Troika's Conditionalities during the Greek Financial Crisis 2010-2014: The Washington Consensus Is Alive, Well and Here to Stay

John Marangos[1],
Professor, Department of Balkan, Slavic and Oriental Studies,
University of Macedonia, Thessaloniki, Greece.
Email: marangosjohn@gmail.com

Abstract

There is a widespread perception around the world that the Washington Consensus is dead. In contrast to the world tide, prior to the global financial crisis of 2008, this paper aims to demonstrate that the conditionalities inspired by the Washington Consensus and imposed by the international financial institutions are still pertinent. Using as a case study the Greek Financial Crisis of 2010-2014, it is verified that the Troika's austerity imposed conditionalities neatly fit within the Washington Consensus framework. However, consistent with the neoclassical framework, the Washington Consensus recommends the reduction in taxes, whereas the Troika's austerity conditionalities entails an increase in taxes. It appears that a striking paradox is present in that the neoclassical tax conditionality policy is sacrificed in the name of increased tax revenue. This allegedly perplexed tax policy and blatant conflict, which controverts the very essence of the neoclassical ideological framework of the Washington Consensus and the IMF, will be further explored.

Keywords: Washington Consensus, Greek Financial Crisis, Conditionalities, Troika, IMF.

JEL Classifications: O11, O52

[1] I am grateful to two anonymous referees for increasing the quality of the paper with their valuable comments. I would like to thank the editor for his professionalism.

Troika's Conditionalities during the Greek Financial Crisis 2010-2014: The Washington Consensus Is Alive, Well and Here to Stay

1. Introduction

The *Washington Consensus* (WC), developed in 1989 by John Williamson, evolved as a blueprint for international development. The IMF, World Bank, and the USA executive, the main financiers of international development, make loans conditional on the adoption of WC inspired policy reforms (Naim, 2000, p. 509). The conditionalities are necessary, as stated by the international financial institutions, to prevent moral hazard and adverse selection, to provide credibility to reforms, and to demonstrate commitment to policy change. Due to criticisms and changing economic conditions, an up-to-date set of policy recommendations was proposed by the father of the term with the name *After the Washington Consensus* (AWC) (Kuczynski and Williamson, 2003). Indeed, as demonstrated by Marangos (2008, 2009a, 2009b), the AWC can effectively be displayed as per the original WC plus Institution Building. In light of this, both terms the WC and the AWC will be used interchangeably, as the Consensus.

There was prior to the global financial crisis of 2008, a widespread perception around the world that the WC (*ipso facto* also the AWC) was dead. The mood was characterized by statements such as, "after the collapse of the Washington Consensus" (Ramo, 2004, p. 60), "the Washington Consensus being 'dead for years'" (Mehrotra and Delamonice, 2005, p. 141), "it is fair to say that nobody really believes in the Washington Consensus anymore" (Rodrik, 2006, p. 974), "in the beginning of the 21st century the Washington Consensus is nominally at least, dead" (Mavroudeas and Papadatos, 2007, p. 62), "the demise of the Washington Consensus" (Fine, 1999, p. 1), all in all, "the globalization consensus" is dead (Rodrik, 2008). After all, "the widely-discredited Washington Consensus" (Ramo, 2004, p. 4) has been written off as "a hallmark of end-of-history arrogance" (Ramo, 2004, p. 4), "the kind of mail-order prescription" (Ramo, 2004, p. 33), "a laundry-list approach" (Rodrik, 2006, pp. 976–7), and that "there was a growing sense, among friends and foes, that it failed its promises" (Mavroudeas and Papadatos, 2007, p. 48). By far, the WC prior to 2008 was authoritatively dead!

Scholars of international development place considerable effort to demonstrate that the conditionalities policies of the Consensus have failed and are replaced by a new consensus. Consequently, an important inquiry surfaces: In fact, is the WC dead? In contrast to the world tide, prior to the global financial crisis of 2008, the purpose of the paper is to demonstrate that the conditionalities inspired by the WC and the AWC and imposed by the IMF, European Union, and the European Central Bank, (aka initially "Troika", later "Institutions") upon Greece are still pertinent. After all, the dominant role of the IMF during the Greek Financial Crisis (GRFC) is an appropriate case study for assessing the perseverance of the Consensus as a form of economic policy.

Drawing on newly-available data, I employ a classification strategy, to match conditionalities from the lending programs to elements of the Consensus, thereby arguing that the Consensus is still alive – unlike widespread opinion prior to 2008 by scholars, policymakers, and politicians – and is here to stay. Using as a case study the GRFC of 2010-2014, it is verified that Troika's austerity imposed conditionalities, neatly fit within the WC framework. The goal of using the conditionalities associated with GRFC of 2010-2014 as a case study, is to identify the similarities and differences, continuities and discontinuities with the Consensus. Case studies

focus on the unique individual experience of a given phenomenon. While the results of a case study may not be generalized to the greater population, they can still offer insight into a complex phenomenon. The imposed conditionalities associated in the Greek case is enough to discredit and is sufficient to reject the main hypothesis, notably that the WC is dead, with the caveat that case studies lack external validity and cannot show a general pattern. To give the benefit of the doubt, maybe the WC was dead, as the aforementioned statements demonstrate, or at least weakened (Wade, 2012). However, now it is being resurrected or recovered its strength, and is fully present in the case of Greece. Importantly, the WC is alive, well, and here to stay, at least in the case of Greece. To my knowledge, such exercise in linking the Troika's austerity conditionalities imposed upon Greece with the AWC has not been attempted. Scholars and students would benefit from this discovery, as the subject is topical and speaks to ongoing debates in the international political economy and global governance. Using a novel approach, the association between the Greek imposed Troika's austerity conditionalities and the AWC is developed, upholding the stronghold of the Consensus as a prescription for international development, at least in the Greek case.

Interestingly, consistent with the neoclassical framework, the Washington Consensus recommends the reduction in taxes, whereas the Troika's austerity conditionalities imposed upon the Greek people entails an increase in taxes. Curiously, the neoclassical tax conditionality policy is sacrificed in the name of increased tax revenue. This perplexed tax policy and alleged blatant conflict, which controverts the very essence of the neoclassical ideological framework of the Washington Consensus and the IMF, will be further explored in this paper.

The paper is structured as follows: Section 2 presents the association between WC and AWC. Section 3 portrays the arguments by scholars that the WC is dead. Section 4 provides a short analysis and consequences of the GRFC. Section 5 and 6 depict the data and the analysis and results, respectively, and Section 7 concludes.

2. The Washington Consensus (WC), and the "After the Washington Consensus" (AWC).

In November 1989, the Institute for International Economics convened a conference to investigate what was ensuing with the economic reforms in Latin America in reaction to the debt crisis. Williamson (1990a, p. 402) argued with heavy expression of skepticism against the standpoint that Latin America failed to implement an effective structural adjustment program. Structural adjustment in Latin America had the goal of establishing a market-based economic system to replace the traditional statist economic system. For the sake of clarity, Latin American countries implemented outstanding deep economic reforms based on Williamson's assessment. At any rate, Latin America deserved support in the form of debt relief. Due to this telling contribution, Williamson (1990b) identified and debated 10 economic policies, whose suitable utilization could meet a point of consensus in Washington between the United States Executive, International Monetary Fund (IMF) and the World Bank (WB), in the mode of the "Washington Consensus" (please see Table 1). Although the WC may have emerged from Latin America, it became powerful beyond this region. In due course, the ten policy sanctions were transformed into "the Ten Commandments" for international development policy (Williamson, 2004a, p. 3) that took the form of imposed conditionalities emerging as crucial points of IMF funding and programs, notably for Greece. "But his [Williamson] list, nonetheless, captured the essential

features of what we now call austerity policies rather well" (Blyth, 2013, p. 169). International and supranational institutions have developed and applied over time a set of austerity policies that are rooted in mainstream beliefs. Blyth (2013) describes in detail the theoretical predecessors of austerity policies. In fact, IMF practice, was in the position to contribute and accept the conclusions of the Washington Consensus, *aka* austerity policies, long before Washington Consensus ideas became so popular. As the creator of the term explains, the term originated from an attempt to answer the following question posed to him by Hans Singer during a seminar: "What were these 'sensible' policies that were pursued in Latin America?" (Williamson, 2000, p. 254). To respond to this question, Williamson outlined a list of the ten reforms, which he thought command general support in Washington, baptizing the set of policies as the "Washington Consensus". It is not by accident that that fiscal discipline is *primus inter pares* on the Washington Consensus list (Blyth, 2013). This shows that there might be a close relationship between the austerity and the Washington Consensus, as Blyth (2013) drew attention to, and a continuity by tracing back to the roots of austerity. Thus, this warrants further elaboration in testing the potential overlap between the Washington Consensus and austerity, indeed, whether in its developmental form, austerity takes the shape of the Washington Consensus.

Despite Williamson's original conception, the term evolved to denote a different set of policies than were initially proclaimed, influenced by specific beliefs, changes in doctrines, or failures of past policies. The father of the term in subsequent writings changed the set of policies by elaborating and expanding them and attempting to incorporate the criticisms associated with the definition and interpretation of the term. Moreover, Williamson attempted to include, sometimes explicitly, his personal values and beliefs. In the history of the paradigm, Williamson instigated major changes to the original version, thus adapting it to other countries, economic situations, and criticisms raised within the academic community. Most importantly, Williamson reacted to criticisms related to the negative results of the Washington Consensus, as a policy prescription and to the Bretton Woods institutions' failures in managing the 1990s East Asian financial crisis. Besides, the Washington Consensus necessarily evolved due to major events and/or intellectual changes from the original Washington Consensus as the lowest common denominator of the economic reforms in Latin America. It is demonstrated by Marangos (2009a) that in actual fact Williamson, the father of the term, the critics of the Washington Consensus, and the policymakers in Washington were adding, subtracting, or amalgamating policies incorporated in the term, as the time went by. For example, although it is not clearly stated, deregulation in the original Washington consensus should also be applied to the labor market, as Williamson (2003a, p. 324) stated 13 years later.

In the end, as Latin America's achievements left much to be desired, the final set of policy recommendations was established by Kuczynski and Williamson (2003) in much the same way as the WC, with the name *After the Washington Consensus* (AWC). This new set of policies attempted to correct the defects in yet maintain the fundamental tenets and conditionalities of the original WC. "In this view, the Washington Consensus was essentially correct, but had paid insufficient attention to the institutional and legal frameworks - such as bankruptcy law and independent judiciaries – that markets need to function correctly" (Babb, 2013, p. 281). The policies of the AWC are presented in Table 1 in the order presented by the fathers of the concept, demonstrating its relationship to the original WC with the stipulation that "[T]he purpose of this study [AWC] is to develop a policy agenda for reviving economic momentum in Latin America" (Kuczynski, 2003, p. 31). Williamson (2004b, p. 12) states: "I need first to outline what our new

strategy, presented in Kuczysnki and Williamson (2003) suggests (Latin American) countries ought to do". Once again, as with the WC, the AWC may have merged from Latin America, it became powerful beyond this region; effectively, the WC was a transnational policy paradigm created by intellectual and political forces (Babb, 2013; Hall, 1993). All in all, Williamson tried to save the term and the imposed conditionalities with proposing the AWC, as a continuation of the WC. Actually, it was neoliberalism mutating to social-liberalism with the softening of the more sectarian aspects of WC and adding reference to institutional issues. The same is verified in Kentikelenis et al. (2016, p. 5) study of the IMF's programs and their characterization of the purported change as "organized hypocrisy". Like, any "… IMF's pro-poor concerns are accorded, at best, secondary importance compared to macroeconomic targets" (Kentikelenis *et al.*, 2016, p. 24). In the case of Greece, Marangos *et al.* (2021) demonstrate the impoverishment of the Greek people due to the AWC imposed IMF conditionalities; telling, is that the people at risk of poverty or social exclusion rate increased between 2008 and 2017, rising from 28.1% to 34.8 % reaching a peak in 2014 of 36%. In other words, the AWC can be interpreted as "a change within continuity" providing more nuance to the central argument and preserving the conditionalities as crucial points of IMF programmes. Table 1 starts, not chronologically as with the text, with explicating the AWC, the modern version of conditionalities of IMF programmes, in contradistinction with the WC.

Institution building is the most important difference between the two versions of the Consensus and institution building plays an important role in the case of Greece (tax administration, debt rules). The add-on, "institution-building", can be explained by the rising popularity of New Institutional Economics in the 1990s that initiated a key innovation in development economics by the recognition of the crucial importance of institutions in ensuring that the economy functions effectively. Williamson (1997) mentions for the first time "institution building" as building and/or rebuilding institutions, such as an independent central bank, strong budget offices, decentralization, independent and incorruptible judiciaries, and agencies to sponsor productivity missions. Williamson (2003b, p. 2, 2003c, p. 13) retitles "institution building" as the "second-generation reforms" a term founded by Naim (1994). Institution building or second generation of reforms identified a vital role for the state, which is perfectly consistent with mainstream economics, in creating and maintaining effective institutions, providing public goods, internalizing externalities, correcting income distribution, decent infrastructure, a stable and predictable macroeconomic, legal and political environment, and a strong human resource base. The second generation of reforms involves, in addition to the aforementioned requirements, reforming the judiciary; employment of teachers and civil services; building a national innovation system to promote the diffusion of technological information, fund pre-competitive research, providing tax incentives, encouraging venture capital and industrial clusters; modernizing the market institutional structure including property rights and bankruptcy laws; and ensuring institutional reform in the financial sector such as strengthening prudential supervision.

PLEASE PLACE HERE TABLE 1

3. Is the WC dead?

The perception that the "Washington-knows-best approach to telling other nations how to

run themselves" (Ramo, 2004, p. 4) and "Williamson's original list of do's and don'ts" (Rodrik, 2006, p. 974) is dead, is a view, prior to the global financial crisis, that has gained currency among academics, journalists, policy-makers, even high-ranked officials of the IMF and World Bank. The same diagnosis is expressed concisely in Anne Krueger's (2004) remarks on policy reforms in emerging market economies. The then Acting Managing Director of the IMF titled her presentation: "Meant Well, Tried Little, Failed Much" referring to the WC. Frequently, commentators call attention to the replacement of the WC by way of another consensus, taken as given its death. On 25 May 2004, in Shanghai, James Wolfensohn, the then President of the World Bank, observed that the "Washington Consensus has been dead for years. It has been replaced by all sorts of other consensuses" (Maxwell, 2005, p. 1). Along the same vein, "the question now is not whether the Washington Consensus is dead or alive: it is what will replace it" (Rodrik, 2006, p. 974). Furthermore, "the Washington Consensus has been replaced by a new and improved orthodoxy, called here "meta-narrative" (Maxwell, 2005, p. v). Alternative consensuses have mushroomed without Williamson's endorsement, including the Post-Washington Consensus, Washington Contentious, After Liberalism, among others (Marangos, 2008).

The New York Times quoted a World Bank official, declaring "[t]here is no question, the Washington Consensus is dead". Indeed, it "died at the time of the $700 billion bail-out," referring to the Emergency Economic Stabilization Act of 2008, which bailed-out the U.S. financial system due to the subprime mortgage crisis. Indeed, Paul Krugman's Nobel prize was the nail in the coffin of the WC's death, as the Nobel committee cited Krugman's theoretical contributions to international trade, clearly contradicting the policy recommendations of the WC, as opines Gallagher (2008). But when another Nobel prize winner and former the Chief Economist of the World Bank, Joseph Stiglitz, publicly denounced the IMF's conduct of the financial crises in Asia and Russia, Anders Aslund at the Carnegie Endowment voiced that "without knowing anything [Stiglitz] mouths any stupidity that comes to his head" (Naim, 2000, p. 507). Alan Blinder, a former Vice Chairman of the US Federal Reserve Board, was of the view that "the hard-core Washington Consensus which holds that international capital mobility is a blessing, full stop needs to be tempered by a little common sense" (Naim, 2000, p. 518). Nobel laureate James Tobin called for a tax on currency transactions to lessen volatility to "put sand in the wheels of international finance" (Naim, 2000, p. 507). Indeed, even the father of the WC John Williamson remarked he "was a bad reporter of the Washington scene" regarding the consensus (Naim, 2000, p. 508).

Since these statements were made in 2008 or earlier, importantly prior to the global financial crisis, the IMF found itself virtually without customers, as countries choose to exit the IMF-sponsored insurance regime and opted for self-insurance through exchange rate depreciation and building up international reserves. The abuse of informal governance procedures and the exploitation of asymmetric interdependence weakened the IMF's legitimacy and produced erosion (Stone, 2008). Unexpectedly, the global financial crisis, together with the by far more contentious Greek crisis and the European crisis created a new market, as the IMF did not lend to EU members before the crisis, rescuing and reigniting its legitimacy in world financial affairs. The global financial crisis resulted in resurrecting the WC, together with the AWC, austerity, and conditionalities, if the Consensus was at all dead in the first place!

4. The Greek Financial Crisis

It is beyond the goal of this paper to provide a detailed account of the causes and consequences of the Greek Financial Crisis. For the sake of clarity, however, it is essential to briefly place in context the necessary facts. Greece entered the sovereign-debt crisis in 2009, with unsustainable fiscal and external imbalances and with the highest debt to GDP ratio in Europe (Nikiforos *et al.*, 2015, p. 303). Greece's fiscal deficit increased from 4.4 percent of GDP in 2001 to 15.6 percent of GDP in 2009. The fiscal deficit was mainly expenditure driven - the share of government spending in GDP rose about 9 percentage points to 54 percent in 2009. The ratio of government debt to GDP rose from 103.7 percent in 2001 to 129.7 percent in 2009. Greece's competitiveness, calculated as the unit labor costs, deteriorated 30 percent over the period 2003 to 2009 and the current account deficit as a percentage of GDP increased from 11.5 percent in 2001 to peak of 18.0 percent in 2008 before declining to 14.4 percent in 2009 (Provopoulos, 2014, p. 241). As a result, in April 2010 credit agencies downgraded Greece government debt to junk bond status, effectively shutting the door to the international credit and bond markets.

In May 2010, with a debt to GDP ratio close to 120%, Greece accepted a bailout package of 110 billion euros from the EU and the IMF to prevent default, complemented by economic policy conditions unraveling the current Greek tragedy. Nevertheless, the medium length bail-out and structural transformation program imposed and adopted proved inadequate in bolstering market confidence. The international credit and bond markets were demanding outrageous interest rates, meritoriously upholding the borrowing door shut to Greece. On March 14, 2012, the Eurozone finance ministers approved funds for a Second Economic Adjustment Program for Greece. The Eurozone members and the IMF committed the undisbursed amounts of the first program plus an additional 130 billion euros for the years 2012-14. In May 2012, a "voluntary" debt restructuring agreement called the Private Sector Involvement (PSI) was reached, where most private investors would swap their Greek government bonds for new securities worth 46.5 percent of the face value of their original claims.

The economic policies imposed and adopted by the second Economic Adjustment Program also proved inadequate in bolstering market confidence. It should be noted that the paper only examines the first two Economic Adjustment Programs of 2010 and 2012. The third program of 2015 was signed by the newly elected left-wing government. Upon winning the election, the Left-wing government engaged in a prolonged renegotiation with Greece's creditors. The deadlock of the negotiation led to the decision of holding a referendum concerning the acceptance or rejection of a third Economic Adjustment Program. At the same time, strict capital controls took effect. After the rejection of a third Economic Adjustment Program by the Greek people, the exit of Greece from the Eurozone seemed to be an inescapable scenario. However, the Left Greek government performed a last-minute U-turn. Against the wishes of 61.31% of the voters, on August 19, 2015, Greece signed with the European Commission a Memorandum of Understanding for further financial support up to 86 billion euros over three years, matched with a new set of austerity policies. An important difference between the third Economic Adjustment Program and the previous two is that the IMF did not participate in the financing of the August 2015 agreement. The IMF refused to contribute additional funds until the creditors provide Greece a significant debt relief. In furtherance, the IMF participated in monitoring the implementation of the program, jointly with the Europeans, and its role should not be downplayed. In the end, the IMF joined the funding program of Greece on July 20, 2017. By and of itself, the initial non-financing monitor role of the IMF, the flouting people's will expressed in the referendum, and due to space limitations, the third Economic Adjustment

Program, deserves its own fruitful political economy inquiry, and is not part of the current study. Considering the aforesaid, the paper does not underrate the domestic sources of fiscal instability in Greece and the nuanced interplay of institutions and individuals in negotiating the crisis. The fact is that Greek sovereign lost its credibility as a mishmash of the aforementioned sources together with globalization and the WC.

Indicative, of the wide-range impact of the first two Adjustment Economic Programs for Greece, are the number conditionalities imposed stated in Table 2. In 2012, Greece had the most conditionalities out of 45 countries, while between 2011 and 2014 the number of conditionalities varied between 52 and 62, ranking Greece in the top seven countries in the world. To avoid any misleading interpretation as this assessment places much weight on the pure numbers of conditionalities and ranks that is how the policy reforms in the data are coded, we advance to consider the scope of conditionalities (Stone, 2008), in particular the policy areas affected in Greece. The conditionalities imposed upon Greece differ from other cases due to the constraints associated with the institutional idiosyncrasies of being a member of the EU and the Eurozone, as analyzed in furtherance.

PLACE HERE TABLE 2

The scope of conditionalities in Greece is based on fiscal tightening (spending cuts in transfers-pensions, welfare programs, the government wage bill and public employment) so it is said produces non-Keynesian expansionary effects: “expansionary austerity” (Alesina and Ardagna, 1998) or “growth friendly fiscal consolidation”, tantamount to “austerity” (Blyth, 2013, p. 102). While the Washington Consensus was facing enormous criticisms throughout the developing countries, a whole new literature began to emerge substantiating that expansionary austerity is actually effectual, at least in theory, and at least in the developed-OECD countries. In this context, the significance of Alesina and his colleagues’ research in defining and supporting the modern policy case for austerity cannot be overrated. Alesina and Ardagna (1998, p. 491) argue that non-Keynesian expansionary effects of fiscal consolidation should occur, especially at high levels of debt, as in the case of Greece. The positive wealth-expectation effect should be effective when fiscal adjustments occur concurrently with a high and rapidly growing debt/GDP ratio: “So, not only should we cut, we should cut when it hurts, in the slump, not the boom, and we should cut decisively” (Blyth, 2013, p. 172).

Based on statistical evidence of ten case studies of major fiscal adjustments in OECD countries for the period 1960-94, Alesina and Ardagna (1998, p. 488) argue that supply-side and to a limited extent demand-side channels produce expansionary effects, when applying austerity policies. Strangely enough, at the same time, from a political economy perspective, any reluctance by politicians to apply expansionary austerity is unfounded. There is no evidence, at least for OECD countries, that austerity generated a loss of popularity and eventually a loss of office for politicians pursuing austerity.

In line with this thought and relevant to the Greek austerity case, the German finance minister Wolfgang Schäuble published an article in the Financial Times on June 24, 2010, in which he stressed the need for “expansionary fiscal consolidation”, indicative of the policies expected in Europe and Greece. But “… the latest empirical studies on the relationship between austerity and growth, noting that far from supporting the idea of ‘expansionary austerity’, it rather completely undermines it” (Blyth, 2013, p. 18), as in the case of Greece. “Austerity does not work” (Streeck, 2013, p. 727) in reducing the debt and promoting growth and “austerity as a

route to growth and as the correct response to the aftermath of a financial crisis does not pass the sniff test" (Blyth, 2013, p. x).

The distinction between wage-led growth and profit-led growth, is fundamental here for Greece, which is a major feature of neo-Kaleckian growth modeling. In a wage-led economy an increase in the wage share, even though it results in a decrease in the profit share, increases economic activity and growth, whereas in a profit-led economy it has the opposite effects. Also, in an open economy, negative effects are present via net exports. The answer to which is larger: the positive effect of wages on consumption or the negative effect of wages on investment and net exports, can be found in empirical studies. The Eurozone as a whole and OECD countries are on average wage-led, based on the empirical literature (Oyvat *et al.*, 2020, p. 461; Stockhammer and Onaran, 2012, pp. 191–2). Inferring that while an increase in wages in Europe, *ceteris paribus*, harms investment, and net exports, it has a positive effect on consumption. As the Eurozone is a relatively closed economy, the consumption effect prevails over the investment and net export effects, increasing growth. On the other side of the fence, a simultaneous wage cut in the highly integrated countries of the Eurozone produces only negative domestic demand effects (Stockhammer and Onaran, 2012, p. 197). Subsequently, as Greece is a wage-led economy, policy that increases (decreases) the wage share is a powerful means of raising (decreasing) growth and lowering (increasing) unemployment. For Greece in the Eurozone, as exchange rates do not exist within, monetary policy is centralized and fiscal policy is carefully constrained, wages are the only variable that can adjust in the face of asymmetric shocks (Stockhammer and Onaran, 2012, p. 199). In Greece, a wage-led recovery would also increase tax revenues and contribute to a reduction in public debt/GDP ratio. Undeniably, debt sustainability would require structural reforms to increase the minimum wages, reinstate collective bargaining institutions and increase public sector pay, to increase the wage share. All this in contradistinction to further deregulation in the labor market and wage cuts, as imposed by Troika in Greece (Onaran and Obst, 2016, p. 1543). A decrease in the share of wages in national income in isolation leads to lower growth in Greece (Onaran and Obst, 2016, p. 1517). In "the integration of unequals in the EU" (Johnston and Regan, 2018, p. 154), the losers of European integration are those member states that were traditionally reliant on wage and/or credit growth to generate aggregate demand, as in the case of Greece.

Greece has been named the poster child of the Eurozone crisis and austerity policy. "Becoming Greece" via the threat of contagion was amplified and turned out to be an example to be avoided as to justify any public expenditure cuts (Blyth, 2013, p. 72). But we cannot all together cut and expect to grow; this is a fallacy of composition problem that weakens the argument of austerity as growth-enhancing. In the end, "austerity is a zombie economic idea because it has been disproven time and again, but it just keeps coming" (Blyth, 2013, p. 10).

5. Data Presentation.

Kentikelenis, Stubbs, and King (2016) collected relevant archival material on the IMF's lending operations and identified all policy conditionalities in IMF's loan agreements between 1985 and 2014, extracting 55,465 individual conditions across 131 countries. Table 3 presents the classification strategy regarding the data extracted by Kentikelenis, Stubbs, and King (2016) and the policies of the AWC. The conditionalities policy areas identified by Kentikelenis, Stubbs, and King (2016) are interrelated with each associated policy of the AWC. Needless to say, the policies associated with the AWC of exchange rates, trade liberalization, foreign direct

investment and property rights are not applicable in the case of Greece, pointing out to a crucial difference between Greece and other IMF debt-funded countries, such as Argentina, limiting and constraining the representativeness of the results. There are institutional differences present: Greece has transferred part of its monetary and political authority to the EU and the ECB prior to the implementation of the economic adjustment programs. As a member of the EU and the Eurozone, Greece has already in position the liberalization and institutional dogmata associated with the aforementioned policies of the AWC; no conditionalities are imposed concomitant to these policy areas. Greece can be considered, in this case, a representative of the group Eurozone countries that suffered a debt crisis such as Cyprus, Ireland, Italy, Portugal, and Spain.

From this dataset, the conditionalities associated with the Economic Adjustment Programs for Greece in 2010 and 2012 were extracted. The contribution of the paper is based on linking the classification strategy of Kentikelenis, Stubbs, and King (2016) with the policies of the AWC (see Table 3) and from the same source drawing out the relevant data.

PLEASE PLACE HERE TABLE 3

To establish the veracity of the claim that the Troika's austerity conditionalities imposed on Greece neatly fit within the Consensus framework, I employ a classification strategy. Williamson's list of the best practices for development strategies is the starting point. These are enumerated in the AWC, as per the original WC plus Institution Building, revealed in Table 1. Successive conditionalities of each adjustment program are scrutinized and placed in each appropriate row of the AWC. The set of conditionalities is presented in Table 3 as a grid in which the rows represent various policies of the AWC and the columns represent the set of conditionalities of each adjustment program. The table also incorporates the placement of particular conditionality in the appropriate cell of the grid, using the conditionalities policy areas by Kentikelenis, Stubbs, and King (2016) linked to each associated policy by the AWC. Table 3 incorporates only indicative conditionalities in chronological order to demonstrate the association between the AWC and the Troika's conditionalities imposed upon Greece.[2] Each conditionality is depicted with the Arrangement Date (Date of the Executive Board meeting that approved the arrangement), Month (Month the condition is scheduled for implementation or Continuous), Year (Year the condition is scheduled for implementation) and Arrangement Duration (Duration in months of the arrangement as agreed at the time of approval, does not include subsequent extensions). This format aims to give structure to the discussion and its telling contribution in showing precisely which conditionalities correspond to which AWC policies. At the end of the day, a succinct categorization emerges showing how the set of conditionalities of each program corresponds to the AWC.

6. Analysis and Results

Table 3 demonstrates that the conditionalities imposed on Greece in the two Economic Adjustment programs under the AWC are linked with the conditionalities policy areas by Kentikelenis, Stubbs, and King (2016). In sum, the AWC policies, the conditionality policy areas and the conditionalities imposed upon Greece are related to the following areas:

[2] Due to space limitations, the full dataset is not included, nevertheless it is available upon request by the author.

1. **Fiscal Discipline (External Debt Issues and Fiscal issues):** ceilings on government new domestic arrears, new external payments arrears on external debt, new guarantees granted, the overall stock of central government debt, primary spending, floor on government primary cash balance and reduce public expenditure programs.
2. **Public Expenditure Priorities (Social Policy and Redistributive Policies):** reduce social spending programs and close unnecessary public entities.
3. **Tax Reform (Revenue and Tax Issues):** increase VAT, curtail tax evasion, achieve quantified key performance indicators for revenue administration, impose targets for audits and debt collection and the resolution of administrative appeals, extend collection of the real estate tax and construct a new property tax regime.
4. **Financial Liberalization (Financial sector, monetary policy, and Central Bank issues):** recapitalization framework and financial oversight framework for banks, capital needs assessment, and a plan for banks and stress test for all banks using a methodology designed in consultation with the EC, ECB, and the IMF.
5. **Privatization (SOE reform and pricing and SOE privatization):** privatization plan for the divestment of state assets and enterprises, a floor on privatization receipts, and the establishment of a Privatization Agency.
6. **Deregulation (Labor issues for public and private sector):** pension reform, reform of the collective bargaining framework and reduction of the minimum wage, reform the system of collective bargaining, reform the general government personnel system, mandatory exits (headcount, in thousands) from the public sector, mobility scheme in the public sector, reduce the minimum wage for long-term unemployed.

The After Washington Consensus:

7. **Institution Building (Institutional reforms and Residual category):** reduce the number of local administrations and elected/appointed officials, removing restrictions to competition in regulated professions, liberalizing all professions and income-generating economic activities, liberalize key product and service markets, remove barriers to competition in four sectors (tourism, retail, building materials, and food processing), and address legislative barriers to competition in wholesale trade, manufacturing, telecommunications, and e-commerce.

In plain language, the conditionalities in Greece involved the reduction of public expenditure, wages, pensions, social transfer payments and "redundant expenditures," recapitalization of banks as a result of the PSI, wide range privatization of state enterprises, deregulation of the labor market (reducing workers' rights, establishing the precedence of firm-level agreements, eliminating the restrictive rules regarding employee dismissals, reducing social security costs, reducing flexibility in working-hours agreements, removing barriers to entry of professions), deregulating product markets, and trimming the public sector by reducing civil servants. By and large, these conditionalities undermined the demand generation process and increased the unemployment rate. Overall, Troika's conditionalities in Greece involved nothing more than the standard IMF structural adjustment policies that have been imposed in Latin American, African, and the ex-Soviet Union and Eastern European countries, in the form of the AWC, taking into account the institutional idiosyncrasies of Greece.

A topic calling for significant attention is tax policy (broadening the tax base and cutting marginal rates based on the Consensus). There is strong empirical support of the claim that the IMF has fostered a "tax consensus," a "powerful consensus," and a "mass produced approach to tax reform" characterized by the lack of attention paid to vital country-specific characteristics such as domestic issues of equity and politics (Marshall, 2009, p. 1; Stewart and Jogarajan, 2004, p. 146). It is apparent that consistent with the neoclassical economics framework, the Consensus recommends the reduction in taxes and tax revenue, whereas the Troika's conditionalities imposed upon the Greek people entail an increase in taxes and tax revenue. The traditional neoclassical arguments against taxation, especially high taxation, is that taxes distort behavior, incentives, and economic activity and result in dead-weight loss. Thus, the following questions arise: Is there a striking paradox that the neoclassical tax policy of the Consensus is sacrificed in the name of the Troika's conditionality policy of increasing tax revenue? Is there a blatant conflict that controverts the very essence of the neoclassical ideological framework of the Washington Consensus and, likewise, the IMF's dominant ideology?

For the sake of clarity, it is plausible to interpret Troika's tax reform policy in austerity terms, removing in this way the made-up conflict and making tax reform consistent with the Consensus. Clearly, the tax policy recommendation of the consensus is "Broadening the tax base (including taxing capital flight), reducing marginal tax rates to a moderate level, and improving tax administration" should be seen as part of social liberalism. The IMF, the proponents of austerity, has always included tax-related conditionalities, at least since the mid-1980s, without recommending increased taxes in general. The composition of tax conditionalities has shifted in favor of introducing or increasing VAT, increasing some income taxes, at the expense of corporate taxes that should be reduced, as in Greece. Broadening the tax base, as well as, increasing tax collection, precisely avoids increasing overall taxes. But the tax base in Greece was so poor that Troika "had" to enforce tax increases. Besides, IMF programs are conceptualized as fiscal consolidation-austerity with significant structural reforms envisioned. This means that tax increases were as much the preferred mode of consolidation, along with expenditure reductions. In fact, fierce resistance to spending cuts by public unions indicated that an increase in revenues would probably be easier. Yet, increasing tax revenue could be interpreted as a way of balancing the budget, thereby freeing up resources to repay the debt. In line with this thought, increasing tax revenue increases space for governments to improve income distribution, as "public expenditure priorities" of the consensus demands. Considering aforesaid, the austerity approach to tax reforms emphasizes broadening the tax base, increasing tax collection and fiscal consolidation, and downplays the unequivocal statement of "reducing marginal tax rates". Thus, Troika's and by extension IMF's tax reforms are fully compatible with the traditional neoclassical perspective of the Consensus. There is no striking paradox and blatant conflict!

The increased tax burden can also be defended by the huge burden of the Greek debt, the need to secure some fig leaf of debt viability for the adjustment programs (required particularly by the IMF's statutes), and the front-load character of the adjustment programs. Overall, a reasonable explanation is that the tax conditionality serves also to ensure that Greece will achieve the debt repayment goals in general, and in particular, enabling the repayment of the IMF and its European partners. As a matter of fact, the IMF always gets paid back, dollar for dollar (although there are rare exceptions in the history of the IMF with currently Soudan counting for 80% of the total overdue financial obligations and Somalia for the remainder, while Zimbabwe settled its overdue obligations on October 20, 2016, (IMF, 2018)), due to two reasons:

one as a result of international market behavior and two as a result of a statutory agreement. According to current practices, without an IMF program, a country would not qualify for rescheduling of debts owed to the Paris Club (major creditor countries) or private creditors. Additionally, the IMF has as a "Preferred Creditor Status" (PCS). Members borrowing from the IMF are expected to give priority to meeting firstly their obligations to the IMF, which other creditors also abide.

7. Conclusion.

The WC is not dead, it is alive, well, and here to stay, at least in the case of Greece. The austerity conditionalities of the Economic Adjustment Programs for Greece in 2010 and 2012 neatly fit the AWC policies of "stabilize, privatize, and liberalize" (Rodrik, 2006, p. 973). Qualitatively, correlation can be demonstrated by how a body of doctrine (WC) inspired specific policies (Economic Adjustment Program in Greece) by studying documents that policymakers published to explain their choices, by deconstructing specific policy choices and attempt to position them within the various bodies of economic thought.

Tax increases were key to structural adjustment across Asia, Africa, and Latin America throughout the 1980s and 1990s; the IMF, in particular, used tax increases to compress domestic demand. They were not central in Williamson's formulation, but they were integral to IMF's policy package. There is no inconsistency between the recommendation of the reduction of taxes of the Consensus with the IMF conditionality of increasing taxes and tax revenue imposed upon the Greek people. This allegedly perplexed tax policy recommendation and supposedly blatant conflict, which controverts the very essence of the neoclassical ideological framework of the WC and the IMF is avoided when the focus is on primary surpluses, balanced budgets and economic growth that characterizes the austerity approach and explains the measures and the specific recommendations in the field of taxation. It also, ensures that the IMF gets repaid on time and in full, dollar for dollar (or better euro for euro). The PCS of the IMF and international market behavior ensures that any tax revenue collected, firstly pays the IMF and then the remaining creditors. The EU and the ECB will get paid, after the IMF gets paid, "pleasing" the European institutions. It was not the first time that the IMF "pleased" the Europeans. The Europeans also successfully convinced the IMF to fund the Greek Adjustment Programs contravening its own constitution, since the Greek debt was not sustainable. As if that is not enough, at the time, the EU tried its best to make sure that the effects of the crisis would be traumatic enough to send a signal to all member states that they should comply with the principles of the Consensus and austerity.

Seen in this light, the application of the Consensus to the GFC can be interpreted as a modified application of the Consensus in line with austerity due to the idiosyncrasies associated with the membership and self-interest of the Troika rather than a different policy prescription. Let us not forget that Greece is an economy with strong idiosyncrasies. Additionally, it belongs to the Eurozone, although it *ex-ante* deviates in many fundamental issues from most of the participating members of this union, which contains very advanced economies.

Even, if the GRFC case study can be understood as a case study of austerity measures, we cannot ignore the fact that the austerity prescriptions are quite consistent with those upheld by the Consensus. There is nothing nuance about the GRFC. The inability of devaluation of the national currency, the undertaking internal devaluation, and the increase in taxes in the Greek case does not diminish the applicability of the Consensus in Greece. The paper explicates how

the concept – WC – in terms of austerity escapes narrow definitions, thereby making it and its policies more resistant to criticism and substantial change, and, in turn, more likely to stay, generating a third program on the same lines. The failure of these same conditionalities, produced the third adjustment program, in the same manner as the first generated the second adjustment program. In contrast, as Rodrik (2008) assays " … an agenda of deeper liberalization and economic integration. That model, we have learned, is unsustainable. If globalization is to survive, it will need a new intellectual consensus to underpin it. The world economy desperately awaits its new Keynes", as is Greece.

Bibliography

Alesina, A. and Ardagna, S. (1998), "Tales of Fiscal Adjustment", *Economic Policy*, Vol. 13 No. 27, pp. 488–545.

Babb, S. (2013), "The Washington Consensus as transnational policy paradigm: Its origins, trajectory and likely successor", *Review of International Political Economy*, Vol. 20 No. 2, pp. 268–297.

Blyth, M. (2013), *Austerity: The History of a Dangerous Idea*, Oxford University Press, Oxford and New York.

Fine, B. (1999), "The developmental state is dead - long live social capital?", *Development and Change*, Vol. 30 No. 1, pp. 1–19.

Gallagher, K. (2008), "The Death of the Washington Consensus?", *The Guardian*, October 4, available at: https://www.theguardian.com/commentisfree/2008/oct/14/economy-development (accessed 17 March 2017).

Hall, P.A. (1993), "Policy paradigms, social learning, and the state: the case of economic policymaking in Britain", *Comparative Politics*, JSTOR, pp. 275–296.

IMF. (2018), *Review of the Fund's Strategy on Overdue Financial Obligations*, available at: https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/07/09/pp072017-review-of-the-funds-strategy-on-overdue-financial-obligations.

Johnston, A. and Regan, A. (2018), "Introduction: Is the European Union Capable of Integrating Diverse Models of Capitalism?", *New Political Economy*, Taylor & Francis, Vol. 23 No. 2, pp. 145–159.

Kentikelenis, A.E., Stubbs, T.H. and King, L.P. (2016), "IMF conditionality and development policy space, 1985–2014", *Review of International Political Economy*, No. 2290 October, pp. 1–40.

Krueger, A.O. (2004), *Meant Well, Tried Little, Failed Much: Policy Reform in Emerging Market Economies*, Remarks at the Roundtable Lecture at the Economics Honors Society, New York University, March 23, 2004.

Kuczynski, P.P. (2003), "Setting the Stage", in Kuczynski, P.P. and Williamson, J. (Eds.), *After the Washington Consensus*, Institute for International Studies, Washington DC, pp. 21–32.

Kuczynski, P.P. and Williamson, J. (2003), *After the Washington Consensus*, Institute for International Studies, Washington DC.

Marangos, J. (2008), "The Evolution of the Anti-Washington Consensus Debate: From 'Post-Washington Consensus' to 'After the Washington Consensus'", *Competition & Change*, Vol. 12 No. 3, pp. 227–244.

Marangos, J. (2009a), "The Evolution of the Term 'Washington Consensus'", *Journal of Economic Surveys*, Vol. 23 No. 2, pp. 350–384.

Marangos, J. (2009b), “What happened to the Washington Consensus? The evolution of international development policy”, *The Journal of Socio-Economics*, Vol. 38 No. 1, pp. 197–208.
Marangos, J., Triarchi, E. and Anthrakidis, T. (2021), “The Impoverishment of a Nation: The Greek Financial Crisis and Troika’s Free Market-Austerity Policies”, in Raju, D. and Deepak, M. (Eds.), *Poverty and Inequality under Global Capitalism: Theoretical and Empirical Perspectives*, Brill, Leiden/Boston.
Marshall, J. (2009), *One Size Fits All? IMF Tax Policy in Sub-Saharan Africa*.
Mavroudeas, S.D. and Papadatos, D. (2007), “Reform, reform the reforms or simply regression? The ‘Washington Consensus’ and its critics”, *Bulletin of Political Economy*, Vol. 1 No. 1, pp. 43–66.
Maxwell, S. (2005), *The Washington Consensus Is Dead! Long Live the Meta-Narrative!*, *Working Paper 243*, Overseas Development Institute, London.
Mehrotra, S. and Delamonice, E. (2005), “The Private Sector and Privatization in Social Services: Is the Washington Consensus ‘Dead’?”, *Economic Policy*, Vol. 30 No. 2116, pp. 141–174.
Naim, M. (1994), “Latin America: The Second Stage of Reforms”, *Journal of Democracy*, Vol. 5 No. 4, pp. 32–48.
Naim, M. (2000), “Fads and fashion in economic reforms: Washington Consensus or Washington Confusion?”, *Third World Quarterly*, Vol. 21 No. 3, pp. 505–528.
Nikiforos, M., Carvalho, L. and Schoder, C. (2015), “Twin Deficits in Greece: in Search of a causality”, *Journal of Post Keynesian Economics*, Vol. 38 No. 2, pp. 302–330.
Onaran, O. and Obst, T. (2016), “Wage-led growth in the EU15 member-states: The effects of income distribution on growth, investment, trade balance and inflation”, *Cambridge Journal of Economics*, Vol. 40 No. 6, pp. 1517–1551.
Oyvat, C., Öztunalı, O. and Elgin, C. (2020), “Wage-led versus profit-led demand: A comprehensive empirical analysis”, *Metroeconomica*, Vol. 71 No. 3, pp. 458–486.
Provopoulos, G.A. (2014), “The greek economy and banking system: Recent developments and the way forward”, *Journal of Macroeconomics*, Elsevier Inc., Vol. 39, pp. 240–249.
Ramo, J. (2004), *The Beijing Consensus*, *The Foreign Policy Centre*, Foreign Policy Centre, London, available at:https://doi.org/10.1111/j.1600-051X.2007.01054.x.
Rodrik, D. (2006), “Goodbye Washington Consensus, Hello Washington Confusion? A Review of the World Bank’s Economic Growth in the 1990s: Learning from a Decade of Reform”, *Journal of Economic Literature*, Vol. XLIV No. December, pp. 973–987.
Rodrik, D. (2008), “The Death of the Globalization Consensus”, *Project Syndicate*, available at: https://www.project-syndicate.org/commentary/the-death-of-the-globalization-consensus.
Stewart, M. and Jogarajan, S. (2004), *The International Monetary Fund and Tax Policy*, University of Melbourne Legal Studies Research Paper No.75, available at: https://ssrn.com/abstract=556684.
Stockhammer, E. and Onaran, Ö. (2012), “Rethinking wage policy in the face of the Euro crisis. Implications of the wage-led demand regime”, *International Review of Applied Economics*, Vol. 26 No. 2, pp. 191–203.
Stone, R.W. (2008), “The scope of IMF conditionality”, *International Organization*, Vol. 62 No. 4, pp. 589–620.
Streeck, W. (2013), “Will expansion work on mark blyth, austerity: The history of a dangerous idea”, *Comparative European Politics*, Vol. 11 No. 6, pp. 722–728.

Wade, R. (2012), "Is the Globalization Consensus Dead?", *The Point Is to Change It: Geographies of Hope and Survival in an Age of Crisis*, Vol. 41, pp. 142–165.

Williamson, J. (1990a), "The progress of policy reform in Latin America", *Latin American Adjustment: How Much Has Happened?*, Institute for International Economics, Washington, DC, pp. 353–422.

Williamson, J. (1990b), "What Washington Means by Policy Reform", in Williamson, J. (Ed.), *Latin American Adjustment: How Much Has Happened?*, Institute for International Economics, Washington DC, pp. 7–20.

Williamson, J. (1997), "The Washington Consensus Revisited", in Emmerij, L. (Ed.), *Economic and Social Development in the XXI Century*, Inter-American Development Bank, Washington DC, pp. 48–61.

Williamson, J. (2000), "What Should the World Bank Think about the Washington Consensus?", *The World Bank Research Observer*, Vol. 15 No. 2, pp. 251–264.

Williamson, J. (2003a), "Our Agenda and the Washington Consensus", in Kuczynski, P.P. and Williamson, J. (Eds.), *After the Washington Consensus*, Institute for International Studies, Washington DC, pp. 323–331.

Williamson, J. (2003b), "An Agenda for Restarting Growth and Reform", in Kuczynski, P.P. and Williamson, J. (Eds.), *After the Washington Consensus*, Institute for International Studies, Washington DC, pp. 1–19.

Williamson, J. (2003c), "From Reform Agenda to Damaged Brand Name", *Finance and Development,* No. September, pp. 10–13.

Williamson, J. (2004a), "The strange history of the Washington Consensus", *Journal of Post Keynesian Economics*, Vol. 27 No. 2, pp. 195–206.

Williamson, J. (2004b), *The Washington Consensus as Policy Prescription for Development*, A lecture in the series Practitioners of Development delivered at the World Bank, 13 January.