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The Troika's conditionalities during the Greek financial crisis of 2010–2014: the Washington Consensus is alive, well, and here to stay

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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 that 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 entail 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 perplexing tax policy and blatant conflict, which appears to controvert 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 codes: *O11, O52*

1 INTRODUCTION

The *Washington Consensus* (WC), developed in 1989 by John Williamson, evolved as a blueprint for international development. The International Monetary Fund (IMF), the World Bank (WB), and the USA executive, the main financiers of international development, make loans conditional on the adoption of WC-inspired policy reforms (Naim 2000: 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/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 'WC' and 'AWC' will be used interchangeably, as the Consensus.

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Prior to the global financial crisis of 2008, there was 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: 60); ‘the Washington Consensus being “dead for years”’ (Mehrotra/Delamonice 2005: 141); ‘it is fair to say that nobody really believes in the Washington Consensus anymore’ (Rodrik 2006: 974); ‘in the beginning of the 21st century the Washington Consensus is nominally at least, dead’ (Mavroudeas/Papadatos 2007: 62); ‘the demise of the Washington Consensus’ (Fine 1999: 1); all in all, ‘the globalization consensus’ is dead (Rodrik 2008). After all, ‘the widely-discredited Washington Consensus’ (Ramo 2004: 4) has been written off as ‘a hallmark of end-of-history arrogance’ (ibid.: 4), ‘the kind of mail-order prescription’ (ibid.: 33), ‘a laundry-list approach’ (Rodrik 2006: 976–977), and that ‘there was a growing sense, among friends and foes, that it failed its promises’ (Mavroudeas/Papadatos 2007: 48). Without doubt, the WC prior to 2008 was authoritatively dead!

Scholars of international development expend considerable effort on demonstrating that the conditionalities policies of the Consensus have failed and are replaced by a new consensus. Consequently, an important inquiry surfaces: is the WC in fact dead? In contrast to the world tide prior to the global financial crisis of 2008, the purpose of this paper is to demonstrate that the conditionalities inspired by the WC and the AWC and imposed by the IMF, the European Union (EU), and the European Central Bank (ECB) (a.k.a. initially the ‘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 the Troika’s austerity-imposed conditionalities neatly fit within the WC framework. The goal of using the conditionalities associated with the GRFC of 2010–2014 as a case study is to identify the similarities and differences and the continuities and discontinuities compared 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 with the Greek case is sufficient to discredit and reject the main hypothesis, notably that the WC is dead, with the caveat that the 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 has recovered its strength, and it is fully present in the case of Greece: it is alive, well, and here to stay. To my knowledge, such an exercise in linking the Troika’s austerity conditionalities imposed upon Greece with the AWC has not been attempted previously. 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 WC 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 allegedly perplexing tax policy

and blatant conflict, which appears to controvert the very essence of the neoclassical ideological framework of the WC and the IMF, will be further explored in this paper.

The paper is structured as follows: Section 2 presents the association between the WC and the AWC. Section 3 portrays the arguments by scholars that the WC is dead. Section 4 provides a short analysis and the consequences of the GRFC. Sections 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: 402) argued with heavy 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 ten economic policies, whose suitable utilization could meet a point of consensus in Washington between the United States Executive, the IMF, and the WB, in the mode of the 'Washington Consensus' (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: 3) that took the form of imposed conditionalities emerging as crucial points of IMF funding and programs, notably for Greece. 'But his [Williamson's] list, nonetheless, captured the essential features of what we now call austerity policies rather well' (Blyth 2013: 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 of contributing to and accepting the conclusions of the WC, a.k.a. austerity policies, long before WC 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: 254). To respond to this question, Williamson outlined a list of the ten reforms, which he thought commanded 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 WC list (Blyth 2013). This shows that there might be a close relationship between the austerity and the WC, as Blyth (2013) highlighted, and a continuity by tracing back to the roots of austerity. Thus, this warrants further elaboration in testing the potential overlap between the WC and austerity, indeed, whether in its developmental form austerity takes the same shape as the WC.

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

Table 1 *The Washington Consensus and the After the Washington Consensus*

	After the Washington Consensus	Policies	Original Washington Consensus
New Agenda I: Crisis Proofing	Stabilizing inflation; sub-national governments subject to hard budget constraints; increase domestic savings	Fiscal discipline	Small budget deficit financed without resort to inflation tax
	Stabilize the real economy through Keynesian policies; establish a stabilization fund	Public expenditure priorities	Redirect expenditure from politically sensitive areas to fields with the potential to improve income distribution, such as primary education, health care, and infrastructure
	Monetary policy targeting for a low rate of inflation; strengthening prudential supervision	Financial liberalization	Market determined interest rates
	Flexible exchange rates; minimize the use of the dollar	Exchange rates	A unified competitive exchange rate
New Agenda II: Completing First- Generation Reforms	As the original Washington Consensus	Fiscal discipline	Small budget deficit financed without recourse to inflation tax
	As the original Washington Consensus	Public expenditure priorities	Redirect expenditure from politically sensitive areas to fields with the potential to improve income distribution, such as primary education, health care, and infrastructure
	As the original Washington Consensus	Tax reform	Broadening the tax base (including taxing capital flight), reducing marginal tax rates to a moderate level, improving tax administration, and maintaining moderate progressivity
	Supplementing financial liberalization by the strengthening of prudential supervision	Financial liberalization	Market determined interest rates
	Flexible exchange rates; minimize the use of the dollar	Exchange rates	A unified competitive exchange rate
	Complementing import liberalization with better access to export markets in developed countries	Trade liberalization	Replace quantitative trade restrictions with tariffs of around 10–20%

<p>As the original Washington Consensus</p> <p>Continuing the privatization program, even though in some cases it was carried out badly</p> <p>Liberalizing the labor market</p> <p>As the original Washington Consensus, provide property rights to the informal sector; land reform</p>	<p>Foreign direct investment</p> <p>Privatization</p> <p>Deregulation</p> <p>Property rights</p>	<p>Abolish barriers to entry for foreign firms</p> <p>State enterprises should be privatized</p> <p>Abolition of regulations that impede the entry of new firms or restrict competition</p> <p>Secure property rights which are also available to the informal sector</p>
<p>A role for the state: maintaining effective institutions, providing public goods, internalizing externalities, correcting income distribution, providing decent infrastructure, a stable and predictable macroeconomic, legal and political environment and a strong human resource base; reforming the judiciary, education and civil services, building a national innovation system, modernizing the market institutional structure and institutional reform in the financial sector</p>	<p>Institution building</p>	<p>Not a concern</p>
<p>Establishing property taxation as the major source of revenue; elimination of tax loopholes and taxing income earned on flight capital</p> <p>Expanding opportunities for the poor, spending on basic social services, social safety net, education and health, provide property rights to the informal sector, land reform and microcredit</p>	<p>Tax reform</p> <p>Public expenditure priorities</p>	<p>Broadening the tax base (including taxing capital flight), reducing marginal tax rates to a moderate level, improving tax administration, and maintaining moderate progressivity</p> <p>Redirect expenditure from politically sensitive areas to fields with the potential to improve income distribution, such as primary education, health care and infrastructure</p>

Source: Marangos (2020: 8).

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 WC, as a policy prescription and to the Bretton Woods institutions' failures in managing the 1990s East Asian financial crisis. Besides, the WC necessarily evolved due to major events and/or intellectual changes from the original WC 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 WC, and the policymakers in Washington were adding, subtracting, or amalgamating policies incorporated in the term, as time went by. For example, although it is not clearly stated, deregulation in the original WC should also be applied to the labor market, as Williamson (2003a: 324) stated 13 years later.

In the end, Latin America's achievements left much to be desired, following the implementation of the WC policies. In response, in much the same way as the WC and with the name 'After the Washington Consensus' (AWC), a set of policy recommendations was established by Kuczynski/Williamson (2003). This new set of policies attempted to correct the defects in (and 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: 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 'the purpose of this study [AWC] is to develop a policy agenda for reviving economic momentum in Latin America' (Kuczynski 2003: 31). Williamson (2004b: 12) states: 'I need first to outline what our new strategy, presented in Kuczynski and Williamson (2003) suggests (Latin American) countries ought to do.' Once again, as with the WC, the AWC may have emerged from Latin America, but 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 by proposing the AWC as a continuation of the WC. Actually, it was neoliberalism mutating into 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.'s (2016: 5) study of the IMF's programs and their characterization of the purported change as 'organized hypocrisy.' For example, any of the 'IMF's pro-poor concerns are accorded, at best, secondary importance compared to macroeconomic targets' (ibid.: 24). In the case of Greece, Marangos et al. (2021) demonstrate the impoverishment of the Greek people due to the AWC-imposed IMF conditionalities; it is telling that the people-at-risk-of-poverty or social-exclusion rate increased between 2008 and 2017, rising from 28.1 percent to 34.8 percent, reaching a peak in 2014 of 36 percent. 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 programs. Table 1 starts, not chronologically as per the text, by explicating the AWC, the modern version of conditionalities of IMF programs, in contradistinction to 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 to the original WC in forming the AWC, '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: 2; 2003c: 13) retitles ‘institution-building’ as the ‘second-generation reforms,’ a term founded by Naim (1994). Institution-building or second-generation 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, and providing 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, the employment of teachers and civil services, building a national innovation system to promote the diffusion of technological information, funding precompetitive 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.

3 IS THE WC DEAD?

The perception that the ‘Washington-knows-best approach to telling other nations how to run themselves’ (Ramo 2004: 4) and ‘Williamson’s original list of do’s and don’ts’ (Rodrik 2006: 974) is dead, was a view, prior to the global financial crisis, that gained currency among academics, journalists, policymakers, and even high-ranked officials of the IMF and WB. 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, taking its death as a given. On 25 May 2004, in Shanghai, James Wolfensohn, the then President of the WB, observed that the ‘Washington Consensus has been dead for years. It has been replaced by all sorts of other consensuses’ (Maxwell 2005: 1). In the same vein, ‘the question now is not whether the Washington Consensus is dead or alive: it is what will replace it’ (Rodrik 2006: 974). Furthermore, ‘the Washington Consensus has been replaced by a new and improved orthodoxy, called here the “meta-narrative”’ (Maxwell 2005: v). Alternative consensuses have mushroomed without Williamson’s endorsement, including the Post-Washington Consensus, Washington Contentious, and 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’ (Cooper/Savage 2008, quoted in Gallagher 2008). Indeed, it ‘died at the time of the \$700 billion bail-out’ (ibid.), referring to the Emergency Economic Stabilization Act of 2008, which bailed out the US financial system due to the subprime mortgage crisis. Indeed, Paul Krugman’s Nobel prize was the nail in the coffin of the WC, as the Nobel committee cited Krugman’s theoretical contributions to international trade, clearly contradicting the policy recommendations of the WC, as opined by Gallagher (2008). But when another Nobel prizewinner and former Chief Economist of the WB, 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: 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: 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: 507). Indeed, even the father of the WC John Williamson remarked that he ‘was a bad reporter of the Washington scene’ regarding the Consensus (Naim 2000: 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 chose 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 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 re-igniting its legitimacy in world financial affairs. The global financial crisis resulted in the resurrection of 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: 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 2003–2009 and the current-account deficit as a percentage of GDP increased from 11.5 percent in 2001 to a peak of 18.0 percent in 2008 before declining to 14.4 percent in 2009 (Provopoulos 2014: 241). As a result, in April 2010 credit agencies downgraded Greece’s government debt to junk-bond status, effectively shutting the door on the international credit and bond markets.

In May 2010, with a debt-to-GDP ratio close to 120 percent, Greece accepted a bail-out package of €110 billion 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 that was imposed and adopted proved inadequate in bolstering market confidence. The international credit and bond markets were demanding outrageous interest rates, meritoriously holding shut the borrowing door to Greece. On 14 March 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 for the years 2012–2014. 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 negotiation's ensuing deadlock 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-wing Greek government performed a last-minute U-turn. Against the wishes of 61.31 percent of the voters, on 19 August 2015 Greece signed with the European Commission (EC) a Memorandum of Understanding for further financial support up to €86 billion over three years, matched by 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 provided Greece with significant debt relief. Nevertheless, 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 20 July 2017. By and of itself, the initial non-financing monitor role of the IMF, the flouting of the 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 sovereignty lost its credibility, as a mishmash of the aforementioned sources together with globalization and the WC all contributed to the GRFC.

Indicative of the wide-ranging 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, which are 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 analysed in furtherance.

The scope of conditionalities in Greece is based on fiscal tightening (spending cuts in transfer pensions, welfare programs, the government wage bill, and public employment), so it is said that it produces non-Keynesian expansionary effects: 'expansionary fiscal

Table 2 Greece's number of conditionalities and rank

Year	Number of conditionalities	Rank	Total number of countries with conditionalities
2010	34	31	60
2011	52	7	50
2012	62	1	45
2013	53	7	41
2014	61	5	35

Source: Kentikelenis et al. (2016).

adjustment' (Alesina/Ardagna 1998: 490) or 'growth friendly fiscal consolidation,' tantamount to 'austerity' (Blyth 2013: 102). While the WC 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 over-rated. Alesina/Ardagna (1998: 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: 172).

Based on statistical evidence of ten case studies of major fiscal adjustments in OECD countries for the period 1960–1994, Alesina/Ardagna (1998: 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 24 June 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: 18), as in the case of Greece. 'Austerity does not work' (Streeck 2013: 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: 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 (Oyvatt et al. 2020: 461; Stockhammer/Onaran 2012: 191–192). One infers 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/Onaran 2012: 197). Consequently, as Greece is a wage-led economy, policy that increases (decreases) the wage share is a powerful means of increasing (decreasing) growth and decreasing (increasing) unemployment. For Greece in the eurozone, as exchange rates do not exist within it, monetary policy is centralized, and fiscal policy is carefully constrained, wages are the only variable that can adjust in the face of asymmetric shocks (ibid.: 199). In Greece, a wage-led recovery would also increase tax revenues and contribute to a reduction in the 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 is in contradistinction to further deregulation in the labor market and wage cuts, as imposed by the Troika in Greece (Onaran/Obst 2016: 1543). A decrease in the share of wages in national income in isolation leads to lower growth in Greece (ibid.: 1517). In 'the integration of unequals in the EU' (Johnston/Regan 2018: 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: 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' (ibid.: 10).

5 DATA PRESENTATION

Kentikelenis et al. (2016) collected relevant archival material on the IMF's lending operations and identified all policy conditionalities in the 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 those authors and the policies of the AWC. The conditionality policy areas identified by Kentikelenis et al. (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 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 already has the liberalization and institutional dogmata associated with the aforementioned policies of the AWC in position; no conditionalities are imposed concomitant to these policy areas. Greece can be considered, in this case, to be a representative of the group of eurozone countries that suffered a debt crisis such as Cyprus, Ireland, Italy, Portugal, and Spain.

From this data set, 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 et al. (2016) with the policies of the AWC (see Table 3) and from the same source, drawing out the relevant data.

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 conditionality policy areas of Kentikelenis et al. (2016) linked to each associated policy by the AWC. Table 3 incorporates only indicative conditionalities

Table 3 The relationship between the WC, AWC, data, and the Economic Adjustment Programs in Greece of 2010 and 2012 with the Arrangement Date (the date of the executive board meeting that approved the arrangement), Month (the month the condition is scheduled for implementation or continuous), Year (the year the condition is scheduled for implementation) and Arrangement Duration (the duration in months of the arrangement as agreed at the time of approval, not including subsequent extensions)

Policies	Washington Consensus (WC)	Data: conditionalities policy areas by Kentikelenis et al. (2016)	Memorandum of understanding between EC/IMF/ECB and the Greek government, Arrangement Date	Memorandum of understanding between EC/IMF/ECB and the Greek government, Arrangement Date
1. Fiscal discipline	Small budget deficit-financed without recourse to inflation tax	External debt issues and fiscal issues – debt management and external arrears, expenditure administration, fiscal transparency, audits, budget preparation, domestic arrears, and fiscal balance)	Accumulation of new domestic arrears by the general government (ceiling) (9 May 2010; continuous 2011; 36). Accumulation of new external payments arrears on external debt contracted or guaranteed by general government (ceiling) (9 May 2010; continuous 2011; 36). Modified general government primary cash balance (floor) (9 May 2010; Quarterly 2011; 36). New guarantees granted by the central government (ceiling) (9 May 2010; Quarterly 2011; 36). Overall stock of central government debt (ceiling) (May 2010; Quarterly 2011; 36). State budget primary spending (ceiling) (May 2010; Quarterly 2011; 36). Government to enact spending reductions (including pensions and earmarked spending and advanced removal of the heating fuel subsidy). Revenue measures (including reducing PIT thresholds and reductions) as	Accumulation of new domestic arrears by hospitals and line ministries (ceiling) (9 March 2012; Continuous 2012; 48). Accumulation of new domestic arrears by the general government (ceiling) (March 2012; Semi-annual, 2015; 48 months). Accumulation of new external payments arrears on external debt contracted or guaranteed by general government (ceiling) (March 2012; Semi-annual, 2015; 48 months). Modified general government primary cash balance (floor) (March 2012; Semi-annual, 2015; 48 months). New guarantees granted by the central government (ceiling) (March 2012; Semi-annual, 2015; 48 months). Overall stock of central government debt (ceiling) (March 2012; Semi-annual, 2015; 48 months). State budget primary spending (ceiling) (March 2012; Semi-annual, 2015; 48 months).

described in Memoranda of Economic and Financial Policies (MEFP) paragraph 6 (9 May 2010; November 2011; 36).

Measures to achieve permanent expenditure reduction (9 March 2012; March 2012; 48).

Government to undertake a thorough review of public expenditure programs to identify 3 percent of GDP in additional measures, including a 1 percent of GDP buffer of potential additional measures (9 May 2010; June 2012; 36).

Publish the medium-term budget strategy paper, laying out time-bound plans to address: (i) restructuring plans for large and/or loss-making state enterprises; (ii) the closure of unnecessary public entities; (iii) tax reform; (iv) reforms of public administration; (v) the public wage bill; and (vi) military spending (9 May 2010; April 2011; 36).

Government to complete the reviews of social spending programs to identify 1 percent of GDP in savings, while at the same time making proposals to strengthen core safety net programs (March 2012; June 2012; 48 months).

Social policy and redistributive policies – restrictive or neutral policy on health, housing, and education, price increases for food, water, public transport, or other basic need goods, poverty reduction strategy paper development, increases in social sector spending, and implementation of social safety nets and military expenditure

Redirect expenditure to improve income distribution, such as primary education, health care, and infrastructure

2. Public expenditure priorities

Increase standard VAT rate from 21 to 23 percent and VAT reduced rate from 10 to 11 percent and excise tax rates on alcohol, tobacco, and fuel with a yield of at least €1.25 billion in the remainder of 2010 (9 May 2010; May 2010; 36).

Government to meet quarterly performance indicators for revenue administration (¶41) (March 2012; December 2013; 48 months).

Revenue and tax issues (customs administration, tax policy, tax administration, and audits of private enterprises)

Broadening the tax base (including taxing capital flight), reducing marginal tax rates to a moderate level, improving tax administration, and maintaining moderate progressivity

3. Tax reform

Adopt legislation to extend collection of the real estate tax through 2013 via PPC (¶12) (March 2012; June 2013 48 months).

Articulate a strategic plan of medium-term revenue administration reforms to fight tax evasion (end June 2011) (9 May 2010; June 2011; 36).

Government to meet end-April quantified key performance

(continues overleaf)

Table 3 (continued)

Policies	Washington Consensus (WC)	Data: conditionalities policy areas by Kentikelenis et al. (2016)	Memorandum of understanding between EC/IMF/ECB and the Greek government, Arrangement Date 9 May 2010	Memorandum of understanding between EC/IMF/ECB and the Greek government, Arrangement Date 9 March 2012
			Government to achieve quantitative targets set under its anti-tax evasion plan (9 May 2010; December 2011; 36).	indicators for revenue administration (Annex I). (March 2012; June 2013; 48 months).
			Government to meet newly introduced and more ambitious targets for audits and debt collection and the resolution of administrative appeals (9 May 2010; December 2012; 36).	Adopt legislation on a new property tax regime (¶7) (March 2012; September 2013; 48 months).
4. Financial liberalization	Market determined interest rates	Financial sector, monetary policy, and central bank issues – financial institution regulation, financial SOE privatization, treasury bills, interest rates, central bank regulation, money supply, and domestic credit	Establish the independent Financial Stability Fund (FSF) to preserve the financial sector's soundness and thus its capacity to support the Greek economy by providing equity support to banks as needed (9 May 2010; June 2010; 36). Pass legislation to separate the core consignment activity from the commercial activities of the Hellenic Consignment and Loan Fund (HCLF) by end-March (9 May 2010; March 2011; 36). Commercial banks to submit medium-term funding plans to the ECB and the Bank of Greece (end-May, 2011) (9 May 2010; May 2011; 36).	Complete capital needs assessment and a plan for a large state-owned bank (9 March 2012; March 2012; 48). Strengthen resolution and recapitalization framework and financial oversight framework (9 March 2012; March 2012; 48). Bank of Greece to complete a strategic assessment of banks' business plans (9 March 2012; March 2012; 48). Government and Bank of Greece to communicate capital needs to banks and request that they finalize the process by end-April 2013 (9 March 2012; n/a, 2012; 48). Government and Bank of Greece to finalize the design of the program for bank recapitalization and resolution

5. Privatization	Privatization of state enterprises	SOE reform and pricing and SOE privatization (SOE restructuring, subsidies, price liberalization, audits, marketing boards, and corporatization and rationalization, non-	<p>Parliament to pass legislation revising the Financial Stability Fund (FSF) operating framework (to address conditions for recapitalization) and revising the bank resolution framework (in particular, the deposit guarantee scheme and the early intervention and bank liquidation frameworks) (9 May 2010; September 2011; 36).</p> <p>Government to enact legislation to address outstanding issues regarding the governance arrangements for financial oversight agencies, including (i) organizational arrangements for the Bank of Greece; (ii) the corporate governance arrangements for the Hellenic Financial Stability Fund (HFSF); and (iii) the governance arrangements for the Hellenic Deposit Insurance Guarantee Fund (HDIGF) (9 May 2010; December 2011; 36).</p> <p>Bank of Greece to complete a follow-up stress test for all banks based on end-June 2013 data using a methodology designed in consultation with the EC, ECB, and the IMF, and to update banks' capital needs on this basis (¶23). [Re-phased from end June] (March, 2012; December, 2013; 48 months).</p>	<p>and communicate this to banks (9 March 2012; March 2012; 48).</p>
			<p>Complete resolution of all undercapitalized or insolvent non-core banks (¶20) (March 2012; June 2013; 48 months).</p>	
			<p>Complete a comprehensive banking sector strategy (¶18) (March 2012; n/a, 2014; 48 months).</p>	
			<p>Complete sale of the New Hellenic Postbank and Nea Proton Bank (March 2012; n/a, 2014; 48 months).</p>	
			<p>Government to adopt steps to strengthen the institutional framework for privatization, transfer ownership of assets to the Privatization Fund balance sheet, and eliminate legal obstacles for privatization (Annex III) (9 March 2012; n/a, 2012; 48).</p>	

(continues overleaf)

Table 3 (continued)

Policies	Washington Consensus (WC)	Data: conditionalities policy areas by Kentikelenis et al. (2016)	Memorandum of understanding between EC/IMF/ECB and the Greek government, Arrangement Date 9 May 2010	Memorandum of understanding between EC/IMF/ECB and the Greek government, Arrangement Date 9 March 2012
financial SOE privatization, incl. liquidation and bankruptcy proceedings for SOEs)	enterprises, audited by chartered accountants, on the official website of the Ministry of Finance (May 2010; September 2010; 36).	Authorities to remove obstacles in the privatization program (¶39) (March 2012; n/a, 2014, 48 months).	Government to legislatively establish a Privatization Agency (a private law vehicle into which privatizable assets will be transferred to be sold) (May, 2010; July 2011; 36).	Adopt law to strengthen Hellenic Republic Asset Development Fund's (HRADF) control in companies it is majority shareholder, and implement pending government actions in support of the 2014 privatization program (¶23) (March 2012; n/a, 2014, 48 months).
	The Council of Ministers to adopt a comprehensive privatization plan through 2015 (end-July 2011) (9 May 2010; July 2011; 36).	Privatization receipts (floor) (March 2012; n/a, 2014, 48 months).	Privatization receipts (floor) (9 May 2010; Quarterly, 2011; 36).	Privatization receipts (floor) (March 2012; Semi-annual, 2015, 48 5months).
	Parliament to approve privatization and real estate development strategy (9 May 2010; July 2011; 36).	Government to (i) shift a second group of assets into the privatization fund covering transactions to be completed through end 2012 (Annex II); and (ii) appoint legal, technical, and financial advisors for 14 projects to be completed by end-2012 (9 May 2010; November 2011; 36).		

6. Deregulation	Abolition of regulations that impede entry of new firms or restrict competition	Labor issues, public and private sector – wage and employment limits, pensions, and social security institutions	<p>Adopt a comprehensive pension reform that reduces the projected increase in public spending on pensions over the period 2010-60 to 21/2 percent of GDP (9 May 2010; September 2010; 36).</p> <p>Reduce public wage bill by cutting bonuses/allowances and pension bonuses (except minimum pensions) (9 May, 2010; May 2010; 36).</p> <p>Table legislation to reform the system of collective bargaining, including to eliminate the automatic extension of sectoral agreements to those not represented in negotiations, and guarantee that firm level agreements take precedence over sectoral agreements without undue restrictions (9 May 2010; December 2010; 36).</p> <p>Adopt the necessary changes to enact the plan to reform the general government personnel system (end June, 2011) (9 May 2010; June 2011; 36).</p> <p>Government to enact legislation in the context of MTFs implementation (phase II) to: (i) introduce pension adjustment bill stipulating freezes through 2015, introducing individual</p>	<p>Reform of the collective bargaining framework and reduction of the minimum wage (9 March 2012; March 2012; 48).</p> <p>Government to adopt measures to enhance labor markets including by establishing a timetable to overhaul the setting of minimum wage and by reducing labor market exit costs and non-wage costs (Annex II) (9 March 2012; n/a, 2012; 48).</p> <p>Mandatory exits (head count, in thousands) (March 2012; Semi-annual, 2014; 48 months).</p> <p>Government to issue all necessary legal acts so as to place at least 4,200 ordinary employees in the mobility scheme by end-July ¶11) (March 2012; n/a, 2014; 48 months).</p> <p>Adopt legislation to reduce minimum wage for long-term unemployed ¶29) (March 2012; n/a, 2014; 48 months).</p> <p>Adopt pension reform package based on actuarial studies completed in September on the whole pension system including supplementary and lump-sum funds ¶6) (March 2012; November 2014; 48 months).</p>
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Table 3 (continued)

Policies	Washington Consensus (WC)	Data: conditionalities policy areas by Kentikelenis et al. (2016)	Memorandum of understanding between EC/IMF/ECB and the Greek government, Arrangement Date 9 May 2010	Memorandum of understanding between EC/IMF/ECB and the Greek government, Arrangement Date 9 March 2012
			social security numbers, caps, means testing, and rationalizing benefits of pension funds (9 May 2010; November 2011; 36).	Adopt wage grid reform to become effective January 1, 2015 (¶13) (March 2012; October 2014; 48 months).
			Government to enact legislation to: (i) allow worker representatives to negotiate both special and regular firm-level agreements; (ii) suspend the “favorability clause” in wage negotiations until at least 2015; and (iii) suspend until at least the end of 2014 the possibility to extend sectoral agreements to parties not represented in the negotiations (9 May 2010; November 2011; 36).	Government to place additional public sector employees in the mobility scheme to reach 25 000 employees, and to achieve 5000 exits in the public sector (¶13) (March 2012; n/a, 2014; 48 months).
After the	A role for the state:	Institutional reforms and residual category – judicial	Adopt and start to implement a reorganization of sub-central government with the aim to reduce the number of local administrations and elected/appointed officials (Kalikrates) (May 2010; June 2010; 36).	Government to complete the
Washington	maintaining effective	system reforms, anti-		screening and cleaning of existing
Consensus	institutions, providing	corruption measures, enhancing competition,		legislation covering the list of
(WC +	public goods, internalizing	private sector development, devolution, and sectoral		professions and economic activities
Institution	externalities, correcting	framework, national accounts		covered in Annex II of KEPE’s
Building)	income distribution, providing decent	payments reporting, and household surveys.		“Second Report on the Impact of Liberalizing Regulated Professions.”
7. Institution	infrastructure, a stable and	Residual category – national	Adopt new Regulation of Statistical Obligations for the agencies participating in the Greek Statistical System (9 May 2010; December 2010; 36).	(9 March 2012; December 2012; 48 months).
building	predictable macroeconomic, legal and political	accounts framework, balance of		Government to take measures to
	environment, and a strong	balance of payments reporting, and household surveys.		liberalize key product and service
	human resource base.			markets (Annexes I.1-I.2) (March 2012; n/a, 2012, 48 months).
	Reforming the judiciary, education and civil services,			Abolish 40 charges with an
	building a national			annualized cost of €245 million (¶7)
	innovation system,			(March, 2012; n/a, 2014; 48 months).
	modernizing the market			
	institutional structure and			

institutional reform in the financial sector.

notaries, engineers, architects, and auditors) (9 May 2010; February 2011; 36).

Government to screen specific service sector legislation and repeal or modify unnecessary and outdated regulations to ensure full consistency with the new law liberalizing all professions and income-generating economic activities (9 May 2010; March 2012; 36).

Address recommendations of the OECD study on administrative burdens (¶25) (March 2012; June, 2014; 48 months).

Adopt 237 of the OECD recommendations to remove barriers to competition in four sectors (tourism, retail, building materials, and food processing) (¶25) (March 2012; n/a, 2014, 48 months).

Adopt all secondary legislation on investment licensing law (¶25) (March 2012; December, 2014, 48 months).

Adopt legislation to address all identified issues in the follow-up OECD report on legislative barriers to competition in wholesale trade, manufacturing, telecommunications, and e-commerce (¶25) (March 2012; November, 2014; 48 months).

in chronological order to demonstrate the association between the AWC and the Troika's conditionalities imposed upon Greece.¹ Each conditionality is depicted with the Arrangement Date (the date of the Executive Board meeting that approved the arrangement), Month (the month the condition is scheduled for implementation or Continuous), Year (the year the condition is scheduled for implementation) and Arrangement Duration (the duration in months of the arrangement as agreed at the time of approval, not including 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 conditionality policy areas by Kentikelenis et al. (2016). In sum, the AWC policies, the conditionality policy areas and the conditionalities imposed upon Greece are related to the following areas:

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 reduction of 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 a stress test for all banks using a methodology designed in consultation with the EC, the 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 of the general government personnel system, mandatory exits (headcount, in thousands) from the public sector, mobility scheme in the public sector, reduction of the minimum wage for long-term unemployed.
7. *Institution-building (institutional reforms and residual category)*: Reduction of the number of local administrations and elected/appointed officials, removal of restrictions to competition in regulated professions, liberalization of all professions and income-generating economic activities, liberalization of key product and service markets, removal of barriers to competition in four sectors (tourism, retail, building materials, and food processing), and the addressing of legislative barriers to competition in wholesale trade, manufacturing, telecommunications, and e-commerce.

1. Due to space limitations, the full data set is not included, but it is available from the author upon request.

In plain language, the conditionalities in Greece involved the reduction of public expenditure, wages, pensions, social transfer payments, and 'redundant expenditures,' the recapitalization of banks as a result of the PSI, a wide range of 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, the 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' (Marshall 2009: 1) and a 'mass produced approach to tax reform' (Stewart/Jogarajan 2004: 146) characterized by the lack of attention paid to vital country-specific characteristics such as domestic issues of equity and politics. It is apparent that, consistent with the neoclassical economics framework, the Consensus recommends a 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 WC and, likewise, the IMF's dominant ideology?

For the sake of clarity, it is plausible to interpret the 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, improving tax administration, and maintaining moderate progressivity' (see Table 1) and 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, and 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 the 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 the equally preferred mode of consolidation, along with expenditure reductions. In fact, fierce resistance to spending cuts by public unions indicated that an increase in tax 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 the 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, the Troika's (and by extension the IMF's)

tax reforms are fully compatible with the traditional neoclassical perspective of the Consensus. There is no striking paradox or 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, 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 Sudan currently counting for 80 percent of the total overdue financial obligations and Somalia for the remainder, while Zimbabwe settled its overdue obligations on 20 October 2016 (IMF 2018)), for 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 a 'preferred creditor status' (PCS). Members borrowing from the IMF are expected to give first priority to meeting their obligations to the IMF, an arrangement with which the remaining 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: 973). Qualitatively, correlation can be demonstrated by how a body of doctrine (the WC) inspired specific policies (the Economic Adjustment Program in Greece) by studying documents that policymakers published to explain their choices, by deconstructing specific policy choices, and by attempting 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 the 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 perplexing 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 was 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 GRFC can be interpreted as a modified application of the Consensus in line with austerity due to the idiosyncrasies associated with the membership of the eurozone and the 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 nuanced about the GRFC. The inability of devaluation of the national currency, the undertaking of internal devaluation, and the increase in taxes in the Greek case do not diminish the applicability of the Consensus in Greece. This paper explains how the concept – the 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 along 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 does Greece.

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