentary fiscal structure (Verdun, 2015: 222-224).

Other neofunctionalist scholars (Cooper, 2011) argue that the various Special Purpose Vehicles (SPVs) created to provide the bailout funds like first the Greek Loan Facility, which became the European Financial Stability Facility (EFSF) and then the European Financial Stability Mechanism (EFSM) and the European Stability Mechanism (ESM) (Gocaj and Meunier, 2013; Verdun, 2015: 224), were the start of a functional institutional spread into linked areas; rather than staying as they are, the institutions would evolve to become a transfer mechanism, mirroring the central regulation of finance and the harmonisation of corporate tax. This functional spillover however, has so-far been limited to strengthening existing institutions, rather than leading to the created new supranational political institutions (Vilpisauskas 2013: 368). The neofunctionalist theory of incrementalism can nonetheless be identified in the EU's mode of operations throughout the crisis. Muddling through in small steps, the EU held 20 summits in 2012 alone on economic governance, through which incremental progress was accomplished (Ibid: 365). Despite this ability to explain some gradualism in the policy process, the theory lacks the ability to analyse or explain anything beyond this.

2.3.2 Intergovernmentalism

The intergovernmentalist tradition contends that the main driver of institutional change and the emergent policy at the European level is the nation state through the EU's intergovernmental councils. This state-centric mode of analysis is not one of *prediction, ideology, process,* or *prescription,* but one of *explanation*, and houses many different scholars and theories within it. Rather than seeing supranational development post-WWII as a normative or inevitable process working to transcend the nation-state, it sees it as a stage along the development of the European nation-state itself. Alan Milward (1994) theorised that the development of the EU was an attempt to save the post-war European state from devastation, as '"integration" merely represented the adaptive response of Europe's medium-sized and modestly resourced states, as they faced daunting global pressures beyond their immediate control' (O'Neill, 1996: 55). These states needed to cooperate in order to survive, and thus their joining was a signal of the survival of the state, not its death, and ergo, the death of the nation-state would automatically mean the end to the European project (Milward, 1994: 3).

Beyond this, Milward's theory is rooted in the specific historical context of post-war Europe. The devastated post-war economies banded together to survive and express their national economic interest, yet layered on top of this was another distinctly political dimension between France and Germany, the group's biggest players. The French post-war ambition expressed through the EC was to restore itself as a dominant political power within Europe (Milward, 1994: 17). Germany on the other hand used European integration to re-establish itself outside of its previous legacy. In addition to both ambitions was the question of German containment and its future in Europe, which integration promised to solve, by binding its fortunes to the rest of Europe (Milward, 1994: 17, 44, 330).

The beginnings of the European Monetary Union (EMU) itself at the Treaty of Maastricht in 1992 can similarly be traced back to national interests, according to state-centricism. Though France was the senior partner and leader of Europe at first post war, both politically and economically, Germany had grown to become its equal on the eve of German reunification. With the fall of the Berlin wall and German reunification, however, this balance of power was to radically shift in Germany's favour. A unified Germany's population dwarfed each of the other member states and situated it as the centre of the Union, politically and economically dominant (Pryce, 1994: 13). While the process of reunification in Germany was supported by the French on the condition that they respect the Oder-Niesse frontier with Poland, a rapid strengthening of the union was nevertheless sought out by France. France, sensing the rising German power, wanted to confine monetary policy to collective control, rather than leaving it to the German Bundesbank, where it had been for the duration of the previous European Monetary System (EMS), as D-Mark was the anchor of the system (Pryce, 1994: 36; Paterson, 2008: 102; Eichengreen, 1996: 160). France pushed for swift progress on the EMU, and limited the duration of the stages of convergence towards a full monetary union. Germany on the other hand ‘insisted on the need for a set of stringent conditions to be fulfilled in order to avoid later difficulties’ (Pryce, 1994: 45), in response to the fear of inflation due to the loss of Bundesbank control that a European Central Bank would imply (Pryce, 1994: 43-45). Milward’s theory of the expression of the national interest through integration (or lack of integration) can therefore retrospectively explain the events since the founding of the ECSC, as decisions to reinforce the nation-state.

2.3.2.1 Moravcsik’s two-level game

Andrew Moravcsik's liberal-intergovernmentalist framework is also located within the state-centric paradigm, and draws on theoretical building blocks from International Political Economy. Like Milward, Moravcsik argues that supranational institutions do not hinder, but rather help governments achieve their ends, but goes further to reach within the ‘black box’ of the nation state to investigate the nature of its interests. Moravcsik's conception of the process of EU institutional change is of a two-level game, whereby the first level represents the level of national preference formation or configuration of the national interest, while the second represents the process of intergovernmental bargaining. These two levels operate sequentially, starting with the formation of national preferences through societal factors and pressure from domestic actors. After this, these preferences enter interstate negotiations, which are affected by underlying political factors, the intensity of national preferences, alternative coalitions and available issue linkages. From here, institutional outcomes emerge. Moravcsik calls the two sides the domestic and intergovernmental, or the demand and supply side of integration (Moravcsik, 1993: 474-500; Rosamond, 2000: 136).

Contrary to neofunctionalists who are solely concerned with the evolving form of institutions, Moravcsik is also interested in the substantive policy outcomes that are derived from these institutions, and their distribution outcomes. Integration itself is defined as policy coordination along four axes: the geographic scope, the range of issues, the institutions, and 'the direction and magnitude of substantive domestic policy adjustment' (Moravcsik, 1993: 479). Where neofunctionalists define integration on the basis of institutional characteristics, and the scope and nature of joint decision making, Moravcsik adds the domestic element into the debate. A crucial part of integration, or policy coordination, it is argued, is the extent to which it imposes on domestic policy. This element is not spread uniformly across member states, so it is additionally a marker for the distributional impact that integration has (Ibid, 1993: 479).

Moravcsik's theoretical model is supported by three main axioms; the assumption that states are rational actors, a liberal theory of national preference formation, and an intergovernmental analysis of interstate negotiation. State rationality is a crucial and foundational assumption as it implies that states are willing and able to practice cost-benefit analyses when it comes to decisions about economic interdependence, and provides the basis for both subsequent elements. The nation-state's cost-benefit analysis of economic interdependence is then the main determinant of its preference formation, in the liberal tradition that links economic interdependence and national preferences. The relative intensity of these preferences, as well as the available alternatives and issue linkages, then go on to determine the distributional resolution of intergovernmental bargaining (Moravcsik, 1993: 480-481).

It is important to note that this national preference formation process is in a constant state of flux, constituted and reconstituted constantly through the relationship between society and the state. Political institutions collect the shifting pressures issued by domestic social groups, and as these groups fight for and gain political influence, coalitions on the national and transnational level form, and new policy alternatives are recognized by governments, preferences shift (Moravcsik, 1993: 481).

- *Level 1: Formation of Domestic Interests*

The domestic level of politics, the first level of Moravcsik's two-level game, is dominated by the interaction between the state and society. The dynamic that determines the state's preferences and priorities for policy coordination, the output from this first level, is between politicians at the head of government, who determine state priorities and policy, and civil society providing the constraining context around them. Determining the direction that the pressure exerted on governments is the specific identity of the most influential societal groups and their interests, and the degree to which they have influence domestically. Generally, it is the groups that are expected to win or lose substantially, per capita, that are the most influential within this process. Within this system, society and the state interact as principal and agent respectively, meaning the most influential groups within society make up the government's principal. The element that binds governments to the interests of these dominant groupings is through their own interest in remaining in office. It is vital for governments to retain the coalitions of voters that support their bid for power, and thus are bound to represent their interests. Moravcsik importantly does not argue that this is a pluralistic process between interest groups, but is simply noting that governments rely on governing coalitions for their power, whatever that coalition may look like (Moravcsik, 1993: 483-484).

The main genres of interest groups' approaches to economic interdependence are those of an interest in increased federalism, those of concerns for national security, and those of economic interests. Federalist interests focus on a desire to reach an idealistic vision of a cosmopolitan European society, and European identity, while the opposite, the anti-federalist interest is motivated by an idealistic return to national identity, against Europeanism. National security interests are most concerned with promoting economic interdependence due to the perceived role that common institutions play in reinforcing peace on the European continent. Interests in economic interdependence, specifically, on the other hand, are concerned with the flow of goods and services within the EU themselves, and coordinating policy to support this effort (Moravcsik, 1993: 485).

Increasing economic interdependence, and increasing flow of goods and services within the EU additionally creates international policy externalities, generating additional incentive for policy coordination. These externalities are the result of governments' domestic policy creating costs and benefits for politically significant social groups internationally. This creates an interwoven policy situation, in which domestic policy goals may be interfered with by the policies of foreign counterparts, and without coordination, negative externalities can be experienced. National governments therefore have an incentive to cooperate in areas where policy coordination serves to increase (rather than diminish) their control over domestic policy outcomes. 'Where the policies of two or more governments create negative policy externalities for one another, and unilateral adjustment strategies are ineffective, inadequate or expensive, economic interdependence creates an incentive to coordinate policy' (Moravcsik, 1993: 485).

The disincentives against international cooperation and negotiation that governments experience are also a product of domestic interest groups' lobbying. Domestic actors calculate the expected gains and losses from policies being discussed, and exert pressure in the way that best suits them. When these interest groups expect to lose through cooperation, they will seek to obstruct international cooperation, despite potential societal gains. To predict whether cooperation is incentivised, or disincentivised in any particular instance, a detailed knowledge of the domestic political landscape is required, as the identity of the most important social groups and issue areas are deterministic, and can change from state to state (Moravcsik, 1993: 487).

In addition to a simple prediction of winners and losers, social groups are also sensitive to the risk involved in any policy change. The magnitude, certainty and risk of the domestic distributional outcome of integration will affect not only the goals or respective governments, but also the leeway with which they are operating within the negotiation process. When significant risk is attached to a particular political issue, social groups have a strong incentive to mobilise politically, exerting pressure and thus constraining the government strictly. This inhibits the government's negotiation efforts, their ability to make concessions or adjust their negotiating position. On the other hand, when the costs and benefits associated are diffused, ambiguous or insignificant, and the level of risk associated with the costs and benefits are low, governments are less likely to be as constrained. In these latter situations, they would be able to employ a wider range of strategies and negotiating positions. In addition to this, depending on the policy area, the degree to which interest groups' preferences are defined can vary. This affects the strength and unity of pressure they are willing and able to exert, leaving governments with greater freedom to negotiate in the case that preferences are ill defined, and less freedom when they are well defined (Moravcsik, 1993: 485-488).

- *Level 2: Intergovernmental Bargaining*

After national preferences have been formed, the second level of Moravcsik's game follows in sequence; that of intergovernmental bargaining. It is assumed that this level is participated by states voluntarily, under the influence of no coercion, and that democratic governments have a preference against risk, attempting to avoid the costs of conflict. Additionally, it is assumed that the EU intergovernmental bargaining environment is information rich, and the costs of bargaining are low (Moravcsik, 1993: 507).

At its base, states' position going into the second level of bargaining is determined by the degree to which the additional institutional structure that is being bargained for, will increase their power and control on the domestic level. Institutional structures can serve this purpose in two different ways: first by increasing the efficiency of inter-state bargaining by reducing the transaction costs associated. Through the reduction of the cost of cooperating on a bilateral basis, states can come to policy agreements with other states under a new institutional framework, leading to greater control over possible previous foreign policy externalities that previously were outside their control. Second, institutional frameworks can aid in strengthening states' domestic agenda-setting power. The shared policies on the European institutional level lend credibility and legitimacy to national politicians, strengthening them in relation to domestic social groups and granting them greater ability to set the agenda on the national level (Moravcsik, 1993: 507).

Greater institutional integration is particularly desirable in situations in which member states have shared goals, but the realisation of said goals are associated with a great deal of risk that is difficult to, or cannot be, accounted for by states themselves. A common decision making mechanism, or a neutral agent is established or empowered to complete these tasks in the states' stead. A neutral agent can be granted the ability to 'propose, mediate, implement, interpret and enforce agreements' (Moravcsik, 1993: 509). Delegating decision making to a neutral agent is particularly attractive as an option when there are great potential gains from cooperation, rendering the status quo less attractive. It is also affected by the level of uncertainty regarding the decisions to be taken. When the details and outcome of future delegated decisions are imprecise, future potential opposition is diffused. This is because the potential winners and losers are more weakly defined. Additionally, the level of political risk governments or interest groups with great interest in the area being decided upon would be exposed to. Delegation is incentivised only when it will not hurt dominant domestic interest groups (Moravcsik, 1993: 510-511).

According to Moravcsik, in order to be trusted by governments with delegated decision making powers, able to carry out the two above detailed tasks, the institutional agent created must be neutral, possess some legitimacy, and have the technical knowledge necessary. Other scholars within the institutional tradition have similarly theorised on this topic, defining the usefulness of international institutions to states, as linked to their independence and centralisation. Due to their stable organisational structure and supportive administrative apparatus, institutions are able to centralise collective activities, thereby increasing their efficiency and effectiveness, bringing down transaction costs. Additionally, because they are centralised, institutions can provide stable space that states can use for reputational gain and repeated interactions, and can quickly respond to crisis situations. At its most effective, this forum is widely viewed as a neutral, depoliticised and specialised site, capable of unifying many important policy areas under one roof (Abbot and Snidel, 1998; Moravcsik, 1993: 511-512).

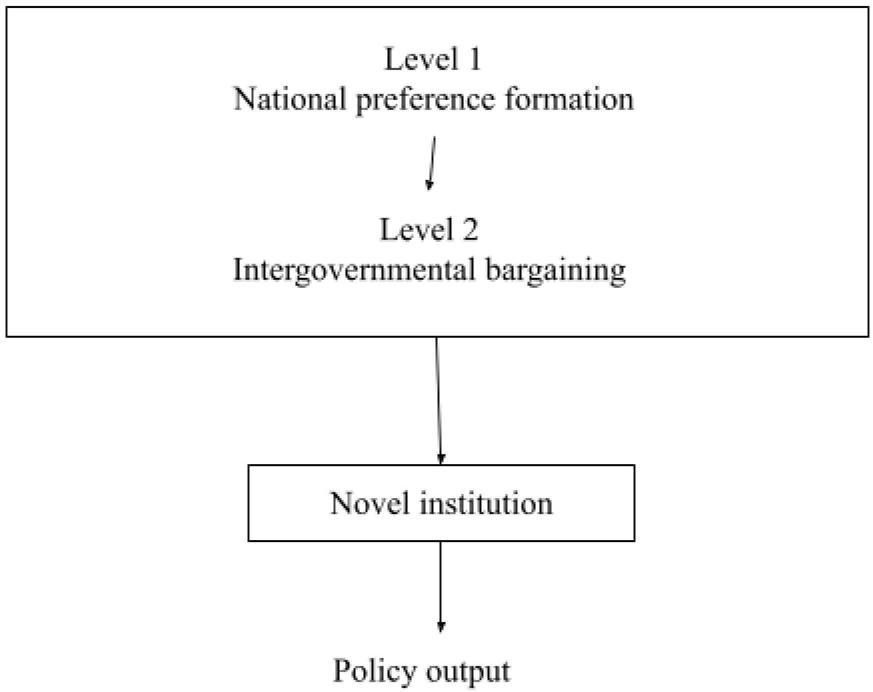
The Commission, Moravcsik argues, fits these criteria as it is defined as, and arguably seen as neutral, and has the technical expertise to create an agenda among a vast array of options that would be costly for states to sort through by themselves. Due to its perceived neutrality, it is able to enforce its decisions, and due to its perceived legitimacy and authority it is able to grant power to member states' domestic agendas (Moravcsik, 1993: 511-515). The EU's institutions are not just useful in this last sense, but were specifically designed for this task; to be used within the context of national governments' two-level strategy to increase their control over domestic policy. Domestic agendas are bolstered by the legitimation of the EU, as well as the relative secrecy and insulation of the EU policy process. This allows for decisions to be taken and bargains to be struck without direct public scrutiny within the process, where governments can simply present the outcome to the public, and ask for an up or down national vote. By effectively limiting the options the public has to choose from in this way, the EU's institutional set up helps set the national agenda.

While member states are motivated to participate in the two-level game, and choose their position based on the calculated potential gains or losses they may suffer from increased institutional integration on the domestic front, the resulting outcome of the second level of bargaining is determined by member states' relative bargaining power. This means that states are not theorised to be of equal power within the two-level game. The relative bargaining power that states possess is determined by:

1. *Unilateral and/or multilateral policy alternatives* — the benefits of cooperation as preferable to the benefits of the best alternative available. A credible threat of non-agreement based on more desirable outside options is a crucial form of bargaining (Moravcsik, 1993: 499).

2. *The potential for compromise* - governments that stand to lose the most if agreement is not reached will be in worse bargaining positions (Moravcsik, 1993: 505).

The resulting institutional integration, or lack thereof, will, at the close of this process, be a reflection of a triangulation of these aforementioned factors. It will reflect the preferences of the configuration of dominant interest groups on the domestic level, belonging to the state or states that are dominant on the intergovernmental level.



[Diagram 1: Two-level Game]

This framework, depicted above, can help to understand the creation of the troika as a novel institutional framework, and go on to explain its policy output as well. The troika, from this perspective, constitutes another vehicle for the expression of the national interests of member states, and is a product of the two-level game. The troika's policy output, from this perspective, is also an expression of the domestic-level preference of the most powerful member states that 'won the game' and negotiated for its existence, and granted it its remit and powers. The troika's existence, and its policy output are thus defined by the dominant states' dominant interest groups' preferences, their perceptions of potential wins and losses, and the risk profile associated with institutional creation and cooperation.

This framework can also explain the forces behind the creation of the troika, and its associated policy output, from a state's perspective. According to Moravcsik, greater institutional cooperation is desirable in the event that it serves to increase a state's power and control over domestic matters. This would imply that the purpose of the creation of the troika in response to the Eurozone debt crisis, versus the alternative scenario in which either a few states cooperated, or none did, served dominant states' drive to maintain domestic political control. The political establishment, being dependent on their constituent coalitions and interest groups, respond to their interests to maintain power, meaning that the creation of the troika, within the context of this model, reflects the interests of these groups within dominant states, as expressed by dominant states' governments. New institutions will only be created in the event that they will not produce effects and policies that run counter to dominant domestic interests, therefore the troika and policy associated with the troika by definition, are in line with dominant domestic interest.

Apart from the fundamental power relations leading to the creation of a novel institution, Moravcsik's framework also argues that integration can result from institutions being more efficient and effective vehicles for states' interests, than states could be unilaterally. Applied to the troika, this implies that one of the reasons the troika was created was because it was an institutional formation that could best tackle the debt crisis in the interests of the strongest interest groups within dominant states in the EU. In this scenario, the alternatives would have been unilateral state action, other forms of bi- or multilateral state action, or action by existing EU institutions.

Moravcsik's liberal intergovernmental theory of European integration can explain the instrumental reasons for the troika's existence, the process that created it, as well as explain its policy output. What is missing from this analysis, however, lies within the detail of the identity of the institution the troika is. The troika was not an institution created from scratch, but represented a coming together of existing EU institutions, and included a non-EU institution as well. Though a general theoretical explanation of EU institutional change and policy output can be gained from Moravcsik's work, it cannot explain the specifics that are present within the troika, as its policy output was also contingent upon negotiations with EU member states. Its institutional make-up, and interaction with nation states within its policy process makes it necessary to investigate the history and identity of the troika further, in order to explain the policy responses emerging from it.

2.4 The troika

One of the gaps that still remains unfilled within the framework detailed above, is the specific identity of the new institutional formation that was created during the debt crisis: the so-called 'troika'. It is not simply a unified new EU agency, created for the express purpose of negotiating bailout conditionalities, but consists of multiple, already existing institutions: the ECB, the European Commission, IMF that worked together to deliver its policy output and direction. Fully understanding the policy responses eminanting from this group, therefore, requires an understanding of the troika specifically. Investigating its origins, activities and the dynamics between its constituent institutions will help further elucidate the ways in which policy was made within it, and shed light on the policy process it was engaged in more broadly.

The troika as a unit was first convened in late 2008 to early 2009, when Hungary, Latvia and Romania requested financial assistance from the IMF (Kincaid, 2016: 1). Because the Maastricht treaty requires that EU members consult with the European Commission and the Economic and Financial Committee on their balance of payments issues before entering into outside arrangements of conditional lending, the EC was called into play. This resulted in joint financial assistance, with the EC providing medium term balance of payment relief on EU decided conditions. At this point the ECB also got involved, but in the form of a repurchase facility of €5 billion with the Hungarian Central Bank (Kincaid, 2016: 4-5; Viterbo, 2016).

Within this joint financial assistance arrangement the benefits the IMF brought with it were reportedly its provision of cross-country, and financial crisis management expertise, and its ability to quickly raise funds in emergencies (Schadler, 2017: 41). The EU's assistance on the other hand was based on treaties, which provided a medium-term arrangement for assistance. Kincaid (2016), the author of the IMF's own Independent Evaluation Office (IEO) report, reports that there were disagreements between the two agencies at this stage. The IMF was reportedly not focused on the wider EU context such as commitments like the Stability and Growth Pact, which caused difficulties when deficit levels exceeded mandated levels in some cases (6).

During their first joint effort in assistance of Hungary in 2008, the IMF published guidelines for the collaboration between themselves and the EC. This consisted of five key principles:

1. Early consultation and ongoing information exchanges during the program negotiations
2. Contributions of both institutions to financing needs
3. Joint announcement to underline broad support
4. Consistency of program design and conditionality
5. Consultation during the program monitoring process.

These principles of collaboration were copied from previous cooperation between the IMF and the World Bank, known as the Collaboration Concordat. They were noted to be important in terms of avoiding multiple parallel, possibly contradictory conditionalities and goals (Kincaid, 2016: 5-6; Viterbo, 2016).

The cooperation principles and the practises established in the cases of Hungary, Latvia, and Romania laid the foundation for the troika arrangement with Euro Area members that followed in 2010. After it became clear that the Greek government could not secure funds from private financial markets, other financial resources were necessary. The new Greek Prime minister then contacted the IMF's managing director for financial assistance as Euro Area countries were not able to access the Medium term Balance of Payments Facilities that had been set up during the earlier troika assistance of Hungary, Latvia and Romania. This was an intentional gap that meant there was no bailout available to Euro Area countries, to eradicate the possibility of moral hazard within the Eurozone. The same mechanism still held, however, in which Greece needed to consult with the European partners before being allowed to involve the IMF in outside financial assistance (Kincaid, 2016: 15-17).

Before the complete troika as it is known today was convened, there was some debate in the EU as to involving the IMF again. One side wanted to solve the debt crisis within its own ranks, while the other appreciated the IMF's crisis management and technical expertise. The latter view won finally, due to major non-Eurozone EU member support (Schadler, 2017: 41). Subsequently, the ECB was first formally invited to become a member of the troika by the Eurogroup, as they felt it would provide independent and credible advice. The IMF's role remained the same as it had been during the IMF-EC lending in 2008-9 (Kincaid, 2016: 18; Viterbo, 2016)

The ECB's role within the troika was in providing 'advice and expertise on a broad range of issues which are relevant for ensuring a proper functioning of the transmission mechanism of monetary policy (including debt sustainability), for contributing to financial stability and ultimately for supporting the general economic policies in the Union' (European Parliament, 2013: 1). Though they were not nominally involved in any decision *making*, it has been argued that they have been a part of the 'decision shaping' process. The ECB's main avenue of influence was through its role in lowering interest rates and providing liquidity, as well as its views on debt restructuring and fiscal adjustment (Gros, 2015; Kincaid, 2016: 34). This has raised the issue of a conflict of interest, as the ECB appears to play a 'dual role'. Because it is 'at the same time negotiating financial adjustment packages and enforcing conditionality' (Viterbo, 2016).

On the 25th of March 2010, the Council of the EU introduced the EFSF (later ESM), which worked in parallel with the IMF's funding mechanism, based on bilateral loans from Euro area countries, its payout being subject to conditionalities based on EC and ECB surveillance. Funding decisions were staggered: after funding was signed off by the Eurogroup for the ESF/ESFS, the IMF contributed their part. This was done so that the IMF could be sure that their contribution would be able to fully fund the project. To approve their loans, the IMF needed then to consult with its executive board, advising them of the problem, policy measures needed, and a timetable for talks (Kincaid, 2016: 19).

There were substantial legal challenges to the European funding mechanisms, however. This ultimately resulted in a greater role for national parliaments in facility decision making. Notably the German Federal Court ruled that the German Parliament must have veto power over financial assistance through the later ESM in order to keep national sovereignty over their budget. Six other Eurozone parliaments have implemented similar rules, yet no country but Germany has the power to cast a vote at both the beginning and end of funding negotiation (Kreilinger, 2015; Kincaid, 2016: 15).

On the 12th of April 2010 the troika and the Greek authorities met for the first time. Kincaid (2016) reports that the number of individuals in the teams at these meetings representing the troika was around 30-40 people (there would be less in subsequent missions). This was due to the technical nature of the talks, concerning revenue administration, expenditure management, banking and statistics. The way in which these teams were organised was very similar in all three agencies. Once the date for the mission was determined, each team would devise a policy brief separately, which summarised the main challenges, policy recommendations, and funds they thought were necessary. These separate briefs would then be discussed among the other members of the troika, and the EC would consult with the ESF/EFSF about their end of the funding. In addition, the ECOFIN directorate general would consult with other directorate generals within the Commission. After their different views were synthesised and converged on one, senior officials within each agency approved the final brief (61-62).

Kincaid (2016) states that the troika met with country authorities as often as possible, in addition to meeting amongst themselves to discuss, share information, develop and change macroeconomic frameworks and conditionalities, and give progress reports. Information was shared between the agencies readily, yet no formal mechanism was in place to approve this. When there was disagreement between members or between the troika and countries themselves, the counterparts were reported to have come together with their teams to find a solution (25, 68).

The IMF's IEO interviews of staff involved in these missions state that there were a fair number of differing opinions within the group, accounting for a spectrum of views. There was disagreement as to whether Greek debt was sustainable or unsustainable, whether debt needed to be restructured or not, and the implications this had for funding (Schadler, 2017: 41). The IMF was also accused of failing to provide solutions that took into account the structure and constraints of the Eurozone around the countries in question, seeing them in a more isolated light (Dhar and Takagi, 2017: 120, 127).

Throughout 2010-2015, the troika was involved in providing financial assistance to five countries in the Euro Area (Greece, Ireland, Portugal, Spain and Cyprus). All countries except for Spain were simultaneously involved with the ESM/ESFS Euro area financing mechanisms and IMF funding. Spain was a special case in which the IMF had no financial role, but did play a role in the conditionality process. A detailed table of the types of loans and conditionalities are detailed below (Kincaid, 2016: 25).

	Type of loan	Objectives	Conditionality
Greece	Loans + macroeconomic adjustment programme	To assist ESM Members in significant need of financing, and who have lost access to the markets, either because they cannot find lenders or because the financing costs would adversely impact the sustainability of public finances.	- fiscal consolidation - social security reforms - reform the health care and the pension system - manage deep-rooted culture of tax evasion, unrecorded economy, and corruption - improve tax administration - overhaul public procurement
Ireland			- restoration of the banking system - fiscal consolidation - regulatory issues and labor market activation policies
Portugal			- fiscal consolidation - stabilisation of financial sector - structural reforms
Cyprus			- fiscal consolidation - stabilisation of financial sector - structural reforms

Spain	Loans for indirect bank recapitalisation	To preserve the financial stability of the euro area by addressing those cases where the financial sector is primarily at the root of a crisis, rather than fiscal or structural policies.	- financial supervision, corporate governance and domestic law reform relating to restructuring or resolution.

[Table 2: Types of Loan Conditionalities]

(European Stability Mechanism, 2018a; Wyplosz and Sgherri, 2017; Donovan, 2017; Eichenbaum et al, 2017)

Using a state-centric perspective, sense can be made of the involvement of the two European agencies involved in the troika. The EC and ECB, each in their own way, can be argued to be the material expression of dominant states' dominant interests emerging from the two-level game, and the ensuing policies leading from this are argued to reflect this. The European Commission's role within the troika was reportedly both as an agent for the Eurogroup (the intergovernmental collective of Eurozone finance ministers) which controls the ESM, as well as an independent advocate for the interest of the EU as a whole (Pisani-Ferry et al, 2013: 109). On both counts, according to the two-level game, the EC's role is an expression of dominant interests within dominant states within the EU. As an explicit agent of the Eurogroup, it fulfils this role by definition, but in the more amorphous role of guardian of the 'interest of the EU as a whole', it is its de facto role.

The ECB on the other hand, is an advocate for the functioning of the EMU. That is, its primary explicit mission is to ensure price stability within the Euro area, rather than the growth of any particular Eurozone economy, or the interests of the EU as a whole. When it was drawn into the troika alongside the EC and the IMF, its remit was expanded beyond that of price stability, having access to influence more than just monetary policy. The ECB's influence on fiscal policy in particular is considered problematic, as this could represent a conflict of interest. This is because the ECB's primary mandate of ensuring price stability would make them more likely to recommend fiscal consolidation. Fiscal consolidation is anti-inflationary, and would help their cause (Pisani-Ferry et al, 2013: 111). Viewed from an institutional perspective, the ECB's anti-inflationary, price-stability centric identity is an expression of their mandate to protect the working of the EMU, but the working of the EMU itself, according to the two-level game is also an expression of the dominant domestic interests within the Eurozone.

While it is possible to individually analyse the two EU agencies involved in the troika through this theoretical lens, the IMF, as well as its relationship with the other EU institutions cannot be. As an outside actor, the IMF does not fit within EU-centric theoretical frameworks, but as a constituent institution within the troika, an understanding of its structure and governance is crucial to arriving at an explanation for the policy outcomes and the policy process the troika was engaged in post-debt crisis. An examination of the IMF, its historical and current role, as well as theoretical perspectives on its agenda adds an important puzzle piece to a complete picture of the identity of the troika, and in doing so contributes to better understanding of the policy process the troika was engaged in with national governments.

2.4 The IMF

To complete an understanding of each constituent element of the troika, the IMFs historical and current role within the world economy, as well as its policy agenda will be examined. Building from this foundation, the forces determining this policy agenda are constructed in order to gain insight into its policy process, to mirror the theoretical perspectives detailed above about EU institutions and the policy process. The literature on the IMF's ties to the European institutions is further consulted, to locate its role and place among the EU institutions within the troika, and aid in the question of the policy process and policy outcomes from the joint negotiations of the troika and national governments.

2.4.1 History

The IMF is one of the two main IFIs, along with the World Bank, making up the infrastructure of the current international economic order, and was created to regulate and monitor the world economy and post-war monetary order. They both trace their origins back to the inter-war years, in which the global economy was in turmoil; WWI had taken a large toll on Britain, which lost its role at the centre of the world economy, and since the gold standard had been abandoned during the war, printing money had lead to rampant inflation and unemployment. These economic conditions were seen by capitalist governments as serious threats to social stability as they were stoking union activity and increasing the popularity of communism as a viable alternative. Because the inter-war period saw the USSR rapidly industrialise, while capitalist nations were in crisis this worry only increased. The thought was that the capitalist system needed to be protected from the threat of communist takeover (Peet, 2009: 38-39). After WWII, this idea materialised. The US now had both the military might and the interest in taking leadership of the world order, seeing the idea of continued isolationism as the probable trigger for the collapse of the world economy and a win for communism. A mandate to create a new international economic and political order was given both by the Europeans, and by the US' own foreign policy goals (Peet, 2009: 46-47).

This new world order was nominally devised within an international conference at Bretton Woods in 1944. The meeting was considered by many simply a formality, as the plans seem to already have been drafted earlier by the US and Britain, which looked suspiciously similar to the plans eventually agreed upon at Bretton Woods. This Anglo-US dominance materialised within the voting system that was agreed upon for the newly created IMF. Rather than giving each member a vote, it was based on the quota of financial contribution, giving veto power to the US (Peet, 2009: 47-53).

The IMF was established to be an independent international financial organisation (Stiles, 1991: 22) concerned with monitoring and regulating members' economic and financial programmes, helping countries in the throws of balance of payments crises within the pegged exchange rate system with short-term financial assistance, and protecting the global capitalist economic system. It was charged with ensuring currency stability and promoting international trade, and began its operations in 1947 (Peet, 2009: 67; Vines and Gilbert, 2004: 8; Taylor, 2004: 128; Bird and Mosley, 2004: 288).

The International Bank for Reconstruction and Development (IBRD, now the World Bank), on the other hand, was more of an afterthought within the Bretton Woods conference. It was charged with the task of promoting post-war investment and reconstruction by supplying loans to Europe. Its mission also encompassed promoting international trade, growth and sustainable balance of payments, in service to the health of the capitalist economic system which may have been under serious threat from communist ideas from the east without reconstruction (Peet, 2009: 128-130).

Beyond its early history as a keeper of the capitalist world economy, and an arbiter of the monetary system, its development as an institution throughout the years since Bretton Woods are significant in explaining its present identity within the troika. The IMF's original mandate stuck for two decades, until the pegged currency system breakdown in 1971, when one of its main reasons for being ceased to exist. Despite this, it expanded its mission and grew into the world's surveiller of macroeconomic policy, charged with the management and upkeep of macroeconomic stability in the world economy, still fulfilling its role in the upkeep of the international capitalist economic system (Taylor, 2004: 129; Vines and Gilbert, 2004: 11). In this role, it started lending to developing countries and transition economies in debt. Notably, it lent to Latin American countries struggling with the 1980s debt crisis, and the Mexican Peso Crisis in 1993-1995, various Asian economies, Brazil and Russia in the financial crisis of 1997-1999, and all throughout to low income countries in Africa (Bird and Mosley, 2004: 288) .

Crucially, the IMF's lending was now no longer being done on the basis of a loose understanding that programmes would be put in place to ensure the current exchange rate was kept stable, as it was during the Bretton Woods years. It was now engaging in stringent conditionality-based lending due to a fear of moral hazard (Fratianni and Pattison, 2002: 148-149; Vines and Gilbert, 2004: 11). The conditions put in place were a series of reforms broadly referred to as the 'Washington Consensus', which included fiscal discipline, a reduction in public expenditure, tax reform, competitive exchange rates, trade liberalisation, a competitive economy and secure property rights. This list of reforms is said to result in economic stability, and lead to a long term ability to service the loans taken out. To date, IMF policies have affected

285 countries, and rather than resulting in stability, have often taken a disastrous toll, leading to poverty and social unrest (Peet, 2009: 14-16, 66-67).

2.4.2 Governance

A discussion of the present ways in which the IMF operates, as well as the theoretical literature on its governance is crucial in understanding the forces at work behind its activities. The process of acquiring a loan from the IMF begins with a request by a member state. Once a request for financial assistance is made, the IMF staff begin negotiations with the borrowing country's finance ministry, and determine the terms and amount of the loan. After agreement has been reached, the next step is for the finance ministry of the borrowing country to write a letter outlining the desired loan and the conditions they promise to fulfil to achieve it. The staff then put a proposal to the IMF's executive board, comprising 24 members. These executives represent the member states, and have the last say on all loan decisions. Once it has been signed off by the executives, funds are released, and the IMF staff starts to monitor markers for the loan conditionality (Copelovitch, 2010: 41-2).

The two main actors involved in the decision-making process, the staff and the executive board, are the basis of the theoretical literature on the IMF's governance structure. The functional model on the one hand, emphasises the role of the staff within the process. Denying the involvement of any politics, it argues that the IMF is a technocratic institution that makes decisions based on rational analysis and is a neutral actor within the global economy. Its economic advice is not tied to any ideology, but is impartial. Proponents of this argument highlight the fact that the largest member, the US, only carries 15.52% of the vote, therefore any one country cannot have enough votes to unilaterally veto a decision. All decisions are made based on merit and neutral analysis by all parties involved (Stiles, 1991: 4-5).

The political model, on the other hand, declares political forces to be omnipresent. The institution is embedded within a political context, and thus all of its actions are political. The executive board itself is made up of political representatives whose vote is based on their quota of the fund, the top members being the US, Japan, Germany, France, the UK, Italy, Brazil, India, China and Russia, who combine for more than 50% of the vote (Copelovitch, 2010: 45). All lending must be finally approved by this group. Here, the staff play a lesser role, whereas the executive board is dominant (Stiles, 1991: 6). The IMF, in this argument, acts as a political group, and an expression of the national interests of its executive board members (Boas and McNeill, 2004: 2).

Analysing the fund from this political perspective yields a position of a theoretical kind with the state-centric theories of integration used above to analyse the EU. The IMF, as an international institution, was created by states in order to achieve ends they can not, or do not want to achieve alone. Through its attributes as an international institution, its stable organisational structure, its independence, its ostensible neutrality and legitimacy, as well as its technical knowledge, it can serve nation states in completing these ends. The IMF presents a forum through which actions and discourse can be centralised; a space that is highly specialised, and can respond to crises efficiently and effectively. Because its organisational structure is independent of nation states, it can act as a depoliticised agent on the world stage, not explicitly linked to any particular state. The IMF, in this sense, is a launderer for dominant states' national interests (Abbot and Snidel, 1998; Moravcsik, 1993: 511-512).

These theoretical positions may explain the IMF, and the forces behind its existence and policy agenda, yet neither addresses the dynamics at work between the institutions of the troika. This dimension is crucial in making sense of the policy that was produced as a result of the negotiations between the troika and national governments, as it includes an element of interaction between the institutions, within the context of a policy process. To gain a better understanding of the cooperation between the IMF and the EU, the theoretical literature is consulted.

2.4.3 Interaction with the EU

To fully understand the policy output stemming from the troika's interaction with national governments during the debt crisis, the nature of the relationship between the IMF and the EU, and the theoretical perspectives on the reasons for the IMF's involvement in the EU bailouts must also be taken into account. Before the global financial crisis of 2007-2008, the IMF and EU 'operated on parallel tracks with little scope for mutual adjustment' (Hodson, 2015: 1), yet during the following Eurozone debt crisis, this relationship changed in nature, and, according to Hodson (2015), the IMF grew into a 'de facto institution of the EU'(1) through the delegation of power by European member states. Whether or not this is a fair characterisation, it is clear that the relationship between the IMF and EU has drastically changed since before 2007, as the period starting with the global financial crisis was the 'most important and sustained episode of cooperation between the IMF and a set of regional institutions' (Henning, 2018: 3). Investigating the reasons behind this change are crucial to understanding the policy process the troika was involved in, in more depth.

Henning (2018), lays out a compelling state-centric argument for the EU's involvement of the IMF during the debt crisis. European leaders actually had a strong incentive *not* to involve the IMF, as it would signal a measure of weakness within the Euro area, 'an embarrassing admission that their rules and surveillance had failed, and that they and the European institutions could not cope on their own' (2), and may have squandered an opportunity of crisis to overcome political resistance to further institutional deepening. The involvement of the IMF in the bailout process for Greece was almost universally opposed, with German and French leaders, as well as leaders of the European institutions coming out against the proposition in February 2010 (Henning, 2018: 2). This stance against the IMF, however, would change completely over the next weeks, and the IMF was ready to take part in troika negotiations in April 2010. To explain this about-face, Henning (2018) posits that Eurozone members' faith in existing European institutions' ability to combat the crisis within the Eurozone was poor. The choice to create an institutional formation, the troika, that involved multiple institutions, then meant that creditor states could increase their influence over the bailout conditionalities. The inefficiencies created by the cooperation of various institutions would also create the need for arbitration between them, a position that key creditor states could take up and use to influence proceedings (Henning, 2018: 14).

This argument echoes Moravcsik's (1993) theoretical framework, in that it positions the interests of dominant states in the EU, and their desire to influence the institutional output of the EU at the centre of the reasoning behind the creation of the troika as it was, as well as the inclusion of the IMF. The troika was created, in the form that it took to allow dominant states to best increase their influence over the EU policy agenda, and therefore also the domestic agenda. Triangulating a position for themselves as informal mediators outside of the formal configuration of troika institutions allowed dominant states to 'steer outcomes in their favour' (Henning, 2018: 25), as they purposefully created the possibility for conflict and inefficient decision making between the institutions within the troika's very institutional configuration. Within the context of this interplay, the IMF is therefore seen as a tool within dominant states' toolbelt. Along with other EU institutions, the IMF was included in the bailout proceedings as an institution that would, through its involvement, serve the purposes of the dominant interests within dominant EU member states.

Contrary to Henning (2018), yet still within the state-centric tradition, Rogers (2012) argues that the IMF's purpose within the troika was as a laundering body. The IMF was used by states as a cover, behind which unpopular policy preferences, like those of structural adjustment, could be hidden. The IMF also served to provide credibility and a veneer of expertise and neutrality to policy choices, and as a scapegoat to deflect blame away from member states (Rogers, 2012: 184). These arguments similarly echo elements of Moravcsik's framework. EU institutions also act as policy launderers, more broadly, for member states, according to Moravcsik. Through their neutrality, their centralised technical knowledge and international legitimacy, member states can increase their domestic agenda setting power by participating in them. The vehicle this works through is by insulating the policy process within these institutions from direct democratic scrutiny, like for instance the decisions made in the informal meetings of the Council of Ministers. The wider debate on an issue is shaped within these secretive arenas, as the resulting decisions, compromises and innovations go on to represent a narrow range of options that the public may (or may not even be given the chance to) vote on, effectively pre-selecting the scope of policy up for discussion. Within this same dynamic, EU institutions grant national politicians greater power over the domestic agenda by acting as an agent of legitimation. Following this argument, the troika, and the IMF, is similarly a vehicle for the transmission of policy, both from the national level to the intergovernmental, but also from the EU level back down to the national level, the shaping of debate, and setting agendas. The involvement of the IMF, specifically, would constitute the inclusion of a greater and more powerful laundering agent, necessary in a situation where regional institutions are unable to deal with the situation, or do not have the confidence of the most powerful member states (Henning, 2018: 28).

Does the troika constitute a third level above level two, as depicted below, wherein the connection between level two and level three at (a), is not one of principal and agent, but severed, allowing the troika to act as a supranational entity? This would imply that the policy output created in conjunction to some extent with nation states seeking bailouts is not a consequence of the principal/agent relationship between level two and the troika, but is wholly created by the third level, and can trace its origins only to that level.

The alternate option is that the troika, including the IMF, retains the principal/agent relationship with the winning position at the second level, as depicted in Figure 3, wherein the the negotiation process for the resultant policy output is a proxy interaction between level two and the nation state requesting a bailout, through the medium of an intermediary institution. Through the following analysis of each point of interest within this system in the case of Greece and the case of Ireland, the true dynamics that define the troika within this system can be determined.

In light of these arguments about the interaction between the institutions, the question of the interactions between the troika and national governments, within the context of negotiating the policy responses can be approached. Hick (2018)'s investigation of the Irish bailout, for instance implies that the reform agenda and policy conditionality programme agreed upon by the government in Ireland and the troika was largely of domestic origin. This runs counter to the popular perception of the Greek case, wherein the policy conditionality programme has been widely regarded as an imposition from the troika, and the result of a fraught negotiation process (Sakellaropolos and Sotiris, 2014). Through the differences between these two experiences of negotiation with the troika, and origins of the policy produced by the troika and national governments, therefore, the question of how the policy process between the troika institutions and national governments can be imagined, emerges. Does the troika, as a combination of the IMF and EU institutions, constitute a novel supranational entity acting beyond the scope of the intergovernmental second level of Moravcsik's model, unilaterally imposing policy on nation states from a potential third, supranational level? Within the context of this scenario, the troika constitutes a novel supranational turn in EU integration? Or, is it possible to fully explain the policy process and the policy output emerging from the troika's negotiations with member states from *within* the context of Moravcsik's two level game, utilising state-centric theoretical perspectives?

2.5 Conclusion

The global financial crisis of 2008, and the following Eurozone debt crisis that spread around Europe brought with it the necessity of an EU response. Within the context of this response, institutions and financial facilities were erected, the most prominent of which being the troika. This novel institutional formation, made up of the ECB, the European Commission and the IMF engaged in negotiations with countries in crisis, producing policy conditionality programmes that were attached to the potential bailouts granted.

In service of understanding the troika's place within the EU, and among existing institutions, a tour of the existing literature concerning the creation of EU institutions and the direction of EU integration is undertaken. The ways in which scholars have theorised the dynamics at work within the EU, and the reasons behind the creation of new EU institutions creates a frame of reference within which to view the troika, whether it may be seen as a part of a necessary supranational expansion of the EU, or simply a further state-centric product of bargaining between nations. The state-centric position provides a compelling explanation for institutional creation within the EU, positing that EU integration and institutional creation, and therefore the troika, is a product of dominant states' dominant domestic interests.

This tradition, however, does not address the IMF's role within the novel institutional formation. Through an exploration of the origins of the IMF, the theoretical literature on the nature of power and governance within it, as well as its interactions with the EU, a state-centric theoretical explanation of the institution can be attempted. It may be controlled by its shareholders and its bureaucracy, but fulfils a further role as an institution, in service to the EU. The IMF was argued to have fulfilled a role as an institution that added complexity to the process of decision making, aiding dominant states, as well as providing a strong laundering mechanism for unpopular policies.

Armed with these explanations of the origins of the troika, and the relationship between the EU institutions and the IMF, the negotiated policy output that the troika as a group, generated with member states can be turned to. Were these policy responses a product of supranational imposition on nation states, or can existing state-centric theories of EU integration explain their policy output? How can we understand the policy programmes that emerged from the negotiations between nation states and this novel institutional formation?

To answer these questions, the policy process between national governments and the troika will directly be investigated through the gathering of primary data. Insight into the negotiation process between national governments and the troika will reveal the dynamics at work within the policy process, and attempt to come to conclusions about the nature of the troika as a novel institutional formation.

III: METHODOLOGY

3.1 Introduction

Approaching any line of empirical enquiry requires the selection of methods tailored to the question seeking an answer, or the object of interest (Bryman, 2008; Bryman, 1988). It is therefore crucial to interrogate the problem area identified, establish the parameters of the research, and choose methods of investigation to fit the resulting question. This chapter identifies the question this piece of research seeks to answer as: 'How can the policy responses to the debt crisis, emergent from the negotiations between the troika and national governments be explained?'. The method chosen to answer this question is the comparative country case study, comparing the countries Ireland and Greece. Each case study will be made up primarily of qualitative semi-structured interviews, in addition to thematic reviews that provide the necessary context to each case. This chapter will lay out the rationale for the selection and execution of this qualitative method of data collection, and how it best serves the research question, in addition to a discussion of the gathered data, and a justification of the decisions made with regard to data gathering process, sampling, analysis, and choice of country case, including relevant epistemological and ethical considerations (Harbich, 2015).

3.1.1 Developing the research question

The problem area that this piece of research aims to address, emerging from the review of the literature, is the following:

> How can the policy responses to the debt crisis, resulting from the negotiations between the troika and national governments be explained?

In order for this problem area to be adequately studied, it needs to be transformed into a question that can be answered through the gathering of data. The question above asks for information about the policy process, the negotiations and relationships between the troika and national governments — phenomena which are best measured in terms of experience, perspective and interpretation, and cannot be tested or predicted. It follows then, that the purpose of the research is to *understand* the context, the personal perspectives and experiences of a phenomena, rather than make *predictions or numerically capture the incidence of a phenomena,* and qualitative evidence would therefore be appropriate in answering this question (Ritchie, 2003: 32). Given the types of experiences that are of interest to this investigation, the specific research strategy needed to fulfil its aims needs to be able to gain access to the population that has had these experiences, and be able to capture these points of view. The original research problem can therefore be reformulated as follows:

> How did the recipients of the EU bailout funds, as well as other direct observers, experience interactions and negotiations with the troika, and what can this tell us about the policy process and the policy responses implemented?

This question aims to understand the policy process the troika was engaged in with national governments, and the policy responses produced through the interactions during the bailout negotiations, through the experiences of individuals who witnessed the process.

3.2 A qualitative approach

The choice to use qualitative research methods to investigate the research question is based on the pragmatic match between the aim of the research, and what the method promises to deliver. The research question expresses an aim to gain insight into the views, interpretations and experiences of a population that took part in the bailout negotiations, and was in contact with the troika, in order to make sense of their interactions with the national level, and gain insight into the policy process. Qualitative methods deliver the human interpretation of the wider social world (Snape and Spencer, 2003: 7), which matches a question about the experience of a population in a specific context. Qualitative research facilitates the acquisition of a deep understanding of the experience of being in contact with the troika in the context of bailout negotiations, and allows an insight into situations that only a select group of individuals would have knowledge of. Through a qualitative understanding of the national experience of the negotiations with the troika, a deeper systemic understanding of the troika and its place within the policy process are able to be illuminated. Interactions and interpretations of the social context of the negotiations are necessary subjects in answering a question about power relations between the national level and the troika.

3.3 Comparative Case Study

The overarching presentation and structuring of the data will be in the form of a comparative case study. Case studies investigate a set number of events or conditions through the analysis of their context and relationships, and their logic of knowledge creation does not stem from sampling in a population but from the idea that several sources of information from the same case, linked theoretically, can enhance and support results. Yin (1984) proposes that there are three main categories of case study: exploratory, descriptive and explanatory. Where exploratory case studies ask general questions to explore the data, and descriptive case studies aim to describe the natural phenomenon occurring within each case, this piece of research will make use of the third type; the explanatory case study. This type of case study aims to 'examine the data closely both at a surface and deep level in order to explain the phenomena in the data' (Zainal, 2007: 3), and may be the precursor to theory formation (McDonough and McDonough, 1997). As this piece of research aims to reach an explanation for the dynamics at play between the national and supranational level of policymaking, this is particularly suited.

A case study is the appropriate methodological vehicle for this piece of research as it is specifically designed to describe the full context of a phenomenon (Yin, 1984). Detailed qualitative case studies can 'explain the complexities of real life situations which may not be captured through experimental or survey research' (Zainal, 2007: 3). This is particularly relevant to the question that this piece of research is concerned with, as there is a limited set of well defined events, taking place in a limited number of countries, with their own specific contexts. Applying a case study's structure to the bailout negotiation process within one particular country therefore would allow the buildup of context and depth to an analysis of experiences with the troika through the ability to use differing sources of information.

Using multiple case studies further enhances these above elements by increasing the robustness of the method through the ability to compare across contexts (Yin, 1994; Campbell, 1975; Zainal, 2007: 2). While one country case study allows for depth and context, it is limited in terms of its ability to extrapolate beyond itself. The strength of multiple case studies, therefore, is the ability to draw out similarities and differences between each context, and through this, allow deeper connections to be made. As the aim of this piece of research is to come to conclusions about the nature of the policy process between the troika and the national level, within the context of the bailout negotiation process, multiple case studies are most appropriate. While one case study may be able to describe the bailout negotiations and inform about the tensions and relationships in that one particular country, additional case studies would add a second dimension that is necessary in order to *explain* the phenomenon beyond the description of it within one context. Through the similarities and differences between the contexts, the underlying tensions and dynamics can be triangulated. This is particularly salient in the case of this investigation, as existing cases, as previously noted, have vastly different reported policy-making experiences with the troika. Any of these cases alone, therefore, would only serve to describe that particular case itself, the addition of a second case able to explain, rather than simply describe.

Multiple case studies have however been noted to present challenges due to the amount of data that may be generated and collected (Yin, 1984: 21), in addition to the significant resource and time expenditure that each additional case represents. In addressing the first issue, it was important that a data management and organisation strategy was in place to deal with the amount of generated data (Zainal, 2007: 5). The use of computer aided analysis and organisation tools like NVivo were particularly useful, and were used during all stages of the research process to manage the data collected. The second issue was addressed through careful selection of the number and type of cases to be carried out. Due to resource and time constraints, the number of cases was limited to two, allowing for the explanatory benefits of multiple case studies, yet still remaining feasible in terms of the time, work and resource necessary.

The two specific cases that were chosen for this piece of research were Ireland and Greece. The primary reasoning behind this was the ability to maximise the varieties of experiences with the troika through the selection of the most heterogeneous and 'extreme' cases. The Greek and the Irish cases are different in a variety of ways, each of which adding dimension and enhancing the analytical potential of the comparison between them. They fundamentally differ in terms of the triggers that lead them into the debt crisis, with Greece entering due to its underreporting of public debt, while Ireland's crisis was triggered by private debt; the bursting of a property bubble. The two countries are also different in terms of the perceived 'success' of the programme they entered into, with Greece defaulting on their second programme (European Commission, 2021a; European Stability Mechanism, 2018b), while Ireland made efforts to repay loans early (Halpin, 2017). The two countries have very different institutional arrangements, different types of economies, and the crisis spread through them in different ways, leading to different types of policy approaches during the programmes. Seeking to understand the similarities and differences between these cases in terms of their experience with the troika will greatly help in unearthing underlying patterns and therefore arriving at an explanation, rather than simply a description. An additional reason for the utility of the Irish case was the common language, and the relative ease of access to the sample population. While Greece did not afford the same luxury, the Greek case in particular was indispensable due to its uniquely protracted and extreme experience with the bailout process.

Because this piece of research involves more than one case study, the specific nature, the benefits and drawbacks of the *comparative case study* will further be addressed. Comparative case studies involve 'the analysis and synthesis of the similarities, differences and patterns across two or more cases that share a common focus or goal' (Goodrick, 2014: 1). In order to do this, each case must be contextualised, and its unique setting must be described at the beginning of each case. This initial introduction to each case is crucial in ‘establishing the foundation for the analytic framework that will be used in the cross-case comparison’ (Goodrick, 2014: 1). In order to achieve this, each country case will begin with a thematic review, which will serve as the descriptive context, but also add further analytical dimension to the semi-structured interviews, which will follow it. This initial thematic review will surround the primary data with rich context, and embed it in its specific surroundings, so that deeper conclusions can be reached. This is particularly relevant for this investigation, as each country involved in the bailout proceedings has a unique political and economic and institutional situation, which directly relates to their interactions, approaches and relationships with the troika. The thematic review will therefore enable the location of the dynamics of policy making that will further be inquired into in the interviews.

The main drawback that comparative case studies have to contend with is the potential lack of conceptual equivalence. That is, the idea that phenomena may not be equivalent or translatable from one context or country to another due to culturally specific understandings and practises (May, 2011; Pickvance, 1986). A thorough and context-sensitive thematic review of each case, undertaken prior to the gathering of primary data, works to mitigate these cultural issues. Additionally, it works to develop the background knowledge of the case in advance, aiding in understanding context and easing the building of rapport with interviewees. In addition, I aimed to be as alert to these potential discrepancies and imbalances as possible during the interview process, and use the knowledge developed through the thematic reviews to work against the potential cultural mismatches.

3.4 Thematic review

This piece of research will be making use of a combination of two methods of data collection within each country's case study: a thematic review, and qualitative semi-structured interviews. These methods will inform one another to create two different country case studies to be compared and contrasted.

The first of the methods used will be a qualitative thematic review of the literature pertaining to the events of the Eurozone debt crisis. In particular, this review will focus on the specific experiences of Greece and Ireland during the Great Recession, their economic circumstances, and their later descent into the debt crisis, including reports evaluating each country's economy by the troika members, the programme documents by each troika member, evaluative documents by the troika members on the implementation and effectiveness of the policies, policy documents originating in member states pertaining to the troika recommendations and their efficacy, and internal troika evaluation documents on the process and outcomes of the bail-out proceedings.

Using a thematic review of the literature to inform the subsequent research lends greater depth and nuance to the individual country cases that will be studied. The specific circumstances surrounding each country, like the structure of each economy, and the types of reforms and policy priorities that were focused on will be able to give dimension to the analysis of similarities and differences between each country, and significantly add to the conclusions and theoretical implications. In addition, carrying out this thematic review served the purpose of preparing the researcher for each interview and each country's specific circumstance. This includes the ability to tailor all planned questions to the interviewee's context and respond to answers with more informative follow-up questions, as well as being able to build better general rapport through a thorough grounding in the interviewee's reality. It also contextualises each case for the reader, allowing for a more holistic picture to be gleaned.

Within the thematic review, policy documents produced by various actors were referenced. These actors include the troika themselves, as well as think tanks and governments, and it is important to consider how to approach these pieces of evidence. Rather than considering them to be 'stable, static and pre-defined artefacts' (Prior, 2003: 2), they need to be seen within a wider dynamic context. This means understanding that policy documents go through a two-stage life cycle, both of which are crucial in their evaluation and contextualisation. The first stage is of their initial creation, which involves their authors, publishers, funders, agents, etc; while the second stage is their consumption, which involves readers, listeners, and their wider implications. Rather than using documents simply as conveyors of content, care was taken to contextualise documents and acknowledge the implications that this brings with it (Prior, 2003: 3). In particular this meant acknowledging and incorporating knowledge of documents' organisational origins, their authors, their purpose, audience and funding sources in their analysis.

3.5 Interviews

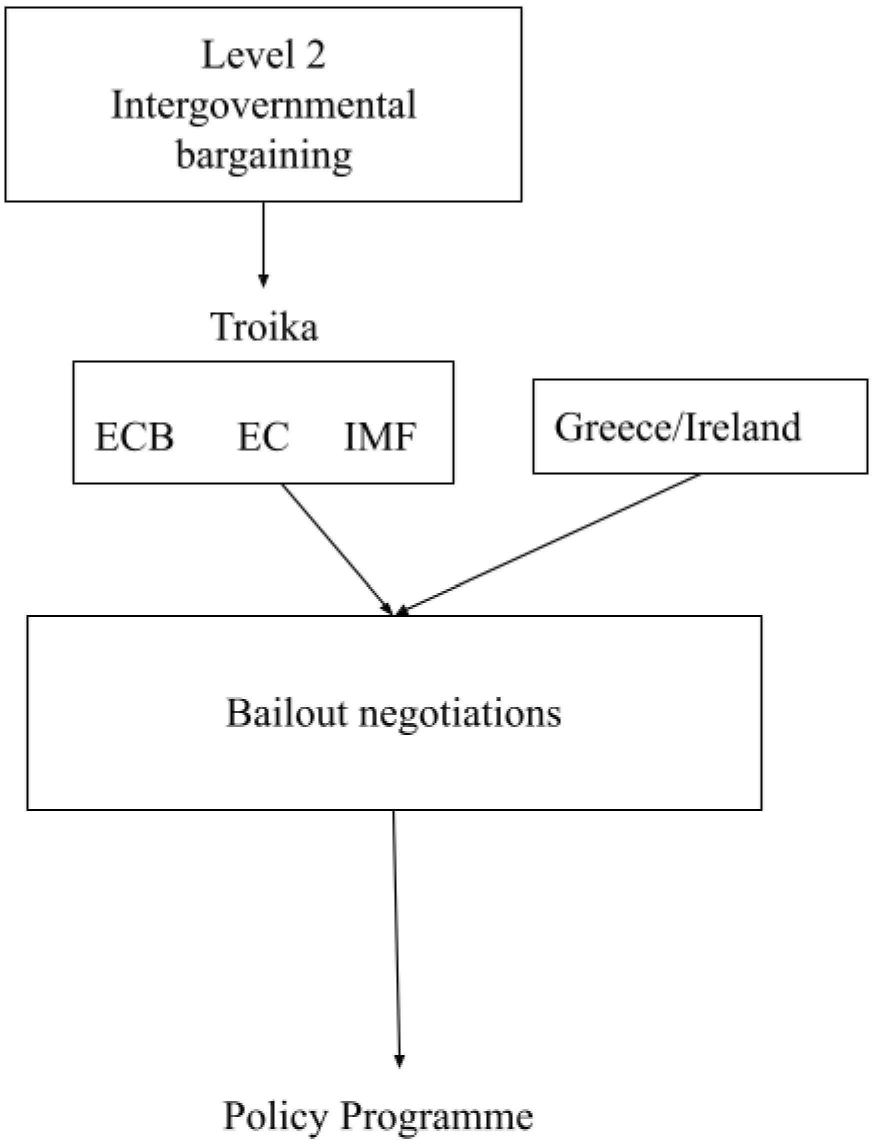
Generated data within qualitative research can be done in a variety of ways, the main of which are individual interviews, and focus groups. The most appropriate for the research question became clear after weighing up the merits of either method. While focus groups are geared towards illuminating the way in which participants generate ideas, talk and think about a topic, individual interviews are better suited to a situation that involves a complex subject matter, and necessitates a deep and detailed understanding of personal accounts. Interviews are ‘conversations’ (Burgess, 1982) at their most simple, but can also be defined as ‘attempts to understand the world from the subjects’ point of view, to unfold the meaning of people’s experiences, to uncover their lived world prior to scientific explanations’ (Kvale, 1996). Given the deep focus on a subject matter that is highly specialised and delicate achieved by individual interviews, they fit the needs of the research question. In addition, individual interviews are suited to situations in which the target population is geographically dispersed, language issues may be present, and group situations may contain undesirable power dynamics, as is the case here (Lewis, 2003: 56-60; Ritchie, 2003: 36-37).

The decision to conduct semi-structured interviews, rather than either unstructured or fully structured ones was based on the needs of the research agenda. Fully structured interviews are particularly useful in situations where a strong comparative element between contexts is desired, and unstructured interviews give more leeway for the interviewer to probe and react to the specific circumstances. Choosing to conduct the interviews in a semi-structured way ensured some of the benefits (and drawbacks) of both methods. The research question required some measure of comparative basis between the countries, so some structure was required in order to establish equivalences across the two cases. However, the added flexibility inherent in semi-structured interviews allowed for the changing of phrases, ordering of questions and tailoring to specific situations. The drawbacks of each—the lack of complete flexibility, and lack of complete comparative basis—were also present in smaller measures when conducting semi-structured interviews, yet tolerable given the benefits. However, efforts were made to create broad structural equivalences across interviews to make comparison easier, and an effort was also made to be as responsive as possible to the interview context as far as it was feasible through sensitivity to each country context (Arthur and Nazroo, 2003: 110-112).

The interviews were structured to ensure a natural flow, and allow flexibility, yet retain a certain structure. The first part of each interview was taken up by an introductory period in which the interviewees were eased into the main topics. The questions were asked in order to build up a context for the more in-depth interpretive questions in the latter parts of the interview. These first questions would have been easy to answer, and were autobiographical in nature, or asked for general contextual facts. These included basic questions about the interviewee, their role, the location, time and the relevant dates pertaining to their connection to the troika (Arthur and Nazroo, 2003: 112).

After this, the interviewee was guided through the main topics that the research question demanded. The order of these topics was designed to flow naturally, where each big topic and question was followed up with additional questions and probes (Legard et al, 2003: 146). These additional follow up questions were flexible and dependent on the answer and tone of the interviewee.

The questions guide below is based on the theoretical model, the two-level game, detailed in the literature review, and depicted graphically above. This piece of research is concerned with the interactions between the institutional product, the troika, and Greece and Ireland within the bailout negotiations. It is at this nexus that various levels of governance converge; where a novel institutional configuration interacts with the nation states, and produces the policy output that becomes the bailout conditionalities. The questions asked of the interviewees, therefore, will be centred on this nexus of contact, and will span each of the relevant points within the model: the interaction between the troika and Level Two, the dominant states expressing dominant domestic interests; the interactions within the troika itself; the interactions between the troika and Greece/Ireland within the bailout negotiations; and the policy output resulting from this interaction.



[Diagram 2: The Bailout Negotiations within the Two-level Game]

The interviews started with questions of biography and context in order to set the scene and put the interviewee at ease. Beyond this, the next set of questions concerned the interactions between the troika and Greece/Ireland. Following this, the policy output from these negotiations were discussed, leaving discussions of the interactions between the troika and second level, as well as the relationships of its constituent institutions for last.

Below is a general overview of the order of topics discussed, and questions asked:

Basic and biographical information	What was your personal involvement with the troika and the bailout process? What was your role within the negotiations? How would you characterise the meetings you were involved in? Who was present, in what numbers, who held what role? What was the agenda of the meetings?
Interactions between national governments and the troika	How would you characterise the first meetings between yourself and the troika? Did the troika arrive with a pre-decided agenda? Did the troika consult with country representatives? Did the troika negotiate with country representatives? Did the troika impose their own agenda?
Policy output	Why were the troika interested in their particular policy path in particular? What was the troika's overall objective in this process? Did the troika have any long term objectives?
Interactions between the troika and Level Two, and between its constituent members	Was there unanimity on decisions, stances? Was there a division of labour within the troika? What were the power relations between members? Who had the final say about conditions, policy?

[Table 3: Topics and Questions Discussed During Interviews]

The questions that were asked of the interviewees stuck to the same structure, though they differed based on the particular position the interviewee was in. The topic areas, however, were largely the same, in order to ensure consistency across cases, and locate the points of tension and pin down the dynamics that made up the policy process across cases.

Concluding the interview, it was important that a closing, positive, forward looking note was struck. To do this, the interviewees were asked to summarise and weigh various elements of their earlier answers, and reflect on the future of their involvement with the troika (Arthur and Nazroo, 2003: 112-114).

3.6 The interviewing process

Prior to starting the interviewing phase proper, a number of practical issues had to be considered. To iron out any outstanding issues and receive feedback from the point of view of future interviewees, the interview schedule was fully piloted. This entailed practising interviewing techniques, testing question order and wording, and preparing for different types of interview scenarios.

Because the individuals that were interviewed are professionals and elites of different kinds, special notice was taken of issues surrounding power differentials, and the implications of their position. Individuals that are in, or close to positions of power may have used the interview to express an agenda and could shy away from controversial topics or derail the interview and shut down certain lines of questioning. The interviews were approached with a view to probe and avoid superficial explorations, so where this tendency did appear, I rephrased questions or circled back to concepts and topics that were being evaded. Simultaneously, however, care was taken to remain sensitive to the interviewee, and some lines of questioning were halted after some number of attempts, accepting a respondents right to refuse to answer the question (Morris, 2009).

In general, each interviewee was approached in a unique way in order to establish rapport. For example, terminology was altered depending on the interviewee: I used the term ‘austerity’ when discussing with academics or politicians, whereas I used the term ‘structural adjustment’ when interviewing a member of the troika. Similarly, I used the official terminology when referring to the institutions and concepts involved, until the interviewee revealed their preferred nomenclature, which I then adopted. For instance, when speaking of the troika, I started the interviews by asking about ‘the EU-IMF institutions’, and ‘institutional reform’, only switching to ‘the troika’, and ‘neoliberal reforms’ if and when the interviewee did.

Each interview was recorded on a digital recording device, and notes were taken throughout. These notes supplemented the audio data in terms of information about non-verbal signals and observations, and helped contextualise the audio later on. While interviewing, I attempted to keep interruptions, distractions, and personal perspectives to a minimum, using silent listening, nodding, smiling, and eye-contact, rather than translating the interviewee’s responses back to signal an understanding and an appreciation of their statements (Field and Morse, 1989).

3.7 Populations and sampling

Given the circumstances surrounding the research question, the selection of the population was determined non-probabilistically, targeting subjects who had a certain experience specifically, that is, purposively (Ritchie et al, 2003: 78). The population that was targeted in this way is of senior civil servants and politicians from Greece and Ireland that had directly been a part of the negotiations with the troika during the bailout process of their respective country, as well as individuals from the troika’s side of the negotiations. Despite not being statistically rigorous, as the purpose of this study is not a statistically significant representation of features within a wider population, this was not an issue. Non-probabilistic samples target subjects specifically, who have had a certain experience, and thus will facilitate gaining insight into the experience of a certain phenomena (Ritchie et al, 2003: 78). This is particularly apt for the purposes of the research question, as the population of individuals who were a direct part of the troika negotiations is vanishingly small, and targeting these people specifically is the only way of gaining insight into their unique experience.

It was still vital, despite lack of probabilistic significance, to aim for 'symbolic coverage', and avoid bias and over-emphasising some perspectives over others. This meant an attempt to gain as large a cover over the varieties within the phenomena as possible. This was done by ensuring that as many relevant bases as possible were covered, and as many key constituencies were represented on the matter. Additionally, it was also important to aim for within-group diversity, allowing for multiple views, and a full range of features and factors from within each context (Ritchie et al, 2003: 79, 82-83). In terms of investigating the views on the troika within the context of the debt crisis, this translated into an aim for a diversity of interviewees from different ministries and political parties that were involved, as well as multiple country cases, allowing within group comparison, as well as between country comparison. The range of experiences encompassed by Ireland and Greece, as the most extreme and divergent cases with differing institutional structures and economic institutions, as well as crisis trigger points, aided in achieving 'symbolic coverage', that is, covering as many of the possible variations within a phenomena as possible (Ritchie et al, 2003: 79, 82-83).

In terms of a sample frame, and finding the population of individuals appropriate, a mixture of online sources and existing sample frames was used. Kincaid's 2016 internal IMF IEO report lists a number of contacts that were used in the context of a study on the IMF's role in the Euro Area Crisis, and within the troika, which proved useful as a starting point. In addition, various IMF IEO post-bailout Country Reports offered information on the various government departments involved, whose internet presences divulged lists of personnel and individuals, with whom contact was made through email (Ritchie et al, 2003: 89). To gain access to further interviewees, a snowballing sampling strategy was used. Individuals who responded to the initial call for interviewees were often willing to pass on information from individuals that they thought may be amenable to being interviewed, with a personal recommendation.

The sequencing of the completion of interviews (and the preceding thematic reviews) in each country case was determined by the logistics of travel and scheduling, due to the high profile and professional nature of the interviewees, and the distance it was necessary for me to travel. The first set of interviews were completed in Ireland (followed by Irish interviews on Skype and telephone), then Greece (followed by Greek Skype interviews), after which a second set of Irish interviews was completed in Ireland. To mitigate the effects that the sequencing of the interviews may have had on the research, the thematic reviews of each case were completed prior to the commencement of the interviews in each country. These helped prepare me, and give me an understanding of the likely tone of the interviews. Despite this, each country's case included moments of surprise, that a conscious mindset of curiosity and investigation (rather than any preconceived expectations or agendas) helped meet.

3.8 Overview of Interviewees

Sixteen interviews were completed within the period of research, with special attention paid to the necessity for ample within-case, as well as between-case comparison, and achieving symbolic coverage. Eight of the interviews were with individuals with experience in Ireland during the troika’s involvement, and eight were with individuals with the same in Greece. Each interview was between an hour and two hours in length, twelve of which took place in person, and four of which were completed via Skype or by phone. The in-person interviews increased my ability to build rapport with the interviewee, as well as more holistically gauge reactions, atmosphere and non-verbal reactions. Despite these benefits, some in-person interviews were not possible, and thus Skype and phone interviews were undertaken in these situations, acknowledging the loss of nuance in the data produced.

The individuals that were interviewed for this piece of research were all involved directly in the negotiations with the troika, and were as close to the locus of decision-making as it is possible to get. The interviewees were personally involved in decision making and strategy, from a variety of points of entry. Their positions ranged from members of the troika negotiating team itself, to members of the Irish and Greek government negotiating teams, political advisors to ministers and prime ministers, politicians, and chief economists working on the programme. The bulk of the interviewees in each case were involved in the technical negotiations, with four individuals involved at a senior political level. The interviewees were all deeply involved, with important roles within the bailout process being investigated, and therefore able to give incredibly valuable and unique accounts of their experience of events. The total time spent with the interviewees was 21 hours, during which time I was able to gain exclusive deep and detailed access to accounts of the decision making and the policy making process. The interviewees were able to grant me incredible insight into the upper echelons of power at the national and the European level, speaking candidly and generously of their experience of the missions within their countries, and their contact with other European politicians and senior members of the IMF, Commission and Central Bank.

3.8.1 Greece

- **A** - Head of the Greek technical negotiation team for the Economic Ministry. Their involvement started during Greece's second programme, when they were a member of the Economic advisors' scientific personnel. They were involved in estimating the fiscal distribution of measures within the realm of social policy, and were involved in the mission process in a technical capacity, and after August 2015, were involved in the principal meetings with the Minister of the Economy, as the representative for the technical negotiating team.

- **B** - European Commission technical negotiator for the troika. Their involvement spanned from 2012 to the present.

- **C** - Head of the policy research team and part of the Greek technical negotiation team for the Economic Ministry. They worked with the Greek Minister for Development to build and head a research team to examine the results of policy measures that were to be taken during the bailout programme, and were also a part of the technical negotiation team. Their experience with the troika spanned from June 2012 to June 2014, during which period they led the aforementioned research team, and were charged with writing speeches, replying to parliament, and scientifically documenting all policy measures emergent from the memoranda. This documentation entailed gathering evidence to refute or amend policy proposed by the troika negotiating side, and suggest alternate courses of action. Though they started their research position answering to the Minister for Development, throughout the course of their tenure their remit expanded, and they also did similar work for the Minister for Economics.

- **D** - Greek chief negotiator, member of the Council of Economic Advisors to the Prime Minister of Greece George Papandru and Lugas Papademos. Their specific area of expertise was social policy and labour markets. Under the government of Antonis Samaras, they chaired the Council of Economic Advisors, representing Greece in the Euro working group. They were an alternate member of the Eurogroup and the chief negotiator with the troika.

- **E** - Assistant to chief negotiators from Economic/Energy ministries. They were a long time member of Syriza, and worked closely with the Greek Minister for Economics Guirgis Stathakis for his entire tenure at the position, starting in 2015 to the present. They worked with the Ministry for Economics' and Ministry for the Environment and Energy's main negotiator.

- **F** - Advisor to the Prime Minister and part of the Council of Economic Advisors. They served at the Prime minister's office for seven months.

- **G** - Head of General Directorate of Economic Policy. They have been involved in providing tax and macroeconomic forecasts, and the assessment of the impact from new policy measures on the country's fiscal stance and real economy. Their role has entailed providing estimates for the impact of taxation and macroeconomic policies, and assessing alternative scenarios. They have been involved in the Directorate since 2010, processing macroeconomic data and generating short and medium term projections for the Greek State Budget and Medium-Term Fiscal Strategy. In this capacity, they have engaged in detailed discussions on macroeconomic forecasts with the technical macroeconomic teams from the IMF, the EC, the ECB and the ESM.

- **H** - Head of the EU Structural Fund in Greece. They were involved in evaluating policy that was developed within the ministries of government, and making decisions as to their eligibility according to the operational programme of the Structural Fund. The policy prescriptions of the troika were reflected in these operational programmes, and the contact with the troika stemmed from there.

3.8.2 Ireland

- **J** - Irish Central Bank and Chief Economist at Irish Fiscal Advisory Council (IFAC). They provided briefings on the Irish economy in terms of growth, labour market, inflation, wages, deficit and debt ratios to the troika in this capacity. In 2011 they were seconded to work at the IFAC as Head Secretariat, and as the Chief Economist there. This position led to a number of direct interactions with the troika.

- **K** - Chief Economist at the Department of Finance. They were previously the head of macroeconomic analysis at the Department of Finance from 2007-8, and have dealt with the troika since 2010. They were part of the macroeconomic discussions with the troika from the very start, and were party to them until the end on a technical level. In 2013 they became the chief economist at the Department of Finance, and was then involved in the policy conditionality negotiations.

- **L** - Secretary General at the Department of Public Expenditure and Reform, involved in technical negotiations. They were the chief economist at the Department of Finance from 2011 to 2013, and were thus one of the principal individuals negotiating with the IMF and troika with respect to the implementation of the bailout programme. They met with the troika's principals every quarter, and managed the process of delivery on the Irish side. They were involved in all major policy areas during that period.

- **M** - Secretary General at the Department of Finance. They were the chief negotiator of the Irish side, and were the convenor/chair of all Irish missions, and were also involved in some discussions at the European level. They were involved from 2011 to 2012.

- **N** - Member of the *Dail Eireann* on the Finance Committee. They were a finance spokesperson, and would attend meetings with the troika alongside representatives from other opposition parties.

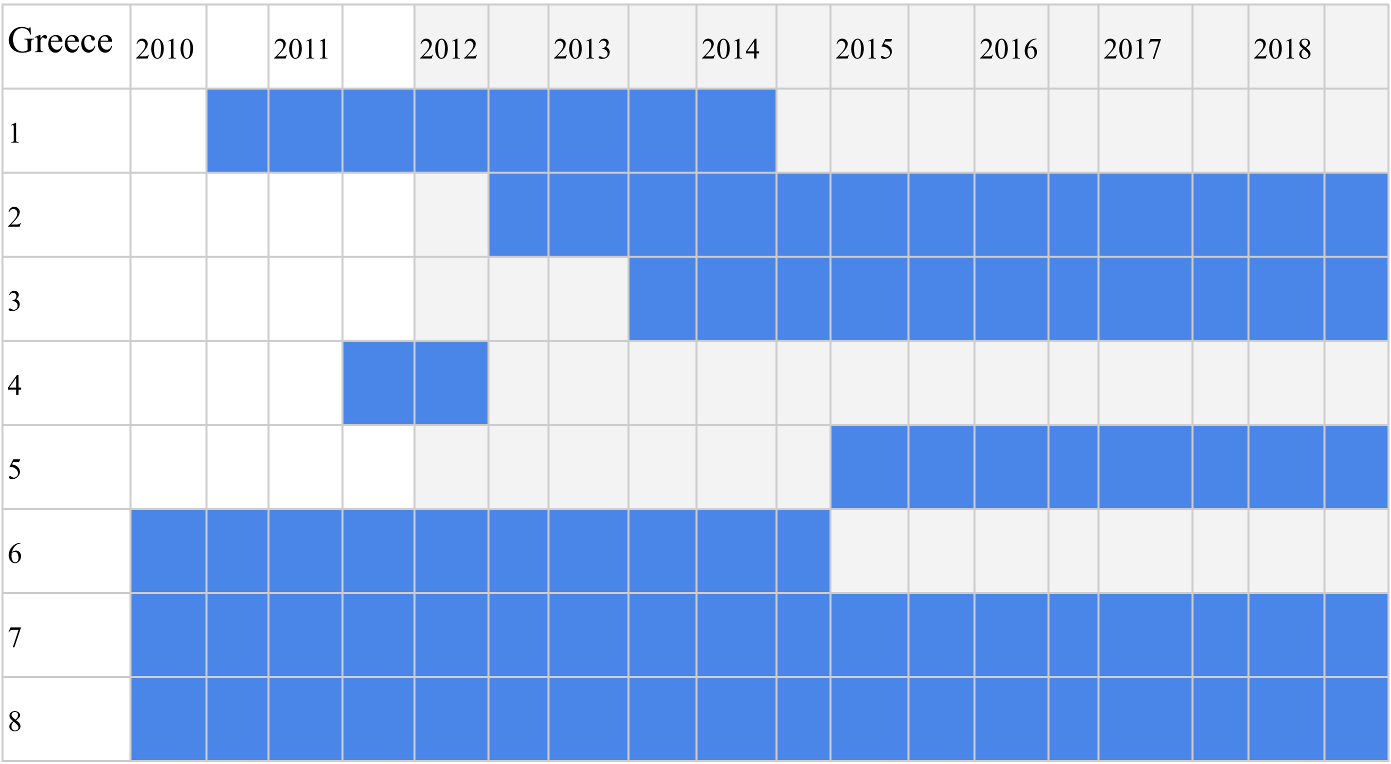
- **O** - Principal Officer at the Department of Finance, part of the principal negotiating team for the Department of Finance. They were first involved in the bailout programme in late 2010, and were the head of the programme management unit which ensured the delivery of all programme deliverables and risks associated with it. Additionally, they were responsible for dealing with the programme loan conditions. They have stayed in this position until the present day.

- **P** - Irish Financial Advisory Council member. They were a member of IFAC from 2011. They provided briefings on the Irish economy in terms of growth, labour market, inflation, wages, deficit and debt ratios to the troika in this capacity.

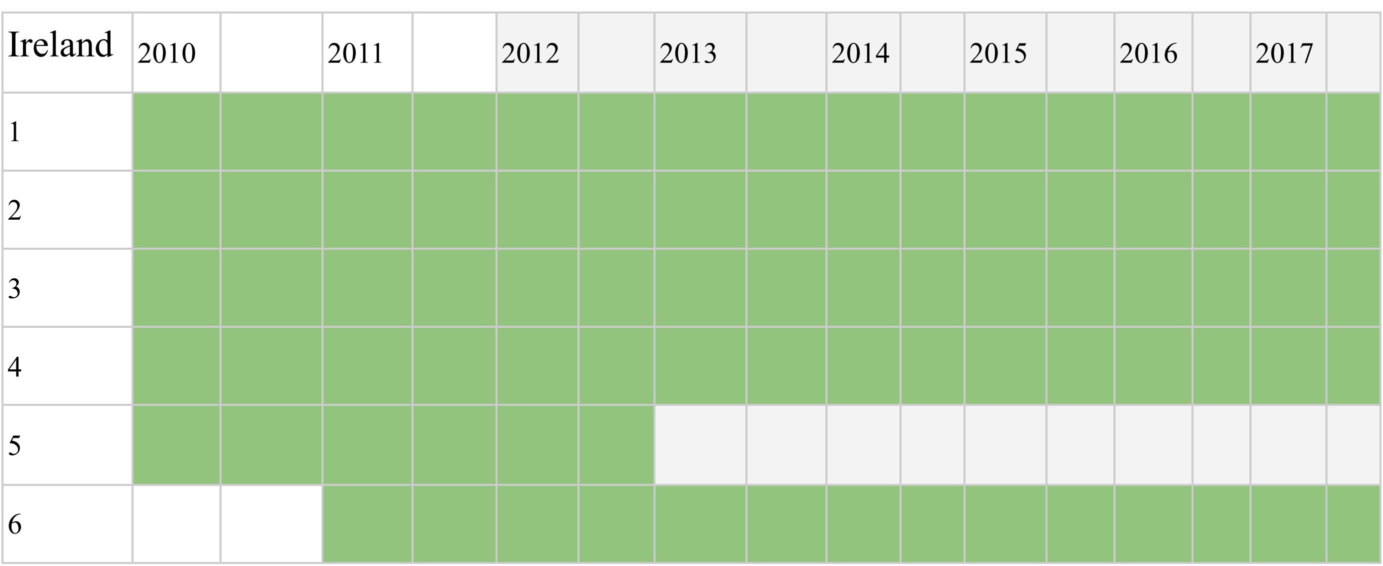
- **Q** - Chief negotiator. They were in charge of the financial services within the Department of Finance from 2010 to 2017. They were the chief negotiator on the financial services negotiating team for Ireland, for the entire runtime of the programme.

3.8.3 Timeline coverage

The below graphs represent the period of time that each interviewee covered with their experience of the mission process. The consistency of coverage in Ireland versus the more broken up tenures of the Greek interviewees can be explained by the specific experience each country had with the troika. The Irish bailout and negotiation process took place under one continuous government, while the Greek experience was much more turbulent. The bailout was divided by multiple changes in government, and domestic political turbulence, which had an effect on the churn of staff, and the scope of their experience with the troika following this.



[Diagram 3: Timeline Coverage Greece]



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[Diagram 4: Timeline Coverage Ireland]

3.8.4 Presentation of data

The presentation of the findings within the context of the case studies was guided by the nature of the data gathered. To honour the quality of the data and to keep the voice of the interviewee undiluted in the process, a long-form presentation of some of the quotes was chosen. Due to the substance of the interviews, where appropriate, interviewees quotes are presented in an uninterrupted fashion, without editorialisation. Interrupting or summarising the substance of which would potentially run the risk of diluting the impact, diminishing the value and altering the substance of the words spoken. The real life voices of the interviewees gives the reader the chance to experience the voices and of the interviewees as they were experienced without the intermediary of my necessarily neutralising presence. The differential in amount and length of interview quotes can be put down to the differential in time spent with each interviewee. **C** and **J** in particular provided me a great deal of their time and insight, and the length of quotes used reflects this, as I wanted to use as much of the information I received from these individuals.

3.9 Computer aided analysis

Computer software was used during the course of every step of the analytical process, as well as the transcription phase. The data analysis package NVivo was able to assist in structuring, labelling and sorting data, and allowed the searching of the data for words and phrases and hyperlinking. It also assisted in the more abstract phases of analysis by creating conceptual networks and displaying output graphically (Spencer et at, 2003: 206-207). NVivo was used in an assistive capacity, rather than an analytical one. It is not able to analyse the data for the researcher, but simply makes it easier for those connections to be made by the researcher themselves. NVivo was therefore used to provide speed, rigour and consistency to the analytical process, but did not replace in any way the researcher's own role in the process (Spencer et at, 2003: 207-8). I attended the Bristol Doctoral College's NVivo introductory course on the 21st of February 2018, as well as utilising follow-up online courses to develop my skills using the programme.

3.10 Data analysis strategy

The process of analysing the data produced during the interviews followed a series of stages that simplified the work, and injected a measure of strategy and logic to the procedure. The data was processed in four main stages, leading from the raw transcribed data, to a meaningful output of theoretical connections, categories and interpretations.

1. Initial decisions were made in terms of *data management*. The vast and unmanageable amounts of raw data were reduced to meaningful themes and categories. At this stage, the level of abstraction was kept to a minimum, the data was simply labelled, sorted and synthesised (Spencer et at, 2003: 214). Among these preliminary themes were 'country case', 'interviewee background', 'technical knowledge', 'agendas', 'negotiations', 'policy', 'politics', 'intra-troika relations'.

2. On the basis of this initial sorting, *descriptive accounts* were constructed. This means identifying the dimensions, the extent, weight and diversity of phenomena within the data. This part of the analysis process is concerned with the substance of what has been said, and the language with which this was expressed. Subsequently, more abstract categories, connections and possible typologies can be constructed (Spencer et at, 2003: 214). During this stage of the process, the more nuanced levels of the previous themes were developed. This included teasing out 'differentials and degrees of technical knowledge', 'the extent and depth of long-term policy agendas', 'the diversity of policy

agendas', 'the extent to which negotiations were possible', 'the policy priorities' and 'the political dimensions between the national and EU levels'.

3. *Explanatory accounts* then attempted to explain the substance that has been uncovered in the descriptive accounts. The explanatory phase attempted to determine *why* certain patterns occurred within the data. This was done by finding links between 'phenomena and associations between experiences, behaviours, perspectives and certain characteristics of the study population' (Spencer et at, 2003: 215). Within this phase, levels of abstraction were achieved, and patterns, contradictions and processes were described and unearthed (Spencer et at, 2003: 215). This phase included determining the reasoning behind, for instance, the diversity of policy agendas, or the extent to which negotiations were possible.

3.11 Comparative analysis

In discussing the various components of this piece of research, the comparative element is crucial. Elder (1976) defines comparative methods simply as an approach to gaining knowledge about social reality through the examination of similarities and differences across more than one nation. Other social scientists have gone beyond this simple description, adding in stipulations about the systematic nature of the research, and the fact that it should cover the same phenomena, using the same research instruments, and feature a clear, standardised conceptual equivalence between the countries studied (Kennett and Yeates, 2001: 42). Pickvance (1986), further argues that a line must be drawn between a mere comparative study, and a comparative analysis, as one simply points out similarities and differences, and the other draws out deeper analytical and theoretical links. This second definition, the comparative analysis, is what this piece of research aims to fulfil: to compare with the aim of drawing deeper conclusions from the comparisons, and lending empirical basis to a theoretical approach (Hantrais, 2009).

Given this definition of the comparative method, it follows that each element brings with it its own unique challenges that have to be tackled in order for the piece of research to be a success. One of the main challenges of comparing experiences from different countries, is, as mentioned above, the problem of conceptual equivalence; the idea that phenomena may not be translatable from one context to another due to culturally specific understandings and practises, resulting in erroneous conclusions (May, 2011; Pickvance, 1986). This same concept applies more broadly to the dimension of understanding that is lost within translation when a researcher is not fluent in the language they are working in, or a participant is not working in a language they are fluent in. Concepts that are discussed may not be 'linguistically equivalent', which means they may not hold validity across languages, and be distorted when non-native languages are used (Kennett, 2001: 44). In a broader sense, Warwick and Osherson (1973, cited in Kennett, 2001: 45) warn that linguistic differences and equivalence issues permeate the very heart of the piece of research; that the very concepts used and chosen by the researcher are informed by their own cultural perspective, thought process, values and ideology.

The bridging of two differing contexts within these case studies was evident throughout the interview process, despite the fact that much of the language used to describe concepts, institutions and practises was standardised through the common relationship with, and participation in the EU-IMF institutional structure. This meant that though a great deal of terminology was commonly used by interviewees from both Greece and Ireland, the social, political, and cultural context beyond this layer of communication proved problematic. Greek interviewees reported a lack of understanding of the Greek political culture within their negotiations with EU institutions and the IMF, with one interviewee commenting that,

> '*we have to take into account the language barrier as well. I'm always saying that one of the biggest factors that helped Ireland get over the crisis fast is the fact that they are also native English speakers, so they can actually communicate better. The people from the troika can actually read Irish papers, they can read Irish magazines, they can have a sense of the whole discussion easily. Greek is something... who speaks Greek? Nobody. So you only speak to the representatives*'.

According to this interviewee, this had a profound effect on the institutions' conception of the crisis itself, and how the crisis should be defined, and thus tackled in each context. The same interviewee remarked that,

'The main concept of the structure of the Irish economy was closer to the ideal that the IMF had',

While,

'*Greece on the other hand was, according to them, a typical example of a broken state where nothing is working'.*

These assessments made by the institutions are argued by this interviewee to be based on the linguistic and cultural context that is present or missing respectively, meaning despite the surface-level terminological equivalence, a deeper lack of understanding for cultural context had a marked impact on the interviewees view of the negotiations and inhibited the development of deeper working relationships with their negotiating partners in Greece.

Irish officials echoed this in the sense that a greater informal relationship developed between their negotiating team and the institutions, with one senior civil servant remarking that,

'Myself and some of my colleagues would just go to lunch with only the IMF people, and so it was very informal, and just we wouldn't even be discussing the programme. So we did develop a very good relationship. But I would have had that before with the European team, at least to some extent.... So I guess you probably didn't have that in other programmes'.

The prevalence and importance of the enabling of informal exchanges through a level of cultural understanding was echoed by another Irish senior civil servant, who commented that,

'Having that sort of informal side of things, enables you to sort of say "listen," have a side discussion and say, "this is where we are". They will sometimes come back and say, well, this is where WE are, we can't get this passed our board. But you could have a reasonable discussion, a constructive discussion'.

These contextual issues similarly had implications for the work of this investigation, in that my own cultural context, coming from an English speaking background, more familiar with the cultural context of the Irish case, may have impacted the approach taken to interviewees in each case. The similarities in culture between the Irish interviewees and myself may have made it easier to build rapport and more quickly develop mutual understandings. This could also have the potential to create a level of bias within the interview as well as the data analysis process. The fact that the Greek interviewees were speaking to me in a language that is not their mother tongue, and from within a context that is less familiar to me, by the same token, had the potential to inhibit the building of rapport somewhat, and pose barriers to communication.

Conducting a piece of research that is reliant on a theoretical base also brings with it similar methodological challenges. Theory itself is constructed to aid us in understanding what exists in the world around us, and find a way in which different variables relate to each other. Different theories express different perspectives that illuminate different social realities, each coming with their own specific epistemological and philosophical constructions and traditions that evolve over time. The challenge that faces the researcher in this case is that theories do not arrive without historical and context specific baggage, and theories must be understood contextually in order to be fully understood (Calhoun, 1995: 36; Kennett and Yeates, 2001: 90).

To tackle these above challenges of equivalence across countries it was important to acknowledge the cultural context from which I was coming from, which is inherently framing the research in terms of understanding of concepts, theoretical choices and understandings. As bringing personal biases into the research is inescapable, the impact can only be mitigated rather than eradicated. An effort was made to be reflexive, recording all decisions made throughout the research process, and increased emphasis was put on sensitivity to cultural contexts. Keeping terminology and categories as close as is feasible to the terms used by participants, and remaining cognizant of the fact that English may not be the participant's first language was also central to the conducting of this piece of research.

The benefits of including a comparative element in the research design include 'enhanc[ing] the solidity of [the] research findings' (Lewis, 2003: 50), despite the claim that it may also detract from the depth that can be attained in a single case study, driving down the precision of the study. In the context of this piece of research, the former claim stands. The basis of the comparison is, as noted, not a comparative study but an analysis: looking to *understand* a phenomena from different angles through the comparative method, and not a simple measurement of their differences. This means that comparisons allow a deeper, multifaceted insight into the phenomenon being studied, rather than detracting from it (Lewis, 2003: 50).

3.12 Ontological and epistemological outlook and challenges

One final, overarching implication given directly by the research question, is that of its philosophical outlook in terms of ontology and epistemology. This is particularly important as it carries implications for ensuring the validity, generalisability and reliability of the research. The ontological position taken in this piece of research is that of subtle realism. It is accepted that social reality exists as an objective fact, yet at the same time, it is unreachable to the researcher. It is only the multiple subjective realities that are perceived and interpreted by individuals that are accessible to social research, all existing concurrently. Social reality is therefore diverse and multifaceted, in addition to existing independently of its interpretations. This means that this piece of research will attempt to approximate the independent reality of a phenomenon through the various interpretations of it that exist (Snape and Spencer, 2003: 19-20; Bryman, 1988: 51-55; Creswell, 2009: 8).

This position has fundamental impacts on the way in which knowledge can be created. Rather than an epistemological approach that seeks to prove causation and is concerned with internal and external validity, it seeks to explain regularities in the data. This is done not in a positivist deductive way, but in an inductive way; rather than testing hypotheses based on existing theory, theory is formulated based on the evidence provided. Knowledge is created through the detailed descriptions of individual realities, the identified patterns and relationships in which, represent conjecture and explanation, rather than causal mechanisms (Bryman, 1988; Patton, 2002; Spencer et al, 2003: 216).

However, despite not subscribing to quantitative guidelines for scientific inquiry, there are various elements of it that prove useful. Specifically, in terms of making sure that the research is as rigorous as it can be, to ensure that as complete a picture as possible is created of the reality that is being approximated. Where quantitative researchers strive for generalisability in terms of the statistical ability of a study to generalise to other settings, or to the entire population, in the qualitative context *transferability* can be spoken of. In the former case it depends on the similarities between the contexts that are being compared, and can be improved through an effort to provide a thick description of the cases in question. In the latter case, instead of ensuring generalisability through a large sample size, an effort to gain symbolic representation ensures accuracy within the phenomena in question. Both thick description and symbolic representation, to the extent that it is possible, were aimed for in this piece of research (Lewis and Ritchie, 2003: 267-269).

Replicating the research is quite hard to manage in qualitative research. Instead, concepts like trustworthiness, consistency and dependability are used. To ensure the soundness of the study reflexivity is paramount. This includes recording and explaining all decisions made, describing procedures and explaining in detail how conclusions were arrived at. This was achieved by the keeping of a detailed log of the coding process, and of the data analysis (Lewis and Ritchie, 2003: 270-271).

The reliability of this piece of research will be judged based on whether it was carried out with a minimum of researcher bias, was symbolically representative, consistent and systematic. This was achieved through consultation with other researchers at various stages of the research process, and through the inclusion of multiple cases within the comparative case study. Additionally, a concerted effort to formulate questions and approach interviews without prompting or leading the interviewee was made. Questions were kept short and clear, leaving little room for uncertainty. This was especially important in the context of interviewing non-native English speakers. Interview techniques were also practised before the interviews, and the topics were demo-ed beforehand. At the analysis stage in particular, attention was paid to ensure that biases did not influence the conclusions by discussing with colleagues and supervisors (Lewis and Ritchie, 2003: 272; Legard et al, 2003: 154-155, 164)

Because this is a highly political and sensitive issue area, the organisational structure within the department that hosted the interviews was also considered. Implications included minding the structure of a particular workplace and being sensitive to existing hierarchy. This was particularly important when referencing information gained from other interviews, especially when individuals worked in the same department. In a similar vein, the information provided to the interviewee needed to be clear in terms of the research purpose and goals, and what exactly was required of participants. An effort was made to provide full transparency in terms of how much time the interviews would take and what issues they would touch on (Lewis, 2003: 62).

3.13 Ethical issues

The main ethical issue connected with secondary data, which was used in the thematic review portion of this piece of research, is that of using data that is not free to be shared. Though permission is implied by a piece of information being freely available on the internet, the ownership of the original data must be acknowledged (Tripathy, 2013).

The primary data collected through interviews are surrounded by a bigger ethical issue, which is sustained consent. Informed consent was obtained from participants prior to the interviews, and it was made clear that they were free to halt the interview at any point, including retracting consent for anything they had said and retracting consent after the interview. Anonymising the data, especially given the sensitivity and importance of the issues discussed, was also taken very seriously during the research process. Participants were not identified at any point in the written data and were, themselves, able to determine what they are referred to as in the research. Any specific third party being referred to by the participant was also anonymised when appropriate, so that no individual who has not given consent would feel any ill effects from this piece of research. The data was anonymised as early in the process as possible so as to keep the possibility of any breach of data security to a minimum. The un-anonymised data itself was stored securely on a non-internet connected device in a physically secure location, is password protected and will not be moved.

3.14 Conclusion

The methodological rationale of this research project was directly implied by the research question. It called on the researcher to understand the experiences of individuals who came into contact with the troika in various national contexts. The ways in which individuals experienced phenomena can most easily be gleaned from interviews, and setting these interviews into their various national contexts can only be done through comparative case study and comparative analysis. These two main methodological thrusts bring with them various complications and philosophical associations that needed to be carefully addressed in order to ensure the rigour, and trustworthiness of the research. By being cognizant of personal bias, being meticulous in recording the decision making process, providing rich description, and asking colleagues for their opinion, these difficulties were minimised. In addition, issues of ethics are pivotal in completing a sound piece of research, and the anonymity and safety of participants were taken incredibly seriously.

IV: PRESENTATION OF FINDINGS

4.1 Introduction

The research question that I aimed to answer concerned the policy responses to the debt crisis, resulting from the negotiations between the troika and national governments, and how they could be explained. In service of answering this question, the question was operationalised as:

> '*How did the recipients of the EU bailout funds, as well as other direct observers, experience interactions and negotiations with the troika, and what can this tell us about the policy process and the policy responses implemented?*'

This chapter presents the findings that were gleaned in answering this question, which are presented as two case studies, Ireland and Greece. Each case will commence with a thematic review of the context, and an overview of the historical facts, and embedded in this will be a report of the findings gleaned from semi-structured interviews in each case, structured around the theoretical axes identified in the literature. Preceding both cases, an overview of the 2008 recession, as well as the Eurozone debt crisis as a whole will be undertaken to contextualise further.

The data gathered during interviews with individuals in Greece and Ireland about their respective experiences with the troika, yielded two coherent parallel case studies. Though there are specificities that are unique to each case, there are many thematic categories common to both, providing the basis for the analysis that will be undertaken in subsequent chapters.

4.2 The 2008 Recession: origins, effects and immediate responses

The 2008 Great Recession was an explosive economic event only comparable to the Great Depression in depth and breadth. It was transmitted alarmingly from a trigger bust, to seemingly all possible dimensions of economic life, having an all-encompassing impact. From a burst UK and US housing bubble to a subprime mortgage crisis that dried up credit in late 2007, 2008 and 2009 saw the largest economic downturn since the Great Depression (Iversen and Soskice, 2012; Krugman, 2009a; Skidelsky 2010, Stieglitz, 2010). Complex financial securities transmitted the crisis, and resulted in a complete eradication of confidence, 'modern day bank runs' in securities, and a liquidity crisis. Further, the commodity bubble burst in December 2008, and confidence and credit availability had a profound effect on international finance, leading countries like Argentina, Ukraine, Japan, Russia and Brazil into currency crises (Ali et al., 2009; Claessens and Kose, 2013). On the back of this, global stock markets fell dramatically, impacting the real economy, as falling house prices decreased consumer confidence and spending, decreasing output. Industrial production fell, and international trade broke down (Manova and Chor, 2009). As its final instalment, this global financial crisis turned into the European sovereign debt crisis lasting from 2011 to 2013.

The effect the Great Recession had on Europe specifically was immense and complex: the combined GDP of the 27 EU member states decreased by 4.5 percent in 2009, relative to 2008, and Eurozone GDP fell by nine percent from 2007 to 2009 (Talani, 2015: 354-6). Though growth returned in small measure after 2009, 2012 had more negative growth in store for the EU. The effect of the recession in the EU was asymmetrical. Countries like Greece contracted by over 23 percent between 2007 and 2013, while Portugal, Italy and Spain contracted by between seven percent and nine percent between 2008 and 2013. Unemployment also rose dramatically, and the EU registered an average increase of 3.5 percent, though again, the effect was extremely asymmetric (Matsaganis and Leventi, 2014: 393).

In response to this economic crisis, universally, stimulus measures were implemented. These ranged from one time rebates to infrastructure spending and government transfers to business and households. Expansionary policy spanned countries that bragged low debt to GDP ratios, as well as countries with high ratios; where Portugal and France spent money, Italy increased taxes. Policy responses were expansionary enough to signal the return of Keynes to some analysts (Brady, 2015: 56; Boyer, 2012: 284).

4.3 The Sovereign Debt Crisis in Europe

This, however, was not the end of Europe's economic woes. There was one last crisis iteration to go after the Great Recession in 2008: the Eurozone sovereign debt crisis of 2010-2013. While the Recession's impact on Europe was immense, the combined GDP of the 27 EU member states decreasing by nine per cent from 2007 to 2009 (Talani, 2015: 354-6), the sovereign debt crisis would wreak yet more havoc on the area. Either exacerbated or triggered by the Recession, Spain, Portugal, Ireland, Greece and Italy struggled with soaring levels of debt following events in 2008, with the discovery of Greece's deficit levels in 2010 marking the beginning of this period of economic strife. This discovery led to the reappraisal of the sustainability and risk of Eurozone debt, and led to increased bond yields (Chtourou, 2015; Kickert and Ysa, 2014: 453; BBC, 2012).

In December 2010, high levels of under reported public debt were discovered in Greece. International ratings agencies subsequently downgraded their economy to BBB- from a previous A, which had a dramatic effect on Greek bond yields, which skyrocketed. Greece had a contamination effect on Portugal, who similarly had trouble on the bond market in 2011, and the Portuguese debt to GDP ratio increased from 94 percent to 123.6 percent from 2010 to 2012 (Magone, 2014: 352-3; Sakellaropolos and Sotiris, 2014: 262). The Spanish debt crisis was transmitted through a burst debt fuelled property bubble, which was financed by few large Spanish banks, which were in turn financed internationally. Spanish unemployment rose dramatically, especially youth unemployment, which reached 50 percent, and its credit rating was downgraded, translating again to increased bond yields (Kickert and Ysa, 2014: 453). Irish debt was similarly transmitted through the housing sector crash. By July 2011 Greek, Irish and Portuguese bond spreads with Germany hit 1600, 1200, 1100 points respectively, representing the incredible divergence in perceived risk in government debt (Talani, 2015: 354-6).

4.4 EU policy responses

The initial period after the Recession in 2008 yielded very little in terms of a joint EU policy response. National governments acted unilaterally to stimulate their economies, and the EU's main preoccupation was to appraise whether the Recession was likely to be short- or long-term (Buti and Carnot, 2012). An EU level response, however, was deemed necessary by national governments that felt they could do very little to offset the crisis' impacts alone (Verdun, 2013). The EU's budget, however, remained at about one percent of EU GDP, which meant that any stimulus activity would have to use member state funds rather than the budget. At this point, no co-ordinated stimulation could come from the EU level (Dabrowski, 2009). The EU was, however, commissioning reports on improving institutional structure in the realm of financial regulation and supervision, and proposing to replace the EU's supervisory institutional structure with the 'European System of Financial Supervisors' (European Commission, 2009; Verdun, 2015: 223).

It was in the spring of 2010 that a concrete EU level response was being contemplated (Georgiou, 2010). The debate throughout the first few months of 2010 was about whether to let Greece default or to offer support. The main argument against support hinged upon their violation of the Stability and Growth Pact on permissible deficit levels. The concern for the EU was moral hazard, that if obtaining funds was too easy, it may prompt more disregard for the rules in place. Allowing Greece to default was not an attractive option either, however, and would potentially risk contagion that would affect the rest of the EMU, and launch an uncertain future with a possible Greek exit from the EU (Schimmelfennig, 2014: 127-128; Verdun, 2015: 223-224).

Ultimately, letting Greece default was not viable, and the decision to intervene meant that the EU now had to create new institutions to address the issue and offer a coordinated response. An ad hoc facility of 110 billion euro to help Greece was initially made available by the so-called troika (EC, ECB and IMF) in May of 2010, called the Greek Loan Facility (GLF). This facility was not particularly successful, and necessitated a second bailout in 2012, which was provided by the newly created EFSF, the European Financial Stability Facility, which was replaced in March 2012 by the European Stability Mechanism (Gocaj and Meunier, 2013; Verdun, 2015: 224). After Greece's bailout in 2010, Ireland followed at the end of November 2010 with a bailout of 85 million euro, and Portugal followed after that in 2011. Bailout deals were further offered to Cyprus, Latvia, Hungary, Spain and Romania. (Blyth, 2013: 71-73; Gorjao, 2012: 65; Magone, 2014: 352; Talani, 2015: 354-6).

The EFSF was a Special Purpose Vehicle (SPV), which temporarily provided bailout funds in an attempt to ameliorate the increasingly dire sovereign debt crisis unfolding in May 2012 (Schimmelfennig, 2014: 128-129). This facility was the basis of all following permanent institutions created (Gocaj and Meunier, 2013: 239). The EFSF's stakeholders were Euro area countries, and it was legally a Luxembourg company with euro area member governments on the supervisory board, coordinated by the troika. The EFSF provided financial assistance worth 440 billion euro through the first of July 2013. Similar to the Schengen agreement, while the Commission took a coordinating role, the arrangement itself remained outside of the EU treaties in intergovernmental territory (Cardiff, 2016: 198; Verdun, 2015: 225-226).

In place of the temporary EFSF, March 2011 saw the adoption of the ESM (European Stability Mechanism), which had a similar mandate to the ESFS. Its lending capacity was 700bn by 2012, and required macroeconomic structural adjustment programmes in return for financial assistance (Gocaj and Meunier, 2013: 239; Verdun, 2015: 227). The ESM was comparatively easy to create since the ESFS had paved the way: markets were already familiar with it, and its place within the wider institutional framework had already been established (Verdun, 2015: 227-228).

To complement these mechanisms, the European Semester was created as a way to organise economic policy. It set up a timeframe at the beginning of the year, within which each state was asked to come up with an economic plan for the year ahead. This plan would then need to incorporate goals for deficit reduction and pension reform, and strategies for how these goals would be met, and be presented to the European Council, and sent back with recommendations from the European Commission (Sakellaropolos and Sotiris, 2014: 264). In the second half of the year, the member states would implement these plans in the so-called 'national semester'. This process strove to ensure better economic policy coordination than the previous Stability and Growth Pact (Verdun, 2015: 228).

Further supporting institutional amendments were put in place in 2011 with the Two Pack and Six Pack. These aimed to supplement and reinforce the Stability and Growth Pact through five regulations and one directive that entered force in December. The Six Pack applied to all EMU states and served to increase surveillance on national budgets and increased the importance of the debt criterion, where the Stability and Growth Pact (SGP) focused on the deficit. In addition, it introduced reverse qualified majority voting (rQMV) when recommending sanctions, that is, a reverse qualified majority is needed in the Council to oppose sanctions that are recommended by the Commission. This makes sanctions easier to impose. The Two Pack followed the Six Pack in 2013, and created yet more surveillance and monitoring procedures specific to Euro Area countries. This included a scoreboard of eleven indicators of excessive imbalances monitored by the Commission, which would then lead to the issuance of rectifying policy recommendations and a deadline by which these recommendations were to be implemented. Sanctions would follow non-compliance or unsatisfactory compliance (Borriello and Crespy, 201: 503; Schimmelfennig, 2014: 128-129; Verdun, 2015: 228; Scharpf, 2014: 27-28).

Finally, the Fiscal Compact or Fiscal Stability Treaty was put in place to support the Two and Six Packs. This was an intergovernmental treaty that entered into force at the start of 2013 for those who ratified it, which made sure that no single country could block it. While the ESFS and ESM were also intergovernmental treaties, the Six and Two Packs were approved through internal EU amendments to directives and regulations (Verdun, 2015: 229-230).

Distilled into its essence, the cumulative policy response amounted to a programme of lending in exchange for structural adjustment in order to reduce debts. This 'adjustment' often called austerity or internal devaluation imposed on countries entailed measures including spending restraint, social reforms, wage reduction, privatisation and welfare state reduction. Others have defined the measures as overtly deflationary, working through wages, prices and lower public spending (Blyth, 2013: 3-4; Whitfield, 2014). In scholarly debates, it is clear that spending reduction is vastly preferred to increases in taxation as the argument for structural adjustment works through the mechanism of private sector expectations (Alesina and de Rugy, 2013). The private financial sector must be convinced of the state's commitment to sound money and no future appropriation of income or crowding out through taxation and spending. Only the elimination of debt and the hypothesised ensuing restoration of confidence will lead to growth despite the admitted lower levels of demand (Blyth, 2013: 3-4). Alesina and Perotti (1995), some of the most prominent economists advocating for structural adjustment through spending reduction have conceded that these measures do reduce demand short term, but will enhance growth medium term, and will be beneficial in the long term (Brady, 2015: 60; Alesina and de Rugy, 2013: 246-249).

The concrete and measurable economic effects of these structural adjustment programmes were suspect at best, not matching the predictions of the proponents of the so-called expansionary fiscal consolidation in any way (McMenamin et al, 2014: 46-48). Rather than providing growth, Greece saw an even greater recession and declining living standards after the imposition of austerity. Greek purchasing power declined by 30 percent and youth unemployment was at 57 percent in 2013, hospitals, public universities and transportation struggled to function, and public health deteriorated (Sakellaropolos and Sotiris, 2014: 266). There was a 36 percent fall in median incomes in Greece from 2009-2013, and for the same period of time, Portuguese, Spanish and Italian median incomes decreased by 11 percent, six percent and three percent respectively (Blyth, 2013: 71-73; Sakellaropolos and Sotiris, 2014: 262). There was an increase in people living below the poverty line of 25 percent in Greece, and 6.3 percent in Portugal, 4.5 percent in Spain and 3 percent in Italy. There was a general increase in poverty for 0-17 year olds and 18-29 year olds, and an increase in inequality in terms of GINI indicators in Greece and Spain (Matsaganis and Leventi, 2014: 400-403).

4.5 Greece

4.5.1 Introduction

In order to gain a holistic and comprehensive view of the Greek case, this case study will start with a simple timeline of the Greek bailouts, setting the stage for a subsequent overview of the Greek economy and its descent into the debt crisis, and a more detailed timeline and discussion of events. This structure will provide the context for the following discussion of the Greek bailout programmes, including that of the development of policy and the major conflicts that were present among the troika institutions themselves, and with the Greek government during this period. This subsequent more detailed timeline will be made up of evidence from both official troika documents, the scholarly literature, and primary data gathered from interviews where relevant. Following this, interviewees' more specific personal reflections on the nature of the negotiations with the troika, their policy approach, and the axes of conflict between the various actors involved will be examined. This case study, and the main themes gleaned from it, in conjunction with the following case study of Ireland will then go on to form the subject matter of the analysis chapter, upon which the answer to the fundamental question of the nature of the troika's position relative to nation states will be based.

4.5.1.1 A timeline of the Greek Case

2001	Greece joins Euro
2007	Onset of Great Recession
2009	PASOK's Papandreou is elected and reveals that Greece's budget deficit is 15.4 percent.
2010	First bailout for Greece 110 billion euro by EU and IMF. Prime Minister Papandreou agrees to austerity measures.
2011	Papanereou steps down after calling off a referendum on a second bailout programme for Greece. Lucas Papademos is installed as head of a unity government tasked with implementing programme

		conditionalities.
2012	February	A Second bailout for Greece of 130 billion euro is agreed by the EU. This includes a 53.5 percent debt write-down for private Greek bondholders.
	March	Fiscal Compact is adopted by 25 member states of the EU. It requires deficits below 0.5 percent of GDP.
	June	Centre-right wins new Greek elections, and Antonis Samaras forms a coalition government, vowing to continue compliance with the bailout programme.
	September	ECB President Mario Draghi announces that he will 'do whatever it takes to preserve the euro', and starts a large scale government bond buying programme.
2013		The Greek Parliament passes unpopular austerity measures including large scale public sector layoffs and budget cuts, upon which 7 billion euro of bailout funds are transferred. Labour unions call a general strike.
2014		Greece returns to international bond markets
2015	January	ECB Announces Quantitative Easing to spur inflation and growth. Greek bonds are not eligible. Syriza wins snap elections on an anti-austerity platform. Prime Minister Tsipras vows to renegotiate the terms of the bailout and cancel debt.

	June	Tsipras announces a referendum on the EU's bailout proposals. Second Greek bailout expires when Greece misses its 1.6 billion euro payment to the IMF.
	July	Referendum on EU bailout terms comes back with an overwhelming 'no'. Despite a 'no' vote, PM Tsipras persuades parliament to approve new austerity measures. ECB resumes support for Greek banks. Syriza splits.
	August	Third Greek bailout of 86 billion euro is approved. The IMF does not participate until Greece is provided 'significant debt relief' by European creditors.
2018		Greece Exits Final Bailout Program

[Table 4: Greek Bailout Timeline]

(Council on Foreign Relations, 2021)

4.5.2 The Greek path to the debt crisis

The conditions that led Greece to be the first country to fall into debt troubles, necessitating a joint IMF/EU bailout package in 2010 were already present and developing before Greece ratified the Maastricht treaty in 1992. Formally called The Treaty of European Union, Maastricht was the subject of debate in Greek politics in the early 1990s, and if ratified would mean committing to a movement toward economic and monetary union by the turn of the century; a state not uncontroversial within political and scholarly circles. While France had pushed for a swift progress on the EMU, and a limited duration of the stages of convergence towards a full monetary union, Germany on the other hand '*insisted on the need for a set of stringent conditions to be fulfilled in order to avoid later difficulties*' (Pryce, 1994: 45). The convergence criteria used to coax Germany into agreeing to the Maastricht Treaty of 1992, set out a plan for a single currency on conditions of low inflation, exchange rate stability and low public deficit levels in proportion to GDP. Despite concerns being raised about Europe not being an Optimal Currency Area, strict control of price stability by an independent body was thought to be sufficient to replace these failed conditions, and bring about long-term convergence (Boyer, 2012: 290).

The debate in Greece about whether it was prudent to join the Monetary Union was centred on the structure of the Greek economy, and concerned the fiscal rules associated with progress towards monetary union with other European states. The voices in Greece against the ratification of Maastricht argued that by not being an Optimum Currency Area, the EMU had the potential to produce divergence between the economic core (e.g. Germany) and its periphery (e.g. Greece), rather than convergence (Boyer, 2012: 290). As an export-led economy built on strong labour and business organisations that was able to keep wage inflation low and productivity and competitiveness high, Germany would have a competitive advantage over an economy like Greece, that did not have as strong labour unions or cross industry bargaining mechanisms, and therefore could not suppress wages as efficiently. Further, Greece did not harbour high value added sectors, instead relying on consumption to fuel growth through debt from the European core. The Greek economy in particular relied heavily on business cycle dependent industries like construction, tourism and shipping to fuel growth. A monetary union, it was argued, would naturally lead to, and exacerbate a balance of payments deficit relationship between the two countries with mirrored balance of payments relationships (Sakellaropolos and Sotiris, 2014: 262; Hanké, 2013: 89-101).

Additionally, the structure of EMU centralised monetary policy itself was argued to also pose a risk to Greece. Because the Eurozone nominal interest rate would be set by the ECB in response to an average inflation rate in the entirety of the zone, this would inevitably have differing effects on countries that are individually located below and above this pan-European average (Hanké, 2013: 94). Countries experiencing rates of inflation above the European average would inevitably be rewarded by artificially low rates of interest, putting further inflationary pressure on the economy, and causing it to naturally remain on an inflationary course in terms of wages and private sector demand. Conversely, a country with below average rates of inflation, would always be met with an artificially high rate of interest, which would set them on a disinflationary path (Hanké, 2013: 95). These diverging rates of inflation would act as quasi-exchange rates in the Eurozone, and further ensure differential competitiveness throughout the Eurozone. This would then only serve to further entrench the inevitable consequence: the balance of payments dichotomy between the two groups of countries. The structure of the monetary regime would be counter-cyclical, exacerbate problems, and cause divergence rather than convergence, and high productivity countries would be systematically undervalued, while lower productivity countries would be systematically overvalued (Hall, 2012a; Hall, 2012b; Sakellaropolos and Sotiris, 2014: 263).

Greek MPs' fears of structural divergence, counter cyclical business cycles, and asymmetric shocks were particularly acute as the structure of the EMU centralised monetary policy and had strict fiscal rules. This would diminish the ability for Greece to make use of their fiscal and monetary policy levers to counteract any of the above detailed ill effects it would encounter. Concurrently, Maastricht included no European-level budget that would be able to smooth over asymmetries and divergences from the top down, leaving no provision for the counteraction of any of the predicted divergence. (Pelagidis and Mitsopoulos, 2014: 11-12; Varoufakis; 2017: 23).

Despite these worries, the Greek government of the day was confident that with the requisite modernisation agenda and productivity gains, these structural issues could be overcome. The liberal government that introduced the Maastricht treaty to the Greek parliament in 1992 planned to implement wide reaching structural change to the Greek economy and reform the public finances, in order to get the Greek economy ready to join the final stage of the European Monetary Union, before it became the euro. The main aim of these reform measures was the removal of the power that special interest groups had over regulation. The clientelistic operation of the Greek state was argued to be detrimental to the productivity, and long term health of the Greek economy, and essential to dismantle in an aim to converge with Germany and other European countries within the EMU. These reforms were put into practice during the tenure of this liberal government, and included privatisation measures of telecommunications and product markets (Pelagidis and Mitsopoulos, 2014: 6-9, 13; Pryce, 1994: 3-11).

In 1993, the liberal government that put the Maastricht treaty in front of parliament fell, and consequently, many of the reforms that the government had put in place to avoid regulatory favouritism were no longer pursued, or were actively reversed. Major institutional change did not take place, leaving in place institutional weakness, underdevelopment and poor governance, and inhibiting the competitiveness of the Greek economy (Pelagidis and Mitsopoulos, 2014: 9-26; Varoufakis, 2017: 23). Mid-1990s Greek policy instead was centred on satisfying the fiscal, monetary, tax and redistributive convergence criteria of the Maastricht treaty. Within the period between 1993 and 1999 the Greek government deficit had been reduced by ten percentage points from 12.5 to 2.5 percent of GDP. Despite the lack of institutional change in addition to the tight fiscal and monetary policy required to satisfy the convergence criteria and reduce the deficit and inflation rates, the Greek economy was on a path of strong growth from 1995 onwards. This was a result of the reforms that did remain, as well as the private investment and the influx of foreign capital into Greece, made possible by the falling inflation rates and interest rates. Confidence in the Greek economy on the side of markets was restored as the Greek economy grew at four per cent through the 1990s until 2007 (Semites, 2014: 3).

In 1999 the Greek economy was deemed to be on a sustainable path, and asked to join the final EMU stage in 2001. Greece was fulfilling the inflation and deficit criteria, and converging in terms of long term interest rates and exchange rates set out in Maastricht. Despite this, the Greek economy joined the EMU with a high sovereign debt to GDP percentage. In 1999 sovereign debt was at 93.3 percent of GDP, and it would reach 97.4 per cent in 2003, while the maximum set out in the EMU rules was 60 per cent, with rumours circulating about the veracity of the true fiscal accounts Greece reported. The mid 2000s were also a time of great decline in international competitiveness in Greece, including wage increases relative to productivity gains, and increases in government expenditure. All successive governments up until 2009 had also been reluctant to implement the structural reform agenda necessary, or eradicate the hold that special interest groups had on power. As a consequence, the Greek economy was put under supervision by the EU, overseen by the Commission starting in 2004, as it was failing to adhere to the fiscal rules. This supervision entailed reports and recommendations on ways to return to the fiscal limits of the euro, but was optimistic in tone and merely advisory (Henning, 2017: 77; Pelagidis and Mitsopoulos, 2014: 6, 17, 19, 34, 37-38; Semites, 2014: 9-10, 18).

By the end of 2009, a change in government from New Democracy to PASOK brought with it a revision of deficit and debt statistics, triggering a financial and debt crisis in Greece. The previous New Democracy administration had tried to obscure their failure to meet targets by sending incomplete information to Eurostat for the period 2008-2009. When data was finally forthcoming, New Democracy reported the budget deficit to be at six per cent, which was at odds with external statistical estimates that had estimated the deficit to instead have been at 12.5 percent of GDP. The new PASOK government thus informed Eurostat of this error, revising the budget deficit upward to 15.4 percent of GDP for 2009 (Henning, 2017: 77, 79; Semites, 2014: 6-7, 46; Varoufakis, 2017: 31).

The severity of the effect of this revision on the Greek economy was unprecedented. The IMF assessed the Greek economy on the new Greek Prime Minister’s request, and reported that Greece would need to be bailed out, though Dominique Strauss-Kahn, the managing director of the IMF at the time, believed the Europeans would rather not have the IMF involved in a programme at this time. This prediction proved correct, and on a subsequent call, the Greek PM’s European counterparts declared a desire to attempt a Greek bailout without the IMF, with the Commission at the helm in a technical capacity (Henning, 2017: 77, 79; Semites, 2014: 6-7, 46).

4.5.3 Involving the IMF

The major element standing in the way of a European-only bailout programme, however, was the fact that the EU did not have a vehicle with which to carry one out. Further, Article 125 of the Maastricht treaty itself stipulated that members could not assume each other’s financial obligations. This was, in effect a 'no bailout rule', hindering an EU assistance programme to Greece. Before the Euro area could get involved in financial assistance, it would need to further clarify and define Article 125, and create a financial facility that would be able to carry out a bailout programme. This moment of demand for institutional creation was seen by some European leaders as a crucial opportunity for further integration, a project that the involvement of the IMF would undermine. Also, the IMF was not bound by the same set of rules and limits set out in the Maastricht Treaty, which had the potential to lead to conflict over the bailout specifications due to the differing constraints the institutions were under (Henning, 2017: 78-80; Varoufakis, 2017: 26).

Germany, however, had not reached an internal unanimous stance on the involvement of the IMF in March of 2010. Merkel expressed a preference for the IMFs involvement, contrary to her Finance Minister Wolfgang Schäuble, who preferred a European solution: the creation of a European Monetary Fund, and a changing of the treaties to accommodate it. France was similarly for a European solution, as Sarkozy argued that the IMF's involvement would create opportunities for US influence within the process. Merkel's position ultimately won out against the voices for a European only solution, her reasoning being based in part on the IMF's vast financial resources, as well as their knowledge and experience in the design, negotiation, implementation and monitoring of programmes. This highly specialised knowledge would further lend credibility to the bailout in financial markets (Henning, 2017: 80-84).

Beyond the practical desirability of the IMF's help, the greatest driver of the German demand for the IMF's involvement, was the domestic political situation within Germany that was hostile to the idea of financial assistance to debtor countries within the Eurozone, especially right on the heels of a 406 billion euro domestic bank bailout. Bailing out Greece was expected to be highly controversial, and needed to be passed through the German Bundestag, as well as survive challenges in the German Federal Constitutional Court. Involving the IMF would help overcome these challenges. The IMF's reputation for strict conditionality programmes and loan repayments worked to reassure the Bundestag and the German taxpayers, and reduce the political costs of the bailout for the German government. In short, '*the Fund's participation provided the Chancellor's Office and Ministry of Finance with domestic political cover*' (Henning, 2017: 80-84, 94;

Varoufakis, 2017: 25-26).

Further motivation to include the IMF outside of German domestic politics was a hope that the IMF's participation would also smooth over the backlash to the bailout conditionalities within Greece itself. The IMF could in this context act as a shield to diffuse backlash across institutions, and reduce its focus away from Germany and the European institutions (and therefore European integration as a whole), while also being less vulnerable to criticism in programme countries than the European institutions. The IMF's strict reputation also contrasted with the German lack of trust in the Commission in particular. German officials thought of the Commission as being too lenient, and overlooking the problems with the Greek economy during its bid to join the euro in 2000. In contrast, the IMF was thought of as strict on fiscal policy and in favour of aggressive structural reform. Any policy conflict the IMF may have with the Commission, the German thinking went, would appear as a deadlock that could be broken by the ECB, whose policy stance would echo that of Germany (Henning, 2017: 93-96).

4.5.4 The first programme

At the end of March 2010, financial assistance in response to the situation in Greece was finally decided upon in Brussels. The facility that was agreed on would not be a fund but a set of coordinated bilateral loans by Eurozone members, and would be attached to a conditionality programme to be overseen and negotiated by the Commission and ECB. German Chancellor Merkel accepted this arrangement on the condition that the IMF be involved, whose role began as a provider of the necessary expertise in February, and ended up as a full partner by March. In May 2010 bilateral loans of 80 billion euro were pooled by the Commission in the GLF, to be disbursed from May 2010 to June 2013, with the IMF providing an additional 30 billion euro under a stand-by agreement (European Commission, 2021b, European Council, 2019a; Henning, 2017: 84-86).

To internally justify the IMF's provision of a loan of the magnitude of 30 billion euro, and an entrance into such an unprecedented context, the IMF loan to Greece had to be considered sustainable in the medium-term. This was not the case, and consequently the criteria the IMF worked with was modified in May 2010 in order for the sustainability clause to be bypassed. The argument that was used to justify this was the risk of spillover that a Greek default would have on the international financial system. Additionally, the IMF wanted to demonstrate with its involvement in the Greek bailout, that they were still a relevant institution, even in the world's most integrated region. In addition, Strauss-Kahn's personal interests may have played a role in the IMF's overlooking of the risks of the Greek bailout, in terms of his bias towards the European Union, and his own ambition to become president of France (Henning, 2017: 87-90; Varoufakis, 2017: 24).

The IMF's original concerns about sustainability proved correct, and the prediction that growth could be achieved in 2012 proved incorrect. The conditionality set out, in terms of structural reform and privatisation was not completed on time, and the money generated from privatisations, expected to be 50 billion euro was optimistic. The adjustment programme brought the Papandreou's PASOK government down in 2011, upon which there was a period of serious political uncertainty. During this period a Grexit was seemingly credibly on the table, with Sarkozy and Merkel having discussed it as a possibility in November 2011. The unsustainability of the Greek debt meant it had to go through restructuring twice between 2011 and 2012, and though Merkel ultimately did not push Greece out of the euro area, and the feared international contagion of the crisis was limited outside of the euro, growth and market confidence was not restored. The first programme was a failure (European Commission, 2021b; European Council, 2019; Henning, 2017: 90-91, 188).

4.5.4.1 The origin of the policy agenda

The troika mission team that would negotiate the policy conditionality programme with the Greek authorities first arrived in Greece in April of 2010, and were delayed by the aftermath of the eruption of the Icelandic volcano *Eyjafjallajökull*, **D**, a Greek Chief negotiator remembered. Once the three institutions finally arrived in Athens, they met with their Greek counterparts in an office in the Department of Finance for the first of the official mission meetings, and the negotiating process for the first of the Greek bailouts, and their corresponding conditionality programmes. **D**: '*All of them stayed at the Athens Hilton, a very nice hotel a bit further out. Each institution, however, had so-called "family meetings" every night. Not all of them together, but separately. And then they all met. This means that they were not heading for a compromise state from the beginning, but first formed their own opinions, each one separately, and then they were trying to iron out their differences to come to negotiate with us.*'

G, in their capacity as the Director General at the Ministry for Development and Economy, issued a statement about the explicit policy aims of the mission process. These were (a) short-term fiscal results, in order to bring down the fiscal headline deficit, and (b) a medium to long-term shift of the economic model towards a more extrovert one, through structural changes. '*All three of the institutions shared the same objectives: securing financial consolidation, promoting economic growth and fostering cooperation (monetary, trade). Fulfilling these objectives would ensure that the disbursements under the three programmes would be paid off, on the back of Greece's return to the international debt markets on favourable terms… Overall, tackling fiscal imbalances has been the number one priority under the Programme. Serving the fiscal target was the priority of all programmes*'.

The broad structure of the bailout conditionality negotiating process was characterised by **G** as having two steps. First, the broad strokes were agreed upon on the political level, and following this, the technical deliberation and negotiation commenced as to the optimal policy measures necessary to reach these envisaged reform targets. **C**, one of the senior members of the Greek technical negotiating team described it as a '*two-step process corresponded to a division of negotiating teams into two levels, between whom there was a great deal of differentiation. The political team constituted the higher level, discussing and negotiating with Greek ministers, and the technical negotiating team constituted the lower level, negotiating with the corresponding Greek technical team. The political team included individuals like Thomsen, the Director of the IMF's European Department and leader of the IMF's negotiating team, and other high-profile personalities, and was the media face of the bailout from the troika's side. It set the direction and the red lines of the process, while the technical teams below worked out the policy detail*'.

E explained that '*the memorandum of the structural adjustment programme has two documents. A bailout agreement and a memorandum that describes more or less what the debtor should do, from the perspective of policymaking'*. As many of the interviewees stated, this first conditionality programme developed in 2010, was modelled after the IMF's standard model of financial assistance and the existing 'OECD toolkit' of reforms. These IMF programmes were usually planned for a three-year horizon, and were front-loaded in terms of the measures to be taken. This blueprint was followed from the very start, and adopted wholesale from the IMF and was ready and drafted when the institutions arrived in Athens.

D and **A** described the troika's mission team members working as economists with differing areas of specialisation. Individuals working on each topic area would attend many topic meetings, with some having to take on three to four topics at once. Within **C**'s technical team, on the government side, there were six or seven people, with three regulars that made up the core team. On the troika side, C remarked that '*within the missions, the IMF and Commission were the most influential institutions*', each having had two individuals working on each important economic area, while the ECB only had one.

4.5.5 The second programme

In November 2011 Greece elected a new government under Lucas Papademos, who negotiated and signed on to the second troika programme for Greece. This new programme was debated in the lead up to the next elections in May 2012, which did not yield a government. A second election in June brought into power a coalition government led by New Democracy's Samaras, with a mandate to keep Greece within the euro and implement the second adjustment programme. The second programme for Greece was approved in March 2012 by euro area Finance Ministers. In addition to the remaining funds in the GLF, an additional 130 billion euro was made available by the euro area countries to be disbursed between 2012 and 2014 (later extended to June 2015), totalling 164.5 billion euro. The second programme differed from the first in that it was no longer structured as a collection of bilateral loans, but would be financed through a new European facility (the EFSF). The euro area contributed 144.7 billion euro through the EFSF, while the IMF contributed 19.8 billion euro. Within the context of this second programme, the private sector was involved as a means to improve the sustainability of the Greek debt (European Commision, 2021; Henning, 2017: 185-188).

Different from the first programme, the second programme stipulated that financial assistance would be tied to the fulfilment of performance criteria, as well as quarterly evaluations of progress on the performance criteria and the Memorandum of Understanding setting out the policy conditionality. The money for the second programme was released in several phases. The first 34.3 billion euro was released in December of 2012. In the first quarter of 2013 the next 7.2 billion euro was paid out for bank recapitalisation and resolution costs, and the funds for financing the budget were released in sub-phases that were tied to the completion of policy conditionality targets agreed upon by the troika. The troika had the power to grant approval, triggering the release of funds (European Commission, 2021b; European Council, 2019a; Henning, 2017: 185-188).

Describing the second programme, and the ministry he would inherit in greater depth, Yanis Varoufakis, the later Syriza Finance Minister remarked: "*The conditionalities of the second bailout loan, which had been implemented in stages between 2012 and 2014, included momentous attacks not just on social spending but on the very sovereignty of the Greek state, specifically on its control over essential departments within the Ministry of Finance. As well as creating the Hellenic Financial Stability Facility (HFSF), which after 2012 held the banks' majority shareholdings on behalf of the state, and a privatisation unit whose job was to conduct fire sales of Greece's public assets, both of which answered not to the Greek people but to the troika, the jurisdiction of the tax office had also been co-opted by our creditors – specifically, to the Eurogroup Working Group, presided over by Thomas Wieser. By scooping out these three crucial chunks of the Ministry of Finance and placing them beyond the reach of Greece's democratic process, they had effectively turned the ministry into something resembling a Swiss cheese.*" (2017: 163-164)

4.5.5.1 Conflict between the IMF and Europe

A restructuring of the operation of the programme from the first to the second programme was demanded by a number of the non-European members of the IMF, who wanted the IMF to take a stronger stance and demand a clearer timeline for the programme's completion. The IMF's stance in this regard stood in opposition to the European partners, whom the IMF urged to be more realistic in terms of the true adjustment that was possible and how much funding Greece would actually need once it returned to markets. The European response to the financing gap, and the extent of bailout that would be necessary for Greece was also a subject of the 2013 German elections, with the opposition accusing Merkel of hiding the full cost of the crisis, though Merkel went on to win the election (European Commission, 2021b; Henning, 2017: 185, 190).

This high financing gap was the main area of contention between the Europeans and the IMF. The IMF requested the Europeans honour their commitment to close the funding gap and stabilise the debt, and threatened not to enter into another programme if there were no plans for it to be realistically fully financed. The Eurogroup (the informal group of euro member Finance Ministers) provided more funds in response, extended maturities, reduced interest rates on the debt, and supported a debt buyback with a commitment to take further steps as the programme went on in order to keep the IMF involved. Despite this, the euro area governments were not always on the same page about the debt. They feared Greek debt restructuring, in terms of the effect it would have on their domestic banks, and their positions in opposition to the IMF were tied to this (European Commission, 2021b; Henning, 2017: 185-190; Varoufakis, 2017: 41).

The third and fourth reviews of the second programme were positively passed in July of 2013, and March 2014 respectively, with the troika institutions agreeing that the programme was on track, and authorising the EFSF to release the next instalments of funds. Late 2014 saw the Greek government missing programme benchmarks concerning labour market policies, and demanded tax increases and pension reforms in order to proceed. Prime Minister Samaras agreed to the troika's terms, but faced a snap election in 2015 as his party was unable to present a three fifths majority in parliament in order to confirm a new president. Despite modest growth numbers, the economic condition Greece was in was dire. Greece was back in recession in early 2015, with 25 percent lower output compared to before the debt crisis, and unemployment levels at 25 percent. Backlash against the austere policies of the troika programmes came to a head in the form of popular support of the left wing Syriza, led by Alexis Tsipras, campaigning to end austerity, restructure debt, and end the rule of the troika. Syriza and Tsipras swept to power with more than 36 percent of the vote, and instated Yanis Varoufakis, a marxist economist, as his Finance Minister (European Commission, 2021b; European Council, 2019; Henning, 2017: 200-203; Varoufakis, 2017).

Syriza's first act in office was to negotiate with the Eurogroup, as well as the troika, requesting an extension on the second programme, as it was set to expire on the 28th of February 2015. The Eurogroup agreed to extend the programme by four months into June, on the basis that the Greek government would commit to comprehensive reforms. After the extension was granted, the Greek government and the European institutions entered into negotiations over the conclusion of the fifth review of the second programme, but could not come to an agreement. Varoufakis, characterised his demands in a meeting with the Dutch Finance Minister and President of the Eurogroup Jeroen Dijsselbloem in the following terms: He desired "*a new type of agreement between the EU, the IMF and Greece, based on debt restructuring, that diminished our reliance on new debt and replaced an ineffective reform agenda with one that the people of Greece could own*." (2017: 167). At this same meeting Varoufakis recounts the response from Dijsselbloem as follows: "*You don't understand. The current programme must be completed or there is nothing else*!" (2017: 167), summarising the troika and European response. They were at a deadlock. The fifth review could not therefore be concluded and thus the second programme expired on the 30th of June 2015 (European Commission, 2021b; Henning, 2017: 213; Varoufakis, 2017: 236-242).

4.5.6 Failure of the second programme, referendum period

After the expiration of the second programme, negotiations for a third programme started, with Syriza requesting financial assistance from the ESM (European Stability Mechanism, having replaced the EFSF as the EU's disbursement facility) on the 8th of July 2015. The period between programmes was characterised by political turmoil and conflict, including a referendum, and a second election with Grexit and the failure of the euro as a distinct possibility. Tsipras and Varoufakis were isolated among their European peers, increasingly alienated from each other, and were at odds with their negotiating partners in the troika. Tsipras banished the troika out of Athens, requesting negotiations take place directly with the Eurogroup and the European institutions of the troika. They were denied, with the Eurogroup, and Merkel in particular insisting on the troika as a middle man. Finally, Tsipras backed down and agreed to negotiate with the troika, but only in Brussels (Henning, 2017: 200-205; Varoufakis, 2017).

During this period, Varoufakis spent his time arguing that there was not only a moral case to be made against austerity, but an economic one. The Greek economy was not growing, and the amount the government was borrowing was covering other creditors, rather than any current spending. Debt as a percentage of GDP was, in fact, higher than it had been before Greece had entered the first programme, despite being restructured in 2012. Parts of Varoufakis' arguments were controversial. He described the rise of the far-right Gold Dawn in Greece as inspired by the Nazi Party. Others in Greece went so far as to argue that Greece should be receiving reparations from Germany backdated from the Second World War, with compound interest. These arguments did not meet much support in Germany, and served to alienate the Greeks further from their European peers (Henning, 2017: 203-204).

Varoufakis advocated for debt restructuring, as part of a pushback against the logic of the existing programmes, and a proposal for new pro-growth policy approaches. This chimed with the IMF's existing stance on debt reprofiling, the beginnings of their turn against austerity within the IMF, as well as the private views of Christine Lagarde of the IMF, as well as multiple European heads of state, as reported by Varoufakis. Ultimately, no matter the private concessions, publically, he did not find any material success, and European countries closed ranks against Tsipras and Varoufakis and put Grexit back on the table as a realistic possibility (Henning, 2017: 200-205; Varoufakis, 2017: 236-242, 305-309).

4.5.6.1 Conflict between Greece and the troika

This politically turbulent period in early to mid 2015 was described by **F** as '*the worst period... there was no communication, almost. There was just posturing, and there was a very rough beginning of communication and collaboration when [Euklid] Tsakalotos took over from Varoufakis in July... What was very critical at the time was the fact that we didn't know what we were doing... In theory the Greek government had a mandate, an electoral mandate to renegotiate the terms and the regulations with the institutions. In reality I think that it wasn't clear… it **was** clear but it wasn't exactly clear what institutional power it would take, so the first rounds of approaches always had this institutional ambivalence, because no one exactly knew what the outcome would be*'.

Varoufakis described his and Tsipras' approach to the negotiations with Europe and the troika as '*constructive disobedience*' (2017: 60). That is, to resist at all costs, the logic and structure of the dominant bailout policy process, while presenting a constructive vision and novel policy agenda. '*Our mandate was to reject any oath of allegiance to the existing programme, to the previous governments' Memorandum of Understanding, to any new loans or austerity measures. Our purpose was to go to the wire without any intention of backing down*' (2017: 246).

The first few months of the negotiations were held as part of the Eurogroup Working Group (EWG) discussions, wherein, **F** commented, '*the Greek government did its best to politicise the proceedings, while the troika approach was to depoliticise them*'. This latter process was accomplished by, as **F** described it, the '*[constant] reducing [of] the level at which* *discussions will be held. This was a constant aspect of the whole first year of the negotiations*'. Greek government ministers negotiated with their counterparts, the mission chiefs, who were entrusted to negotiate on behalf of their political principals. If these ministers, or even the Prime Minister tried to circumvent these mission chiefs, and go straight to the principal, that is to the President of the Commission or to the German Chancellor, it usually was not fruitful. The responses received in these cases were always a referral back down to the mission chiefs. **F** calls this a '*clear kind of division of labour in order to avert the politicisation of decisions and the identification of hard policies with political leaders around the Eurogroup or around the European Council table*'.

Varoufakis described his experience through the following anecdote of Schäuble's reaction to a policy proposal: '*Schäuble did not even glance at my non-paper. He passed it to his junior minister with an air of scorn, saying that it was a matter for the 'institutions' … This would be Berlin's standard tactic throughout. Whenever we put a proposal to Chancellor Merkel or Minister Schäuble – on debt, privatisations, pensions, tax evasion and so on – they would simply refer us to the "institutions". The implication was that there would be no negotiation between Berlin and Athens; it was simply not their job*' (2017: 212-213).

Once actually discussing with the institutions, Varoufakis recounts, '*our predicament was even worse*' (2017: 308). '*Once there, I soon discovered that the institutions were also divided, and in more ways than one. Famously, the IMF was dead keen on debt restructuring while the ECB was dead against it. But the European Commission was even worse: in private talks Commissioner Moscovici would agree readily and enthusiastically with my arguments about a consistent fiscal policy and on issues like labour relations. But then the Commission's representative in the Eurogroup Working Group, Declan Costello, would reject all these ideas out of hand… The runaround is a systemic means of control over governments of countries whose banking and/or public sectors are financially stressed. Indeed, to politicians like Wolfgang Schäuble it is a welcome feature of the eurozone. A finance minister who wants to table, say, debt-restructuring proposals is simply denied the name of any person to speak to or a telephone number to call so that she or he simply does not know who to talk to'* (2017: 308).

This diffusion of responsibility was, according to Varoufakis, '*A tactic whose purpose is to nullify anything that is inimical to the troika's power*' (2017: 308), but also had another use to Schäuble. '*If he were to receive my proposals, he claimed, he would be legally obliged to table them in the Bundestag, Germany's federal parliament in Berlin. And then all hell would break loose as the various factions within his party and the opposition raised concerns about them. My proposals would be dead even before the institutions had had a chance to consider them. 'So, take your proposals to the institutions,' he suggested once more.*' (2017: 239). '*The clash over Greece's economic policy and reform agenda was turning into a tale of two parliaments. But while Wolfgang Schäuble invoked the German parliament in order to force the Greek parliament to relinquish its authority, I was not to grant him that concession*' (2017: 240).

The Varoufakis approach to working against the depoliticisation of the negotiation process was commented on by **E**: *I think that the Varoufakis period, and the Varoufakis mode of asserting what was happening created benefits. If you see the negotiating stance of the Greek government over those few years as a whole. Because initially, given the huge disparity in power between the institutions and the Greek government, the Varoufakis era, and the Varoufakis mode of policy making and policy performance, achieved a level of high visibility. He created a Greek problem that had to subsequently be resolved by others... But the visibility that his stance created, created a much better negotiating position for us in the future. I have given a number of interviews to people like yourself looking into this thing… The worst interview I ever had was with a guy that was doing something like "negotiation studies". I didn't know what negotiation studies was, but they definitely didn't understand that part. They assumed that we would have to be more polite and smooth, so we could understand each other. This is what negotiators in banks and other areas do, but that is a method for business. But this was politics, and because it was politics, the weaker side could only shout and try to create visibility to the problem, and that was achieved'.*

Varoufakis characterised the motivations behind his negotiating partners behaviour during this period in the following terms: '*In the spring of 2015 Greece's creditors were in no* *mood to negotiate; they were resolved to reestablish their authority over a territory of their empire that had rebelled and to ensure that none of their other possessions got a similar idea*' (2017: 343). '*What mattered to them was their authority, and that was being challenged by a leftist government whose success at negotiating a new deal for its country was the creditors' greatest nightmare, as it might give ideas to other Europeans labouring under the same crisis and the same irrational policies*.' (2017: 115)

Other eurozone leaders had similar motivations, if for different reasons, according to Varoufakis: *'After Dr Schäuble's speech several of his cheerleaders took to the floor to back him – as also did the Spanish, Irish, even the Belgian and the Austrian ministers, whose premiers had shown support for our government in private meetings. While some, including the Lithuanian, Slovakian and Slovenian finance ministers, clearly believed Schäuble's pronouncements on economic policy to be sound and self-evident, it became apparent that even those who disagreed with the economics of austerity would support him – in the case of Italy, Spain and Ireland out of fear that upstart Greece might escape having to do what they had been forced to do already, in which case their own people might demand to know why they had not resisted austerity too – and in the case of a small but significant group, with France at its centre, out of fear that Schäuble would force austerity upon them in the future if they undermined him'* (Varoufakis, 2017: 236-242).

E echoed this sentiment: '*From the point of view of the institutions, they had a crazy leftist government that was publicly saying that they didn't recognize the second structural adjustment programme, and that was giving them cheek, but they knew what they wanted. They wanted to minimise the political risk. The political risk was that different governments at the time would say various crazy stuff, I mean if you see the scope and the time, that Greece at the time could be followed by Spain, by Podemos, so it was a bigger issue, so in the end of the day, having the Greek leftists somehow lose steam and not look that radical was the goal'*.

4.5.6.2 Conflict between the IMF and Europe

Concurrent to the conflict between Syriza and the troika, there was intense conflict within the troika also. As in the first and second programmes, Eurogroup states requested the IMF's participation in the programme, and as in the first and second programmes, the conflict between the IMF and the European institutions over the sustainability of the debt persisted. As a result of the IMF's previous experiences with the European institutions in previous programmes, they insisted on debt restructuring, and would not agree to release any funds within the context of the third programme until this happened. The first programme did not include any debt reduction measures, the second did, but only in terms of private claims, and as a condition for their involvement in the third programme, the IMF was determined not to be involved financially until the debt had been restructured robustly, and for the programme to be fully financed (Henning, 2017: 200-213).

Varoufakis described it as follows: '*While our troubles were legion, the troika had its fair share too. The IMF had been uneasy from the very beginning, dragged into the mire of Bailoutistan by a European leadership for whom the French banks and their personal ties to Germany's leadership mattered more than the fund's internal rules and cohesion. Since 2011 the IMF had been making noises that debt relief was essential, had unsuccessfully sought a common front with Athens against Berlin in 2012, had let the cat out of the bag in June 2013 by stating that the Greek banks' 2012 recapitalization had been grossly inadequate and inept, and as late as May 2014 had issued a report that 'debt sustainability remains a serious concern' – polite language for saying that it was at catastrophic levels. After years of spectacular analytical and predictive errors, the IMF's analysts – indeed all the troika's officials with some economics training – had finally realised that the very basis of their Greek programme was flawed, making it impossible to implement.*' (Varoufakis, 2017: 131).

The conflict between the institutions reached a fever pitch, and the Commission requested the IMF be left out of the third programme. Merkel and her European counterparts, however, insisted on the IMF, and cut the negotiating deadlock between the institutions by bringing together the institution heads, and French President Hollande in Berlin in June, and a common position was crafted to send to Tsipras. Their offer contained concessions on the primary surplus targets, a reduction of interest rates and a deferment of payments, in return for pension reforms, an increase in the VAT, and a simplification of the rate schedules. There was no movement on a reduction of the principal debt (Henning, 2017: 200-213).

4.5.6.3 Renewed conflict between Greece and the troika

In response, Tsipras called for a referendum on the troika programme in July, halting the negotiations. In an attempt to strengthen his negotiating hand with the troika, he asked the country to vote 'no' on the troika's programme, a vote he won by a tremendous margin. Despite this win, a major downside of this referendum was that the Europeans no longer trusted the Greek government to be negotiating in good faith. After the referendum win, Tsipras went on to submit a counter proposal to the institutions in July. This proposal was close to the rejected second programme proposal, and due to the deterioration of the Greek economy in early 2015, no longer sufficient. The budget deficit increased past levels the second programme could have financed, and thus without new funding Greece would default (Henning, 2017: 211-213 ; Varoufakis, 2017).

E's view on the referendum's utility was that '*what the referendum ended up doing, is actually winning that game for us. Because the third structural adjustment programme, from a fiscal point of view, was much more doable. It incorporated the potential for much bigger instalments, even if they weren't used fully, and it wasn't as steep and as brutal in the way that the austerity measures were being applied. And that gave space for the Greek economy to exit after seven years. That doesn't mean that it wasn't an austerity programme. It was an austerity programme, but from the fiscal point of view it was a much more balanced programme, and this is the only reason that Greece is exiting the crisis.*

E also commented that the Greek negotiating tactic, though it did not directly work, did ultimately lead to the agreement on the third programme. '*There's a phrase in English that boxing commentators use: that guy threw everything but the kitchen sink at him. The Greek government threw everything but the kitchen sink at the institutions. And it didn't work. If you see it from a historically comparative point of view, if you see other very large programmes by the IMF, and the relations that the IMF has had over the last 70 years with other governments around the world… there's no government that has gone down as many paths in order to renegotiate or to negotiate with those guys as we did. Besides the kitchen sink, we didn't pay the ECB, we didn't pay the IMF... I think that there's only one other country that has not paid instalments to the IMF, and it only happened once. And we did it twice, and we called a referendum that at the time was considered total heresy, and I want to remind you that the Papandreou government was overthrown by the institutions because he dared to suggest that we do a referendum, so we did all this stuff, and it didn't really work. But despite that, at the end of the day, the Prime Minister somehow found a solution after he proved that he was the boss inside the country'*.

4.5.7 The third programme

Following the referendum that Tsipras won, Yanis Varoufakis resigned, and the European Council agreed to a third programme for Greece. The programme was signed on the 14th of August and included 86 billion euro from the ESM over three years, with almost none of the financing going to covering the current deficit, and no debt restructuring. The conditions for the programme included spending cuts and tax increases of more than four per cent of GDP by 2018. Reforms of the pension system were required, as were VAT increases. Different to previous programmes, the measures were required to be taken as so-called prior actions. This meant that they would need to be taken before the first disbursement of funds. Reforms of labour and product markets, as well as a restructuring and stress testing of the banking sector, and privatisations were required under the programme. Greece signed a Memorandum of Understanding (MoU) with the Commission, on behalf of the ESM on the 19th of August, agreeing to these terms (European Commission, 2021b; European Council, 2019b; Henning, 2017: 213; Varoufakis, 2017).

4.5.7.1 The troika policy approach

'There's been a shift towards more structural, more far-reaching reforms over the years. The second programme was more structured towards structural reforms than the first, and the third more than the second', **F** remarked on the policy development across the programmes. In addition to a shift toward the structural, there was an intensification of the rigour of the programme, which culminated in the prior-action structure of the third programme. This was the results of the institutions realising that there was significant underachievement of the planned structural reforms of government contained in the first memorandum, according to **C**. These implementation difficulties and the increasing mistrust between the troika and the government thereafter, resulted in a stricter and stricter approach to conditionality during the subsequent programmes.

C recalled that '*though there had always been box ticking exercises on deliverables within the first programme, after the second programme, every measure was broken down into specifics. There were 100's of milestones and prior actions and things that needed to be done as prerequisites for the disbursement. 100s, literally 100s of them*'. The troika, **C** said, '*realised that there was a gap between legislating and actually implementing a measure, and they wanted to make sure that when the government adopted a measure it actually completed the full circle of being able to produce the results of the measure on the ground. So for instance for one measure they wanted the legislation, and they wanted the presidential decree, and the ministerial actions, and the joint Ministry committed to produce its joint ministerial decision, and the people to be hired. And they wanted every step of the process, to make sure that this reform produced results, and was not just nominal. And this was a kind of knowledge that was built up as the Programme circle matured. From the first to the second, from the second to the third*'.

D similarly recounted the troika not only insisting on seeing the translations of the circulars, but also requiring the specific implementation figures afterwards, wanting to involve themselves in every minute stage of the policy process, and monitoring every piece of legislation. **D** also emphasised how this was a learned process, to make sure that the conditions were actually being implemented. '*It was a learning curve, of how to get through an agenda in Greece*.' He remarked that it had positives, '*but in the negative sense it was an obsession that grew beyond simply its original purpose, culminating in an attention to detail that was not necessarily because of any efficiency gains*'.

In the same vein, **H**, a senior civil servant within the European Structural Fund, described the institutions' approach as '*incredibly pedantic*'. Each successive payment of the bailout loans was attached to milestones that needed to be completed in order to unlock the money. These milestones were liberally created, with various levels of importance. They described a hypothetical 75 milestones, of which five were important, while the remaining 70 were minor issues. Situations then often occurred in which agreements were not reached because '*three sub-issues of the sub-issue could not be closed*'. An example of this was relayed through an anecdote: '*I mean I talked to a minister who said that,* "*we are not going to agree to hire teachers, not with the money from the bailout plan if you don't finish the highway road from Thessalloniki to Kavalla*"'. This attitude, they opined, was '*a mechanism of control over the borrower. It doesn't make a difference how important the issue is. I think that this situation is a byproduct of the need to have the whole political system work… to work in a way that you want it to, and to put pressure on this political system to make sure that they are not going to divert from the main target, which is fiscal sustainability, at all costs*'. **H** called it '*total control of the whole legislative programme. Not even one bill could pass through the parliament without the troika's approval*'.

4.5.7.2 Conflict between the IMF and Europe

The debate within the troika, as it was within the first and second programmes, was about the sustainability of the Greek debt. The IMF's stance on the sustainability of the debt was known but not publicly announced throughout the start of 2015, with Varoufakis asking Lagarde of the IMF at the June 2015 meeting of the Eurogroup whether or not the IMF could certify the

Greek debt to be sustainable. Despite their similar positions on the Greek debt, this did not lead to any movement in Greece's favour during the negotiations. The debate between the institutions came to a head during the EU summit of June 2015, during which debt sustainability reports were issued by the troika, including different scenarios as envisioned by the various institutions. The least optimistic when it came to the sustainability of the debt was the IMF's. This IMF report was made public on the sixth of July, with the Commission publishing their version on the 10th of the same month remarking that there were concerns about the sustainability of the debt. The IMF then updated their previous report to add that the Greek debt was highly unsustainable, and that haircuts or incredibly generous extensions were necessary (European Commission, 2021b; European Council, 2019b; Henning, 2017: 217-219; Varoufakis, 2017).

The IMF declined to fund the third programme on terms without a revision of the sustainability of the debt and a fully financed programme. Lagarde issued a statement that the Greek debt could not be sustainable through reforms alone, and that action would be required from the European partners in the form of an amount of debt relief beyond what had been discussed so far. Only on these terms could they recommend the IMF be financially involved in the third programme, after the first programme review. Despite this conflict, Merkel wanted the IMF to be involved in the third programme, including in a lending capacity. The Eurogroup in general considered the IMF's involvement in the programme to be crucial, and in a statement on the 14th of August 2015, stated that they would be open to discussing debt relief in order to achieve debt sustainability. The IMF's involvement in the funding, it was argued, would decrease the amount provided by the European ESM vehicle, and the policy conditionality programme was a joint troika production, so the IMF would continue to be a part of the troika missions and reviews prior to a decision made as to funding at the first review of the programme (European Council, 2019b; Henning, 2017: 219-221).

After having avoided a default between the second and third programmes, Tsipras passed the legislation necessary to fulfil the prior actions necessary to release the funds and move on from the first review of the third programme. The programme's inclusion of austerity measures, going against the result of the referendum led to a split within Syriza. Following this, Tsipras called a national election as a referendum on the third programme and his government, which he won in late September of 2015. The first review of the third programme in autumn of 2015 was supposed to then be the moment when a series of decisions about the future of the Greek programmes would and could be felled. First, the question of whether European creditors would either grant debt relief or not would be answered, following which the IMF could either declare the debt sustainable or not, and then return to contributing to the programme if the answer was in the affirmative. This review took eight months to complete due to the impasse between the IMF and the European Commission over the subject of the adjustment measures and surplus targets for Greece (Henning, 2017: 222-227).

As had previously been the case, there were competing accounts of the sustainability of the debt, with the IMF arguing that the policies in place were not sufficient to hit the fiscal and growth targets, reiterating that the surplus targets for the Greek economy should be lowered from 3.5 per cent to 1.5, going as far as to say that 1.25 would be the optimum number for Greece. As it stood, the IMF predicted that the Greek debt would be unsustainable in the long term, both in terms of debt ratio and gross financing requirement. The measures recommended by the IMF to render the debt sustainable were to extend maturities and interest payments to 2040, and cap interest rates at 1.5 percent. The factors affecting this hard line were the increasingly stricter stance of the IMF's non-euro members (Henning, 2017: 222-227).

The euro creditor states on the other hand, could not accept the implications that these debt relief measures would have on their own domestic interests. The prospect of haircuts was off the table entirely, as it was strictly argued to be against euro area rules, and would be impossible to pass through creditor parliaments. What broke the deadlock between the IMF and the European institutions was the intervention of key states. Between the presentation of competing debt sustainability assessments and the crucial Eurogroup meeting of the 24th of May 2016, there was a G7 Finance Ministers and Central Bank governors summit in Sendai, Japan. It was at this summit that the US, UK, Japan and Canada weighed in on the debate. There was a particularly important bilateral meeting between Dijsselbloem the President of the Eurogroup, Schäuble, and US Treasury Secretary Lew, in which Lew emphasised the EU's duty to support Greece on its path to debt sustainability, and that both sides needed to be flexible. Lagarde also met with Schäuble during this summit, which helped pave the way for the agreement announced in the upcoming May Eurogroup meeting. Finally, some measure of debt relief was decided upon in the Eurogroup, upon which the IMF declared its intentions to recommend the programme for approval at the end of 2016 (Henning, 2017: 222-227).

The fundamental bind the Germans were in was that they wanted the IMF to be involved, but did not want to commit to debt relief. To escape the bind and become more flexible as was advised, they decided to defer any debt relief that would necessitate Bundestag consent until after the German federal elections in October of 2017, and commit to the minimum number that would allow the IMF to contribute after the first review. They were then able to put modest short-term debt relief on the table at the Eurogroup meeting in May 2016. In the medium and long-term, there was only a vague commitment for the possibility of further debt relief measures on the basis of new future debt sustainability assessments, the full implementation of the programme by Greece, and economic shocks. Even if these conditions for future debt relief were met, the decisions would only be made at the end of the programme in 2018. The primary surplus target for Greece was kept at 3.5 percent (Henning, 2017: 222-228).

In addition to the deferment of the decisions about medium to long term debt relief, this had knock-on effects on whether the IMF would be financially participating in the third programme. The decision about whether the IMF found the debt sustainable or not was also deferred to the end of 2016, but even in the summer of 2016 the IMF's financial involvement was not clear. The Eurogroup of May simply made it a possibility that the IMF could be involved, engineering a 'Schrödingers IMF participation' scenario. The Germans and the US liked this scenario, as the vagueness could circumvent a great deal of domestic opposition. The IMF did still participate in all other elements of the programme throughout, like the conditionality design and the quarterly reviews (European Council, 2019b; Henning, 2017: 228).

On the subject of the reason for the IMF's involvement in the third programme, **F** commented that '*what was needed was the IMF's seal of approval in order to enhance the credibility of the programme, which is what the Europeans wanted from the IMF. The Germans especially. Not all the Europeans, some of them wanted it out. The ECB for example would have liked the IMF to have left. But the German government wanted it, and the markets felt more* *comfortable if the IMF was in the programme because they trusted the IMF more than they trusted the Commission. Same for the German government. Obviously the Greek government was fighting hard to get rid of the IMF, this government, even though the IMF was the main ally of the government in demanding a reduction of the debt and less harsh austerity*'. **F** went on to say that '*the ECB wanted the management of the programme to be European. As part of a broader effort towards deepening economic integration in the Eurozone. The ECB believed that the Eurozone must acquire its own institutions to handle such crises. And the Commission had a similar view*'.

On the tenth of October, the European institutions of the troika reported to the Eurogroup that all of the required milestones had been hit, and that good progress had been made on the arrears of the debt, and thus the first review had been passed. This led to the first tranche of money of the third programme to be released by the ESM. The second review of the third programme took place in July of 2017, and the third on the 19th of May 2018, both of which were positively assessed and successfully completed. On June 22 of 2018, the Eurogroup deemed all of the prior actions necessary for the completion of the fourth review to have been made, and thus the fifth and final tranche of funds under this ESM funded programme would be released. Upon this release, the ESM funded programme was completed by Greece, with the Eurogroup agreeing on a substantial package of measures to ensure the sustainability of the Greek debt. Following their exit from the ESM programme, Greece would still continue to be under enhanced post-programme surveillance by the troika (European Commission, 2021b; European Council, 2019b).

4.5.8 Reflections on the experience negotiating the Programmes

Within the context of this first mission to Greece, the IMF was characterised as markedly ahead of not only the Greek government, but also the other institutions in terms of experience and expertise in terms of running a Programme. This meant that the IMF took the lead, as the European institutions were not ready to deal on their own with the level of Economic turbulence in more than one EU member state that the debt crisis had brought with it. There was a sudden need to generate new European policy in the fiscal, the financial and the structural realms, which the Europeans had no previous experience with. **B**, a Commission negotiator themselves remarked that '*it was clear that the Commission wasn't set up to deal with an adjustment programme as much as the IMF*'. The ECB similarly possessed neither the requisite knowledge nor the experience to match the IMF, though this was almost a matter of institutional definition. The ECB as the European Central Bank had expertise in the banking sector, '*and were consequently the most knowledgeable of the institutions in that area, but nowhere else. Despite this lack, they were nevertheless involved in all other topic discussion groups*' according to **A**, a senior technical negotiator on the Greek side.

On the particular experience and expertise of the troika technical negotiating teams, **C** commented that '*I think that the IMF mission personnel was better skilled than the Commission. They were better educated on these special issues... The IMF was also more highly educated and experienced on economic issues. It's bad to say it, but the Commission had people with [degrees in] Sociology, with Psychotherapy—people with other backgrounds that couldn't understand the economic arguments we made. There were lots of [people with law degrees], basically*'. These specific academic backgrounds stood in contrast to the PhD in Economics that **C**, and most of their team had. **C**: *'They cannot understand Economics. For example in the home foreclosures, I told them that if you put down the limits they wanted, all these houses will be foreclosed on and exit the market, the price of the houses will go down, and the bank portfolios will deteriorate, and you'd have the opposite result! The IMF, they understood that, but individuals from the Commission they couldn't understand*'.

The ECB, on the other hand, was characterised by **C** as '*[having] a more neutral position, let's say. The ECB never talked a lot. Most of the time they agreed with the Commission. Basically they were always saying they would talk to the Commission, and that "we generally agree with the Commission". Only on financial issues they had a more energetic role, let's say*'.

The early negotiations between the Greek technical team and the troika were described as intense and stressful, wherein the Greek side had to mount a defence to '*convince everybody*' while not having as large of an institutional backing, according to **C**. '*They told us that in half an hour we will have a meeting on this issue, without any notice, and you will have to prepare documentation in half an hour. It was like doing research on TV times*'. **F**, who served as senior advisor and director of strategy to the PM's Office characterised the Greek side: '*We didn't know what we were doing*'. Though the Greek government had a mandate to negotiate with the institutions, in reality, **F** reflected, '*there was a sense of confusion about how much institutional power it would take to renegotiate the terms with the institutions*. *There was a sense that no one could predict what the outcome would be, and thus we were always on the back foot, from the start*'.

C compared this situation unfavourably to the situation in Ireland, where '*the Irish had a plan of their own right from the beginning. In Greece we had no plan, and we were always playing catch-up all the time. It makes a lot of difference. We were reacting, that was always the problem… we were always playing cat and mouse… it was a very intense situation, you don't have time to plan… we didn't have a plan of our own. The Greek crisis started basically when the prime minister went to the Eurogroup in 2008 and said that the budget deficit was not 6 or 7 percent, but 13 percent. And asked him: "what will you do about it?" and he said that he would do expansionary development measures. Lower taxes and raise pensions. The opposite'.*

Reflecting on this lack of a Greek plan in the early years especially, **D** commented that: '*Before I left the Eurogroup in 2014 I presented an outline of a growth model for the Greek economy for the next few years. It was received very positively. One of my colleagues there said something of which I was both proud and ashamed at the same time. "At long last, a plan for Greece, from the Greeks themselves."*'

The Greek political system was also hesitant to own the programme that resulted from the negotiations. **D**: '*It was really sad in the case of Greece, that ministers who were going to parliament to present a case, were not arguing in favour of reforms per se. That this is good for us, for our economy, for our children, for our society, but we must vote for it, otherwise the troika will not give us money, and the country will default. There were even ministers openly saying in parliament that "this measure is a particularly bad one, but we have to implement it"*'.

There was also a sense of cultural mismatch, and a difficulty communicating. **C** said they '*had problems communicating with many people*'. Using Ireland as an example, **H** argued that one of the biggest factors that helped Ireland in their negotiations, compared to Greece, was that they were native English speakers, and thus could communicate seamlessly with the troika. This was helped along by the Irish economy being closer to the IMF's ideal and thus easier to work on. The '*alien*' nature of the Greek economy, the institutions, and the language barrier all served to create distance between the negotiating parties and increased the difficulty of forming deeper relationships according to **H**.

Going beyond difficulties in communication, there was also a lack of respect that **C** reported on. **C**: '*There were many times where they offended us, I'm sorry to tell you. Not me personally, but some people, some General Secretaries that were with us in the technical negotiation team. They were saying "we think you lied. We think that Greeks are people that don't want to pay the tax office and that want to tax evade and don't want to pay their loans". It's offensive when you've had a reduction in your income by 40 per cent in two years, and they're telling you you have money that you don't want to pay, and you have the data to show this reduction in income. So in such cases, when they offended [us], there were some people that would answer: "and we think that you are imperialists, and you want to—" so there were a few very intense cases where the dispute was personal*'.

C: '*You come to the table to discuss in good faith... [agreeing] that some reforms are necessary, but [arguing] that we should have some countermeasures, and they [are] talking to you—irrespective of if you have a PhD or whether you have publications, and they only have a bachelor and earn ten times more—and come to tell you that you are an inferior person, and they will tell you what to do and that you know nothing. And you have to cope with this and say yes, okay, and move on. Many of their arguments were childish, they were completely wrong. And they also said them in a way that implied that they knew and you had no idea, and even if you did have an idea, that you'd only lie. That you will not tell the truth*'.

When asked about the idea of European solidarity, **C** replied, '*I'm laughing*'.

Yanis Varoufakis' experience negotiating outside of the boundaries of the programmes, at the political level, was incredibly similar: *'On the assumption that good ideas encourage fruitful dialogue and can break an impasse, my team and I worked very hard to put forward proposals based on serious econometric work and sound economic analysis. Once these had been tested on some of the highest authorities in their fields, from Wall Street and the City to top-notch academics, I would take them to Greece's creditors. Then I would sit back and observe a landscape of blank stares. It was as if I had not spoken, as if there was no document in front of them. It was evident from their body language that they denied the very existence of the pieces of paper I had placed before them. Their responses, when they came, took no account of anything I had said. I might as well have been singing the Swedish national anthem. It would have made no difference'* (Varoufakis, 2017: 308).

4.5.8.1 Programme negotiation tactics

The technical Greek side developed different techniques to push forward their own agenda during the programme negotiations over time, as they got more and more familiar with their points of view. One of the main strategies pursued during negotiations was to split the troika parties up. If, for instance, '*you know that someone on the EC was on your side, you could play that up against the IMF*,' **F** said. Where only the Commission was involved, this extended to using one DG against another, according to them. **F** argued that it was difficult, however, because the institutions tried their best to circumvent the possibility of this division by appearing with a common line, and have internal discussions behind closed doors to avoid being played against each other.

A second point of leverage the Greek side could exploit during the negotiations was leveraging past good behaviour. **C** described how the government could show how well they did implementing a past programme to build up credibility, therefore gaining the power to ask to improve some element of the programme being discussed. It was always a process of building up confidence with the institutions, thereby improving the working relationship and communication, especially because new mission staff would replace others, and would come in with preconceived ideas about the Greek side. **D** emphasised that therefore, the working relationship depended on '*whether the government was delivering, and to what extent*'.

The problem, however, with building this leverage out of trust was that the Greek government was in constant flux over the span of the Programmes. **C**: '*There is no continuity. Whenever a government changes, or even if a minister changes, nobody explains to the next one what has happened. Only protocols are left, some papers, some files on the PC, and also all of the councillors of the minister and the general secretaries changes. So nobody knows what has been agreed and what is happening. So this happened seven times, six times over the last five years, from 2010-2015. Seven times. And when I left, the scientific documentation team that was doing all the negotiations with the troika, stopped existing… They started to gain trust and started to hear us, but then when this happened, the government fell and we left, and there was no continuity*'. **C** left the technical team after a change in ministers in June 2014.

4.5.8.2 Scope

Negotiating with the troika '*often felt like a lost cause, like a game where one party has all of the power*', according to **A**. The scope for negotiation for the Greek government was existent, but on the margins. Since the technical troika teams were bound by their political mandate, the movement they were able to grant was minimal. **C** emphasised the difficulty presented by this disconnect between technical discussion, and political mandates, stating that they '*(could not) discuss with the technical negotiation team if it was a political decision. We don't have anything to discuss. You cannot negotiate like this. You cannot be serious*'. This political mandate, coming down from the higher troika negotiating levels, existed at a distance from the level of political arguments, evidence and debate, and was described as a '*pure form of post-democracy*' by **E**. '*You get to have a discussion about partisan stuff if you have fiscal independence. If you don't… it's a privilege you cannot afford*'.

This conflict between the opinion of the technical negotiating teams and their political mandate was common. **D** called it '*a typical occurrence*', in which individual views would be in serious conflict with the negotiating mandate, with **B** from the Commission side agreeing that their DG had to follow the policy direction once it was set by the higher political level. **A** commented that '*there were a huge range of personal and technical opinions within the negotiating teams, but these were absolutely constrained by the mandate given by the higher level, even if there was agreement on a personal, individual level*'.

C remarked on the limited scope for negotiation: '*What I tried to do, and I think it had an effect, is always to provide scientific data and proof that something is right or wrong, and where the threshold should be put. So what I did is, in every meeting, I arrived with a pack of scientific papers, and a pack of simulations of the Greek economy, and many many data, and I presented all this data, and I have to say that most of the time, the technical negotiation team agreed with our views. They agreed that X was wrong, but they said it was a political decision… I'm happy to say that in 90 percent of the cases I convinced them a measure was wrong, even though it ended up happening anyway. I convinced them it was wrong, and they agreed, but it was a political decision anyway*'. **H** similarly commented that it was '*striking… how often having a valid argument, documentation, numbers, etcetera, didn't mean a thing*'.

This meant that if the political team determined that a tick needed to be put next to a particular bullet point, they had to pursue that negotiating position, even if as **C** put it '*people from the IMF and half of the people from the Commision were laughing and telling me in the breaks: we know you are absolutely right, this is crazy, but we have orders to do it, we will lose our jobs. They agreed that it was wrong, but they said it was a political decision*'. **C**: '*There were some people who tried to do what they thought was right, but the main problem was that they had a checklist. The negotiation team had a checklist with all of the prior actions, and their superiors told them— the heads— that you should put a tick on this checklist. And they don't care about what you say, whether it was wrong or right… But we presented them with arguments… and some of the time, they could transfer this argument to their superiors, to the political team, and sometimes the political team would agree if we did something else. Typically when they* *erased one prior action, they added two more. This was the situation, it was a nightmare*'.

4.5.9 Reflections on the troika's policy approach

4.5.9.1 The OECD Toolkit

When the institutions arrived in 2010 to negotiate the first programme, **H** explained, '*it's absolutely sure that they came with a basic set of ideas to apply. I mean… they had some expertise… but they had absolutely no idea about the situation they were getting involved in*'. The troika's policy approach, led by the IMF's blueprint, was a '*one size fits all*' conditionality programme. The so-called standard 'toolkit' approach that the IMF customarily proposed included privatisation, cuts in pensions and social benefits, wage reductions and fiscal austerity. Further, B reported it being heavily focused on '*parametric policies*', that is, focused on changing the tax code and increasing revenue. **B**: '*I mean literally they would have a set of policies, they'd be discussing them and putting them into some sort of legislative framework, which would just be "cut pensions by X percent" or whatever*'.

H commented on this adherence to preconceived policy prescriptions: '*They did not come here to destroy Greece. It's like a fanatic who really believes that there is a God, and God offers salvation, and that's why… It's this idea that you can go into a society, and enforce changes, and these changes can actually work that actually don't work*'. The IMF's OECD toolkit approach as a whole contained '*a great many things that were very strange, and completely opposite to economic theory*', as **C** put it. It seemed, according to interviewees, that the troika's technical negotiating team were simply provided the toolkit of standard policies as a checklist to complete, whether they made economic sense in the situation or not.

The IMF's OECD toolkit policy direction was dominant within the troika during the negotiating process according to **C**. This was because the troika operated with a unified common approach, wherein if they didn't all agree on a particular point, the loan instalments would not be approved. When they disagreed, an internal discussion would follow, and then they would re-emerge with a common front. **F**: '*...the institutions usually tried to appear with a common front in order to avoid the Greek government drawing a wedge between them and playing one against the other*'.

These negotiations systematically resulted in what **C** calls '*the result against us*'. '*If one institution wanted to cut, say, pensions by 10 percent, the second by 15 percent, and the third by 20, it would always be 20 in the end, and the 20 would always be the IMF position*'. **C** remarked that they had '*never seen the EC convince the IMF of softer targets. Generally, the IMF had harder limits and targets, and the EC said that they would agree to softer ones, but the IMF also has to agree in order for the instalments to be released, so they would have to go with the harder targets. So it was, I think one of the biggest mistakes of the Greek programme, that the IMF and EC and ECB had to agree on a measure to be implemented, because there was lots of politics there. You had to satisfy the politics of each organisation. It was always the worst*'.

4.5.9.2 Policy objectives

Despite this box-ticking approach to policy, the overwhelming view of Greek interviewees is that there was no greater cohesive strategic plan that the cumulative measures would imply for the Greek economy. **C**: '*They were building it up every day, they* ***never*** *had a clear plan. There were some ideas from the Commission, from the IMF, from the ECB, and they were combined… come on. No one made a strategic plan about what these measures would imply for the Greek economy. So there was nothing. I believe that. Maybe I'm wrong, that's my view*'. **C** further described the first memorandum of understanding in 2010 as being '*1000 pages of measures, and nobody knew who planned them or how they came up. I think that they had some agenda, the IMF had some issues that they also had on previous missions in other countries, so I think that at their first step they brought up this agenda, these actions, but... then you had all these politics, and institutions that kept putting things into this agenda. We have to blame the Greek government, both, all Greek governments*'.

C: '*They didn't care about the general picture. There was not a strategic evaluation of all of the measures proposed, and how they correlate with previous measures, and what the implications were of these measures for the people. They didn't care at all about the domestic political cost and the people, and the social cost. They didn't care. We didn't use this as an argument from a point onwards, because it didn't work. The only argument was what was good for development, and what was good for the budget. These were the only two arguments that they accepted. The key was: If you do this, the budget will get worse. So this was the only way to negotiate, the only argument that worked*'. Varoufakis' evaluation chimes with this claim that policy logic, or the long-term health of the Greek economy were of little consequence. '*Any proposal from us that contradicted the troika's Greek programme would be met with naked aggression and the threat of shuttered banks. Logic hardly mattered. Mutual economic advantage was irrelevant'* (2017: 117).

H similarly opined that '*they don't care. Their target was: let's get out, let's finish this. We have to get out of this situation, and in order to get out of this situation, they have to be able to refinance their own debt, so we have to get out and get back to our offices, wherever those offices are*'. Managing an exit from the situation, and the surface sustainability of Greek finances were consistently reported as the top, and only real objectives of the troika, in addition to, to a lesser extent, notions of transforming the Greek economy into a more export oriented one to restore competitiveness, though the coordination and cohesion of this as an attempted strategic goal was questioned by multiple interviewees.

C argued that the European institutions had three main goals: '*I think they were playing the following game, basically. They were trying to pass the interests of their organisations, but also, they wanted to ensure that Greece remained in the programme, as well as present a success at the Eurogroup… They wanted Greece to remain in the programme, otherwise they wouldn't get their money back. This is more true for the Commission. The IMF did not care about the Eurogroup, and did not care if Greece stayed in the euro. But they cared a lot about getting their money back*'.

Varoufakis, argued, on the other hand, that the '*creditors didn't want their money back*' (2017: 117), but wanted Greece to submit to the programme logic. They wanted Greece to sign up and stay in the programme, knowing Greece was bankrupt and the policy direction would not restore Greece's ability to pay. '*The creditors knew that more austerity and the rejection of my debt swaps would shrink Greek incomes, ultimately increasing their own long-term costs, but they did not mind. As the Slovak finance minister, Schäuble's keenest cheerleader in the Eurogroup, put it a few months later, "We had to be tough on Greece because of their Greek Spring." Just as the Prague Spring had been smashed by Soviet tanks, in Athens hope would be crushed by the banks*' (2017: 305, 308-309). Rather than wanting their money back, Varoufakis suggests they wanted Greece to submit in order to stop in its tracks any other political force in Europe, challenging the programme's logic and the distribution of power within Europe (2017).

4.5.9.3 Interests

Fiscal consolidation was always the undisputed top policy priority for all of the institutions, according to the interviewees, but there were some differences in the *how* rather than the *what*. There was little dispute about the paramount importance of the fiscal targets, but debates did exist on how this goal could best be reached. **F** characterised this difference in approach to fiscal consolidation as existing mainly between the European institutions and the IMF. Where the Europeans were more concerned with meeting the exact stated fiscal targets on paper, and insisted on ticking very specific policy boxes, the IMF was more interested in tackling fiscal imbalances in a broader sense, through the implementation of deeper structural reforms that would raise the productivity of the economy.

The '*how'* was also inextricably linked to the specific interests of each institution, as **C** relayed in the following anecdote: '*In Greece up to three to four years ago, 2013, on Sundays and Saturdays all shops were closed, except large malls. Large malls were open on Saturdays. They told us that we should completely liberalise schedules, so all shops could open whenever they wanted, on Sundays etc. So I published a paper on Sunday trading to convince them... So* *what we showed through the analysis, was not that no shops should be open on Sundays, but that … in terms of economic policy, you should liberalise the opening hours of small shops, and regulate those of large shops. Finally, after lots of negotiations, they agreed that both small and large shops should be open eight Sundays per year. They didn't understand anything. But again, the IMF agreed with us and the Commission didn't... because they have a vested interest in the large shops. But okay. It's better than the alternative where large shops should operate 24/7. It was due to the interests of their countries. The institutions and the countries. So for example most of the malls here in Greece are owned by German enterprises from abroad, from Europe basically, so the Europeans don't want to harm large malls*'.

C summarised their thoughts as: '*Generally, although the technical negotiation teams, when they could, they agreed on measures that could benefit the Greek economy, the political team and— I'm going to be very crude about it— they did not care about the Greek economy, they cared that they could take back their money. They did not care about the long term prosperity of the economy. They cared about having a budget constraint so that they could have their money back*'.

C: '*Each team insisted on the issues that were more relevant to the interests of his or her organisation. This was very clear. Even now, after all of this, when I have some conversations with some people from the European Commission, they said that they were very relieved that the IMF got out of the negotiations because they also saw that at the end there were lots of micropolitics at work. Of course I don't believe them, because they also played micropolitics…*'

C: '*The other thing that bothers me is the perception that the people outside have about Greece… because what Germans and many other people believe… is that [they] helped Greece, [they] gave [us] money. First of all they didn't give money. They leant money. They are taking it back with a low— okay— but an interest. What do they gain? They basically bought out the private sector in Greece, they bought all of the energy, telecommunications, the ports, everything that was public, it's all bought for a very low price by foreign companies. When somebody asked me: will we ever get out of this crisis? Will we go up? I think that when someone buys something for a very low price, the target is to increase the price of this enterprise so as to profit. So okay,* *they bought the banks for low prices, the ports, everything… the banks bought them for nothing. I think their interest is to grow… to have profits in these companies. So [we are] looking at growth that will be targeted at large companies like in Bulgaria… without necessarily an increase of income… and this is what I see for the future. And yes, it will be growth, because otherwise they would lose their money. And they never lose. So what happened is an internal depreciation in the Greek economy, and what that means is, leaving aside households, all the companies, the big companies in Greece depreciated by 80-90%, and they were bought by foreign funds from the US, and Germany, and now they want to gain value so as to sell them at a high price. The law of economics*'.

4.5.10 Reflections on debt sustainability

The question of the level of debt relief necessary for Greece was the greatest conflict between the IMF and the European partners. It was highly controversial, and held significant implications for the European institutions, as a greater necessary level would imply a need for greater levels of haircuts for creditors, the majority of which were European. It was argued by interviewees therefore, that it was in the Commission's interest to minimise the level of debt relief deemed necessary by painting a more rosy fiscal picture in their economic projections. The European institutions were the major stakeholders of the Greek debt, especially after the second programme, so it was their own resources that were being debated. There was '*an implicit understanding*', **F** said, '*to put it cynically, that the Europeans would pretend that the debt is sustainable because they knew that at some point down the road they would have to accept that it's not sustainable and accept a higher degree of reprofiling, but they weren't politically ready to accept higher reprofiling because they could not pass it through the national parliaments. It wouldn't be politically acceptable*'. The IMF, on the other hand, '*was comfortable in demanding the Europeans take a cut to the debt*', because, as **A** said, '*it didn't affect them, so they were free to demand it. They were not the creditors*', and by their own constitution, **H** remarked, '*the money that the IMF gave cannot be subject to debt relief. So it's very easy to speak up about the money of others*'.

It must be noted, however, that this dynamic developed during the second and third programme. During the first programme in 2010, when the crisis started, there were even stronger grounds to say that the Greek state was insolvent, but the political will to do it was not there. This was explained by **D** as being down to the fact that the EU had '*no firewalls, to save them from contagion*', and that it was imperative not to let the Greek state seem insolvent. It would be very easy for a Greek default to spread to the Eurozone and bring down the Eurozone, and so the ECB was a very vocal veto player in saying '*forget about it, there's no way we are going to accept any debt restructuring*', as **D** put it. In addition, **D** commented that Dominique Strauss-Kahn, a French citizen, was the director of the IMF during the first programme, and therefore, through this connection, and their positions as creditors to Greece, the IMF did not particularly press for debt relief either, though this is normally one of its preconditions for loan disbursement. The Europeans, on the other hand, '*were not ready to accept it either, because they would have to take a hit on German and French banks. But as these conditions changed, and the IMF was no longer a main creditor, it no longer had an interest in keeping up the pretence, and this split in the institutions' interests emerged'*.

The Greek government was also an actor that was willing to accept that the debt was sustainable as is, up to and partially including the Tsipras administration. If the debt was deemed unsustainable, as **H** commented, '*the whole exercise of providing a new loan does not stand on sound ground*'. Each successive loan was only possible given the belief that it could be paid back in the future. Without this belief, the loan was redundant, and the Greek government would go bankrupt. Additionally, the Greek government had to play along with this belief because it would lead to Greek bond yields increasing, and raising risk. **F** called this arrangement '*extend and pretend*', describing it as a form of '*coordinated hypocrisy, but nevertheless the only way they could continue to collaborate under the existing framework, in service of avoiding the worst*'.

The tacit rule that the Greek debt was to be considered sustainable to some extent, was broken by Yanis Varoufakis in 2015, who openly called the debt unsustainable, and the Greek state bankrupt, according to **F**. '*The joint project, prior to this, was therefore to keep up the illusion that Greece was not insolvent as a sovereign*'.

4.5.10.1 Projections

The debate about the sustainability of the Greek debt penetrated the projections and policy positions the institutions took. **A** explained that '*there was significant disagreement between the members of the troika as to what the yield of any measure in particular would be, and therefore how many of them would be required to restore public finances*'. The IMF's fiscal yield projections were consistently more pessimistic than either of the other institutions, or the Greek government's own, seeing lower yields and higher costs for measures, and consequently demanding stricter fiscal measures to compensate.

These pessimistic projections were made '*using methods that didn't make any sense*,' **A** claimed. They argued that they superimposed Eurostat data and administrative data, and made assumptions about time frames in order to reach the projections they did. **E** claimed that they '*manipulated time in their projections',* in the sense that any benefits or cuts had only to add up in the present. **C**: '*[The IMF] basically didn't have a multiplier*', meaning the future consequences of policy were not properly taken into account. The resulting policy position from this approach, according to **E**, was more austerity. **D** remarked about the situation in late 2013: '*it was quite clear that we were achieving our fiscal targets by a pretty wide margin. After some time this was accepted by the Commission, it was accepted by the ECB, but the IMF was adamant that these numbers could not be correct, and as a result, Greece must adopt even more austerity measures*'. This same pessimism in the IMF's growth projections served the same purpose: to make the argument that Greece could not achieve the fiscal targets in the long run, according to **D**.

Varoufakis (2017) calls this a '*war of the models*', citing that there were '*frankly ridiculous assumptions*', such as that price increases never reduce sales, or that tax rate increases always lead to more tax paid by businesses (417). '*The situation was truly absurd: a left-wing finance minister representing syriza, the alliance of the radical left, was arguing like a Reaganite republican in favour of lower tax rates, including for business, against supposedly neoliberal* *functionaries insisting on increasing them. It was a sure sign that this negotiation had no basis in economics*' (419).

C: '*What does this signal? That the IMF wanted to be more persuasive that Greece should take more measures, although we didn't need them. This is what they wanted. All their forecasts were wrong*'. **B** from the Commission agreed: '*the Fund really insisted on very tight policies, and they were very very very pessimistic about the revenue projections and they kept saying that the sustainable surplus was 1.5 percent of GDP, whereas year after year, actually, Greece was achieving four percent primary surplus*'.

F argued that the evidence that was produced was '*based on the kind of assumptions that would serve the conclusions that the institutions wanted to produce*'. The IMF's pessimistic GDP projections from 2014 onwards, working in tandem with their pessimistic yield projections served to further the agenda that greater debt relief was required in Greece, and that more realistic fiscal surplus targets should be agreed. The Commission and the European institutions on the other hand, began with the assumption of a higher trend growth, and higher yields, which allowed them to call the Greek debt sustainable, and the fiscal targets realistic.

H alleges that though '*the IMF was right when arguing that the amount of debt was not sustainable, in order to support this position, the IMF, by knowledge, took the most pessimistic projections of the growth of GDP, of tax intake, etc. This is something that you can see because almost all of the IMF projections proved to be wrong… because they wanted to have a stronger argument in favour of the debt relief*'. On the other hand, the Europeans were committed to the most optimistic version of events, as it allowed them to argue that debt relief was not needed. **C** describes the internal struggle over projections among the troika as '*the biggest discussion*' that the Greek government had to triangulate around.

4.5.11 Reflections on IMF involvement

The IMF's involvement itself served multiple purposes beyond their programme expertise, the interviewees argued. It was used as a tool to offload blame for difficult policy choices, and its involvement was contested and contingent, which affected the balance of power within the troika and the terrain on which the negotiations were taking place. Schäuble, the German Finance Minister between 2009 and 2017 routinely used the IMF to take the blame for tough pronouncements and policies that were in Germany's interest. A concrete example of this was the IMF's strict demands for more measures during the second programme in 2014. The IMF wanted to attach additional fiscal measures, and the German Finance Minister, according to **F**, was also of the same opinion, but was happy to let the IMF ask, and be cast as the '*bad cop*'. This allowed the Germans to shift the blame for these demands onto the IMF and appear less visible in this process, as the IMF was generally supportive of the policies that the German Finance Ministry also wanted to support. According to **H**, '*they were a valuable ally, even if they disagreed on several aspects*'.

Because the IMF was capable of playing this politically crucial role for the German Finance Minister and other European governments that were allied with Germany like Belgium and Austria, there was significant European demand to keep the IMF involved in the troika programmes. **D** and **F** argued that some of these German-allied European countries, as well as markets did not fully trust the Commission's expertise or judgement, and wanted to keep the IMF on board for that reason as well. **C**: '*I also think, completely my personal view, is that Schäuble played a role in this. He always insisted that the IMF should be in the Greek programme, even if most of the other ministers of the EU said that they didn't want the IMF. If the IMF isn't in the programme, Germany wouldn't either. So basically Germany insisted on the IMF. There was a special relationship between the policy of Germany and the IMF. They wanted the IMF. Perhaps if they wanted to pass the programme through the German parliament, it would be more safe if he said that the IMF [was] in the programme, so please vote for it. This is what they said, at least. But they relied very heavily on the IMF, to be in the programme*'.

C: '*On the other hand, Schäuble, I think, was afraid that the south of the EU would have a more energetic role in the economic agenda of the EU. He wanted to protect the north. He put in the IMF that was even more harsh than him inside the game, otherwise there was a chance that… y'know when you're in the Eurogroup, if there was on the one hand Schäuble, Belgium and Austria saying: Greece should take more measures, and you have the other countries saying: not it's not needed. That's a worse situation than if he said: the IMF proposed that Greece should take more measures, we cannot disagree with the IMF. I think this is the main trick. So he wanted the IMF to protect Germany and to not let other countries take control of the economic policy of the EU, I think. It's a political game. Micropolitics again. The thing is that nobody cared about the Greek economy really*'.

C: '*The official reason is that the Europeans did not have a mechanism, like the one that's been created, the ESM, with the knowledge, the technical knowledge to cope with this crisis, and to implement a programme. So the other explanation is that Schäuble kept saying that we want the IMF to be involved otherwise it won't pass the German parliament because they wanted to ensure the programme would go well and they would get back their money. And because there is a lot of politics in the EU, they wanted the IMF as a more technocratic organisation to be harsher on the measures that should be taken. This was the formal reason. The informal, you can guess, there are many companies and trusts and funds that bought our banks and our companies, and if you observe who owns them, you will see that there were specific interests here*'.

The other side of the same coin was the sidelining of the Commission in favour of the IMF. In his memoir, Varoufakis remembers a remark by Wolfgang Schäuble: '*It's a mistake to believe anything the Commission tells you. What can they offer you? They talk and talk and talk but it is all just talk. Pay no attention to them*' (2017: 407). He further recounted the dynamic between Germany's finance minister and the Commission's Pierre Moscovici and Jean-Claude Junker during the negotiations: '*The otherwise pointless Eurogroup meeting featured two interesting exchanges. At one point Wolfgang attacked Pierre Moscovici for daring to make positive comments about Alexis' concessions before he had been given the green light to do so by the IMF or indeed by Berlin*' (2017: 434). Again, about Moscovici, he remarked: '*Every time he* *or Jean-Claude Juncker tried to help our side, I felt a sense of dread, for I knew that those with real power would strike us down pitilessly in order to teach Moscovici and Juncker a lesson and beat the European Commission back into its pen*' (2017: 262).

This demand for IMF involvement also gave the IMF more power within the troika, as other members had to yield to IMF policy demands and direction, to keep them involved. This matter was complicated further by the fact that the IMF wanted to disengage with the Greek bailout process after its first year, realising the long-term nature of the problem they had gotten involved in, and wanting to extricate themselves, according to **D**. **D** noted that it was a deal done between Merkel and Thomsen of the IMF that produced a solution in which the IMF kept their position as advisors in the troika during the third programme, but were no longer financially involved. **F** argued that due to the change in political environment in the US, it was less interested in putting in more money, given that there was sufficient funds provided by the europeans. On the other hand they argued that the IMF was only ever interested in disengaging financially, never wavering in their interest in their advisory position, as their involvement in an EU country, as opposed to a developing country lent them credibility as an institution.

Despite this demand for IMF involvement, not all the Europeans wanted them involved at all. The Greek government fought hard to eject the IMF, though they seemed superficially to be on the same side when arguing for debt reduction. The ECB, according to **F**, also wanted the IMF to leave, arguing that the management of the programme should be European as part of a broader effort towards deepening economic integration. The establishment of the ESM was an example of this effort to create inter-EU solutions to these problems.

Between the second and third programmes, there was a shift against the IMF. **C** commented that this was the moment in which Schäuble left the Ministry of Finance in Germany, effectively severing that strong tie with the IMF. At the same time, the Commission was starting to be more interested in social measures, moving further away from the IMF position. The third programme was generally described as '*very different from the previous programmes*' by **D**, who remarked that it '*reflected some learning and differences in outlook between the institutions*'. In particular, this difference was that the Commission started to express greater interest in the social cost of the measures it was pushing for. Notions of social justice and the idea of introducing new measures of social support were discussed, though **D** emphasised that it was an '*open mindedness*' rather than a commitment to a general overhaul in a socialised direction. **H** echoed this, stating that '*it was quite clear that toward the end of the programme, that the positions of the EC were a little bit more, let's say, human friendly, than that of the IMF*'.

In the same vein, **B** from the Commission itself, emphasised the importance and social impact of the introduction in the third programme of the Guaranteed Minimum Income, which **F** also stated was due to a '*greater understanding in the third programme of the need to provide a sufficient safety net*'. The third programme in general showed more willingness to contend with the social implications of austerity. **F** put this down to the fact that '*by that time the social effects of austerity were there to be seen. They were obvious in terms of unemployment, higher poverty rates, etc, and the times had changed. The Eurozone was becoming more sensitive to austerity. And of course also because this was a left wing government, and they wanted the programme to be more compatible with the orientation of the left wing government*'. **E** commented that the Commission was sensitive to social issues at that time, '*because it was being criticised, because it is part of an institution that is in some way related to democratic institutions. It was sensitive to arguments about the wages, wage cuts, pension cuts and social security cuts, benefit cuts, and this sort of stuff. They would never say that we were trying to reduce them… they were saying they were trying to rationalise it, to modernise the social state*'.

The balance of power between the three troika institutions was in flux and reportedly changed over the course of the three memoranda. **E** and **B** characterised it as a movement from the IMF at the start, toward the Commission during the third programme, reflected in the fact that the IMF did not contribute any funds to the third programme, and was only a formal debtor. **D** on the other hand emphasised the Commission as the main player, noting however the major drawback of not enjoying full trust from all European partners. **C** commented that while the EC was most powerful because they had given the most money, the IMF had considerable power, because if it did not agree, the programme would stall. '*So what happened is, like if a player has a share of 70 percent and a player that has a 30 percent share, but if the 30 percent share does not agree, then there goes the 70 percent. So generally you were saying that first the EC talked,* *and then the IMF, and you see that the EC had to agree to lower targets proposed by the IMF*'.

4.5.12 Conclusion

Through a detailed timeline of Greece's experience during the debt crisis, the major axes of interaction between the troika, Greece and the European partners are examined. This case study serves to highlight the points of conflict and interaction, as well as the mechanisms behind the policy process existent between the various players. The conflicts between the Greek government, the troika, and the Europeans, and the dynamics of their evolving negotiations, and policy output highlighting the ongoing power relations, and aiding in explaining the relative position of the troika within the theoretical configuration of states and institutions, as detailed in the two-level game. The dominant narrative emerging from the discussion of these conflicts is that policy was focused on the question of reducing the Greek debt, with most other considerations being secondary. The scope for negotiation with the troika itself was marginal and existed around the edges, though Varoufakis' and Tsipras' approach in radically redefining the playing field may have inadvertently been successful. The great conflict between the IMF and the Europeans was concerned with the sustainability of the debt, a question that was directly linked to the question of the identity of the creditor itself, with actors taking up positions that reflected their interests. Despite this conflict, the IMF provided invaluable services to the Europeans as a political tool in various capacities.

4.6 Ireland

4.6.1 Introduction

The Irish case study will commence with a brief timeline of the Irish bailout process, as well as an overview of the Irish economy, Ireland's entrance into the debt crisis, and request for financial assistance in the form of a bailout. This contextual start sets the scene for a discussion of a more detailed timeline of the bailout measures, and the conditions under which the Irish policy conditionality programme was constructed. In addition, the axes of interaction between the troika, the Irish government, and the European partners will be examined, as well as the policy output produced during the mission process. This aids in answering the question of the theoretical relationship between the troika and national governments. Evidence from the literature, official reports, and interview data will be used to construct this case, which will go on to form the subject matter of the analysis chapter in addition to the Greek case.

4.6.1.1 A timeline of the Irish Case

2002		Ireland officially joins Euro
2007		Onset of Great Recession
2008	September	Anglo Irish Bank and Irish Nationwide Building Society near collapse, and liquidity in the Irish banking system dries up. Government guarantees all deposits, bonds and debts within major Irish banks.
	October	Government deficit has reached 9.4 billion euro. Taoiseach Brian Cowen vows to stabilise public finances through cuts.
2010	November	EU and IMF negotiators arrive in Dublin to negotiate an Irish bailout programme. Ireland enters a 85 billion euro bailout programme.
2011		EU finance ministers agree to cut

		interest rates on Irish bailout, saving 10 billion euro.
2013	October	ECB president Mario Draghi praises Irish structural adjustment effort
	December	Ireland exits the troika programme, receiving the last tranche of funds.

[Table 5: Irish Bailout Timeline]

(European Commission, 2021c; Reuters, 2021; Gleeson, 2021)

4.6.2 The Irish Economy

The structure of the Irish economy is that of a liberal market economy, with light regulation and oversight philosophies, has historically been heavily financialised, with a large housing market developed through domestic demand, and a reliance on international wholesale markets for bank funding. This is the product of its historically close ties to the UK financial sector, as the Irish stock exchange was attached to the London Stock Exchange from 1973 to 1995. After decades of poor economic performance, the Irish economy entered into a period of strong growth in the early 1990s. Ireland developed a large financial industry during the 1990s and 2000s, as a part of the Irish economic miracle, during which Dublin became a major international hub for finance. After the creation of the International Financial Service Center (IFSC) in 1987, an influx of foreign institutions led to Ireland becoming a centre for international trading and fund management. As a result, 1994 to 2000 saw Ireland's GDP grow between 6 and 11 percent, gaining it the moniker 'Celtic Tiger', with its economic success dependent on growth in output, employment and productivity (Woll, 2014: 139-141).

This boom changed the investment behaviour of Irish banks. These had historically been conservative in their investment decisions, and turned aggressive with the increased opportunities, particularly in the area of mortgages. This change transformed what was previously productivity-based growth into construction and domestic demand based growth around the early 2000s. This in turn also increased the relative position of the financial industry within the Irish economy, granting it great structural significance and power, and created a construction and property bubble leading up to the mid 2000s. The growth that Ireland had been experiencing masked the outsized role that construction was playing in terms of generating that growth, and there were competitive pressures for the profits in the booming property market, which led to an increase in credit expansion. These imbalances were not addressed by government policy, which favoured a light-touch approach (European Commission, 2011; Woll, 2014: 139-143).

By 2006, this bubble that was driving growth was in the process of deflating, and by late 2007, markets were beginning to lose confidence in the Irish property and construction sector, suspecting there to be oversupply of real estate in the market. When the recession of 2008 hit the Irish economy, this existing problematic condition was added to; the housing market collapsed, and the construction industry that was closely linked was badly affected in turn. The main drivers of Irish growth were thus decimated in one fell swoop. The Irish banking system, which had lent two thirds of the Irish GNP to property developers for financing building projects was hit hard in turn, experiencing a sharp decline in revenue from construction, and a great loss in the domestic banking system. Anglo Irish Bank, and Irish Nationwide Building Society, for instance, had 75 percent of their loans linked to construction, while Allied Irish Bank had 32 percent, and Bank of Ireland had 16 percent in 2006. As a result of the 2008 recession, in March, Anglo Irish share prices fell by 18 percent over the course of one week due to concerns about property exposure. By September of 2008, the Irish government was beginning to consider nationalising Anglo Irish. Ireland went into recession September 2008 (European Commission, 2011; Woll, 2014: 144).

4.6.3 The Irish banking crisis and debt crisis

The global financial crisis, in the case of Ireland, acted as a trigger event, eradicating commercial funding for Irish banks. This was not simply due to the debt present in the banking system, but the degree to which bad debt was integrated in the real economy. Through the collapse of construction, levels of employment were badly affected, the government's establishment of the National Asset Management Agency (NAMA) that would guarantee banks' bad debt, as well as the decimation of tax intakes related to property sales, the Irish public finances were badly affected. The Irish economy was therefore dealing with both an increase in public debt, a damaged banking system, and a collapsed real economy (Riain, 2016: 24; Roche et al, 2016: 24).

After the collapse of the housing market and the construction industry in 2008, Bank of Ireland and Allied Irish Bank requested government assistance, resulting in the issuance of a general guarantee on Irish-owned banks' deposits and most liabilities for two years by the Irish government, working with the Irish financial regulator and the Irish Central Bank. This scheme passed parliament on the 30th of September 2008, and cost the government 375 billion euro in total, which added up to twice Ireland's GNP. These policy responses served to reduce the pressure on the banking system, and temporarily delay the need to nationalise Anglo Irish Bank. Despite these measures, the Irish government was forced to nationalise Anglo Irish in 2009, inject another ten billion euro of recapitalisation funds into the banking system, and increase its stake in all major Irish banks (European Commission, 2011; Woll, 2014: 145-146).

The first half of 2010 was similarly focused on managing the unfolding crisis in the banking system. The problem was that every policy response the government made in order to support the domestic banking system, increased the sovereign debt levels. At this point, NAMA had started accepting toxic assets from banks in three stages, with each successive stage leading to the further discovery of the scale of the toxic assets and losses that banks had been carrying. The scale of the losses meant that the government needed to recapitalise the banks that previously held the toxic assets due to the losses suffered. The first NAMA transfer revealed an unexpectedly large discount of 57 percent on asset value, meaning the assets were worth less than half their face value based on the NAMA evaluation. When the first stage concluded, revealing a situation that was worse than presumed, the markets reacted badly, but there was no way for the government to counteract this and reassure them that the subsequent NAMA transfer stages would be within acceptable ranges, and that the Irish government could manage the recapitalisation process associated. Added to this discovery of toxic assets, the poor economic conditions and the collapse of the property markets meant that the government could not accurately estimate the capital that banks would require. '*Meeting the capital requirements was looking like hitting a moving target*' (Cardiff, 2016: 130), though effort was made to reach these ill-defined capital requirement targets.

Despite these troubles, the Irish government seemed to be gaining control over the banking crisis, when Greece's sovereign debt troubles began. The effect of the Greek crisis spread across Europe, and despite the Greek bailout in 2010, markets were concerned. The risk of sovereign default all across Europe, including Ireland had increased, and investors were growing worried. Additionally, each successive NAMA tranche was revealing ever greater asset losses, and the potential losses that Anglo-Irish would be left with was still unknown. As a result, the government was forced to inject increasing amounts of cash into banks to offset losses, taking up greater ownership stakes, until all but Bank of Ireland were in state ownership. The Irish government and the Irish Central bank made great efforts to restore credibility to the government's sovereign position by recapitalising banks, taking into account the revealed NAMA losses, as well as the expected Anglo-Irish losses, and publicly committing to fiscal adjustment. The negative news was overwhelming, however. Bond investors had become increasingly risk averse due to the increasing debt the Irish state had accrued through the recapitalisation efforts, the growing fiscal burden of bank rescues, and the increasing international risk of the euro being driven by the Greek crisis and others. As a result, Irish banks and the Irish government were perceived to be poor investments (Cardiff, 2016: 131-135).

At this dire juncture, the first EU intervention occurred. The ECB's president Jean Claude Trichet contacted Finance Minister Brian Lenihan, expressing concern and wanting to know what Ireland was doing to alleviate the fiscal pressure and the banking situation. Trichet also '*demanded*' the Commission should be invited to Ireland to evaluate the situation as soon as possible, as Kevin Cardiff reported in his 2016 memoir of the events. Ironically, the Commission was scheduled to be in Dublin the following Tuesday in order to gain a better picture of the Irish crisis, but Trichet insisted that this was not good enough. The Commission's initial exploratory mission therefore commenced on Monday instead, and had a confusing mandate. Unofficially, the leader of the mission told Cardiff that they would be expected to make a precautionary assessment of Ireland, reporting on whether a troika programme would be necessary and beneficial (Cardiff, 2016: 132-136).

There was increased contact with the Commission, ECB and IMF during this period, despite the fact that any indication of an imminent bailout was vociferously denied to the public by ministers. There were a number of confidential discussions in Brussels including Finance Minister Brian Lenihan and Commission and ECB officials to discuss the ongoing situation, but a bailout was still seen as avoidable at this juncture. Even though Irish bond yields were increasing to dangerous levels, the Irish government still had enough cash to fund its activities in the banking sector, as an EU/IMF bailout would strictly be for the Irish government rather than for Irish banks themselves (Cardiff, 2016: 137-141).

The reason for the secrecy on the potential future bailout for Ireland was due to the possibility of speculation turning into a self-fulfilling prophecy. In the eventuality that a country requires a bailout from the EU/IMF, the money it must pay back to these institutions takes priority over other creditors. As a result, all other loans to the country in question are devalued. If markets gained a wind of the possibility of this de-prioritisation of their loans, they would be even less likely to lend to Ireland. In addition, rumours of a bailout indicate to markets that they have incomplete information on economic conditions and inaccurate estimations of the risk of lending to a country. This leads to an even more conservative approach to lending on the part of investors, as investors base lending decisions on the probability of default, and an indication of IMF involvement increases the perceived risk of default. The result of this is a decrease in access to private borrowing on the part of the Irish government as the price of borrowing increases. As interest rates increase, it becomes less and less feasible for the government to borrow, and sends further messages to markets that lending to the country is a risk. This means that public indications of a rescue may accelerate the need for a rescue (Cardiff, 2016: 141-142).

In October 2010, Lenihan had gone to Washington DC to meet with the IMF, but was still reluctant to admit this publically. Ireland did not want the IMF involved, preferring to hope for a European-only flexible line of credit, and avoid the humiliation of entering into a formal bailout arrangement with the troika. A flexible line of credit between Ireland, the ECB and the EC could be politically explained as a precautionary measure, but a formal loan with the added involvement of the IMF had serious implications by definition (Breen, 2012: 83; Woll, 2014: 147).

The Irish situation continued to deteriorate following these confidential discussions with the EU/IMF. The final evaluation of the NAMA buy-up of toxic assets was released, and indicated a high level of losses, Irish bond yields were heading for seven per cent, which was the unofficial cut-off for more serious trouble, property prices were sinking meaning increasing losses for property developers on Anglo-Irish loans, and therefore greater capital requirements that the government had to fulfil. On 28 September, an economist that had been advising Lenihan, David McWilliams posted on Twitter: '*Irish bond yields touching 7 per cent, 6.99 per cent actually. Once they break 7, it's curtains*' (Cardiff, 2016: 143-144)

4.6.3.1 Early conflict between Ireland and the troika

By the end of October 2010 Lenihan was back in Brussels to talk to the Commission and ECB about the increasingly dire situation in Ireland. The subject of this meeting and the subsequent discussions was the fiscal adjustment that would be necessary for Ireland to return to fiscal health in 2011, and its size. The Commission argued that there should be an increase in fiscal adjustment from 4.5 billion euro to five, while the ECB was speculated by Cardiff to be thinking more along the lines of seven billion euro in expenditure cuts and tax increases. The Commission's argument was that fiscal adjustment had to be front-loaded to show strong political commitment to the markets, and that measures must also include long term structural adjustment to underscore the credibility of the changes. In addition to this were demands for more rules about budgetary discipline, and a strategic plan for the future of the banking system. These EU requirements for greater adjustment echoed the government's own already existent plan, yet there were points of conflict. The main areas of disagreement were based upon differences in technical evaluation of macroeconomic numbers. The Commission demanded more cuts due to a harsher evaluation of the economy, while the IMF and Ireland's evaluations were more optimistic and thus required less adjustment measures (Cardiff, 2016: 146-147).

In November of 2010, the Commission visited Dublin for meetings to discuss the real possibility of a bailout. The points of contention in these discussions with Ireland echoed those expressed in previous meetings between the Irish side and the Europeans. The Commission's macroeconomic forecasts indicated the need for additional long term structural adjustment, implying the need for a 17 billion euro adjustment over four years. Ireland did not consent to an adjustment of this size, but ended up agreeing to six billion euro over one year (2011), and 15 billion euro over four. In terms of a programme, the Commission's view was that Ireland should enter a troika programme at this stage, and announce it in parallel to its own four year plan for fiscal adjustment. Lenihan declined the programme at this stage (Cardiff, 2016: 166).

The ECB on the other hand was anxious because of its exposure to the Irish state through the Irish Central Bank, and the central banking system in the form of Emergency Liquidity Assistance (ELA). ELA was intended to be an emergency short term measure, the ECB argued, which had to be reapproved fortnightly, in order to be granted. The ECB had fears that ELA would be extended long-term and argued for the urgent restructuring of the Irish banking system and major fiscal adjustment to restore Ireland to market borrowing. The ECB's position increased in urgency as their exposure to Ireland approached 100 percent of Irish GDP during this period, which would consequently mean that a default in the Irish banking system would lead to great losses among euro area central banks and therefore member states (Cardiff, 2016: 154-160).

The ECB was particularly worried that this would have major implications on the public support for the euro, and the credibility of the ECB. The ECB also believed, with a '*theological insistence that a bank which has been recapitalised with government paper — precisely because it is in difficulty — might be seen as creating a potential breach of the Treaty prohibition on monetary financing means that any government trying to cope with the confused and frightening* *mix of circumstances in a financial crisis cannot rely on a stable policy position and ongoing support from the ECB*' (Cardiff, 2016: 160).

The ECB solution to this problem was austerity, believing this would fix all of the banking problems, and despite always approving the fortnightly ELA, there was always the threat of non-approval that increased tensions between them and Ireland. The ECB, because it is an independent institution apart from governments also took a 'no deal' policy position, and rather than just demanded action rather than engaged in negotiation (Cardiff, 2016: 154-160). I commented: '*The ECB demanded action without thinking about the effect of the actions, or with a narrow view of the effects. They'd think of the first line of effects, and not the double line of effects. So the economy was much more complicated than they were allowing*'.

4.6.4 Requesting the programme

The event that Cardiff (2016) argues was the trigger for the official bailout request was a G20 summit that was taking place in Korea. World leaders at the G20 discussed the current Irish crisis, and it was suggested by an unknown source that Ireland had already decided on requesting a EU/IMF bailout. Ireland was not present at this G20, and officials therefore did not know who circulated this rumour, but Ireland had not made any statement of this kind. The rumours were very specific, according to Cardiff, and carried with them enough momentum to force Ireland's hand into requesting a bailout (Cardiff, 2016: 167-168).

At this point, bond yields had risen to nine per cent, banks were losing capital, and the government did not have sufficient funds to deal with a banking problem of this size and remain solvent. GDP had also fallen by 17 per cent from its nominal peak, the deficit had increased to over 11 per cent, and unemployment was rising. The Irish government's policy responses had catapulted the economy into a sovereign debt crisis, markets had lost confidence in Ireland, triggering a vicious cycle in the economy. Deposit outflows from the banking sector were increasing, and the government's cost of borrowing from financial markets was rising.

Concurrently, new banking losses were being discovered through the NAMA transfer process, and investors were becoming more and more concerned about Ireland's ability to deal with both the fiscal deficit and its commitment to supporting the damaged banking sector. This loss in confidence and credibility led to yet more outflows, and thus further increased the government's borrowing costs and in turn further damaged its credibility, eradicating any confidence markets had in it (Cardiff, 2016: 167-168; European Commission, 2011).

On the 14th of November 2010, Brian Lenihan met the troika in Brussels to discuss the terms of a *potentially* requested programme. The envisioned structural and fiscal programme was similar to the four year plan that had previously been discussed with the European institutions. Upon this meeting, pre-negotiations commenced in Dublin including all three troika institutions. The main points of conflict between the Irish side and the troika at this time were the Commission's demands for changes in Irish corporate tax code, and the Irish side wanting clarity on whether the ECB would consent to making ELA into a more long-term bank liquidity facility. This was necessary because even in the eventuality that the deficit could be reduced through a bailout, the problems in the banking system, if left unaddressed, would inevitably affect the fiscal numbers in future (Cardiff, 2016: 172-180).

On November 21 2010, the Taoiseach Brian Cowen formally requested support from the EU and IMF. From this point onward, the talks that had previously been taking place on an unofficial basis were now formalised, and would constitute the basis of the official programme for Ireland. On the 28th of November a bailout of 85 billion euro was agreed on between the IMF, European Commission and ECB, and approved by the ECOFIN Council and the IMF board in December 2010. The programme included 50 billion euro in fiscal support and up to 35 billion euro in support for banks between 2011 and 2013. It included financing from the EFSM, EFSF, IMF, as well as bilateral contributions from Denmark, Sweden and the UK, and internal contributions from the Irish Treasury and National Pension Reserve Fund. Where the EFSF was a SPV funded by the Euro area countries, the EFSM was the entire EU's support mechanism that provided funds raised from financial markets and guaranteed by the European Commission using the European Union budget as collateral. The last disbursement of funds took place in March 2014 (Breen, 2012: 83; Cardiff, 2016: 187, 198; European Stability Mechanism, 2021; European

Commission, 2011; Woll, 2014: 147).

According to the Commission's report of the programme, the funding that Ireland would receive was agreed to be conditional on rapid action in repairing the Irish financial system, and putting the public finances on a sustainable path, as well as implementing a structural adjustment programme. In terms of banking, it was agreed that the banking sector needed to decrease in size, and the standards for bank capitalisation needed to be increased. Stress tests would also be carried out in order to determine the viability of various banks. Fiscal consolidation of 15 billion euro (nine percent of GDP) would have to be carried out by 2014, frontloaded and weighted towards expenditure reduction, so that the debt-to-GDP ratio would decrease, allowing Ireland to meet the 2015 Excessive Deficit Procedure target of three percent of GDP. Reforms of the budgetary process were also agreed on as necessary steps, in addition to structural reforms that would allow Ireland to achieve a sustainable growth path through shifts of production across sectors, and reforms in the labour market (European Commission, 2011; European Commission, 2021c).

The Irish Memorandum for government report on the negotiations stated that the programme would be difficult, and that it would include a great number of conditionalities that would need to be met. However, it noted as a positive that Ireland would not be required to change its corporate tax regime, and that the programme would closely resemble the four year plan that Ireland had already developed, with some minor differences (Cardiff, 2016: 212-215).

4.6.5 Negotiating the programme

The mission process involved the Irish government meeting with mission teams of approaching 40-50 people representing the IMF, EC and ECB as a unified group in Dublin, various interviewees reported. Each mission spanned two weeks, focusing on a set of key issues, '*starting with a general meeting of all troika mission team members and government negotiators in the largest conference room at the Department of Finance*', as **O**, a principal officer, part of the negotiating team at the Department of Finance explained. After this initial general meeting in the morning, **M**, a Chief Negotiator for Ireland, and **O** reported that members of the troika mission team and the government team would break off into specialised issue areas in a division of labour to focus on different issue areas within the programme, and run meetings in parallel. The main two areas into which the teams were split were those specialising in banking and financial services, and those specialising in fiscal and structural reform. The banking and financial services division would subsequently meet at the Central Bank, and the fiscal division remained at the Department of Finance for the duration of the mission. All agreements reached and discussed during the two weeks would be recorded in a set of memoranda which formalised the negotiations. The two-week mission process included numerous informal lunches and one-on-ones additionally, and ended with a social occasion, according to **O**.

'*The negotiators that represented the Irish government were all financial experts, economists and some accountants with a particular expertise in bank shareholding*', **K**, chief economist and head of the macroeconomic analysis unit at the Department of Finance, explained. The troika's mission representatives were '*mostly economists*', as **L**, Secretary General at the Department of Expenditure and Finance, as well as multiple other interviewees remembered, with each troika institution sending a legal representative as well, as **O** noted. The Commission team was made up of a mixture of staff members from different DGs, and the IMF sent its Strategic Review on Policy Directorate, which ensured horizontal consistency across the troika team. '*The institutions had their own in-house gatherings and discussions that took place prior to meeting their Irish counterparts, attempting to present a common front at the formal mission meetings*', **O** remarked.

At the senior, coordinating level, the Irish Department of Finance played the role of the chief coordinator of the mission process, with assistance from the Irish Central Bank and the NTMA, **M** noted. The Department of Finance then sent representatives to coordinate with and ensure compliance from all other relevant ministries. **N**, a finance spokesperson from the opposition, reported on their end that the troika's interactions with the Dáil were limited to meetings with two or three representatives from each of the troika institutions. Opposition spokespeople dealing with the area of Finance and banking were able to communicate with the troika in these meetings.

The programme that was ultimately agreed upon was based to a large extent on the previously mentioned as yet unpublished Irish four year plan, the 'National Recovery Programme', which had been in preparation for a number of months. It was published shortly before the programme was agreed between the troika and the government, but had long been part of the Fine Gael agenda for government as their four year plan. **K**: '*In November 2010, we hadn't as yet published the document, but we did share it with the Fund, and the Fund's advice was: publish this straight away, this will be the programme, we will simply take what you have in here, put our name on it, some tweaks, no major changes, and this will be the Irish programme. So straight away there was buy-in from the Fund, and strong ownership from this side. So I wouldn't say it was an off-the-shelf template that they had used, but they actually used our programme, our recovery plan. But we had drafted this recovery plan, identifying where the reforms were necessary, which is what the Fund would normally do when they come to a country. So the fact that we had done it ourselves meant that ownership of the programme was very strong*'. In his memoir Cardiff further commented that '*in some ways it was more ambitious than they might have expected of us in regard to structural reform, and it indicated a strong government commitment to the reform process*' (2016: 202).

The National Recovery Programme (NRP) was written by the Irish Department of Finance with four main objectives: '*to restore the public finances, to restructure the banking system, to improve the growth potential of the economy through reform measures, and to return Ireland to financial markets*', **O** said, and was echoed in Cardiff (2016: 202). The first goal was to repair the public finances and the second to reform the domestic banking system. This translated in concrete policy terms into an '*aim to reduce the deficit, deleverage the banks, reduce the size of balance sheets, reduce assets and improve the liquidity position of banks, and reduce reliance on ECB funding*', as **L** put it.

The troika's main objectives echoed these of the NRP. **L**: '*A lot of focus was on the cash requirement, to make sure we were meeting our deficit targets, so the quarterly cash position. And obviously issues in relation to the banking system, commitments in relation to deleveraging* *banks, and improving the liquidity of the banking system*'. **L** explained the troika had set requirements, timetables, and policy commitments, and issued quarterly reports on the progress of the programme and the deficit targets. These policy targets were undisputed between the members of the troika and the Irish officials, and were regarded as of primary importance. The discussion as to how these ends could be achieved was secondary to these major objectives.

O explained that the troika, and the IMF in particular, were happy to allow the Irish government to create their own programme, buying into the drafted NRP immediately. It signified a strong sense of local ownership over the programme, and a commitment to deliver on its requirements and complete it successfully. The Irish authorities took ownership of all aspects of the programme, above and beyond the absorption of the NRP into the official troika programme. **O** explained that this spanned from the scheduling and the discussion topics, to organising ministries in order to deliver on the policy objectives. The Irish government's approach to the programme was proactive, **O** said, which contrasted with the IMF's experience with other programme countries, in which it would have to take over those duties themselves. O: '*It was important in terms of giving the troika a clear view that, y'know, we had taken ownership of it, and from our point of view, being able to manage the whole process here, and ensure that the people who were needed would turn up, and would engage meaningfully*'.

O commented that Ireland took '*charge of everything. Running things, y'know, in a very professional manner. Assisting the whole process. The troika will report on how well run the process is, and they don't just report back to Brussels or Frankfurt or Washington. They're talking to the financial markets and all the rest of it. So that they're saying, "those people really, yknow, have got a grip on this, and they're running this like—" I think that sometimes they maybe felt like "who's in a programme here?" — Is it the troika that's in the programme or is it Ireland?...* '

K commented on the Commission's particular view of the Irish NRP: '*The Commission agreed, broadly, with our approach, but funnily enough, under the legalistic approach, the deficit procedure, the Stability and Growth Pact, we had set a target for ourselves for correcting the excessive deficit, that is, bringing it below three per cent of GDP by 2014. The Commission* *looked at it and said, "well actually we think your plan is too ambitious. We don't think you can get there by 2014. We will give you an additional year, from a — leaving — perspective". So we said, well, okay, we'll take that. So I suppose it's a unique position where you have the authorities being more ambitious than the troika themselves. So I suppose that was somewhat unique. We also did have a situation when the troika left, and the IMF, one of their parting comments was, that it was the only country they had been in, where the government's forecasts, that is, the forecasts of the Treasury, were more conservative than the ECB's. That brought a tear to my eye. So we could come up with, I suppose in summary, the template ourselves, and as a result of that there was strong buy-in from within the system, the Irish public sector, and ownership was strong*'.

O commented that ownership was important to both sides: '*the European Commission in particular were careful to point out in their press conferences, for as long as they continued, that the measures taken were mainly those thought up by the Irish authorities. That they didn't sort of set conditions on the micro-implementation. Well, that was broadly true, but it wasn't 100 percent true. But I think what the Commission were trying to do was they were trying to emphasise the Irish authorities' own ownership of it*'.

J, a senior official at the Irish Central Bank, on secondment as the Chief Economist at the independent Irish Fiscal Advisory Council, commented about the troika's relation to IFAC's assessments and contributions that '*they were very supportive of what we were doing, because I think as well our— obviously we came to an independent view on what the Irish economy needed in terms of fiscal adjustment, and we argued heavily for more fiscal adjustment. Even more than what the troika recommended, so we were sort of coming from the same side as the troika were coming from, because at the time in Ireland there was enormous debate as to whether the consolidation efforts or the austerity was working, and there were lots of people— there weren't protests like you would have seen in Greece or Spain or Portugal, but there was a lot of, certainly a lot of people were unhappy with the fiscal adjustment. And quite rightfully so, they were very painful in terms of higher taxes, reduced welfare payments. So it was a very painful time for Irish people, and so we were sort of the messengers of doom, in many senses arguing that actually we need to do a little bit more, that actually we should get this over faster, so we* *were sort of an almost a little harder, taking maybe a harder stance than the troika were at the time. I think they were generally very supportive of our analysis at the time, and our conclusions at the time'*.

4.6.5.1 Conflicts

M remarked that '*we had an Irish national recovery plan which was very close to what the Programme was, that addressed issues other than the financial sector issues*', and conflict was limited to the realm of Finance. As **K** recounted: '*I would stress... the discussion was always centred around the banking system, the economy and the public finances. Rather than, what I guess was the case in Greece or Portugal, where you would have long discussions about reforming, I don't know, how 25 year olds are allowed to come into the labour market etcetera*'. **M**: '*So in fact the Irish programme itself might have been a little bit more reform oriented, or restructuring oriented than either the IMF or the European bodies would have thought. And there wasn't much disagreement on those matters. It was on banking matters that the most scope for disagreement existed, where the ECB took more of a lead*'.

Despite the presence of these difficulties and disagreements between the Irish government and the troika in the realm of banking and public finances, interviewees stressed that through most of the programme, there was a fairly high degree of coherence among all parties. The highlighted differences were only ones of degree and not kind, **K** argued. The biggest of these disagreements within the realm of fiscal policy revolved around the pace of adjustment, with the ECB heavily promoting an increase in the pace and scale of fiscal adjustment, demanding a '*shocking*' amount of consolidation of about six to seven billion euro rather than the four to five billion euro already in place, according to I, the Irish chief negotiator in charge of financial services. **Q**: '*They wanted to eliminate the structural deficit over night, thinking it wouldn't kill the economy*'.

The IMF, on the other hand was very closely aligned with Ireland on fiscal policy, and helped them negotiate with the other two institutions in this regard, according to **Q**. The IMF's priorities were perceived to be the protection of parts of the Irish economy that were not affected by the crisis, and repairing the economy, according to **Q**. To this end, the IMF's preference would have been, contrary to the ECB, '*a less aggressive fiscal programme'*, according to **K**. The IMF position '*emphasised growth friendly consolidation*' according to **O**, and disagreed and '*grew impatient with the Commission's assiduous application of some of the European process rules. So even at the start of the programme the expectation was that we would come back into line with the European fiscal rules. I think the IMF would have said that that was really important, but what was more important was to find the right balance, rather than to follow the formal rules*', according to **M**.

While the fiscal policy side had a relative dearth of disputes between the mission partners, conflict and fraught discussion was more abundant on the financial services side. The ECB tended to be the most powerful player in this arena, the other institutions deferring to the ECB on banking policy matters, as M remembered. **Q** commented that: '*whereas on the fiscal side, very early on the IMF and Ireland were very closely aligned and they helped us deal with the other two. On the financial services side, there were different aspects on which we would have been aligned with the IMF, a few aspects where we would have been aligned with the Commission, and even a few aspects where we would have been aligned with the ECB, probably less so… but certainly wouldn't have been as close as it was on the fiscal side, because the philosophical approach would have been slightly different*'.

4.6.5.1.1 Capitalisation of banks

Within the realm of banking policy, the most profound policy disagreement during the negotiation process was over that capitalisation of banks. '*It seemed to us that there was a constant pressure from the troika parties – especially but not only the ECB – towards increasing the amount of capital to be injected*' (Cardiff, 2016: 233). **Q**: '*They just had a naive view that you just needed capital. That was all it was. And that just isn't true. Yes, I think it would be fair to* *say that all European banks went into the crisis without enough capital and I very much wanted our banks to be better capitalised and they are now, but it isn't true that capital is the only thing that matters. And I think they missed that. To take money from the taxpayers and put it in as extra capital where it wasn't needed is… downright foolish. Because it does damage to the economy by taking it off the taxpayers, and it doesn't do any consequent benefit to the banks because they don't need it. Extra capital is just… an insurance policy, whereas if you exacerbate the crisis now by damaging the economy, the insurance policy is going to be used up pretty quickly*'.

Q: '*If the ECB had its way, we would have put another 20 billion euro, and for no reason, thinking "if they had enough capital, they'd be alright". They didn't really understand that actually, no matter how much capital a bank has, if it's not making profits it'll go bust. As indeed with any other company. It might take longer if it has more capital. But getting banks profitable should be your first priority. And once they are profitable, they generate capital. But since you recapitalise without changing anything about their profitability it's just throwing good money after bad. Whereas they were obsessed with the amount of capital and really didn't realize the nuts and bolts about how banks actually work. Of course banks make profits when the country is doing well. The economy and banking is very tied together, no matter what you do. I know we've separated them out, and all that, but the reality is, in a small country, banks cannot make profits unless people are making profits, businesses are making profits. So the businesses have to be doing okay for the banks to be doing okay. And if the banks aren't making fundamental profits, it doesn't actually matter how much capital they have. If they have one unprofitable year, yeah it's gonna leak into their capital, but if it's 20 unprofitable years it doesn't matter how much capital you put in, you're dead. So you just do need to look at the profitability end of the banks as well as the capital. The ECB were obsessed with capital*'.

Q: '*For example: at the very beginning we were to do three stress tests. We did the first stress test. It became obvious that after we did the test the ECB wanted to add extra capital randomly. And it became obvious that every time we did a stress test, the ECB was going to insist on extra capital, irrespective of if the stress test showed it or not. We decided ourselves, with the government signoff, and as a major priority, that if we were doing any more stress tests, they had to be in conjunction with some other countries. Because if it was just us, the ECB would judge* *our banks on a different scale. We had no problems doing it and deciding that relative to other banks ours needed more capital, but we didn't want the random aspect of it… They were so obsessed with it they just kept demanding that we just put more capital into the banks. And we had to make sure that every negotiation, whatever else, we didn't end up with a stress test on our own. The stress test had to be with someone else*'.

Despite the above detailed compromise position on recapitalisation where Ireland would recapitalise according to the results of stress tests, Cardiff characterised the ECB as '*watching us eagle-eyed for any backsliding on our part on our capital commitment*', as '*we would have to watch them for any attempt to ratchet up the capital levels emerging from the technical process, or to force the pace of asset sales beyond what was likely to produce reasonable value*' (Cardiff, 2016: 234). The equilibrium position with the ECB was that the Irish government would put in the effort to reduce its baking system's exposure to the ECB, but at the same time, the ECB could not require the Irish state to bankrupt itself to recapitalise a banking system redundantly (Cardiff, 2016: 234-235).

Additionally, **Q** noted that '*the IMF had quite radical ideas on the financial services side, like that we should repossess 1000s of houses and throw people out of their homes, which quite clearly was politically completely unacceptable in Ireland*', which constituted one of the Irish hard red lines. **Q**: '*I think the IMF had ideas about American banks and trying to impose American culture… Their approach to bank bailouts and repossession of housing and so on, was very different. They wanted us to appoint hundreds of judges who do nothing but repossession in the American way of just… send the papers in and get them stamped. No Irish court would do that. The history of Ireland is such that people died of hunger when they were thrown out of their houses in the 19th century… so repossession is a last resort thing here. And while there have been repossessions, and obviously you can never say… you don't have a mortgage market if you don't, but it was never going to be on the industrial scale the IMF was looking for ... We were looking for ways around the repossession question, for people who were in temporary difficulties and would be able to pay their mortgage again once they got jobs again. And the IMF didn't think we should wait. I'm not sure the ECB thought we should wait either, but they could culturally understand why we were doing what we were doing*'.

4.6.5.1.2 Burden sharing

The other major nexus of disagreement between the troika and Ireland was around the idea of burden sharing. Burden sharing, or bailing-in bank bondholders entails bondholders receiving less than the full amount of their loans, and thus reducing the cost of saving banks for the Irish government and taxpayer. This debate concerned senior bondholders, rather than subordinated bondholders, as the latter had already taken losses. In private discussions, IMF was in favour of the idea, with Cardiff (2016: 205-206) remarking that if 30 billion losses transferred to senior bank bondholders, the market might decide that the Irish government was sustainable enough fiscally, to return to market borrowing, resulting in a smaller bailout requirement.

In order to convince the troika as a whole to allow bailing-in bondholders, the IMF managing director Dominique Strauss-Kahn was on alert, having said that he would '*personally initiate a teleconference with all of the major parties – for example, the appropriate ministers from the bigger countries, the ECB, the Commission – and expected to be able to persuade them of the merits of large scale burden-sharing*.' (Cardiff, 2016: 207). In the end, however, Tim Geithner of the US treasury, and Trichet of the ECB were opposed to the idea. '*The pro-burden-sharing views of the IMF officials on the ground in Ireland were overruled, and the IMF stance on such burden-sharing became officially negative. The Commission reported to us that the EU position was now that if there was to be burden-sharing for senior bondholders, there would be no programme. The ECB was similarly determined in its views. It was made clear that Ireland was going to have to accept that there would be no senior bond burden-sharing or face an impossible funding situation*' (Cardiff, 2016: 208).

The ECB was strictly against bailing in bond holders in 2011. **N** said of the harsh nature of their stance: '*I came into the Irish parliament in 2011 following a general election, prior to that election Fine Gael who were in opposition pre-2011 came into government, but in the run up* *to that election they were saying that they were going to impose losses on the bond holders and there were all sorts of phrases like "not another red cent" from Leo Varadkar, that is, there was talk of burning bondholders and so on. But we discovered later that when they got into power, having made these promises prior to the election, that Trichet disagreed. Trichet, it emerged later, had told the Irish Finance Minister that they would let off "financial barring in Dublin if there was any attempt to burn senior bond holders". So that came from the ECB, to give you some sense of the really hard line the ECB took on the banking system and its determination to impose the costs of the crisis on ordinary people. The epicentre of that seemed to be the ECB*'. This evaluation of the ECB's stance was echoed by **K**, who remarked that '*the ECB threatened the Irish Finance Minister that a financial timebomb would go off in Dublin if we were to bail in bondholders in Anglo-Irish bank*, *so as you can imagine, Irish views and attitudes towards the ECB are somewhat negative. Having been there, I would share some of those views that it was there to help itself, and not to help Ireland. But I would acknowledge in the first instance that it did provide Liquidity Assistance when it was needed*'.

On the initial support that the IMF had of the bail-in programme, **Q** commented: '*Yes, at the beginning the IMF was one of the ones arguing for bailing in the senior debt holders, and the Irish government elected in 2011 wanted to do it, and the ECB were strongly against it, but the reason we didn't do it was because America vetoed it. At a senior level the IMF led us down the garden path, then walked away. So the people who were saying… some of the IMF were now saying "we wanted to do that", it was only up to a certain level they wanted to do that. Negotiators in Dublin were on our side, but when it went back to Washington and it was the American government, and I could name the person, but I won't, it was the American treasury who vetoed that. And that wasn't the ECB. I mean the ECB might have gotten their way anyway, but the actual reason… I mean we had no argument left once the IMF were against it*'.

K echoed this: '*We do have a bail-in regime now, but the irony of ironies— which is… what a lot of Irish people sort of…— but anyway they found it quite difficult to take— there is a suspicion but listen, I don't know, but there is a suspicion that there may have been political intervention at the Fund level. That the US may have— that the US treasury may have stepped in and said "no, can't have burden sharing in Ireland, it would lead to contagion, and that's not* *what the global financial system needs right now." ... But Tim Geithner wouldn't be greeted at Dublin airport if he was landing, he wouldn't be particularly welcomed by the Treasury*'.

The troika programme for Ireland lasted from 2011 to 2013. In December of 2013 Ireland exited the programme, having met '*the vast majority of policy conditions under the programme*' and with '*investor confidence restored for the sovereign and the banks*'. '*Ireland is subject to post-programme surveillance (PPS) until at least 75 percent of the financial assistance received has been repaid. PPS will last at least until 2031*' (European Commission, 2019).

4.6.6 Reflections on the troika's policy approach

4.6.6.1 The IMF's knowledge and expertise

Within the context of the troika, the interviewees reported that the IMF was the most experienced and knowledgeable. **L** remarked that: '*the IMF had more experience in terms of structural reform programmes, so they were bringing a lot of experience to bear*'. **K** echoed this sentiment: '*The IMF at the start knew what the problems were, they knew what the source of the difficulties were. They knew that this involved repairing an economy, and they had a template, a worksheet if you like, to do that. They knew what they were talking about, they were the clear leaders*'. **O**: '*The IMF have been doing this for a long time, and it's also been a learning organisation, that they learn from the mistakes that they make... They also had some very good communicators in their midst, so you had a rather bizarre situation that in some respects the IMF were looking like the good guys in the programme*'.

Q also held this view, remarking that '*on the fiscal side, yes, they were pretty good. When you look at what the IMF does every year, it does these fiscal annual reports, where they come and look at each member country and look at their economy. So they have a deep knowledge of the countries that are members of the IMF to start with, and it goes back quite a few years. So they're not coming in brand new. So on the fiscal side I think they definitely did start well ahead,* *and certainly the Commission took a long time to really understand what they were trying to do, and were quite slow at understanding what the real economic levers were in a country like Ireland, compared to the economic levers in a place like France or Germany, or whatever. It's because we are a small open economy*'.

K further remarked on the knowledge and expertise of the troika in general, as well as the Irish economy, saying that, '*we always found that the troika's level of understanding of the Irish economy was fairly good, their level of economics was exceptional, I would say, especially with respect to the IMF— they were superb. The Irish economy is somewhat weird, to be clear, we have had some very unusual features of our economy. They didn't fully grasp some of those at the start, but over time they sort of absorbed the peculiarities of the Irish economy. I mean just to give you an example, about ten or 15 firms account for about one third of exports in Ireland, so applying sort of standard models of external demand don't necessarily work in the Irish context. They picked up on that over time, that some of the models needed to be adjusted for Irish-specific factors*'. **J** echoed this, '*the economy here is so complex and so different to other European economies, so there certainly was a steep learning curve of the intricacies of Ireland and the policy framework, how policy is designed here, and the intricacies of the economies*'.

4.6.6.2 The Commission's role

The Commission's approach was described as significantly affected by their mandate. **O** described the position the Commission was in as being '*the guardian of the Treaties, and has to operate in accordance with the treaties... As I say, the Commission had a tension there between its role managing a programme, and its role of ensuring that the treaties and the directives are implemented. As well as that, just the fact that programmes aren't really its main line of business. When you join the Commission you don't expect to be in that sort of situation*'.

M echoed this, remarking that: '*In some ways they had a more difficult job in that they had to both provide—fill the role of expert, provide expert advice as the IMF did, but also being more rules based. They had a firmer set of ex-ante rules to address, so in that sense they had a little bit less room for thought experimentation, let's say... If you look at the Commission, you* *have to regard it as—it's both a single institution, but also an institution with varying agendas of its own, which guide it. A very important factor was that the Commission team came from three different parts of the Commission. Very well coordinated, but nevertheless three parts… So they had an internal coordination job to do and what their interest might be at a given time might decide, might—the team they sent, or the people that led might be determined by which Commission DG was most interested in that topic. But also they had to coordinate among themselves and make sure that they were all at one. So I suppose that it's just important to bear in mind that they had this set of ex-ante rules, or ex-ante principles at least, which applied to services as well as the agenda of simply solving the problem*'.

In the same vein, **K** argued that: '*The Commission, as is often the case in the EU took a quite legalistic approach, there approach to discussions was to seek conditionality based on transposing directives and so forth. Many of these directives had nothing to do with the economy. For instance, they may have asked to transpose something to do with butterflies, I don't know, and that was part of the conditionality, whereas we argued that while that might be important, the underlying issue was a broken economy, so we felt that the overly legalistic approach of the Commission maybe, sort of, shed light on how unprepared the Commission was for this sort of assistance. Now, that's not the Commission's fault per se, the Commission has never been in the sort of bailout programmes at that stage, so it was learning as it was doing, but the Fund was clearly the expert in the class here.*'

O had a similar estimation of the Commission's position: '*The Commission has a certain role, it's implementing EU legislation, developing EU legislation, so sometimes you have an issue of whether they were trying to make a programme successful or trying to ensure that a country implemented a particular set of regulations. And those two things aren't always in harmony. And using a programme to ensure that, isn't always the most appropriate way of going about things. You also had, differing DGs with differing mandates, DGCOMP has its role in relation to state aid, so they were involved in looking at how we were dealing with the banks for example, and how we were managing the shareholding in the banks. And there may have been a tension between that and the overall aim of restructuring the financial sector. But as I say, they have their mandates, and they must implement them. But they're the type of issues that arise*'.

Further, **Q** remarked on the Commission's level of knowledge and policy direction: '*At the start, they didn't know what they wanted except for the problem to go away. It took them a while to get an agenda. They were probably policy takers from the IMF, and the ECB*'. **N** also addressed the Commission's policy approach, saying that: '*The Commission seemed to be just taking their line from the ECB, you know that's the sense you got… And you never got the sense that they were the voice of the people in Europe, to balance the voice of the banks and the financial institutions that were represented by the ECB*'.

4.6.6.3 The ECB

The role the ECB played within the negotiation process, and their policy approach was somewhat more controversial than the other institutions. A fair number of interviewees remarked upon the ECB's policy approach, with **Q** saying that they were '*completely unrealistic*', on financial services. Though this did improve by the end of the bailout process by necessity, as more individuals were recruited with practical experience, but at its inception the ECB team was characterised by **Q** as '*completely disconnected from the market. By the end they were much better, partly because they just had to get involved and see how things actually worked, and of course they took over the supervisory piece, and they recruited people with more hands on experience, whereas at the beginning the ECB team was kind of academic economists who had very little real experience of how either the economy or the banks actually looked like in practice*'.

Characterising the ECB in relation to various Commission colleagues, **Q** relayed an anecdote: '*I remember one time in the middle of the night having negotiations, and someone from the ECB came up with a wonderful idea, and the people from the Commission were there and said it was a wonderful idea, and I looked at them and I thought: if we could we could have done that, we would have done that months ago, you know? Eventually I had to get them to get the DGCOMP people to come back out of bed to tell them that. Literally, back out of bed on a*

Saturday night at one in the morning, and I remember the head of DGCOMP throwing his eyes up to the heavens when he realised what they were proposing. He said, "it's just not possible".

Further characterisations of the ECB policy approach centred around their specific mandate and the possibility of a conflict of interest. **O**: '*Some academics have indicated that perhaps the ECB was on the wrong side of the table as a member of the troika. Outside the Euro Area, when you would go on a programme, the Central Bank would be on the same side of the table as the authorities. So there's a question there, so what role does monetary policy, financial supervision play in this recovery? The ECB was also a substantial creditor, in terms of having extended ELA, so we had a quarter of total Euro Area ELA at one point. There was a question there as to whether the ECB were trying to ensure that they got their own money back, or whether they were trying to ensure that we got a recovery. Now the two things should be mutually consistent but not always*'.

Q was very explicit in their view of the ECB's potential conflict of interest: '*It was a* ***complete*** *conflict of interest. They shouldn't have been part of the programme. It should have been the Irish Central Bank sitting where it was, on our side of the table, and* ***was*** *actually on our side of the table the entire time, notwithstanding the fact that their so-called bosses were across on the other side of the table. I don't think the ECB should have been involved in the troika at all. And the reason they were involved was because they failed to support the euro when we went into the programme, and the Greeks went into the programme. It was their failures that were causing them to be there. Because they thought this was an alternative to it. And the way the ECB used liquidity to force us into a program, in a disgraceful way against the Greek government also, is a disgrace for any central bank. Don't even start me on the ECB, and it's not got anything to do with the individuals, but the ECB as an org has not covered itself in glory. It acts in a political way and then pretends it was tactical. And that is, to my mind, undermining the European project to have so-called independent agencies providing technical solutions that are actually tactical and political*'. While remarking that it is positive that the ECB and central banks should be independent, **Q** further remarked that '*they still should be accountable for their actions, and they still have responsibilities to the community that has actually set them up. And that means the whole community, not just Frankfurt and the German government*'.

4.6.7 Reflections on the experience negotiating with the troika

4.6.7.1 Worldview and relationships

The working relationships between the troika negotiators and the government negotiating team was very good, described by **K**, **O**, and **L** as '*cordial*', '*friendly*' and '*mutually constructive*'. The troika themselves were described by **L** as '*good collaborators*' and '*very supportive*'. There was '*a lot of mutual respect on both sides*', and a great deal of trust according to **L**. **L** explained that the troika trusted the government had the capacity to deliver, and when they did consistently deliver on bailout requirements, that trust increased also. They were '*incredibly encouraging*' to civil servants in the IFAC according to **P**, which the ECB praised for their excellent economic forecasts and statistics, their strict adherence to the Stability and Growth pact, and their holding the Irish government to account on fiscal rules, according to **J**. The personal relationships they had with the IMF in particular were '*excellent*' according to **P**, and multiple interviewees emphasised the strong mutual understanding between the parties, especially on fiscal policy issues.

The Irish government and the troika had a shared vision for the economy and a shared understanding of what needed to be done to fix it, there was a great deal of synergy between the parties, according to interviewees. **O** described the troika and the Irish government as '*speaking the same language*'. The negotiation process with the troika in general, Cardiff noted that it '*was not an audit but it was a close interrogation of our policy positions, our figures, our ability to deliver. But it was also a very significant process of negotiations, and for the most part it was between people with a more or less common view of the world. We might have differences of view, for example, on fiscal policy or on economic adjustments, but in truth the differences were small enough*' (Cardiff, 2016: 189).

Q commented that all disagreements were on policy. '*We were never at a point where we couldn't go for a drink together. Even the ECB I went drinking with. Because in the end there was a shared objective that Ireland was going to get out of this, even if we disagree vehemently on how we'd do it. We had to work together. And it never got to the point where we weren't on speaking terms. There was never any of that. There was a very robust debate, but there was never personal animosity*'.

4.6.7.2 Negotiation strategies

The Irish approach to the negotiations, according to Cardiff (2016) was to encourage the troika to agree with and sign on to the existing Irish programme. To achieve this, he argued that the institutions' trust and goodwill had to be won. If enough goodwill was developed, parts of the troika could be brought on side, and used to persuade the others (188).

Cardiff's notes for his senior management before the start of the negotiations were:

- Deal with them openly – we need them to understand our position.
- Commit to nothing – the key decisions to be taken were so important that the government would have to take them, not civil servants.
- Find flaws in the visitors' thinking, politely and tactfully. After all, we needed their plans to be good plans.
- But also find solutions, and be open to the expertise and experience of these people.
- Work hard and avoid letting personality get in the way of any work problem.

(2016: 189)

The strategy Cardiff as Chief Negotiator tried to implement was to work *with* the troika in order to move forwards, '*rather than to accept it on paper while seeking to subvert elements of it behind the scenes, which might have been an alternative route*' (Cardiff, 2016: 189). Adding to this cooperative view, **M** also noted that '*one of our objectives was to keep those parties together, because any falling out between them might mean that some part of the package might fall away. So we had to be careful. We could be quite happy to discover that one party agreed with us more than the others, but we were not trying to deal with one party and not with others… we needed support from all three, so we tried to keep all three more or less on side, more or less on the same side*'.

M reported they had to keep in mind each party's objectives, as well as their combined objectives, as this yielded the space within which negotiations took place. **M**: '*All of these people were generally pretty well disposed to finding solutions and there wasn't— and I tried very hard in my leadership in the past, to avoid any unmanageable strain between, either between ourselves and troika parties, or within the troika*'. **O** echoed this approach: '*We ensured that even if the discussions are difficult, that you maintain a relationship with the people involved. And having that sort of informal side of things, enables you to sort of say "listen," have a side discussion and say, "this is where we are". They will sometimes come back and say, well, this is where WE are, we can't get this passed our board. But you could have a reasonable discussion, a constructive discussion*'.

Q took a slightly harsher stance in reference to the above stated strategy: '*That's true, but maybe I'm just a little bit more cynical than* ***M****, but I think it's also true that when we had an objective, we used one or other of those parties to do the work. Manipulating to some extent the other two parties to get them at least to understand and perhaps behind the scenes, speak for us. It was a very important part for us. Yes, there was certainly a part, trying to make them agree among themselves, but it was very much ensuring that we did what was best for Ireland. Irrespective of if that was or wasn't their number one priority*'. **Q** cited an example of this as the occasion when the IMF argued with Ireland in favour of joint stress tests on banks against the wishes of the ECB. **M**, however, also mentioned an example of this, citing an instance when DGCOMP specifically helped Ireland in getting what it wanted behind the scenes, by arguing against the dissolvement of Permanent TSB Bank, against the IMF.

Despite these strategies, there was an awareness throughout the negotiations, **M** noted, that the discussions and negotiations in Dublin with the various teams were subject to final decisions at a senior, head-office level. '*In the end they all had to get head office approval, if you like. Although the discussions were happening in Dublin with the various teams, the final decisions were being, at least endorsed, by very senior people at head-office level. So all of us, both ourselves in Ireland and the troika team leaders had to be aware that their approach was subject to ratification somewhere else. And I think that it was probably the case, I couldn't prove this, but my impression was that we sometimes had all of the team leaders on side for something, and maybe it would not be exactly the same as their head-office would want or what their bosses would want back in their organisation. So things maybe didn't go as far as we wanted, not because there wasn't a level of agreement on the ground, but because those people had to be aware of what was sellable back home*'.

4.6.7.3 Scope

Most interviewees from the Irish government side reported that there was at least *some* scope for negotiation with the troika. Though there were red lines that were immovable like the deficit and debt targets, there was room to negotiate around the edges, but it was simply hard to do. **Q**: '*They all had various red lines, but you did have scope for negotiations, even with those red lines, but you had to do a bit of work about it. One of the reasons we did relatively well, is that we had very… you really need to go into the negotiations… when you're going into negotiations with three powerful orgs, and you're small and in a difficult position, you need to have an absolute objective and you need to make sure that everyone at every meeting, if they're here for a week and are meeting 10 different people at every level from all kinds of different orgs, everyone has agreed what our priorities are before you start talking, and what you're willing to sacrifice*'. In terms of which of the troika institutions was the easiest to negotiate with, **K** commented that '*we felt that the Fund was at least flexible, that it was open to discussions, and that if conditionality couldn't be delivered on one issue, we would put up another issue instead. They would evaluate it, assess the economic impact, and either agree then or disagree*'.

The communication, understanding and negotiations between the troika and any voices that did not share the same world view, and were more fundamentally critical of the policy agenda were poor, however, and '*felt like talking to a brick wall*' according to **N**, an opposition spokesperson in the area of Finance. **N**: '*If I remember correctly, the spokespeople from each of the opposition groups were given an opportunity to meet the troika on a regular basis throughout the period of the mission, so we would have met them probably about twice a year I think… I found them just very technocratic. As a collective they were pretty technocratic and they didn't really want to talk about what the impact of certain austerity measures might be. They didn't really want to discuss what the human or social costs of those things might be. They were just constantly referring back to the bottom line in terms of meeting certain deficits and debt reduction targets. They essentially argued that the policy decisions were a matter for the Irish political system, and that all they required was certain targets to be met. They could be met in whatever way the government chose to meet them, so they were kind of absolving themselves pretty much of any political responsibility and presenting their job as a technocratic exercise. So obviously from our point of view that was extremely frustrating as people who are having to deal with the consequences of austerity on the ground. But you might as well have been talking to a brick wall really, if you made any of those points to them; they just keep referring back to the figures and the requirement to meet the targets'*.

Arguing against the troika in terms of economic logic from an anti-austerity perspective was similarly ineffective according to **N**: '*As well as talking of the social cost we also or certainly I would have, and others as well, would have tried to challenge them on what the knock-on economic effects were. Our argument was that the cuts they were proposing were going to accelerate the downturn or the intensity of the downturn in the economy, and they would create a spiral downwards. They just rejected that and argued that these things had to be done, that our debt levels were unsustainable and that there was simply no other choice but to do it. They didn't really accept that there was an alternative. So you know, generally I would describe them as pretty frustrating*'.

Commenting from the government side about the permitted location, and constraints of the debate, I said: '*There were pretty awful things… I have a lot of respect for politicians who stood up and sold it to people, that they were going to take a fourth pay cut from you, but we* *want you to continue working. It takes a lot of effort to do that. It was politicians' jobs' to make that decision: cutting one thing versus cutting something else, reducing numbers by more. I mean that's all the options you have. They're not particularly attractive options, but they are political options, not really economic options. I mean the economics behind it are creating your constraints, but they're not deciding what the options are*'.

4.6.8 Reflections on the troika as a political tool

The troika was used as a political tool by all parties at all levels, to reach different ends. For the Irish government, it was a tool to build consensus, to sell the Programme. **Q** argued that: '*to some extent, the real success of the Irish program was that we managed to do a huge amount of adjustments, including pay cuts to all public servants, three or four of them, without creating strikes or— I mean apart from a few token days— or major problems. And I think that has to do with being politically very careful about building some sort of consensus as to what we are or aren't doing*'. **J** elaborated on this point: '*I think that's a key thing from a political viewpoint, these very unpopular measures were introduced. It probably was an easier sell to say, "well it's the troika lending us billions, and this is what they want", so it's an easier one to pass on to them*'.

O also commented on this dynamic between the Irish government and the troika: '*You have to play slightly a double game, and that risks being found out. Member states will agree to something in Brussels or wherever, and then they go back home and blame Europe for it, even though they knew it was a good idea collectively. You have a mini version of that here, in the sense that things that were politically difficult were being justified by being in a Programme*'. **N**: '*The troika's plan dovetailed with [the government's] policies anyway. They were a right of centre party, who'd always prided themselves on financial prudence. So even after the programme, interestingly, the Irish government are going beyond the fiscal objectives. Now they're imposing an even harsher form of fiscal management than is required under the fiscal rules. So it's like you know the troika to some extent is institutionalised and legitimised as the* *only way to manage an economy, something that the right always favoured anyway. To put it in really simple terms, they were able to get away with things that they'd often dreamt of doing but were unable to do in the past*'.

From the EU troika institutions perspective, the fact that Ireland showed such explicit ownership of the Programme, deflected blame away from itself. **O**: '*I think looking at the institutions then, the Commission is in some sense a sort of government of the European Union, as it were. They were looking to implement conditions, but at the same time they didn't want to tarnish the reputation of the European Union within a member state*'. **O** went on to describe the EU's rationale behind including the IMF in the same vein: '*One of the people I was talking to in the troika team noted that one of the purposes of an IMF programme is to be able to put the political cost on the IMF so that the political cost of unpalatable measures is taken by the IMF and that the domestic administration and the political system is able to continue with some level of credibility after the programme*'.

The lengths to which the European Finance Ministers went in order to secure the IMF as an absorber of the political costs of the Programme and the post-programme was explained by **K**: '*You have this, it's called a pari-passu clause. All creditors must be treated equally. So legally, you cannot repay the IMF without paying pro-rata, all other lenders. But what the ministers— EcoFin— they agreed to waive their pari-passu rights, so we could pay back the IMF, but only if the IMF could stay involved in the Irish programme. So even though we had paid back more than 75 percent, 100 percent, they wanted the IMF to stay involved. And they were very explicit in saying "we trust the IMF, we don't trust the European Commission" which speaks volumes. Not the Commission at a technical level, but the current Commission is very political. So there was a scepticism regarding what might happen if the IMF was not involved in post-programme surveillance*'.

The prevailing sentiment gleaned from interviewees was that of the three institutions, it seemed the ECB was the most powerful member of the troika in Ireland. This power was gleaned from their position of provider of ELA, which was the sole factor keeping the Irish banking system afloat, according to M. The ECB's policy focus on reducing their exposure to Ireland was also explained by Cardiff (2016: 160) in the same vein. The ECB was worried about the implications that major Eurozone exposure to Ireland in the form of ELA, would have on the public support for the euro and the credibility of the ECB. **N** commented that: '*certainly Germany and France were really dictating policy and that coincided with that of the ECB, so I would say they were the axis of real power. I mean we were aware of it even in the coverage at the time. You know there were EU Council meetings but everybody was aware that Merkel was talking to Hollande on the side. It was fairly clear that these were the meetings in which policy was decided, and they would then go and tell the EU Council what they wanted and that was what prevailed. And obviously that also reflected the fact the Germans were holding quite a lot of Irish bonds'*.

4.6.9 Conclusion

An investigation into the events preceding the Irish bailout, and the reflections of interviewees on the process, as well as the major axes of theoretical interest yields a picture of the dynamics governing the policy process between the various players, that ultimately produced the Irish bailout conditionality programme. The most important element characterising the Irish case is the nature of the bailout programme as originating from within the Irish political system. This fact feeds into all axes of interaction between the government and the troika, and highlights the functions that the troika played in producing a political agenda on a national and international level. The conflicts between the Irish government, and the troika parties illustrate the agendas and mandates of each of the institutions involved, and further highlight the function that the troika played as an institutional grouping in their administration of the programme in Ireland. The results from this case, in conjunction with those from the Greek case above, have profound implications for the identification of the troika's position within the context of the state-centric two-level game, which will be addressed in the upcoming chapter.

V: ANALYSIS

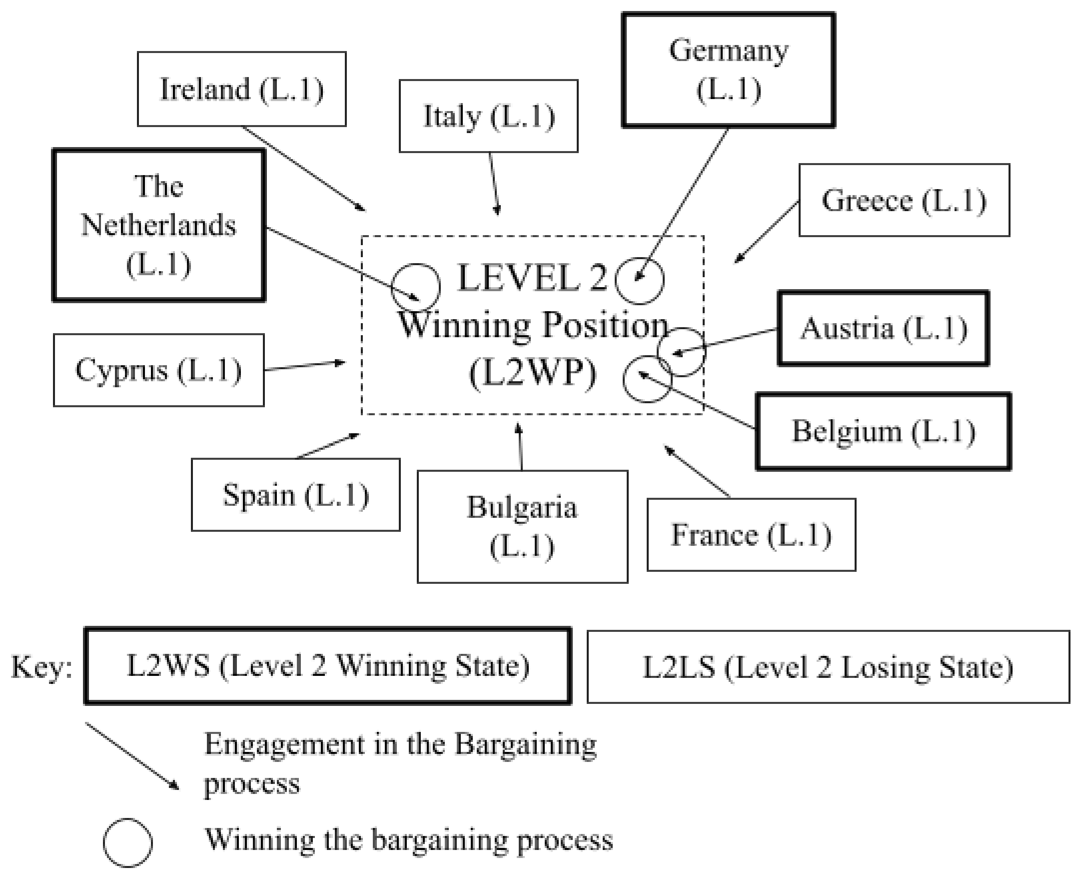
5.1 Introduction

Using the results generated by the two case studies in the previous chapter, and the state centric theoretical frameworks laid out in the literature review, this chapter will make the case that despite significant differences and divergences in the Irish and Greek experiences of the debt crisis, both cases hint at common dynamics between the players involved, and a common framework of interaction that both Ireland and Greece partook in. Analysing the programmes themselves, the negotiations, the institutional mandates, and the relationship between the intergovernmental EU level and the troika as well as the IMF, in both cases, from within the framework of the two-level game, reveals that the troika does not represent a new type of supranational governance level beyond the nation state. In both configurations, it is a vehicle created for the pursuit of dominant nation states interests, acting as an agent with a strict mandate, and having been created within the context of intergovernmental bargaining. The IMF, in this context represents not a divergence away from EU nation states' control of the EU, but an external tool that was included in dominant nation states' tool belts due to an unprecedented crisis, in order to deliver the programmes that dominant states on the intergovernmental level desired. The circumstances surrounding each country may have been radically different, but the underlying political and power relations appear in both.

5.2 A state-centric approach

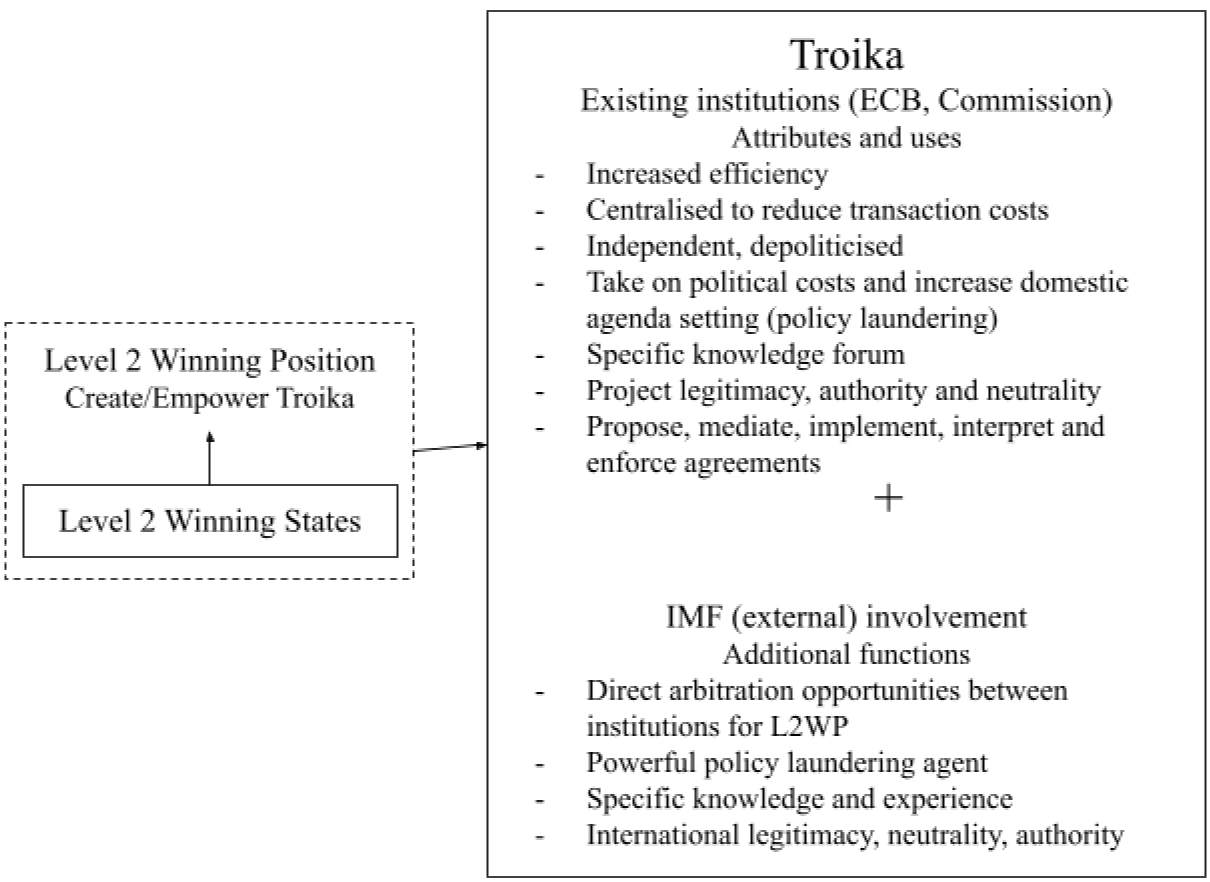
Before analysing the case studies one by one, the theoretical basis of the analysis will first be discussed and graphically depicted. This will entail the explanation and contextualisation of the most relevant element of each state-centric argument that will be used, allowing a systematic and clear approach to the discussion later on.

The main theoretical basis used will be Andrew Moravcsik's 1993 two-level game. The game's two levels, as elaborated in the literature review, consist of a first level of domestic interest formation within each state, and a second level of intergovernmental bargaining. The winning position emerging from both levels will, by definition, be the position that emerged victorious at the domestic level within the state that was powerful enough to win within the context of the second level. The glue that keeps the winning position on level one as the bargaining position that each government takes with it to level two is the interest that politicians have in remaining in power, and keeping dominant winning coalitions satisfied.



[Diagram 5: Intergovernmental bargaining]

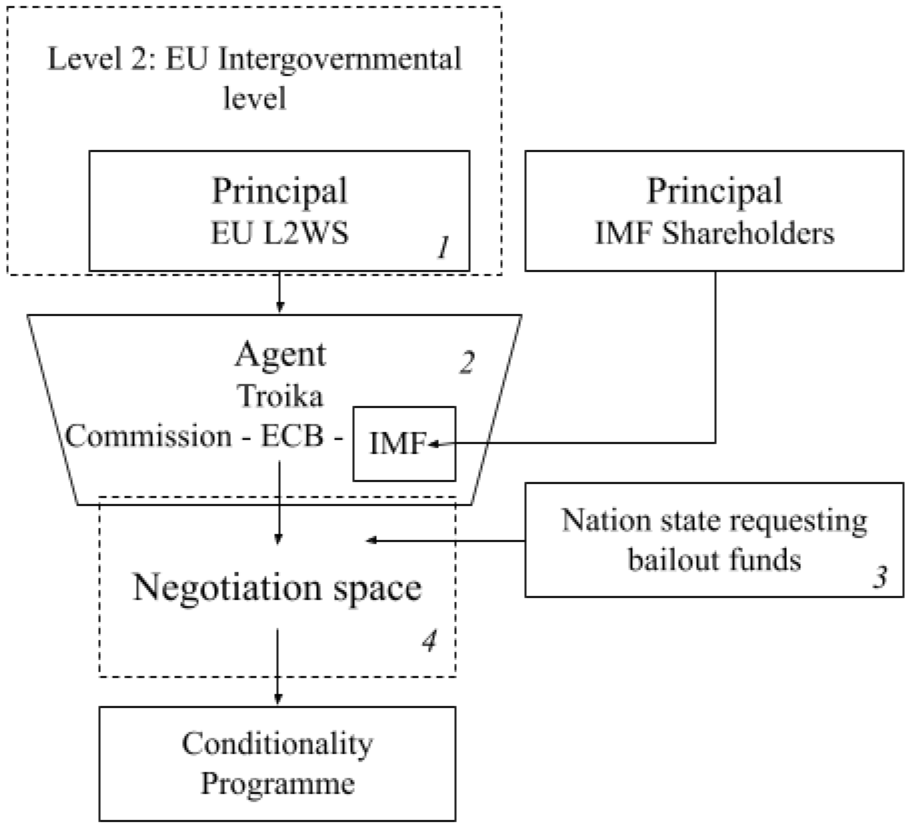
Winning positions on level one, on the subject of European integration, or the activities and remits of EU institutions are often determined by the degree to which there exist European externalities, both positive and negative, and the risk profile of these, for the dominant interest groups within each state, that need to be addressed through institutional means. The position a state takes on level two will reflect their estimation of what will most likely increase their power and control over the domestic sphere (Moravcsik, 1993). [Diagram 5] depicts an example of this process of level one positions being brought into the intergovernmental, level two sphere, where through the process of bargaining, the winning level two position is produced. The states that win at this level (L2WS - Level Two Winning States) form the winning position at level two. This winning level two position, the winning interest, determines the nature of the creation, or lack of creation of EU institutions. This winning position, determined by winning states, is the L2WP, a moniker that refers to the winning configuration of interests, not limited to one particular state, and encompassing the momentary distribution of power between all states engaging in the bargaining process, as it is subject to constant renegotiation. L2WP is therefore an expression of the dominant interests in the EU driving institutional creation and policy output. It is created by the level two winning states (L2WS).



[Diagram 6: Reasons For Institutional Creation]

When the L2WP is the formation of a new institution, it is due to the catalogue of benefits institutions bring with them, that can be made use of in attempting to increase domestic control and execute the L2WP. The determinants of which level one position 'wins' against all others on the second level, and forms the L2WP is determined by states' relative power, that is the credibility and viability of their unilateral or bilateral options outside of the EU bargaining table, and the potential losses associated with non-cooperation. [Diagram 6] depicts the creation of the troika as the L2WP by winning states, as a conglomeration of existing EU institutions (the ECB and EC), and the IMF, from outside. The ECB and EC, the creation of which was a former L2WP, have innate attributes and uses that states desire to help them increase control over the domestic policy agenda. The IMF's inclusion, however, comes with the listed additional features (Moravcsik, 1993).

The policy output emerging from a newly created institution is also directly linked to the institution's origin as a L2WP. The L2WP determines whether a new institution is created, as well as its policy remit and power. Within the troika mission process, the troika, as the agent, was empowered to conduct negotiations with nation states on the terms of the conditionality programmes they would be subjected to, which would then be implemented in that same state.



[Diagram 7: Proposed Expanded State-centric Model]

[Diagram 7] depicts a proposed model for the troika's policy process. Labelled are the most significant agents, mandates and processes involved in the system, with agents and outcomes represented by their solid outlines, processes by their dotted lines, and mandates by a solid arrow. The labelled areas of interest are the following:

1 - L2WS forming a L2WP that created the troika;

2 - The troika's policy objective, each individual institution's mandate;

3 - The domestic approach to the programme;

4 - The process of negotiation between governments and the troika;

The analysis of each case presented previously in relation to each of these points of interest highlighted above will attempt to argue that rather than the troika representing a level of policymaking above the second EU intergovernmental level, the troika is inextricably linked to its agents, the L2WS. The IMF's inclusion does not represent a transcending of the nation state, but rather it was recruited by the L2WS to join existing institutions *within* the existing two-level game for its own ends. Through the analysis of the data, from an expanded state-centric position, the dynamics within the troika policy process and the determinants of the policy outcomes can be explained.

The proposed expanded state-centric framework in [Diagram7], will aid in the analysis of both cases. The cases will concurrently be analysed and compared according to each of the points of interaction in the bailout negotiation process that were identified in the results and that [Diagram 7] depicts as happening sequentially. The analysis follows this sequence, the process beginning with the identification of the winning position in the two-level game, the L2WP, to its end at the policy programmes produced in the form of the conditionality programmes. Analysing each case at the points will hope to provide evidence that the troika, with the inclusion of the IMF, is an extension or agent of the L2WS.

5.3 The L2WP: Including the IMF

Following the unfolding of the Greek descent into debt, there emerged an urgent moment of demand for institutional change to address the spreading crisis. On the table was the opportunity for further European integration: the creation of a new institution, a European Monetary Fund, or, on the other hand, an option of inviting the IMF to join existing institutions and form a novel institutional formation. European leaders including German Finance Minister Schäuble and French President Sarkozy favoured the former, while German Chancellor Merkel was heavily in favour of the latter. Merkel demanded IMF involvement as the condition for Germany's contribution to the first Greek bailout. Through this credible threat of non-cooperation, Germany's position won out within the intergovernmental bargaining phase on the EU level. Throughout the course of the multiple programme negotiations for Greece and Ireland, the inclusion of the IMF was questioned from various quarters. Not all European countries were in favour of its presence, including Greece itself, notably. Crucially, the German Finance Minister, as well as other allied European governments like Belgium and Austria were in favour of its continued presence within the troika, with the German side threatening not to contribute without the IMF at multiple points in the process. Thus, the IMF remained throughout. This L2WS consensus demand for the IMF constituted the L2WP for the duration of the Greek and Irish programmes (Henning, 2017: 78-80).

5.3.1 Knowledge and expertise

The reasons why the inclusion of the IMF in the troika constituted Merkel and her allies' winning preference (L2WP) were many, and can all be traced to the IMF's ability to assist in the pursuit of their increased domestic agenda setting and domestic economic interests. The IMF had considerable financial resources and a great amount of knowledge and experience in the design, negotiation, implementation and monitoring of programmes, which recommended it in an unprecedented crisis situation out of sheer necessity (Schwarzer, 2015).

This attribute emerged in both the Greek and Irish cases, wherein the IMF was seen as markedly ahead of the other troika institutions in terms of experience and expertise, and took a lead position within the troika. This was because the European institutions did not have the requisite ability to deal with a crisis of this size on their own, with one individual from the Commission also reporting a lack of comparable capacity within the Commission for an adjustment programme. The IMF's specific experience and expertise carrying out structural adjustment programmes meant that they reportedly could identify the potential difficulties and problems, knew how to approach repairing an economy, and had a template ready to go before arriving.

The Irish case in particular emphasised the thorough knowledge the IMF had of the Irish economy specifically, with interviewees reporting that the European institutions did not quite understand the Irish economy at the start. The Commission was also described in the Irish case as being significantly affected by the mandate they had as an institution, as a guardian of the EU Treaties. This meant their approach tended to be limited by, and focused on those Treaties, and on making sure rules are adhered to and directives are implemented. This tension, between carrying out a programme, and the legalistic focus on EU rules, can be argued to have also lessened the Commission's attractiveness to L2WS as the desired authority in charge of euro rescue programmes, as it may have been seen as less efficient and effective a delivery mechanism for the interests of the L2WS. The flexibility, knowledge, experience and expertise made the IMF, on the other hand, an attractive institution to include in the troika, and thus contributed to the reason why its inclusion constituted the L2WP for the delivery of the adjustment programmes in Europe, through sheer capacity and ability to carry out an agenda.

5.3.2 Policy laundering: domestic audience

The IMF further had a superior level of credibility with markets, in addition to being viewed as particularly strict on fiscal adjustment, and was allied closely with the policy positions Germany, and the other L2WS held. This stood in contrast to the German perception of the Commission as more light-touch to whom the IMF also served as a counterweight. The IMF played the part of the potential tie breaking vote if there was conflict between the Commission and the ECB within the troika, as the ECB also tended towards a policy stance L2WS favoured. The IMF was also used specifically as an extra supporting voice for 'northern' policy preferences, that is L2WS preferences, over 'southern states' who German Finance Minister Schäuble was afraid might take over the EU economic agenda. Through this perception of the IMF as having a strict fiscal consolidation agenda, it was able to help reduce the domestic political cost of providing financial assistance to Greece for all L2WS. With the IMF in play, the programmes were granted a level of credibility, signalling a reduced risk of default, and allowing the bailouts to pass through a very sceptical Bundestag, that was hostile to funding euro debtor countries, and to survive challenges in the German Federal Constitutional Court. To a German audience, the IMF improved the prospects of the programme's success, and the recouping of their money. Within the context of the theoretical framework, the IMF granted the L2WS politicians greater power in pushing through an agenda domestically (Henning, 2017: 78-84, 93-96).

Further, the IMF was thought to also help divert attention and backlash against Germany, the Commission, the ECB, and the EU project as a whole from target countries by laundering policy. Theoretically speaking, instead of a direct line, therefore between policy being advocated for by L2WS, it was fed through the IMF, with whose expertise, legitimacy and authority it was hard to argue. Consequently, the IMF was also used to take on blame for unpopular policy choices, as it had a greater capacity to withstand criticism within target countries than European institutions themselves. According to interviewees, between 2009 and 2017, German Finance Minister Schäuble often utilised this function of the IMF to filter and take the blame for difficult policy choices that were in Germany's interest. In 2014 in particular, during the second Programme for Greece, Schäuble let the IMF be the bad cop demanding stricter measures, shielding the Germans from view (Henning, 2017: 78-84, 93-96).

5.3.3 Policy laundering: target country

Since the bailout conditionality programme needed consent within the target country too, it was in Germany's interest also to lower the political costs within Greece or Ireland for the passage of the conditionality programmes. The IMF served this purpose as well, having the capacity to be used to various degrees and at various levels to create effective cover for the passing of unpopular policies in any bailout seeking country. In terms of helping shape and control a domestic agenda, the creation of the troika, and the IMF's addition into it also provided a further degree of remove from any democratic scrutiny, creating a space in which deals and bargains could be struck in relative secrecy, and then be presented to the public for review in a controlled way. In effect, this helped politicians shape the parameters of the debate and limit the options that the public had access to, being able to claim that X or Y was or was not allowed because the troika disagreed, as no one could prove exactly what details the troika agreed or disagreed with.

In Ireland, the troika was utilised similarly. The troika was used to build consensus and sell the parameters of the programme. The argument that it was the troika that was lending Ireland the money, and that X policy is what they wanted in return, made policies easier to sell, according to **J**. The blame was passed onto the troika, and deflected from local politicians. Policies that were agreed on in Brussels could be taken home, and Europe can be blamed for them, despite the fact that there may have been consent across the board during the negotiations. The troika's programme was being used to justify, institutionalise, and legitimise policies and policy paradigms that were difficult to sell otherwise.

O described the EU's rationale behind including the IMF in the same vein: '*One of the people I was talking to in the troika team noted that one of the purposes of an IMF programme is to be able to put the political cost on the IMF so that the political cost of unpalatable measures is taken by the IMF and that the domestic administration and the political system is able to continue with some level of credibility after the programme*'.

N: '*The troika's plan dovetailed with [the government's] policies anyway. They were a right of centre party, who'd always prided themselves on financial prudence. So even after the programme, interestingly, the Irish government are going beyond the fiscal objectives. Now they're imposing an even harsher form of fiscal management than is required under the fiscal rules. So it's like you know the troika to some extent is institutionalised and legitimised as the only way to manage an economy, something that the right always favoured anyway*. *To put it in really simple terms, they were able to get away with things that they'd often dreamt of doing but were unable to do in the past*'.

The IMF's role within the troika and usage by the L2WS, therefore, falls in line with the theorised relationship between nation states, institutions and policy outcomes suggested by the two-level game. The creation of an institutional formation, including the IMF specifically, helped the L2WS increase power over their domestic political agenda, which is the theorised driving force behind any institutional creation in the two-level game. The IMF provided better cover for, and reduced the political costs of the bailout for both L2WS and target countries. These functions helped Merkel, Chancellor of the biggest L2WS, retain power successfully in 2013, and she has as of 2021 held office since 2009. This can be seen as the use of an institution's attributes by the L2WS to further their interests, their policy agenda, and retain domestic control.

5.3.4 Against the Commission

The L2WP, determined by L2WS, being a demand to include the IMF was not just because of its particular abilities and functions, but also a result of a *lack* of trust in an existing EU institution, the Commission. There had been some European voices expressing the wish prior to the involvement of the troika, to proceed with a Europe-only bailout, with the Commission in charge. This was bargained against by Merkel, and was a losing position at the second level. The Commission was not trusted to have sufficient expertise or judgement necessary to carry out the bailout by the L2WS, and by markets. The L2WP against the Commission as the leader of the bailouts went as far as waiving pari-passu rights, so the IMF could be treated as a privileged lender, in order to keep them involved in even the Irish post-programme period, wherein Ireland had already paid back more than 75 percent of the loans. The distrust of the Commission, not necessarily at the technical, but at the political level was very high, and can further be exemplified by the lengths that L2WS went to make sure the IMF remained within the programmes.

The creation as well as the expression of distrust in the Commission can be analysed through the lens of the two-level extended framework. At the point of the creation of the Commission, and its empowerment in terms of its policy remit, constituted a L2WP. It was created with the attributes that would give it the ability to enhance the L2WS's power over their domestic agenda, including, according to Moravcsik (1993: 511-515), neutrality, technical expertise, legitimacy and authority. These functions have arguably been compromised, as the Commission was reported to be lacking the knowledge and the necessary degree of depoliticisation, as well as the willingness to represent a policy agenda that reflected the L2WP, the interests of L2WS, and the ability to take on political costs in an adequate fashion to fulfil its role as a trusted institution.

This susceptibility to the political costs, and challenges to institutional legitimacy that the programmes brought with them, was exemplified by comments in Greece about the third programme in particular. The Commission was described as being more sensitive to criticism and challenges of legitimacy during this period because, it was argued, that public sentiment in Europe had shifted against austerity. The Commission submitted to a degree and increased their focus on the distributional and social impacts of the policies within the programme because of their need to retain their legitimacy as an EU democratic institution in the eyes of European citizens. The IMF, on the other hand, had a superior ability to withstand these kinds of challenges, and was able to draw attention away from EU institutions in the process.

The IMF, when added to the Commission, served to improve the institutional functions that were seen as lacking in existing EU institutions from L2WS perspectives. The IMF provided a more powerful laundering agent for the L2WS preferred policy, a more international and depoliticised presence, a greater ability to take on political costs, a greater degree of knowledge, and a greater perceived legitimacy and neutrality as an institution.

5.3.5 The IMF threatens to leave

During the 2015 negotiation process of the third programme for Greece, the terms of the IMF's involvement with the Greek bailout process changed. From a major contributor of funds during the first and second programmes, the IMF became a participant in only the political elements of the programme third programme like conditionality design and quarterly reviews, with a vague open clause for the potential to financially contribute at future stages of the third programme for Greece. This change from full contributors to advisors was a fraught one, and was brought about by one of the biggest rows between the L2WS and the IMF: the debate about the sustainability of the Greek debt, and crucially its implications for IMF involvement. The IMF threatened not to participate in the Greek third programme, unless the L2WS in the Eurogroup agreed to debt restructuring for Greece, and a more realistic funding structure for the programme, and what it would actually take for the Greek debt to be sustainable.

Taking haircuts on the Greek debt, however, was a bold red line for creditor states, or L2WS. It was argued to be against euro area rules, and would be impossible to pass through creditor parliaments, but even if there was an ability, there was no willingness. From the L2WS, an agreement to debt restructuring for Greece means that L2WS domestic banks would take losses, and an agreement to this would therefore run counter to the very identity of the L2WP. The L2WP is defined by the dominant interests of L2WS, and reflects the policy position that leads to greater domestic political control. When viewed from this theoretical perspective the idea of the L2WS agreeing to debt reduction, and thereby failing the L2WP, as well as harming domestic interests, is by definition, not possible (Henning, 2017: 200-213).

Instead, it was therefore the L2WP not to admit the true reality of the sustainability of the Greek debt. Merkel was accused by her opposition during her 2013 re-election campaign of precisely this: hiding the true cost of the crisis, reflecting the fact that it was a priority within L2WS, in order to retain control over the domestic agenda, to obscure, and keep as ‘unrealistic’ the Greek debt situation. This clash between the IMF’s desire for more realistic assessments, and the L2WP against harming domestic interests, was irreconcilable on its face, and this was reflected in its recurrence throughout the various Greek programmes, and it coming to a head during the third. Within the context of the theory, the reason why this conflict escalated so far is because while the L2WP could not be debt reduction by definition, it was also firmly committed to the IMF involvement. The IMF could not be allowed to walk away, and was considered ‘essential’, and ‘crucial’, to the programmes by L2WS.

The ultimate solution to this dilemma that was arrived at was a compromise in which the L2WP would not need to go against its interests, and the IMF would no longer need to financially contribute to a programme that wasn’t fully financed, and thereby go against their own internal standards of involvement. The IMF could still be politically engaged in the process, and thus confer the credibility and laundering ability that made it the L2WP in the first place, yet would not need to be engaged so deeply in the debate with the creditor states about the sustainability of the Greek debt levels. The possibility of future financial contribution was also left open however, which provided an additional grey area that L2WS could use in the domestic sphere. To secure potential future IMF involvement at the first review of the third programme, a degree of debt relief that could feasibly pass through the Bundestag in Germany was passed, but any further debates about debt relief were delayed until after the next German federal elections in October of 2017. The L2WS committed, therefore, to a minimum number that could allow IMF contribution at the first review, but did not move on reducing the principal debt. This situation reflects the political triangulation that L2WS did in order to arrive at the optimum position for control over the domestic policy agenda. While the IMF involvement was essential, haircuts on L2WS banks were out of the question. The compromise position was a minimisation of damage to domestic interests, in the interest of keeping the IMF, a benefit to domestic interests. This dynamic also displays the degree to which level one dominant domestic interests in L2WS define the L2WP (Henning, 2017: 200-213, 222-228).

Analysing each case at point 1 of the expanded two-level game shows the ways in which the inclusion of the IMF in the troika constituted the L2WP for L2WS. The evidence suggests that the troika, with the inclusion of the IMF in particular, was not a newly created supranational force, but an institutional formation that was intimately tied to the winning states at level two, and provided functions for L2WS to express their agenda during the bailout process. Part of these functions were also potential benefits the troika and the IMF in particular provided for bailout-receiving states in their own domestic sphere. The troika and the IMF were agents that lubricated the process of bailout and conditionality programme production, its creation and existence constituted the L2WP, ultimately acting on the interests of L2WS.

5.4 The troika's policy objectives

At Point 2 of the extended two-level game, the cases are analysed in terms of the troika's perceived policy objectives and negotiation positions as individual institutions and as a group.

Investigating each case at this point will further reveal the way in which the troika, with the inclusion of the IMF, was a direct expression of the L2WP, and the ways in which this served the L2WS and their control over their domestic policy agenda.

5.4.1 Greece: Debt above all else

The main policy aim that the troika had within the context of their negotiations with Greece was to deal with the Greek debt. Addressing the fiscal imbalances, serving the fiscal targets, and fiscal consolidation, were the undisputed policy focus of the troika in Greece. According to many interviewees, the troika's goal was to achieve sustainable debt levels in Greece, for Greece to remain and complete the programme. There was also no long-term structural plan for Greece, beyond making sure Greece could refinance their debt. The European institutions, the Commission and the ECB, in particular, had the singular aim to recoup their money and present a success at the Eurogroup, the informal group of euro Finance Ministers, and keep Greece in the programme.

Through the lens of the expanded two-level game, these policy objectives that were expressed by the European institutions, can be identified as an expression of the L2WP: the policy focus or objective that was conferred on it through its empowerment or creation by L2WS. This means that this policy focus can be directly tied to the dominant interests within L2WS, and of politicians within these states who desire re-election. The focus on reclaiming the borrowed money directly corresponds, through the institutional agent, to the directing interests of the states for whom the creation or empowerment was a L2WP. This same principle can be used to analyse the idea of 'keeping Greece within the programme', as this effectively translates to keeping Greece in a position of debtor, and paying the money back. The policy objective of presenting a success at the Eurogroup, that is, the informal group of Euro Area Finance Ministers, is more nuanced. This objective, through the lens of the expanded two-level game, reflects the relationship between the principal and the agent. The institutions created or empowered by the winning bargaining position at level two, the L2WP, are expressing a desire to successfully carry out the agenda of those interests, that winning intergovernmental bargaining position, in whose name they are by definition acting. Through this lens, the European institutions' policy objectives can be directly traced back to the outcomes of the two-level game, that is the L2WP and the winning states that form it.

The IMF on the other hand, didn't specifically care about the Eurogroup, or Greece's place in the euro, but it did care about exiting the programme and getting its money back. Reflecting on the IMF's objectives through the same lens illuminates not just the IMF's principal and the interests that formed it, but also through comparison, further underscores the interests driving the European institutions within the troika. Different from the EU institutions who were created by a L2WP, and whose principals are L2WS in Europe, the IMF's principals are its shareholders, which may include may of the same L2WS countries in Europe (as well as the US), but it was crucially not created within the context of the EU two-level game, and therefore does not represent the L2WS and the L2WP directly.

The IMF's objectives are guided by its connection to its own shareholders, and their financial interests in the Greek financial position. It is directly beholden then, not to the euro finance ministers, creditor governments and L2WS, but to major shareholding countries including the US, the UK, Japan, Germany, France, China, Russia and Saudi Arabia (The Levin Institute, 2016). Its mandate was not derived from an EU L2WP, but a different configuration of international lender interests that may include some major L2WS from Europe, but that do not purely represent their L2WP in the European two-level game. This then reflects why one of the IMF's main objectives is not to report back to the Eurogroup. It is connected to the L2WP by the fact that it was the expressed L2WP to *include* it, but it was not created by this process, and thus does not have a direct principal/agent relationship with the L2WS.

In light of this expanded two-level analysis of the troika's general objectives in the Programmes, as well as their individual mandates, the troika's specific approach to policymaking can be addressed. The way that the troika institutions approached their policy positions in the negotiation process functioned as an extension of the primacy of their policy objective and mandate. All policy followed from the institutions' mandates conferred on them by their principals. As the main policy objective on the European and IMF side of the troika was fiscal consolidation in service of recouping money, and consequently all policy choices were focused around achieving these targets. The only truly successful negotiating position against the troika seemed to be mounting an argument based on whether something actually did or did not serve the debt and deficit targets in the troika's interests, reflecting the primary mandate.

The hierarchy that Greek negotiators perceived between the troika's technical and political teams within the negotiations cemented this same view. Arguments made on the basis of evidence and scientific proof were often successful in convincing opposing technical negotiators, as individuals, that a measure would be a bad choice for Greece economically, yet this did not often have any material effect, as the official troika stance on a measure was a political decision. The troika's technical negotiating position was strictly bound by their political mandate on the political negotiating team, no matter the evidence provided. Policymaking, therefore, at all levels of the troika negotiating teams was hierarchically driven by the objective to get back their money by way of the fiscal targets. If it was a political position, therefore, '*that a tick needed to be put next to a particular bullet point, they had to pursue that negotiating position*' (**C**). The contents of the checklist of negotiating positions, handed down from the political level, was determined wholly by whether each individual measure would contribute to the reaching of the debt objectives, or not. The origin of the measures were described as being somewhat of a mystery, and being an amalgamation of the wishes of all three institutions, with no larger strategic plan or sequence to them. The measures reflected a desire to achieve the debt targets, but did not have a deeper structural or economic aim.

On a more granular level, the content of measures that were put forward by the troika institutions were based around the specific interests of their constituent domestic economic interests. Each institution argued for particular measures that wound up serving the interests of their principals. Examples of these include the debate about Sunday opening times in small shops and large malls, with the EU institutions taking a liberalising stance on large malls, against the economic evidence, because German interests were involved in large malls. Other examples include the privatisation targets for Greek public utilities being bought by foreign funds from the US and Germany, at a low price during a period of internal depreciation through austerity. Their policy focus, therefore, was on the primary objective of regaining the money from Greece, hitting the fiscal targets, and in the process, protecting dominant domestic interests.

In doing so, there was no cohesive, future oriented plan. The individual measures were short-term in outlook, with no overarching plan for the Greek economy. Evidence presented to the troika institutions about the economic logic or nonsensical nature of the measures proposed, or any possible adverse economic, social, or political effects that measures might have were not factored into the decision making. The main goal was financial consolidation, and within that, it was not harming L2WS economic interests. Everything was fundamentally driven not by economic logic or arguments or evidence but by the political level mandate, and by what served the interests of the institutions and their principals.

This disconnect between evidence, and policy was also present during the debt reduction debates between the IMF and the European institutions. There was a reverse relationship between evidence and policy as the IMF engineered projections and economic results in order to argue more vociferously for an increase in austerity in Greece, that the Greek debt was unsustainable, and that Greece needed debt reduction. The numbers were moulded to fit the political argument in this case. While the IMF was interested in debt reduction, and thus produced more pessimistic numbers, the Commission had a vested interest in portraying the opposite, wherein the Greek debt could be considered sustainable. The IMF version implied haircuts, which, as discussed above, was politically unacceptable to the European institutions, as this goes against the interests of their principal, the L2WS.

What the troika's main objective, and the various policy choices, approaches and dynamics that stem from it imply, is the primacy of the L2WS interests all throughout the policy process. Bringing down the fiscal deficit as a headline goal serves creditor states' interests in recouping their money, and every decision that led from this position served that same objective. The same interests are reflected in the granular policy detail, along with other L2WS economic interests, which were the European institutions' principal. The IMF's principals were their shareholders, whose goals to recoup money aligned with L2WS goals to recoup money, but were not the exact same. Through this analysis of the troika objectives and policy process the interests involved in the troika can be linked back to the second level of the two-level game, wherein the troika was created, and upon what basis it operates.

Despite this box-ticking approach to policy, the overwhelming view of Greek interviewees is that there was no greater cohesive strategic plan that the cumulative measures would imply for the Greek economy. **C**: '*They were building it up every day, they* ***never*** *had a clear plan. There were some ideas from the Commission, from the IMF, from the ECB, and they were combined… come on. No one made a strategic plan about what these measures would imply for the Greek economy. So there was nothing. I believe that. Maybe I'm wrong, that's my view*'. **C** further described the first memorandum of understanding in 2010 as being '*1000 pages of measures, and nobody knew who planned them or how they came up*'.

C: '*They didn't care about the general picture. There was not a strategic evaluation of all of the measures proposed, and how they correlate with previous measures, and what the implications were of these measures for the people. They didn't care at all about the domestic political cost and the people, and the social cost. They didn't care. We didn't use this as an argument from a point onwards, because it didn't work. The only argument was what was good for development, and what was good for the budget. These were the only two arguments that they accepted. The key was: If you do this, the budget will get worse. So this was the only way to negotiate, the only argument that worked*'.

5.4.2 Ireland: Deficit targets and banking

In Ireland, the troika's policy objective was similar, though it was expressed in a slightly different way. The troika's policy focus in Ireland was indeed on the deficit targets, and the quarterly cash position, and through this, a recouping of their money from Ireland. This position was one that all parties, including the Irish government unanimously agreed upon. Fiscal adjustment was the main priority, but inextricably linked to this, was the rescue of the Irish banking system. The Irish Programme's explicit aims were to restore order to public finances, restructure the banking system, improve growth and reform Ireland to return to financial markets and the European debt and deficit guidelines, though what the troika institutions were interested in above all else were the first two of these points.

All further policy choices by the troika worked towards these objectives. Similar to the Greek case, this reflects the interests of the troika's principals: the interests of the creditor states, the L2WS, were recouping their money from Ireland, and the IMF's interests were the same in the name of their principal shareholders. As was also the case in Greece, the troika's policy objectives were short term, the timeframe being operated within taking place between the quarterly reports on the cash position to Eurogroup or IMF board. The ways in which these L2WS interests were expressed in Ireland specifically can be more specifically seen when investigating the specific circumstances of the Irish crisis, and individual institutions and their policy focuses.

The ECB played a large role within the Irish case, different from the Greek case. This was due to the specific nature of the Irish crisis: it was a debt crisis stemming from a banking crisis, and thus inextricably linked to the ECB. The ECB played a key role in their funding of the Irish banking system through ELA throughout the crisis. Through the extension of ELA to Ireland, the European central banking system was exposed to Ireland to a large degree, approaching 100 percent of Irish GDP at one point. This was the basis upon which the ECB's desire to recoup their money stemmed. It was exposed to Ireland, and feared the effect a possible Irish default would have on euro area central banks, and by extension member states, as well as the credibility and support for the euro in member states.

The extended two-level game argues that the ECB's principals are the L2WS that produced the L2WP that is keeping the ECB empowered. Beyond the historical bargaining outcome at the European intergovernmental level that produced the ECB in the first place, the L2WP refers to the configuration of interests (L2WS) that currently empowers the existence of the ECB, that is its principal. Interviewees identified the German interest particularly within the ECB policy, with one interviewee relaying the claim that it was Germany and France that were dictating the ECB policy in private conversations to be presented later as ECB policy at Council meetings. These observations of the interests behind the ECB can also be corroborated in the list of the ECB's biggest capital key holders, with Germany at number one with 18.9 percent of the ECB's capital key, and France with 14.2 percent during the 2009-2013 period. Reflecting this configuration of interests behind the ECB, its policy focus was to minimise the risk for creditors though the euro central bank system (Cardiff, 2016: 154-160; European Central Bank, 2013).

The ECB's main focus was on the banking system, due to their high exposure to the Irish banking system. In service of recouping money from the Irish banking system, they recommended increased fiscal austerity. The ECB believed austerity would fix the banking system, to a higher degree than the other institutions, recommending measures that were questioned by interviewees as to their prudence, and utility. The degree to which the ECB wanted to enact fiscal austerity can be explained through their sole interest in the banking system, their own exposure to it, and the principal's interest, rather than an interest in the Irish economy as a whole. The ECB's role within the troika was described by various interviewees as being a conflict of interest because of this, as their expressed interest for their money back, may have conflicted with the interest in ensuring a holistic Irish recovery.

This same policy position can also be illustrated by the difference in opinion the ECB had with the Irish government over the issue of bank recapitalisation. The ECB was described by Irish interviewees as being particularly interested in the idea of injecting extra capital into Irish banks, above and beyond what was necessary or indicated by the evidence. These capital injections were in essence, money given to banks from the government, in order to pay off the ELA that the central bank system had extended to Irish banks. The interest behind this policy focus, therefore, can be traced back to an interest in recouping their money from Irish banks. This, again is evidence for the fact that the ECB's policy focus was driven by their principal interests. The fact that interviewees emphasised the lack of evidence for this policy position, as well as further descriptions of the ECB's more unrealistic approach approach to various policy areas, further makes the point that in this case as in the Greek case, policy was made based on politics, and not based on evidence or argument.

Thes same interests can also be seen directing the policy positions during the conflict over bailing in senior bondholders. The ECB was strictly against this measure, going so far as to threaten the Irish Finance Minister if the policy was instituted. The European position in general, in this case, was that if the Irish went ahead with this policy, there would be no programme. This position was, from a two-level game perspective, a product of the interests that would be harmed if Ireland were to enact haircuts on senior bondholders. This would imply losses for Germany and France, and could therefore not be endorsed by the ECB and Commission. The IMF's position on bailing-in senior bondholders was more complex, as they began by supporting Ireland in their position. The intervention by US Treasury Secretary Tim Geithner, however, changed this position, rendering the policy dead, as all three troika members opposed it. This particular intervention exposed the US as one of the IMF's most important principals.

The conflict in the Irish case over bailing-in senior bondholders, like the Greek case, also displayed the different levels at which negotiations took place during the programmes, and the location of power. Despite an agreement on the ground, the decision as to whether a policy could be endorsed was ultimately made at the highest political level. The policies that were agreed in the negotiations with Ireland had to be 'sellable back home' for the institutions, once again emphasising the direct connection between the troika institutions and their principle, the shareholders for the US, and the L2WS for the European institutions. 'Sellable back home' also implies a need to satisfy dominant domestic interests within L2WS, and not harm politicians' abilities to set the domestic policy agenda by losing them power.

The Commission within the context of the Irish case played a smaller role. Their policy approach was rules-based, wanting Ireland specifically to come back within the limits of the EU fiscal rules from the very start of the programme. As a general rule, the Commission took on the ECB's policy direction in Ireland. This compares to the opposite in Greece, where the ECB took a backseat and supported the Commission. Both of these positions can be argued to be reflections of the fact that the European institutions generally reflected the same set of dominant state interests, and the same level-two winning position of creditors, with the ECB taking the lead on a more banking based crisis, and the Commission taking the default lead in a pure debt crisis in Greece as the arguable 'government' of the EU.

The ECB, on the other hand, was characterised by **C** as '*[having] a more neutral position, let's say. The ECB never talked a lot. Most of the time they agreed with the Commission. Basically they were always saying they would talk to the Commission, and that "we generally agree with the Commission". Only on financial issues they had a more energetic role, let's say*'.

Through the specific policy disputes and agendas, in both cases, the underlying interests that the troika institutions operate on behalf of are exposed. The ECB's policy agenda was derived from its priority in recovering its money from the Irish banking system, which translated in a harsh fiscal austerity agenda that served the banking system (rather than the economy as a whole), a focus on recapitalising banks, and a strict stance against haircuts on senior bondholders.

Despite the divergent cases in Ireland and Greece, the objectives that the troika institutions had coming in were the same: getting their money back. From an expanded two-level game point of view, both in Ireland and in Greece, these overriding interests in the public finances and fiscal adjustment aligns with the goals of creditor states, who have a vested interest in the recouping of their finances, in both cases. In Greece the goal was simply to get the money back and finish the programme. Because Ireland included a banking crisis intertwined with their debt situation, rectifying the banking situation was just as important, and the banking system in Ireland had a significant amount of European money in it too. Through this policy focus, the hand of the principal can be seen through the focus of the troika.

5.5 The domestic approach to the programme

In both cases, the domestic political system reacted to the economic difficulties in their economies, and by extension interacted with the troika, in different ways. Chief among these differences in approach to the debt crisis were the levels of ownership that Ireland and Greece respectively exhibited over the conditionality programme carried out within their countries.

While the Irish reaction to the crisis was proactive, with the government taking complete ownership of the programme themselves, there was very little Greek ownership, and of the early programmes especially. The former, the case of Irish ownership of the programme, was praised by the troika and the European creditor states, and was argued to be beneficial to the Commission in particular because it obscured the connection between the Irish programme and the relatively vulnerable EU institution. The Greek lack of ownership of the programme did the opposite. Greece was condemned at the European level for lacking a plan. Their lack of plan served to increase the visibility of the troika and its principals at the EU intergovernmental level, and their connection to the policy conditionality programme. The approach the Irish government took, on the other hand obscured this connection, and provided an additional layer between dominant states at the intergovernmental level and the Irish programme itself. Through these different approaches that these political systems took, and the differing levels of ownership over the programme, the troika and by extension the troika's principals on the European level came in and out of focus.

5.5.1 Greece: Rejection

The early Greek programmes especially, were marked by a lack of a domestic plan. When Greece entered into the first programme, they reportedly '*didn't know what they were doing*' (**F**), and did not understand the institutional constraints that made up the negotiation space with the troika, and their own position within it. Greece was, as F said, '*on the back foot*', and '*playing catch-up*' (**C**). Within this context, the Greeks did not have a formulated Greek-specific plan right from the start like Ireland, that could be taken over and modified to become the troika Programme for Greece. The Greek side was reacting to what the troika presented, '*playing cat and mouse*'.

Instead, the first programme for Greece was the IMF's creation, similar to what was used in other IMF programmes, and modified through European institutional input. This first Greek programme could therefore not be called 'Greek owned', but rather, the opposite, in that the

Greek political system distanced themselves from the measures fully, with '*ministers openly saying in parliament that "this measure is a particularly bad one, but we have to implement it"*' (**D**). This lack of ownership was lamented on the European level, with **D** commenting that when they presented a model for the Greek economy to the Eurogroup in 2014, it was '*received very positively*', with a colleague implying that Greek ownership had been long awaited, but never received.

The Greek political system was marked by political turnover, and turbulent politics. The period between 2009 and 2015 featured eight elections or referendums, with each event causing a lack of continuity in the negotiations as ministers and scientific personnel changed or negotiations were halted. The country itself reacted badly to the Greek programmes, culminating in the 2015 election of a radical left-wing government in Syriza, who explicitly campaigned on an anti-austerity, anti-troika platform. The state of and the developments within this Greek political system therefore, almost by definition, prohibited the building of national consensus around a structural adjustment programme (Henning, 2017: 230-232).

The attitude that Syriza under Tsipras and Varoufakis took to the negotiations with the troika highlighted instead, the troika themselves as the owners of the Greek programmes, and by extension the L2WS. Tsipras called off negotiations to call a democratic referendum on a proposed troika programme, refused to negotiate with the troika in Athens, refused to call it the troika at all, and rejected the IMF; and Varoufakis repeatedly highlighted the fact that Greece was bankrupt and needed debt restructuring, a fact that the political establishment was trying to obscure, and rejected the logic of the bailout programmes completely. During this period, **F** said '*there was no communication, almost. There was just posturing*'.

These moves served both to alienate Varoufakis and Tsipras from their European peers, and created a period of very poor communication and low trust between the parties, but also highlighted the true ownership of the Greek programmes as lying with the troika, and by extension Germany, or the L2WS. Varoufakis' remarks in particular drew a straight line between the measures implemented in Greece, and Germany itself, and Tsipras' calling a referendum on the troika's programme made explicit that the programme originated from the institutions, and was not a product of the Greek political system. Instead of taking ownership of the programme, what these approaches did was explicitly reject ownership. The Greek approach, and Tsipras' government during the negotiations of the third programme, can therefore be argued to have worked to make explicit the connection between the troika, the programme, and troika's principals, the L2WS at the European second level. By refusing to internalise the programme, own the programme, the ownership was left squarely on the troika's doorstep. In his belligerent political approach, Varoufakis took this further, calling Germany out as the principal of the troika by name (Henning, 2017: 211-213).

In addition to the lack of political ownership of the Greek programmes, the Greek political system's delivery and implementation of these programmes was also poor. The Greek state underdelivered and underachieved on the goals and reforms set out in the first programme, which resulted in increasing distrust directed towards the Greek political system. According to **C** and **F**, this caused the troika to increase the strictness of the following programmes, culminating in a culture of intense micromanagement of the Greek political process. The prior-action structure of the third programme reflects this, in that measure implementation was required before funds were disbursed, as **C** illustrated: '*every measure was broken down into specifics. There were 100's of milestones and prior actions and things that needed to be done as prerequisites for the disbursement. 100s, literally 100s of them*'. Multiple interviewees provided anecdotes that echoed this, emphasising the granular level at which the troika was involved and tried to control the Greek political process.

H called this '*a mechanism of control over the borrower*', and *'a byproduct of the need to have the whole political system work… to work in a way that you want it to, and to put pressure on this political system to make sure that they are not going to divert from the main target, which is fiscal sustainability, at all costs*'. **H** went on to name it a '*total control of the whole legislative programme. Not even one bill could pass through the parliament without the troika's approval*'.

This direct intervention in the Greek political system, renders this above described troika-ownership that Varoufakis and Tsipras approach highlighted, explicit. Without the necessary ownership on the Greek part, including the political will to implement and politically defend measures, the true power driving the programmes is laid bare. Direct contact was made between the troika and the domestic political and legislative system, as the Greek political system itself was not willing to act in the troika's interests by taking ownership. The troika's intervention in the Greek political system represents naked contact, according to the two-level game, between the dominant interests at the second level, through their proxy of the troika, and the domestic first level in Greece.

This intervention by the troika in Greeces' political system served the same function as the opposition the troika and the L2WS faced at the Greek political level, in that it exposed the true nature of the troika policy process and policy outcomes as directed by L2WS. Without domestic ownership over the programmes, the troika was forced to explicitly take ownership of the programmes in Greece itself, reducing the distance between the programmes, and its principals the L2WS. Greek ownership was desired on the European level because it would instead provide distance, and shield the more vulnerable Commission in particular from accusations of anti-democracy, and from direct explicit contact with unpopular policies and interventions in Greece. The Greek case, however, did not yield this opportunity, as Greek ownership was refused. The political origins of the programme could not be obscured through ownership, and were instead laid bare within Greece.

5.5.2 Ireland: Strong ownership

Contrary to the Greek case, the Irish political system took full ownership of the troika programme for Ireland. The Fine Gael government had already drafted a plan that was ready before the programme was requested in the first place, and had already been discussed with the European institutions. The Irish government's drafted four year NRP had already identified the necessary reforms, and the level of buy-in and ownership from the entire Irish political system, according to K, was strong. The Irish side was committed to delivering the requirements and completing the programme, and went so far as to complete many of the tasks that the IMF would normally be in charge of themselves. This included scheduling and organising ministries and taking charge of the delivery on policy objectives, according to **O**.

This local ownership of the Irish programme was fully supported by the institutions. According to **K**, the IMF instantly committed to taking it over and putting their name on it with some tweaks but no major changes. The European Commission in particular also used this ownership to distance themselves from the programme. According to **O**, they emphasised '*that the measures taken were mainly those thought up by the Irish authorities. That they didn't sort of set conditions on the micro-implementation. Well, that was broadly true, but it wasn't 100 percent true. But I think what the Commission were trying to do was they were trying to emphasise the Irish authorities' own ownership of it… I think looking at the institutions then, the Commission is in some sense a sort of government of the European Union, as it were. They were looking to implement conditions, but at the same time they didn't want to tarnish the reputation of the European Union within a member state*'.

Because the Irish political system internalised the programme so readily, taking complete ownership, rather than exposing the connections between the troika, the programme, and the troika's principals, they were obscured further. The Irish government shielded the troika from full view, and which was important to the Commission in particular, as being identified with unpopular policy choices and bearing large political costs could potentially have the effect of reducing the perceptions of its democratic legitimacy as the EU's government in member states. Though one of the functions of the troika itself was also the absorption of political costs, and the laundering of policy, in addition to lending legitimacy and credibility, this is a function that is only available when domestic ownership is taken, as these functions directly serve the *goal* of domestic ownership building; of internalising a programme and selling it to a domestic audience. The troika can therefore take over some blame within the context of a domestic political system that is working in the same direction, and is taking a share of this same political cost. In this case, the troika and the troika's principals are not exposed. In the Greek case, on the other hand, domestic ownership was rejected, leaving the troika holding the programme on their own, rather than helping carry some of the load within the context of larger domestic programme ownership.

5.6 The negotiation process

The negotiation space, and its shape and dimension is an important node of interaction between the domestic level and the troika within the troika's policy process. The scope that the bailout receiving states had for negotiation, the negotiation strategies employed in both cases, and the major conflicts in and around this space, expose the nature of the troika negotiation space itself. While both the Greek and the Irish governments experienced a limited scope for negotiation with the troika, the Greek approach illustrated the limits of the negotiations through their attempts at non-compliance with the process, while the Irish did the same, but through compliance. Varoufakis and Tsipras in Greece attempted to escape the bounds of the narrow negotiation space of the troika's policy process, and renegotiate at the intergovernmental level. In this act, they served to further throw into relief the contours of the troika negotiation space itself, and the nature of power within the policy process. Ireland, on the other hand, bought into the negotiation space and its contours, thereby also reflecting its shape and scope.

5.6.1 Greece: Politicisation

5.6.1.1 Scope

The scope for negotiation with the troika on policy was narrow, and determined by the troika's policy objectives: the recouping of their money through fiscal consolidation. All policy choices were determined by this goal, and were made in service of it. As a consequence, as **C** reported, it was possible to make the case against a particular troika-proposed measure, if there was convincing evidence to suggest that the measure would not serve the end-goal of fiscal consolidation.

Within this narrow band, negotiation was possible, and some negotiation strategies were identified. The troika parties could be used against one another, but the troika '*usually tried to appear with a common front in order to avoid the Greek government drawing a wedge between them and playing one against the other*' (**F**). Past compliance, for instance, could also be leveraged, if there was a stockpile of accumulated trust and confidence within the negotiating relationships. The problem was, however, in the Greek case, these relationships were fraught and difficult, with **C** going as far as describing, what they call, a few intense incidents of disrespect, in which the Greek side was portrayed as tax evaders, liars and strategic defaulters. **C** described a patronising atmosphere around the technical negotiation table, wherein the Greek side was talked down to, despite trying to engage in good faith. The difficulty of these relationships was particularly pronounced when it came to negotiating partners from Germany, Austria and Belgium.

Added to this more negative negotiating atmosphere was also a sense of cultural mismatch, and a difficulty communicating. **C** said they '*had problems communicating with many people*'. Using Ireland as an example, **H** argued that one of the biggest factors that helped Ireland in their negotiations, compared to Greece, was that they were native English speakers, and thus could communicate seamlessly with the troika. This was improved through the Irish economy being closer to the IMF's ideal and thus easier to work on. The '*alien*' nature of the Greek economy, its institutions, the language barrier, and a difficult negotiating atmosphere all served to create distance between the negotiating parties in Greece, and increased the difficulty of forming deeper relationships according to **H**. These factors, added to the turnover of personnel that went along with the Greek turbulent politics, meant that building up credibility and confidence in the relationship was difficult. **C** mentioned that it was '*hard because new people were always being added and they'd come in with preconceived ideas about the Greek side. It all depended on whether the Greek government was delivering*.

In the Greek case, therefore, there was a limited scope for negotiation with the troika within the bounds of the troika's policy process and negotiation space. Most arguments were futile, apart from if they specifically made a convincing case on the deficit reduction potential of a measure. Because the political mandate overrode all else, in the eventuality that individuals on the technical level could be convinced, it was still a decision made higher up. **E** commented on this dynamic: '*You get to have a discussion about partisan stuff if you have fiscal independence. If you don't… it's a privilege you cannot afford*'.

5.6.1.2 The Varoufakis/Tsipras approach

What broke Greece out of the troika's negotiation space was the Tsipras/Varoufakis period. The approach that the Syriza government took to the political negotiations was to take a hostile stance against the troika. Tsipras banned the troika from Athens, wanted to eject the IMF from discussions, and wanted to debate directly with the Eurogroup and the European institutions alone. Varoufakis vociferously advocated for debt relief, that is haircuts for Greece's creditors. He explicitly called the Greek debt unsustainable, which went directly against the joint prior project between Greece and the European troika institutions, which was to '*extend and pretend*' (**F,** Varoufakis, 2017) that the Greek debt was sustainable in order to justify bailouts in the first place. These negotiating stances wherein Greece, according to **F** '*[threw] everything but the kitchen sink at them*', was an attempt to leave the troika's negotiating space, or perhaps even destroy the troika policy process in total. Arguing not only against the fundamental premises that the negotiations rested on, challenged the choices that were presented as given within the negotiations, but ejecting the troika, trying to break it up was a bid to end the process itself, and return to negotiations at the intergovernmental level with other heads of state and around the Eurogroup table. **E** mentioned that beyond whether this was a success or a failure, through these actions, he was able to prove his sovereignty within Greece, that is, restoring Greece to the intergovernmental bargaining table, and re-politicising the process.

The European response to this bid to politicise the negotiations, and exit the troika policy process, was to depoliticise and as **F** described it, '*[constantly] reducing the level at which discussions [were] held'*. Varoufakis and Tsipras were denied the option of negotiating the programme at the intergovernmental level, with the German Chancellor or with the President of the Commission, and were sent back down to the troika, and the troika mission chiefs. **F** calls this a '*clear kind of division of labour in order to avert the politicisation of decisions and the* *identification of hard policies with political leaders around the Eurogroup or around the European Council table*'.

What the Varoufakis/Tsipras strategy did was create political costs. Because '*Varoufakis asserted what was happening*' (**E**), that is, he said the quiet part out loud, and created visibility, and so a better negotiation position was created for Greece in the future, according to **F**. **F** commented on the '*huge disparity in power between the institutions and the Greek government*' before the Varoufakis era. The strategy of politicisation and vocal dissent, within the two-level game framework, served to rearrange the cost calculations around the intergovernmental table. The Greek side never managed to gain enough power this way to become a L2WS, and redefine the L2WP but '*this was politics, and because it was politics, the weaker side could only shout and try to create visibility to the problem, and that was achieved'* (**E**).

Varoufakis, and the threat of Syriza in general created problems and risks at the intergovernmental level, like for instance the threat of radical contagion across Europe with Podemos in Spain, and the political costs for the EU associated with a potential Grexit. Whether the results of this strategy, given the austere contents of the third programme for Greece can be called a success is arguable, but nevertheless, this approach changed a fundamental calculus of the politics of the troika, and affected the terms of the debate.

The Tsipras/Varoufakis approach further exposed the dynamics that governed the troika policy process. As with the discussion around programme ownership, the negotiation stance in Greece served to politicise and expose the troika, while the troika wanted to remain shielded and depoliticised, by reducing the levels of the debate back down into the troika's constructed technocratic negotiation space. The troika's negotiation space was created with a specific narrow range of options that were determined by the dominant interests of L2WS, as the troika's principals. Tsipras and Varoufakis exited this space, and thereby called attention to its existence, its narrow scope, its political nature, and its architects. Returning to the intergovernmental bargaining table exposed Greece to the same distribution of interests and of power, but it was a true negotiation, as Greece could use their own leverage of non-compliance, increasing the political costs for winning states.

The L2WS, on the other hand, by rejecting Tsipras and referring Greece back down to the troika, specifically including the IMF, wanted to obscure the true relationships governing the Greek programmes. They wanted to depoliticise proceedings, by literally ejecting Greece from the ‘real political level’ at the intergovernmental bargaining table, and insisting they participate in an artificially limited ‘technocratic’ negotiation, in which the power relations and the policy objectives were already fixed. In addition, the L2WS wanted to put distance between the EU intergovernmental level and the Greek programme, shielding creditor nations from view and blame.

5.6.2 Ireland: Cooperation

Different from the Greek case, the working relationships between the troika and the government in Ireland were very good. Interviewees reported social occasions, mutually constructive conversations, and a constructive and collaborative atmosphere. **O** specifically described the troika and the Irish government as ‘*speaking the same language*’, and having a shared view of the economy and its problems to be solved. There was a lot of trust and goodwill on both sides, due to the Irish government’s consistent delivery on targets. This was described by Cardiff (2016) as having been necessary in terms of building up the credibility to be able to negotiate. Through trust and goodwill the Irish side could persuade one or the other of the troika institutions, who may be able to advocate on their behalf around the other institutions. Though there was ‘*robust debate*’ (**Q**), all disagreements were on substance, and were not personal.

From Cardiff (2016) notes to his senior management, the Irish approach to the negotiations can be gleaned. He advises negotiators to be clear, to foster understanding between parties, be polite and tactful in disagreeing with any plans, be open to their counterparts’ expertise, and be solution oriented. He further advised never to commit to anything political, and to keep issues of personality out of the negotiations (2016: 189). In general, his approach to negotiating was to keep all of the troika institutions on the same page, and not work to subvert the troika agenda, but push it forward together. All conflict between the government and the troika, as well as within the troika was to be avoided, and positive relationships were to be fostered. Informal side discussions were also encouraged, in order to promote reasonable, more loose, discussion. One of the negotiators within the Irish team emphasised that despite these goals, the Irish side did, however, sometimes use the institutions against one another, though Cardiff portrays this in a more careful way.

Despite this approach, the Irish government's scope for negotiation with the troika was only slightly broader than the Greeks. As was the case with the Greek government, the deficit and debt targets were immovable red lines, around which the negotiations took place. **Q** described going into the negotiations with the troika as hard, because of the comparative power of the organisations across the table. Success at the negotiation table depended on having an absolute objective, and knowing what you are willing to sacrifice.

The view of the negotiations that was perceived by individuals outside of government, on the other hand, taking a broader view, was that there was no scope at all. **N**, an opposition politician against austerity specifically reported that communicating '*felt like talking to a brick wall*'. This was expressed in terms of reaction to any discussion of the social effects of the policies being implemented through the conditionality programme. **N** reported a technocratic focus on the deficit and debt reduction targets. They '*argued that the policy decisions were a matter for the Irish political system, and that all they required were certain targets to be met... so they were kind of absolving themselves pretty much of any political responsibility and presenting their job as a technocratic exercise*' (**N**). The troika's negotiating space was a fixed paradigm, in which the debt and deficit targets were absolute, and depoliticised.

Q of the Irish government described this from their view: '*It was politicians' jobs' to make that decision: cutting one thing versus cutting something else, reducing numbers by more. I mean that's all the options you have. They're not particularly attractive options, but they are political options, not really economic options. I mean the economics behind it are creating your constraints, but they're not deciding what the options are*'. This implies the Irish government view that the economic constraints were not political options. They were set parameters within which political choices could be made. The costs of these political choices were borne by the Irish government, through their ownership of the programme, while the troika distanced itself from responsibility.

The Irish government's cooperative approach to the negotiations displays the same constraints of the negotiation space that Greece's approach did. Where the Greek political system's oppositional stance revealed the structure of the troika policy process by the attempt to transcend it and return to negotiations at the intergovernmental level, the Irish case displayed the same dynamics by trying to manoeuvre within it. The Irish government bought into and agreed ideologically with the playing field of economic constraints that was presented to them through the troika negotiation space, and remained within it. Opposition as well as government voices echo this position, with both emphasising the immovability of the economic constraints, that is the debt and the deficit. Despite room for negotiation, these were the walls of the room that constituted the negotiation space, the shape of which was determined by the political process at the intergovernmental level. By working within the depoliticised negotiation space given by the troika, the Irish government did not uncover the political dynamics behind the troika policy process, but was complicit in obscuring it, and therefore helped distance the principal creditor states from the policy outcomes within Ireland.

5.7 Conclusion

This analysis of the Irish and Greek cases has hoped to show that along each point of within the troika policy process, the defining relationship has been between the troika and its principals. This echoes Moravcsik's state-centric argument that institutional creations at the intergovernmental level, and their policy output are expressions of the winning states at the second level. The policy output is further defined as an expression of measures and functions that increase a winning state's power to set the domestic agenda. With this expansion into the troika's specific policy process, this same logic can be argued to hold throughout. The process of negotiation with bailout seeking states, the parameters of the programmes themselves, and the negotiating mandate the troika had, are all similar expressions thereof. The L2WS, in their quest to improve their service to dominant domestic interests, and therefore retain power and set the domestic agenda, created an institutional formation that would reflect this. The troika, its negotiation space and the programmes it jointly produced are all expressions of this same effect. The examination of the troika's objectives and policy agenda in both cases reflects this same dynamic.

The Greek case was defined by oppositional politics, by a dire debt crisis, and by an unwillingness of the domestic political system to take ownership of the policy produced. These factors collided with the troika's policy process and negotiation space, and ultimately served to uncover the dynamics at play within. At the level of the policy programme, and ownership, the political system did not comply, and was unwilling and/or unable to take on the ownership position. This meant that the political ownership fell on the troika. In the Greek case, the two parties entered the troika negotiation space, and what exited was not Greece taking political responsibility for the Greek programme, but the troika's programme for Greece, alone, with the Greek political system showing some measure of compliance, some measure of resistance, and some measure of inertia in its implementation. The Greek political institutions' lack of implementation and delivery went so far as to make it necessary for the troika to intervene directly in the Greek political system, in order to make sure the programme was adequately implemented. This same dynamic defined the negotiation positions the Greeks, particularly the route Varoufakis and Tsipras took. The Greeks did not simply reject ownership, but attempted to reject the entire troika policy process, the IMF included, naming explicitly the troika's principals in Germany, and exiting out of the negotiation space in order to renegotiate at the intergovernmental level. This extreme scenario put the troika, and its L2WS principals on full display, as not only politically responsible for the programme, but also for the domestic implementation, as well as the political framing of the terms of the debate.

The Irish case, on the other hand, was defined by the opposite impulses. The government took full political ownership of the programme. The Irish programme had been almost fully transposed from an earlier government four year plan (the NRP) for dealing with the crisis, and been deemed similar enough to a troika-designed plan to adopt almost in its entirety. In this case, the troika and the Irish government entered the troika's negotiation space, and what left the space was explicitly an *Irish* Programme, for which the government took responsibility. The Irish programme ownership and negotiation strategies both kept within the bounds and expectations that the troika set up, and in doing so expressed the location of these boundaries as well. The policy paradigm that the Irish government had to work within was similar to the Greek one, the deficit and debt reduction targets, though the Irish government believed in their importance as well.

Both cases, despite their differences, reflect the same power relations and participation in the same policy process. The inclusion of the IMF in both cases, and the terms of the negotiation space being defined by the debt and deficit levels reveal the interests driving the troika's agenda. The characterisation of the domestic approach to and experience with the negotiation process in each country reveals the shape and scope and the interests reflected in the very shape of the policy process, of the troika's policy process, and its existence as a proxy process between L2WS, and their desired policy outcomes. Where the Greek Varoufakis/Tsipras approach and lack of political ownership of the programme clarified the shape of the troika policy process as guided by principal interests at the EU intergovernmental level, the Irish case served to obscure this. This obscuring was the explicit aim of the troika policy process. To hide dominant states, as well as the Commission from direct view.

The IMF's role in this process was as a conveyor of expertise and knowledge on the subject of policy conditionality negotiations, a powerful additional laundering tool for unpopular policies, and lender of a level of legitimacy and authority that would also give the troika by extension legitimacy and authority. Through this function, the IMF was a stronger and more effective institutional agent for the principals within the dominant states at the EU intergovernmental level.

VI: CONCLUSION

This investigation into the Irish and Greek bailout negotiations with the troika, by way of a comparative case study of Greece and Ireland, has argued that the dynamic governing the troika policy process is the principal/agent relationship between dominant states at the European level, and the institutions they empower. The power relation between states that is determined at the EU intergovernmental level of bargaining, has the power to create institutions, and determine institutional policy outcomes, also controls the policy process that institutions engage in. This relationship thus defines every interaction the troika has with nation states, from the moment of institutional formation, policy negotiation, to programme production.

The troika is argued to have been used as a tool by dominant level-two winning states within the EU to help them manage the debt crisis within the Eurozone. The troika's constituent institutions provided the necessary functions to achieve these ends, the most important of which being policy laundering, providing expertise, and providing political cover, with the IMF being included in the mix from outside the EU to supply a greater level of these aforementioned functions. The troika as a whole, therefore was a utility and an agent for the pursuit of dominant interests within the context of the crisis. The troika's functionality was not limited to being a tool for dominant states themselves during the crisis, but was to be used by any actor that needed it, to mitigate the political costs of the programme, launder policy, or provide expertise. Though the troika could be utilised by any state that needed and wanted it, it was ultimately inextricably connected to the agenda of its principals.

This argument is based on the state-centric analysis within this piece of work, that aimed to find an explanation for the policy process that the troika engaged in with national governments during the debt crisis, as well as the policy responses produced. Ireland and Greece represented two vastly different experiences with and approaches to the troika, and entered the debt crisis in very different economic and institutional conditions. The analysis of these two case studies, through the similarities and differences in the various points of interaction and conflict that were experienced during the negotiation process between national governments and the troika, reveals the underlying dynamics that exist within the process.

The analysis was done through the lens of an elaboration on Moravcsik's state-centric two-level game, in which the process leading from the second level of EU intergovernmental bargaining, to the troika's policy output is theorised. Moravcsik's theory explains the connection between the intergovernmental level and the institutional product as one that is dependent on the winning state at the intergovernmental level, and this approach expands this same logic into the activities of the institution, as they interact with national governments. This is done within the specific context of the troika, with its additional external institutional presence in the IMF.

According to Moravcsik, the troika's creation was the result of an EU intergovernmental bargain between states, with the troika's creation constituting a winning position. The troika as a winning condition, then takes on the status of an agent for the coalition of interests that created it. Within the context of an extended state-centric two-level game, it is further theorised that this agent status is expressed throughout the negotiation process with bailout receiving states, and is reflected in each institution's policy objectives. The IMF's presence within this mix served to amplify and enable the functions of the group in its agent role. The IMF's principal lies outside of the traditional two-level game within the international realm, yet the choice of the IMF as an additional institution within the troika was made on the basis of an alignment of interests between the winning states at the EU intergovernmental level and the IMF. So despite the IMF's principal not being directly tied to the EU two-level game, there is significant overlap.

Within the context of the two cases, these guiding interests were identified as the recovery of the bailout funds in the interests of the creditors. This same interest is mirrored throughout the interactions between the troika and the bailout receiving state, and within the troika's policy approach and the policy preferences that they espoused. The policy preference for fiscal consolidation in the first instance is directly connected to the goal of the recovery of bailout funds, which was identified as the biggest agenda item for each of the institutions in both cases. Beyond this, the specific facts of each case affect the way in which the more granular policy choices were decided on, with each institution additionally advocating for the domestic economic interests of their principals. This was also exemplified by the political nature of policy choices and policy goals, and the ways in which evidence and documentation were not taken into account within the negotiation process, as most decisions had already been made at a political level.

The differences between Ireland and Greece and the ways in which their respective political systems interacted and approached the negotiations with the troika further highlighted the ways in which the troika institutions served as a tool for winning states at the intergovernmental level. The Irish government was paradigmatically and ideologically aligned with the troika and the level-two winning states, and took complete political ownership over the programme within the country. The Irish programme was a transposition with minor changes, of an already existing Irish government programme, the National Recovery Programme. This position is contrasted with the Greek side, which was characterised as unprepared, exhibiting a complete lack of ownership—and even outright rejection—of the troika programmes implemented domestically.

The diametrically opposed approaches to domestic programme ownership served to highlight, in the Greek case, and obscure, in the Irish case, the connection between the programme policy measures, and the troika's principals at the intergovernmental level. The cooperation of the Irish government was welcomed by the institutions due to it acting as a helpful additional layer of separation between dominant states at the intergovernmental level, and the programmes negotiated in their interests. The troika itself was created as a proxy agent, but strong Irish government ownership worked in that same direction: to launder the policy preferences of the dominant intergovernmental level. In service of passing the programme, the troika was also useful to the Irish government to use as political cover.

The Greek ambivalence towards, and rejection, at times, of the programmes, did the troika and the troika's principals no such favours, laying bare exactly whose agenda was being executed. The cultural differences, institutional difficulties, lack of adherence, political turmoil, and radical ideas in Greece meant that instead of dominant intergovernmental interests being obscured, they were brought to the fore. The Greek conditions clarified this connection through their lack of cooperation.

The similarities and differences within each country's experience within the troika's negotiation space also highlights this same point. In both Ireland and Greece, the scope for negotiation with the troika was slim and only existed around the margins of an agenda that was completely focused on the retrieval of the bailout funds for the creditors. The negotiation space that was created by the troika, and its principals was not an open discussion, but expressed a certain economic paradigm, within which there was an extremely narrow set of options that were presented to the bailout seeking state, around which negotiations took place. This paradigm was the absolute necessity of paying back the debt, and implementing fiscal adjustment. The narrow band of options within this, represented *how* specifically that might be achieved.

The negotiations around this band were affected by the level of trust and cooperation that the government and troika had built up, which differed tremendously between the two cases. The Irish political system bought into and accepted the paradigm and broadly agreed with the band of options presented, while the Greek political system, especially after the election of Alexis Tsipras, did not. The Varoufakis' and Tsipras' approach to negotiating with the troika was instead to expose this narrow band of options for what it was: not the only option, but a specific agenda. Their strategy attempted to break out of the troika policy process altogether, and instead return to negotiations at the EU intergovernmental second level with other EU states themselves.

Though Tsipras and Varoufakis were rejected at the intergovernmental level, and referred back down into the troika policy process, their negotiating approach highlighted further the structure of the policy process that they were being encouraged to participate in. The dominant states at the intergovernmental level insisted on the troika, specifically including the IMF, as the site of all negotiation, in a bid to depoliticise events, and obscure the principal/agent relationships, as well as the connections between creditor states and the conditionality programmes. It was an attempt to create distance between the programmes and dominant interests at the EU intergovernmental level. At the intergovernmental level, negotiations are determined by relative state power; a state's unilateral options, and the credibility of their threats of non-cooperation or non-participation. At this level, Grexit and non-compliance could be leveraged. However, within the troika negotiating space, the options had been artificially limited by the interests and policy preferences of the institutions' principals.

The Irish government participated in the negotiations on the troika's terms, terms which rested on an economic paradigm that the Irish government also believed in. Tsipras and Varoufakis rejected this and elected to expose the limited parameters of the negotiating space that was presented to them by the institutions. They exited the space they were given with the troika, rejected the concept of the troika itself, and went straight to the principal to renegotiate the terms of the space itself. Though some call this strategy a failure in that it did not radically alter the nature of the troika programmes, and Syriza ended up participating in a third programme that included austerity later on, it is argued in some quarters that this attempt at renegotiation at the intergovernmental level created political costs, or the threat of political costs and thereby changed the calculus at the intergovernmental level, and created a more favourable limited negotiating space in which the third programme for Greece was produced.

This analysis has attempted to show the ways in which the troika acted as an agent of the winning states at the second level of intergovernmental bargaining. The troika was an agent and a political tool to be used for the purpose of passing the dominant EU states' agendas through bailout recipient states, and themselves from political backlash and direct identification in the process. The invocation of the troika, and the IMF specifically, was used as a tool on the domestic level within Germany, for instance, to help pass the Greek bailout through the Bundestag, and was similarly used on the domestic level within Ireland to launder policy and deflect some of the blame from the government. The troika as a whole was used to deflect attention away from the EU itself within the bailout negotiation process, and it was also used to deflect blame away from the troika's principals at the intergovernmental level for harsh austerity measures. It was used to retain the legitimacy of the governments in power that needed to enact unpopular programmes.

Within this configuration, the IMF's role was to add an additional layer between the dominant states at the intergovernmental level, and the conditionality programmes. The IMF was added in as a further obscurant: an additional level of political shielding and policy laundering, as well as an authority figure providing policy expertise and experience in the area of programme creation, thereby lending the exercise legitimacy. The IMF's participation was also used to shield the Commission in particular from direct view, whose legitimacy as the EU's government was important.

This analysis of the cases of Greece and Ireland through the lens of Moravcsik's state-centric two level game implies an expansion of the theory to include the use of external international institutions as tools within the belt of dominant states at the intergovernmental level, as well as an expansion into the policy process of institutional creations. The space between institutional creation and policy output is similarly defined by the relations at the intergovernmental level that created it, as is the negotiation space wherein the troika interacts with the bailout receiving nation state. Every point of contact is defined by this above relationship. The troika was created by dominant states at the EU intergovernmental level in order to increase control over their domestic policy agenda, and further dominant domestic interests. The troika was an agent of this agenda, interacting with other nation states in service of this agenda. The troika therefore does not represent a supranational institution interacting with a nation state, but a proxy interaction between nation states themselves. The IMF was included in this framework for its extra attributes.

From this point at the end of this investigation, many of the questions that I started off with can be reflected on and answered. Some of the main questions guiding my research were the following: Did the troika arrive in countries requesting bailout funds with off-the-shelf plans? What was the troika's policy agenda? How did the troika interact with the domestic political system during the negotiation process? Was there unanimity within the troika? Were they a new supranational formation? By addressing these questions one by one, the answer to the research question guiding this piece of research will also be answered: how can the policy output and the policy process between the troika and the bailout requesting states be explained?

Did the troika arrive with off-the-shelf plans? The IMF in particular had a method of dealing with bailouts that was applied uniformly across programmes and was a product of their experience delivering conditionality programmes internationally. Due to the specific domestic political and economic conditions in Ireland, this did not extend into delivering a standard IMF programme, as the Irish government themselves had already created a plan. This plan was then taken over as the troika programme with a minimal amount of changes made. The Greek programme on the other hand was a standard IMF creation, was used as a starting point, and was added to and collaborated on with the other troika institutions. The Greek programme was ready to go as soon as the troika arrived in Athens.

What was the troika's policy agenda? The troika's policy agenda was wholly focused on the debt and deficit numbers. This was the headline objective of both programmes, but varied within the details according to the type of crisis being addressed. For instance, repairing the banking system was similarly high-priority in the Irish case, through its link to the debt and deficit, and the ECB's ELA that had been extended to the Irish banking system, and needed to be extracted. In Greece the debt and deficit, and fiscal adjustment were the undisputed policy objectives. The policy agenda was short-term in that all measures needed to serve the fiscal targets individually. The agenda was not long-term, in that there was no plan for the Greek economy beyond the retrieval of creditor funds.

Was there unanimity within the troika on policy? There was total unanimity in terms of the headline objective of recovering creditor funds, and policy focus of reduction in deficit and debt being the number one priority in both cases. The nuances guiding how that was achieved were not unanimous within the troika. The specific nature of the institution's mandate and their principals, determined the individual institution's stance on policy detail. An example of this is banking policy, for instance. In Ireland, the ECB was focused heavily on the issue of recapitalising banks. This focus corresponded to their wish to recoup their ELA money from the Irish banking system. Another example of this was in terms of the pessimism of the IMF's growth and debt sustainability projections. These led to disagreements about the severity of measures Greece needed to take due to the fact that the IMF was driven by the political mandate to prove that the Greek debt was not sustainable, while the European institutions had an interest in the Greek debt being seen as sustainable, so this was also reflected in the EU projections.

How did the troika interact with the domestic political system during the negotiation process? This depended on the cultural, institutional and political factors inherent to each case. While the troika and the Irish government seemed to have a good working relationship that was based on mutual respect and built on trust and a similar world view, the troika's relationship with the various Greek governments was fraught to say the least. Where Irish interviewees reported robust debate, it was confined to the realm of policy, and never affected personal relationships. In Greece, there were incidents of serious disrespect, mistrust, not to mention very different world views. In terms of the negotiation space that the troika presented governments with, it was similarly narrow in both cases. The basis on which the troika interacted with governments was as an agent for dominant states at the EU intergovernmental level.

Can the troika be considered a new supranational formation? Despite the inclusion of the IMF in its ranks, due to its function as an agent for dominant states at the EU intergovernmental level, the troika is not a new supranational formation, but a new form of proxy between states themselves. The IMF in this scenario is an external tool that enhances the troika's proxy services to states.

Explaining the policy responses to the debt crisis, and the policy process between national governments and the troika can be addressed on this basis. Using, and expanding on Moravcsik's two-level theoretical framework, the troika's policy process as well as the conditionality programmes in Ireland and Greece can be explained by the principal/agent relationship between the troika and dominant states at the EU intergovernmental level. This relationship determined the shape of the negotiation process, and consequently what the policy options that were on the table were. It determined the shape of the programme, whether it was wholly collaborative and consensual like in the Irish case, or more fraught in its negotiation and implementation like in Greece. Every step of the troika policy process was determined by the interests emergent from dominant states at the EU intergovernmental level.

Ultimately, what this study has hoped to achieve is to have illuminated a policy process that aimed to be obscure. The troika was created to hide and depoliticise the policy processes it was engaged in, as well as the true interests guiding its actions. I have aimed to theorise the dynamics at play between the various actors involved, and show the ways in which the troika was used, and in whose name.

In theorising the troika policy process, this study lives within the realm of the wider scholarship on European institutional change and Ordoliberalism. Evidence of technocratization, depoliticisation, as well as the dominance of an iron-clad austerity agenda with the goal not of nation states' economic growth, but of submission, clearly emerge from this work and echo the conclusions from this field of literature. In this sense, one can link the concepts of Ordoliberalism as an ideology and policy agenda, to what this study calls the 'dominant national interests', and conclude that they are one and the same. It is Ordoliberalism that is the ideological expression of the interest of dominant groups in Germany on the European level. As an expression of the dominant national interests, it was 'uploaded' from the national level during the course of the two-level game, winning at the intergovernmental level, and thus reigning supreme within the EU and its institutions. Precisely this was at play during the creation of the EMU, when German Ordoliberal interests were enshrined in its DNA at conception due to their L2WP. In answer to the literature on Ordoliberalism's *what*, this study aims to provide an institutional *how*.

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