

The Crisis as opportunity?

On the role of the Troika in constructing the European Consolidation State

The 2008 financial crisis has been seen as providing an opportunity for core eurozone members to push neoliberal policies onto the periphery in order to construct a European Consolidation State. We adapt a policy transfer model to examine the extent to which the Troika transferred neoliberal policy onto Greece and Ireland. The size of the ideological gap between Troika policies and those embedded in the peripheral country was crucial when explaining why the Troika's policies were more brutal, intrusive and long-lasting in Greece than in Ireland, and why Greece proved more resilient to attempts to transfer policy than Ireland.

Key words: Consolidation, Austerity, Crisis, Europe, Privatization, Troika.

JEL: E63, F34, H1, H12.

Introduction

The human face of the consequences of the Great Recession of 2008 and the austerity measures put in place in its aftermath have been calculated to be enormous. One decade after the crisis broke out, scholars are demonstrating that the consequences of austerity have been highly uneven (Donald *et al.*, 2014). Spatially, the crisis and ensuing austerity had a much more severe effect on some countries and regions than others. In the United States, the subprime mortgage crisis was concentrated in a handful of states, and these same states suffered disproportionately more the impact of the recession (Martin, 2011). In Europe, many countries in the “core” north escaped relatively lightly – some even did comparatively well out of the crisis - while other countries, mostly in the periphery, became dogged with long-term problems, including very high unemployment levels (especially among youth), long-term or permanent public sector cuts, increased cases of home repossession and heightened rates of suicide and mental illness (Kitson *et al.*, 2011; Cuadrado-Roura *et al.*, 2016). This has meant that, across Europe, austerity has been experienced in highly uneven ways.

Importantly, it has been argued that the financial crisis was perceived as an “opportunity” grasped by core members of the eurozone – led by Germany – to impose neoliberal policies onto ailing members in the periphery, especially, onto South Europe. The end objective, according to Streeck (2016), was to obligate countries that deviated from “acceptable” models of political economy – such as the “Mediterranean” variants – to fall in line and embrace the neoliberal model required in the emerging “European Consolidation State”. The “Consolidation State”, which governments have pursued since the 1990s, proceeded the “Debt State”, which characterised economic governance from

the 1970s. If, in a Debt State, governments struck a balance between addressing demands placed on them by two constituents, citizens (*Staatsvolk*) and international financial markets (*Marktvolk*), the Consolidation State settles the struggle in favour of the *Marktvolk*, by resolutely internalizing the primacy of the state's commercial-contractual commitments to its lenders over any public-political commitments to its citizenry (Streeck, 2016). The European Consolidation State is a regional variant requiring collective discipline across the eurozone: all members must acquiesce, since a negative perception by financial markets about the risk of one member may have repercussions for the rest.

However, the policy transfer literature suggests an attempt to impose neoliberal policy in this way will not be straightforward. Even when policy is imposed coercively, top-down, in a non-democratic manner, transfer may fail for multiple reasons. One limitation to transfer is associated with policy complexity: voluminous, complex policy with unpredictable outcomes will be more difficult to transfer than simple policy with predictable outcomes (Dolowitz and Marsh, 1996). Another source of blockage is associated with institutional constraints; the fact that countries have configured their political economies in distinct ways over time means that a given policy for transfer may be ill-fitting, or inappropriate, for some target countries. Moreover, poor transfer, by omitting the “core” elements of a policy, may result in incomplete transfer (Dolowitz and Marsh, 2000). We argue that the greater the gap between the ideology of the political economy model enshrined in the policy pushed by the Troika and that found on the ground in Europe's periphery, the greater the risk policy transfer was over-complex, inappropriate and incomplete.

To do so, we adapt a policy transfer model to examine how the Troika – a non-democratic, techno-elite structure *par excellence* – pushed neoliberal policies onto the periphery after the crisis. Establishing the Troika - constituted by the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF) - to execute austerity from 2010 was perhaps one of the most controversial events associated with the Great Recession. Across Western Europe, as in the United States, austerity programmes were commonly adopted by elected, national and local governments. Internationally-driven austerity, such as that pushed by the World Bank and the IMF during the 1980s and 1990s, had been mostly confined to developing or emerging countries in Latin America, Africa and Asia. Therefore, the Troika's imposition of austerity policies onto a specific set of existing members in the periphery was an unprecedented instance of enforcing austerity onto advanced, financially developed and economically open countries within a currency union.

Between 2010 and 2018, the Troika intervened six times, including one intervention each into Ireland, Portugal and Cyprus, and three into Greece. In order to explore the extent to which the Troika effectively transferred policy to different political economies, we focus on examining transfer to one country that exhibited core characteristics of a Debt State, Greece, and another country that closely resembled a Consolidation State, Ireland, when the crisis broke (as we show in Table 1). Not only did Greece and Ireland approximate a Debt State and Consolidation State, respectively, they were also subject to intervention concurrently, from 2010, making comparison easier.

We find that the ideological closeness-of-fit between the Troika's political economy vision and those of Greece and Ireland mattered greatly in explaining policy transfer.

Effectively, the Troika saw and narrated the two crises differently, and designed and implemented neoliberal policies accordingly. Whilst Troika elites transferring neoliberal policies onto Greece were highly intolerant, they demonstrated much more sympathy with the Irish authorities. The core reason for this difference was ideological proximity between political economy ideals shared between Ireland and Troika elites. Troika ideals coincided with Ireland's small state and neoliberal heritage, whilst its representatives were impressed by the government's attempts to respect international financial markets' demands by bailing out the banks and its post-crisis austerity drive. Intervention was therefore relatively light, and continued the direction of neoliberal reforms already in pursuit by the government, through its support of further massive private bank bailouts, which would be paid for by future generations of taxpayers (Roche *et al.*, 2016), as well as extending austerity. In contrast, the Troika railed at Greece's public accounts reporting, and exhibited fury when successive Greek governments wavered between attending to Troika requirements and responding to demands from citizens *à la* Debt State. The Troika perceived the behaviour by the Greek authorities as "irresponsible" (EC, 2010a), even corrupt, and unleashed an intrusive, highly complex, rushed, ill-fitting and drastic series of reforms, with little consideration for how these policies could be implemented in a sustainable way. In short, policy transfer by the Troika was more complex, inappropriate and incomplete to Greece than it was for Ireland, resulting in its lower effectiveness.

The rest of the paper is divided into four sections. First, we use the concept of the European Consolidation State and adapt the policy transfer literature to build a framework to analyse and evaluate Troika interventions. Second, we conceptualise the Troika and summarise its interventions in Greece and Ireland from 2010. Third, we comparatively

analyse Troika interventions into Greece and Ireland. Conclusions evaluate the outcomes of intervention.

Transferring the European Consolidation State

Streeck's (2016) conceptualisation of the Consolidation State has, as a starting point, the concept of money. Money has been conceived, broadly speaking, in two ways in the Social Sciences; one, as articulated by Adam Smith, the other, as set out by Max Weber. While, for Smith, money is a neutral symbol for the value of an object for exchange, for Weber, money is a "social institution shot through with power" (Streeck, 2015). It is Weber's definition that provides the superior theoretical angle to understand current events in Europe. Monetary systems, like money, are social institutions, which have come about as a result of socio-political conflicts between parties with competing interests. All monetary systems are contested institutions that distort decisions towards privileged groups. The euro is a case in point, created to replace national monetary systems – which had been designed according to domestic contexts – with a supranational monetary system (Streeck, 2015). Borne of conflict, path-dependent, the design of the euro means it cannot work equally well for all eurozone members (Mayes, 2018). An ongoing struggle will occur as members try to shape the system according to their preferences; countries which are relatively disadvantaged come under pressure to reform their mode of production and domestic social contract to bring them in line with those of the more privileged countries. Importantly, since the crisis, the euro started to privilege specific countries in the North that, for multiple reasons, proved more resilient to the new scenario than the rest. Germany, in particular, benefitted, positioning itself as a strong exporter of high-quality industrial goods, becoming, effectively, the European hegemon. Ultimately,

the euro has become a wedge, splitting Europe into “surplus and deficit countries, North and South, Germany and the rest” (Streeck, 2015).

Enter the European Consolidation State. As Germany and other Northern countries gained the upper hand, Streeck (2016) argues they used the crisis as an opportunity to impose fiscal consolidation onto the rest of eurozone members, shaping the future direction of the euro to their interests. Historically, the post-war European state can be divided into three phases. In the immediate post-war period, the “Tax State” predominated, which emerged in parallel with the welfare system. This was followed, from the 1970s, by the rise of the “Debt State”, a period in which tax incidence declined due to greater opportunities for capital tax evasion, as governments competed globally to offer lower taxes for corporations, substituting debt for tax collection (Streeck, 2016). Third, the Consolidation State emerged – unevenly - from the 1990s, sustaining public debt levels, until the financial crisis, as governments faced absorbing bad private debt created by financial deregulation. The replacement of the Debt State by the Consolidation State is captured in the transition from *Staatsvolk* to *Marktvolk*. If, in the Debt State, governments balanced addressing demands made by financial markets and its citizens, in the Consolidation State, it decisively opts for the former, privileging the international over domestic interests, investors over citizens, contract fulfilment over civil rights, creditors over voters, debt servicing over public service provision, and interest rates over public opinion (Streeck, 2016). Essentially, the Consolidation State institutionalises a political commitment to never default on its debt, and projects an uncompromising resolve to satisfy creditors above all other obligations (Streeck, 2016). It does this by ensuring tax increases are made difficult whilst public expenditure reduction (except debt servicing) is easy.

Shrinking the state is at the heart of the Consolidation State. Streeck (2016) holds up the United States, with its small state, as being the country which has advanced most in this direction. A small state can be taken to guarantee both an entrenched aversion to public expenditure and avoid the possibility of tax increases in the case of any financial emergency. In the eurozone, this task must be achieved collectively. Members must demonstrate their commitment to neoliberal reform towards a small state by cutting public expenditure, lowering taxation and reducing public debt to attain a “balanced budget”, all in the name of creating “confidence-building” measures. As the default of one may negatively affect the rest, tight mutual observation, supervision and discipline are necessary.

The policy transfer literature suggests that an imposition of neoliberal policies associated with the Consolidation State will not be straightforward, even when conducted coercively. Policy transfer is evaluated by examining the extent to which the instruments and ideologies contained in the policy are actually transferred across (Dolowitz and Marsh, 1996). Dolowitz and Marsh (2000) provides a six question model to analyse coercive policy transfer: Who are the key actors involved in the policy transfer process? Why do they engage in policy transfer? What is transferred? What is the degree of transfer? What are the constraints on transfer? Is policy transfer successful? Three major sources of constraints affecting policy transfer are identified. The first is associated with policy itself: the more simple policy is, the fewer side-effects it poses, and the more easily outcomes can be predicted, the easier transfer will be (Dolowitz and Marsh, 1996). The second concerns transfer quality: where crucial elements of what makes a given policy really work are not transferred across, there may be incomplete transfer. The third

concerns institutional differences in political economy: where insufficient attention is paid to the differences in the political economy contexts embedded in the policy for transfer and the target country, inappropriate transfer may result (Dolowitz and Marsh, 2000).

To operationalise our evaluation of effectiveness of Troika policy transfer, the following information will be extracted from the two cases. To assess the degree of policy complexity, we will examine the contents of policy transferred, as found in the so-called “Economic Adjustment Programs” (EAP) published by the Troika for Greece and Ireland, paying attention to policy volume and degree of policy diversity. Greater policy diversity and volume will be interpreted as indicative of greater policy complexity. To evaluate inappropriateness, we will assess the extent to which policy was adapted given the political economy context of the transfer country. Attempts to impose a “one-size-fits-all-type” policy will be interpreted as evidence of inappropriate transfer. To explore transfer incompleteness, we examine the extent to which the crucial elements of policy were really transferred across. When we find the elements that are claimed to be “core” to a policy missing, we will interpret this as incomplete transfer.

Because progress towards a Consolidation State was made unevenly from the 1990s, countries in Europe can be “plotted” in different positions between “ideal types” of a Debt and Consolidation State depending on the extent to which neoliberal reform was implemented. Table 1 plots Greece and Ireland, on a “Debt and Consolidation State continuum”. We follow Streeck (2016) when identifying key descriptors to locate countries on this Debt-Consolidation continuum: public expenditure, tax revenues, the extent to which a budget is balanced (public deficit or surplus) and public debt, all as

percentage of GDP, economic policy outlook, the extent to which the government prioritizes people (*Staatsvolk*) over international financial markets (*Marktvolk*), and labour relations.

Table 1. Ireland and Greece on “Debt – Consolidation State Continuum”.

Debt-Consolidation State Descriptors (Streeck, 2016)	Greece	Ireland
State size (Public expenditure/GDP ratio: Table 3 - Figure 1)	Large state: 46% (1999-2007) 48.7 % (2016-2017)	Small state: 33% (1999-2007) 26.6% (2016-2017)
Relative taxation in terms of level of GDP per capita (Tax burden/GDP ratio: Table 3 - Figure 2)	High taxation: 33% (1999-2007) 39% (2016-2017)	Low taxation: 30% (1999-2007) 22.6% (2016-2017)
Budget adjustment (Surplus (+) deficit (-) / GDP ratio: Table 3 – Figure 3)	Chronic public deficit: -6.3% (1999-2007) -10.3% (2008-2014) -1.4% (2015-2017) Excluding interest rates: -0.8% (1999-2007) -5.2% (2008-2014) 1.9% (2015-2017)	Recurrent public surplus: 1.6% (1999-2007) -11.9% (2008-2014) -0.9% (2015-2017) Excluding interest rates: 2.9% (1999-2007) -8.8% (2008-2014) 1.4% (2015-2017)
Public Debt (Gross public debt/GDP ratio: Table 3 – Figure 4)	Large government debt: 100% (1999), 103% (2007), 169% (2012-2013) 180% (2016-2017)	Falling government debt: 47% (1999), 24% (2007), Increased government debt 120% (2012-2013) 70% (2016-2017)
Economic policy outlook	Expansionary. Maintain public expenditure and employment. Reluctant to prioritize creditors’ confidence.	Contractionary. Cut public expenditure except debt services. Prioritization of bolstering investors’ “confidence”.
<i>Staatsvolk</i> versus <i>Marktvolk</i>	More reactive to <i>Staatvolk</i> . Protection of political rights – citizens’ entitlements.	<i>Marktvolk</i> . Protection of international creditors.
Labour relations	National/industry collective bargaining agreements covered: 83% of the employees in 2008 and 10% in 2015. Low but stable union density (24% 2008 and 25% 2014)	Mostly company-level agreements. Collective agreements covered 41% of employees in 2007 and 33.5% in 2015. Declining union density (31% in 2008 to 26% in 2014).

Source: Elaboration by authors based on Fulton (2015), EC (2017) and Bank of Greece (2018).

Table 1 shows Greece conformed well before the crisis to a Debt State, with a large state, and high public debt, deficit and taxes, in addition to its expansionary outlook, reactive approach to *Staatsvolk* and a widespread collective bargaining system. In contrast, Ireland resembled a Consolidation State before the crisis. It had a relatively small state, low taxation, a public surplus, low public debt, was strongly reactive to the *Marktvolk*, whilst labour relations were dominated by company-level agreements, collective bargaining covering only half the proportion of workers of Greece in 2007 (Fulton, 2015).

We adapt our policy transfer framework to examine the Troika's transfer of a European Consolidation State across Greece and Ireland. We tackle the question of *who* transferred in the next section, *why* policy was transferred in the section Pre-Intervention, and *what* was transferred and the *degree* of transfer (assessing complexity, appropriateness and completeness) in the discussion on Intervention.

The Troika in Europe

Inventing the Troika

Due to potential risks involved in imposing neoliberal policy onto different political economies, Streeck (2016) observes non-democratic techno-elite international structures will be used to do the job. The way in which the EC and the ECB teamed up with the IMF to create the Troika in 2010, and used it to disburse loans conditional on ailing countries following a neoliberal policy, as well as to negotiate and monitor bailout programmes, is unprecedented in EU politics. True, the EC had worked alongside the IMF and the World Bank before, when imposing neoliberal reforms required for entry to prospective

members after the collapse of the Soviet Union (Shields, 2012). However, the invention of the Troika, solely and specifically to orchestrate austerity onto the eurozone, is a case *par excellence* of the creation of a non-democratic, techno-elite structure isolated from domestic politics.

Bound by its treaties, the EC could not directly command austerity. Though often nicknamed the “liberalization machine”, due to its power to enforce competition and liberalization policy across an ever-increasing range of activities, the EC could not promote privatization, PPPs or public sector cuts, as it was bound to remain neutral on ownership issues (Clifton *et al.*, 2006). Neither did the EC have legitimacy in crisis management, hence, it bolstered its legitimacy by bringing in the IMF, with its long curriculum of crisis management and austerity imposition in developing and emerging countries (Pisani-Ferry *et al.*, 2013).

The Troika itself does not qualify as a formal or stable “actor” in the public policy literature. Instead, it can be conceptualised as a “bridging venue” (Burns *et al.*, 2017). Public policy scholars argue that, when a given “policy entrepreneur” encounters a barrier to pushing through a desired policy, it may seek to alter the way in which that policy is framed, and then move it to a different “venue”, better suited to the new frame, where that policy has greater chance of being promoted. Reframing policy to move venue is known as “venue shopping”. The main advantage of venue shopping is it helps insulate unpopular policies from domestic opposition. Creating the Troika went beyond venue shopping, since it involved establishing a new alliance, or “bridging venue”, between European authorities and the IMF. In addition to gaining legitimacy from the IMF, this

made the Troika one step removed from formal European actors and policy processes, isolating it from both national and European democratic pressures and procedures.

Interventions into Greece and Ireland

The Troika's six interventions varied as regards length, loan size, and the number, breadth and intensity of policy reform demands, as well as the kinds of policies required (Table 2). Intervention commenced in May 2010, when the first EAP was approved. This deal entailed lending the Greek Government 45 billion euros in 2010 and total funds of 110 billion euro over three years at a high interest rate (5%) under a tough set of conditionality clauses.

This was immediately met with discontent on the streets. A general strike was held, ending in a huge demonstration in Athens, peppered by riots and looting, and an attempt to storm Parliament. The deal was severe: even IMF representatives claimed in retrospect that the conditions were unjustified and onerous (Blanchard, 2015). The burden of conditionality was huge, making it unlikely deadlines could be met. Meanwhile, the Greek economic and financial situation deteriorated further. Social mobilization increased in 2011, becoming more violent. On 25 May, large demonstrations were organized across Greece's 35 largest cities, and Athens's Syntagma Square – the symbol of Greek democracy – lasting months (Cardoso *et al.*, 2018). In June 2011, as new austerity measures were presented to Parliament, another general strike was held and Parliament was again surrounded.

Given this deterioration and popular opposition, in October 2011, negotiations for a second intervention for 130 billion euros commenced. However, the new deal demanded even fiercer austerity measures in exchange for a debt restructuring agreement. Prime Minister Papandreou proposed holding a referendum to legitimise implementing austerity, but, in the face of furious reactions by presidents Sarkozy and Merkel, Papandreou cancelled the referendum and resigned (*Le Monde*, 2011). A technocratic coalition government, led by Loukas Papademos, former vice-president of the ECB, took control (IMF, 2013). This government approved the second EAP in March 2012, confirming a new, harder austerity drive (EC, 2012).

Rejection from Greek society was such that, in the January 2015 election, the historic two-party was broken when two anti-austerity parties were voted into power: Syriza, a left-wing coalition, and Golden Dawn, an extreme right party. EU officials pressurized the new government to either accept Troika conditions for a third intervention, leave the EU, or the euro (Grexit). Under huge pressure and, despite social unrest, the third EAP was signed in August 2015 (Michael-Matsas, 2015). The plan took conditionality to a new height. Combined, interventions involved over 200 billion euros, the lion's share coming from European institutions.

Table 2. Economic EU Adjustment Programmes

<i>Economic Adjustment Programmes</i>	<i>Greece</i>			<i>Ireland</i>
	<i>1st</i>	<i>2nd</i>	<i>3rd</i>	<i>1st</i>
<i>Years</i>	3	4	3	3
<i>Date of approval</i>	May 9, 2010	March 15, 2012	August 19, 2015	December 16, 2010
<i>Date of last completed review</i>	December 5, 2011	May 30, 2014	(Ongoing)	December 13, 2013
<i>Date planned to end</i>	June 2013	April 2016	August 2018	December 2013
<i>Date of expiration or cancellation</i>	March 14, 2012	June 30, 2015	(Ongoing)	December 15, 2013
<i>Total planned (billion euro)</i>	110	172.7	86	67.5
<i>% IMF</i>	27.3%	16.2%	0%	33.3%
<i>Total disbursed (billion euro)</i>	73	142.9	(Ongoing)	67.5
<i>% IMF</i>	27.5%	8.4%	0%	33.3%

Notes: In July 2015, between the 2nd and 3rd EAP for Greece, there was also a bridge loan from the EFSM for 7.16 billion euro. In the second EAP for Greece, the EFSF disbursed €141.8 billion euro but the HRADF returned 10.9 billion euro, therefore resulting in 130.9 billion euro disbursed by the EU in total and 12 billion euro disbursed by the IMF.

Source: EAPs for Greece and Ireland.

Shortly after signing Greece's first EAP, the Troika intervened into Ireland. When, in November 2010, the Irish authorities realized that their efforts to address liquidity pressures faced by private Irish banks were insufficient and, in the face of borrowing costs escalating to unsustainable levels, they turned, voluntarily, to the Troika for financial assistance. Some 85 billion euro was lent, 45 billion from the EU, 22.5 billion from the IMF, and 17.5 billion of Irish money. Irish protestors expressed their fury; banks, not people, were being bailed out, in one of the country's largest demonstrations ever (Cardoso *et al.*, 2018). However, the Troika intervention was relatively swift, coming to an end by December 2013.

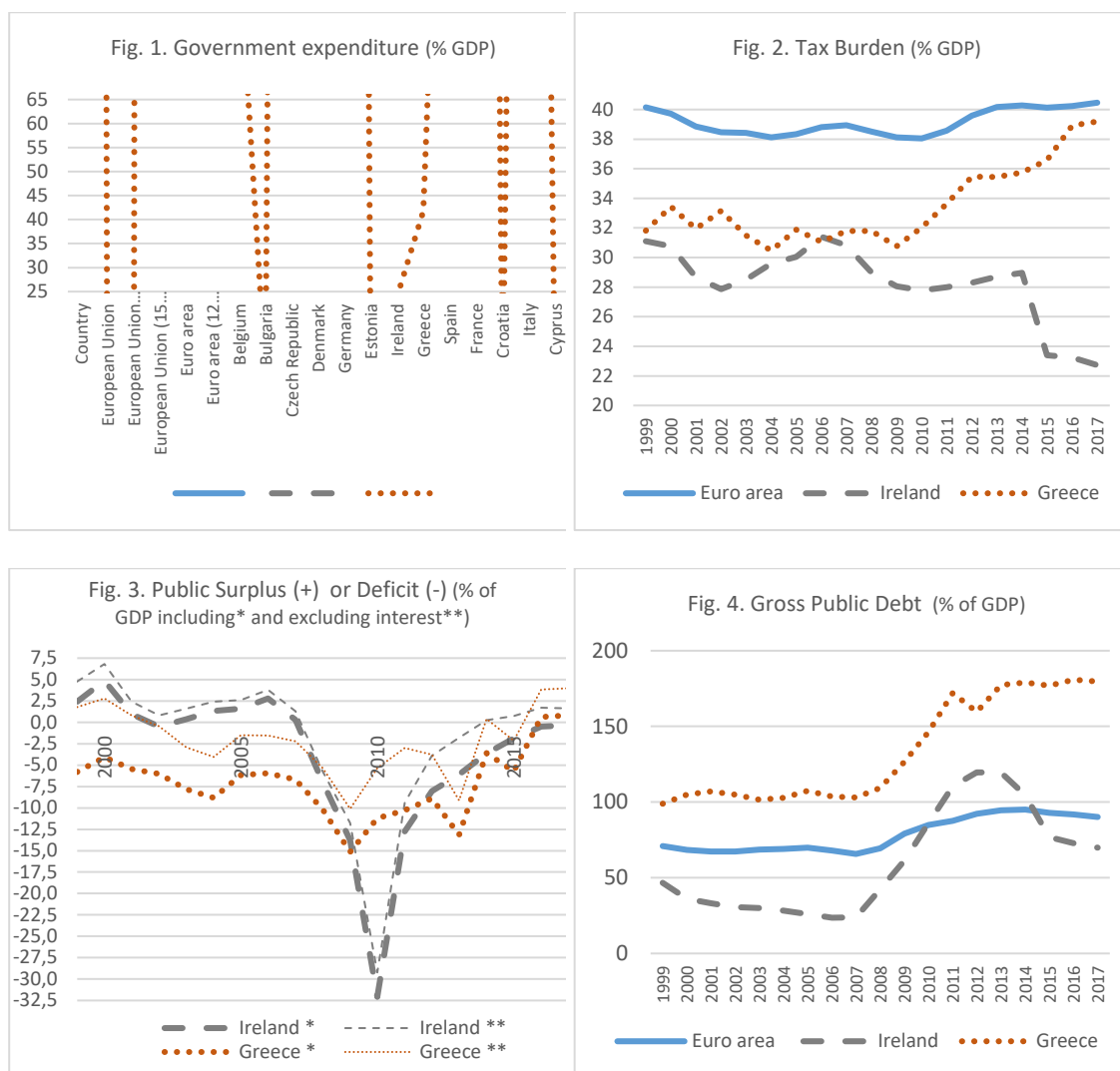
Transferring the European Consolidation State?

Pre-intervention

Greece was the second fastest growing eurozone economy from 1999 to 2008, after Ireland. Greece joined the euro in 2001, after the government convinced the European authorities its economy met some of the core stringent targets required. From the outset, though, European authorities expressed scepticism Greece was ready.¹ On joining, Greece's access to international financial markets was facilitated, leading to rapid economic growth at 4% annually until 2008. Borrowing increased – in particular, private borrowing – though not at the rate that it did in Ireland.² Greek public debt was relatively high but stable and the public deficit was relatively high, at 6% (Table 3 - Figures 3 and 4). Greek banks performed relatively well in the years up to the crisis, exhibiting quite healthy capital-adequacy ratios, low loan-to-deposit ratios and a low volume of toxic

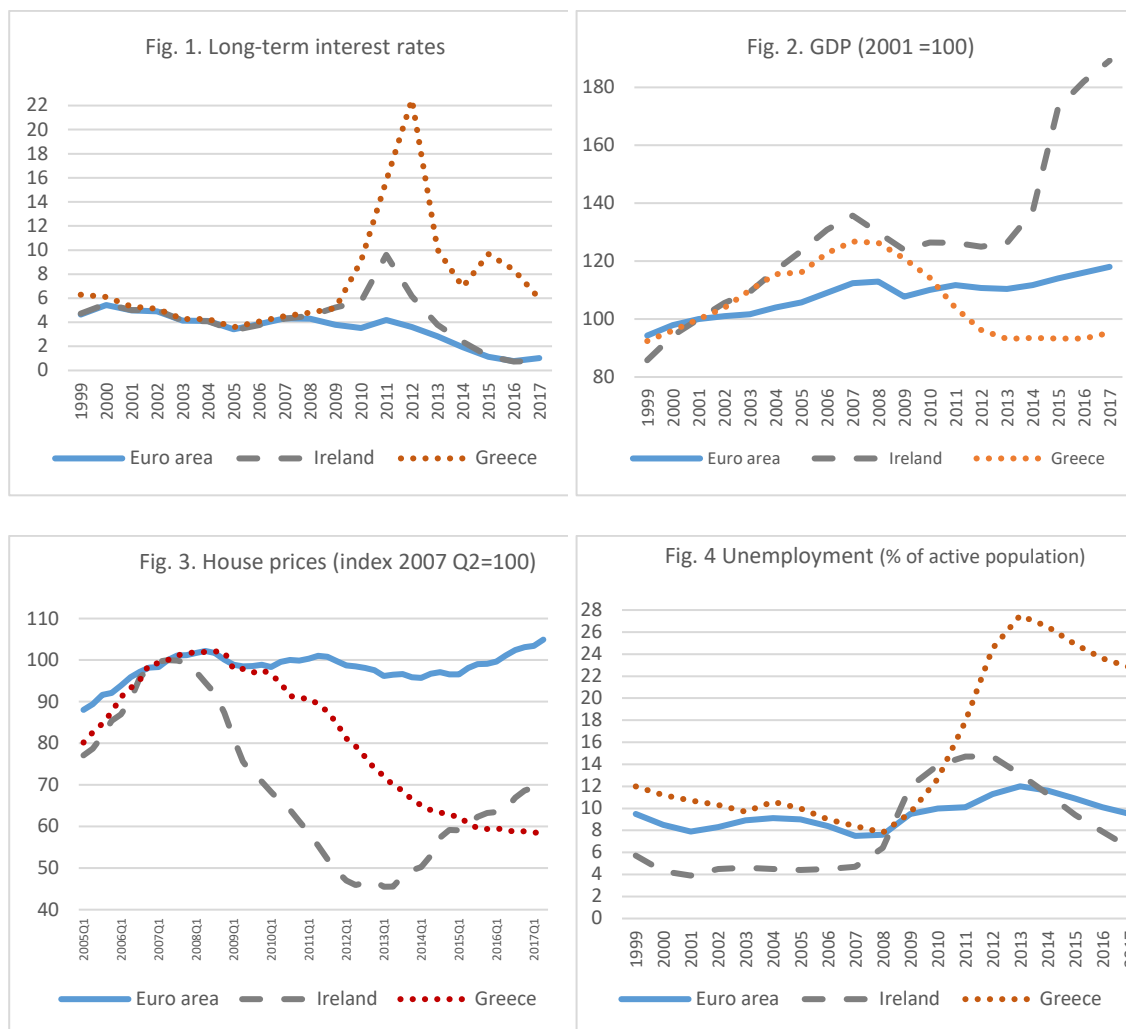
assets (Provopoulos, 2014). Greece did not have a private debt-driven property bubble like the US and Ireland: between 2001 and 2011, 15% of housing stock was built, in comparison to Ireland's 22% (Eurostat, 2015), whilst the proportion of homeowners with mortgages was 12.9%, compared to Ireland's 35.2% (Eurostat, 2018). Greece's homeowners were therefore less exposed to a banking crisis than the Irish. Additionally, Greece's banking system was relatively modest in size in terms of the eurozone, while it did not undergo an over-expansion, as in Ireland.³ Initially, when the crisis broke, the Greek government perceived the issue as a US crisis, remote from the eurozone area. Greek public expenditure continued to grow, and the public expenditure to GDP ratio rose from 41.4% in 2008 to 47.4% in 2009 (Table 3 – Figure 1).

Table 3 *Size of the State: Government expenditure, Tax revenue, Public budget surplus/deficit and Public Debt (as % GDP)*



Source: Elaboration by authors based on EC (2018).

Table 4. *Economic performance indicators for Greece, Ireland and the euro area, 1999-2017 (long-term interest rates, GDP index, house prices index and unemployment rates).*



Source: Elaboration by authors based on EC (2018) and Bank of Greece (2018).

costs included emigration and social polarization, with about one quarter of the population living below the poverty line. Though housing had not been a cause of the Greek crisis, newly introduced “odious” tax on property, income tax and household bills disproportionately affected the working and middle classes, increasing individual indebtedness and mortgage arrears (Alexandri and Janoschka, 2018). Public health cuts

led to a serious deterioration of citizens' physical and mental health (Karanikolos *et al.*, 2013) while very high unemployment levels were associated with a sharp rise of “excess economic suicide” (Chang *et al.*, 2013). Greece's labour relations have been profoundly reformed (Fulton, 2015) following German calls for labour flexibility as a means to promote “internal devaluation”. Company level agreements have virtually replaced collective bargaining arrangements (Table 1). Despite everything, the political economy model of the Greek government remained broadly expansionary, however, and it still looked to balance the *Staatvolk* with *Marktvolk*.

Ireland achieved an even smaller state and lower taxation after the crisis (Tables 1 and 3–Figures 1 and 2). However, public debt nearly trebled as a result of the bank bailouts. Before intervention, Irish public debt averaged 43 billion euros annually between 1999 and 2007; this increased to 144 billion in 2010, 215 billion in 2013 and over 200 billion euros in 2017 (EC, 2018). This debt represented around 24% of GDP in 2007, 120% in 2012 and 2013, and still 70% in 2016–2017 (Tables 1 and 3–Figure 4). Public debt per inhabitant averaged around 41,918 euros in 2017, compared to the euro area average of 30,010 (EC, 2018). Meanwhile, Ireland's pre-crisis public surplus was converted to a small deficit (a surplus without interest rates, Tables 1 and 3–Figure 3).

The Irish crisis also had devastating social consequences. The dramatic collapse of the housing market meant that, by 2013, house prices lost over 50% of their value since 2007 (Table 4–Figure 3), leaving half of mortgage holders in negative equity (Smyth, 2013; Duffy, 2014). Mortgage arrears increased from 3.3% in 2009 to 17.3% in 2013, of which 60% were at risk of losing their home (CBI, 2017). Initially, the Irish government cushioned the housing market collapse and resisted pressure from the Troika to facilitate

easier repossession, so, actual repossessions remained low. However, in 2013, the government succumbed, passing a law facilitating repossession. This decisively empowered the banks and erased the historical arrangement to protect citizens' rights as mortgage holders struggling with arrears (Waldron and Redmond, 2017). The rate of residential repossessions increased from 0.4%-0.7% in the period 2009-2013 to 2.4% in 2017 (CBI, 2017). Repossessions were mostly of primary family homes, and were concentrated in the commuter belt of suburbs near Dublin. Mortgage difficulties disproportionately affected those who were divorced, separated, widowed, less-educated, unemployed, had a low income or with children (Waldron and Redmond, 2017). The arrears rate was five times higher among lone parents than single person households, and more than double the rate of couples with and without children. The housing crisis also affected the household structure of property: the proportion of owners with a mortgage among people earning less than 60% of the median decreased from 22.9% in 2010 to 14% in 2016, while the proportion of tenants receiving subsidies on rent increased from 28.5% to 34% in the same period (Eurostat, 2018). Even when not in arrears, many households struggled from 2010 onwards to meet mortgage payments and have been forced to cut back dramatically on life quality, "existing" not "living". The mortgage burden negatively affected citizens' health and quality of life, particularly those with lower incomes, the under or unemployed, and those with other more vulnerable socio-economic backgrounds (Waldron and Redmond, 2017). Unemployment rates of nearly 15% in 2010 (Table 4–Figure 4), coupled with prospects of losing a home, caused a spike in suicide rates, especially amongst younger males⁴ (Corcoran *et al.*, 2015) and mass emigration. Austerity brought about significant deteriorations in living standards for the Irish people, affecting disproportionately those on low and middle incomes and social welfare (Drudy and Collins, 2011). Cuts to public expenditure affected social welfare and protection,

damaging above all lone parents, the unemployed, short-term workers, the elderly and large families (Allen, 2012). Austerity policies had unequal intergenerational effects. In 2017, unemployment was at 7% but still 17% for the under 25s, a stark difference considering huge numbers of young people migrated or enrolled in further education. Among the employed, the intergenerational gap in revenues and working conditions widened dramatically 2007 (Nugent, 2017). The burden of austerity was disproportionately borne by younger people as seen in uneven recovery levels in income and employment, and a high debt-to-income burden (Roche *et al.*, 2016).

As Peck (2011) points out, policy transfer is not always best explained by rational accounts. Power, interests and geography also provide important insights. Ideologically-motivated, coercive policy transfer - often justified by elites in times of crisis - tends to push neoliberal policy which elites claim has “worked” elsewhere onto jurisdictions irrespective of the political economy on the ground, making failure more likely. This kind of policy transfer is framed as being “necessary”, causing “temporary pain” for “longer-term gain” (Peck 2011). Once failure has occurred, this is used as the rationale to redouble efforts and apply even more severe neoliberal reforms.

This article showed that this observation was more clearly seen in Greece than in Ireland. Over-complex, inappropriate and incomplete policy was pushed onto Greece in an unrealistic, fast and intense manner, and crushed Greek society from the outset. When Greek authorities failed to implement the vast body of policies, the Troika reacted by increasing the content and speed of their demands, sometimes by using increasingly authoritarian practices, such as the use of an automatic mechanism to balance the books without the need for prior approval from Greek Parliament was introduced in the third

intervention (Matsaganis, 2018). In contrast, Ireland followed a model much closer to the idealized Consolidation State than Germany: the Troika was sympathetic, policy for transfer was less complex, more appropriate and complete. Austerity was imposed but critically left room for Irish authorities to manoeuvre. Though presented as a “successful” intervention, Irish society suffered significantly the emboldening of the Consolidation State.

Blanchard (2015) admitted pressure on Greece was driven by demands to repay foreign banks. Rocholl and Stahmer (2016) have shown that less than 5% of Greek bailout programmes went to the fiscal budget and the vast majority (64%) was destined for foreign creditors in the form of debt repayment and interest, particularly German and French banks, the major investors in Greek public debt. Ideology – or ideas about the “best” political economy model to follow - was used to guise justifications for policy transfer, but behind this were interests. More than a decade on, the socio-economic costs and legacy of the 2008 crisis in Greece and Ireland shows that the Troika was more concerned to appease markets and construct a Consolidation State in Europe than fix the real problems of its’ ailing economies.

¹ In 2001, the ECB President warned that Greece had much work to do. Subsequent reviews by Eurostat (2004) showed that, between 1997 and 2003, the Greek fiscal deficit and public debt, in reality, exceeded the Maastricht criteria.

² Private household debt in terms of available income increased from 30.4% in 2000 to a relatively modest 87.1% in 2008 (EC 2018).

³ The assets of credit institutions to GDP ratio was 152.3% in 2001 and 193.3% in 2008, lower than the euro area average of 251% and 331% in the same years (ECB, 2006, 2008; EC, 2018).

⁴ Corcoran *et al.* (2015) calculate the male suicide rate was 57% higher than would have been by 2012 if pre-recession times had continued.

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