IMF expertise in the eurozone crisis : from stimulus talk to austerity policy

Nordström, Laura

Bristol University Press

2022

Nordström, L & Teivainen, T 2022, 'IMF expertise in the eurozone crisis : from stimulus talk to austerity policy', Global political economy, vol. 1, no. 2, pp. 271-292. https://doi.org/10.1332/TZPB5276

http://hdl.handle.net/10138/566636

10.1332/TZPB5276

IMF Expertise in the Eurozone Crisis: From Stimulus Talk to Austerity Policy

Laura Nordström[a] and Teivo Teivainen[b]

[a] *Political Science (World Politics), University of Helsinki, Helsinki, Finland*

[b] *Political Science (World Politics), University of Helsinki, Helsinki, Finland*

Abstract

The eurozone crisis opened a possibility to reform European economic policies. In spring 2010, a new technocratic knowledge regime developed in the form of the Troika that consisted of the European Commission, the European Central Bank and IMF. This article provides new, previously understudied, knowledge on internal dynamics of the Troika. As the prevailing austerity paradigm had been questioned during the preceding years also within the IMF, this study analyses the role of IMF's expertise during the negotiations that led to the first Greece loan package and created a path-dependent crisis management scheme. It traces how the IMF acted as a source of expertise and its role in the persistence of the austerity paradigm. The analysis is based on a unique set of interviews with decision-makers. The IMF's role in the negotiations was very important, but unexpectedly the Commission ruled on most of the content. In contrast to some earlier research, this analysis argues that even if the IMF had become more open to new economic-policy ideas, it did not truly challenge the European austerity policy. Reasons for this include the perceived lack of fiscal space, constraints from the EU, pessimism towards Greek growth, and the gap between research and policy departments of the IMF. This partly explains why the crisis did not lead into a change of the eurozone policies. The analysis contributes also to identifying intra-institutional autonomy and fragmentation as reasons for the stability of economic paradigms despite apparent challenges even within hegemonic institutions such as the IMF.

Keywords: International Monetary Fund, austerity, Greece, eurozone crisis, expertise

1. Introduction[1]

This article deals with resistance and sluggishness toward change of economic ideas in international organisations. More concretely, it is about the internal dynamics of the early eurozone crisis management. Crisis creates opportunities for change. The eurozone crisis that began in late 2009 could have been a time to reform the Economic and Monetary Union (EMU) budgetary rules and

[1] We would like to thank the two anonymous reviewers for their comments that improved the text.

economic policies. The prevailing austerity paradigm had already been questioned in 2008-2009 within institutions such as the International Monetary Fund (IMF). However, while the technocratic knowledge regime (Campbell & Pedersen 2014) that emerged, in the form of the Troika, to deal with the early eurozone crisis in Greece brought institutional novelties, it relied on relatively traditional austerity measures and did not challenge EMU policies and the austerity paradigm. We focus on the negotiations that led to the first Greece loan package on 2 May 2010. This process was crucial for understanding the resilience of the austerity paradigm. As the first response to the eurozone crisis, it created path dependency and formed a framework for all subsequent eurozone financial assistance programmes until the third Greece loan package of 2015, in which the IMF was no longer directly involved. This article, based on a unique set of interviews, explores the role of the IMF in the persistence of the austerity paradigm.

We focus on the IMF as a source of expertise as we emphasize the relevance of expertise guiding through the period of uncertainty in 2010 when the financial crisis turned into a European debt and banking crisis. Expert status implies possessing valid and valuable knowledge for decision-makers to solve the problems at hand. International economic organisations derive legitimacy from scientific authority (Ban 2015, 168). The first Greek loan package was negotiated in a new triumvirate, later called the Troika, consisting of the European Commission (Commission or EC), the European Central Bank (ECB) and the IMF during a joint mission in Athens between 21 April and 3 May. The IMF allocated 30 billion euros and EU member states 80 billion euros to Greece. We rely on John Campbell and Ove Pedersen's (ibid.) concept of knowledge regime. While they use it in a national context, we adapt it for a transnational level and argue that the Troika was a knowledge regime. According to them, it is an 'organizational and institutional machinery that generates data, research, policy recommendations, and other ideas that influence public debate and policymaking'. A knowledge regime includes organizations, in this case the IMF, the Commission and the ECB, and formal or informal rules and monitoring and enforcement mechanisms, such as the mandate to make economic conditionality programmes, that guide their behavior. (Ibid., 23, 47.) Even if expertise is always used in politics, there was an increasing perceived need for expertise and evidence in the earliest stages of the crisis. During this potential turning point, the Troika experts, including the IMF, influenced decisions that would guide later crisis solutions. This new knowledge regime evolved to understand what should be done to overcome the crisis Also subsequent economic adjustment programmes were negotiated within that regime. We suggest that the Troika also made the key decisions and thus became an actual policymaking regime. Therefore, it is significant to study how the Troika's internal relations were formed.

One of our main contributions is to reveal the understudied internal dynamics of the Troika in 2010. For this, we provide unique interview data that have been lacking in previous research by Pierre Pénet (2018), Manuela Moschella (2016) and Susanne Lütz and Sven Hilgers (2019). We show that the IMF Greek loan negotiators left an important part of the formulation of the programme content to the Commission. The European institutions within the Troika asserted their prominent role in defining structural policy conditionalities. However, the IMF negotiators were in a leading position in the macroeconomics negotiations, as the IMF's expertise and experience were highly valued by other Troika members, which themselves lacked expertise and were in a hurry to solve the Greek case. Thus, the IMF had power to influence the outcome even if it was a secondary financial contributor.

We study the IMF's role in the continuity of the austerity paradigm also because some observers assume that since at least some ideational change had occurred inside the IMF, the IMF[2] would thus have placed less emphasis on strict austerity since 2008 (e.g., Ban 2015; Clift 2018). Paul Blustein (2015) even claims that the IMF strove less for austerity than the Commission already in the first Greek loan (see also e.g., Rogers 2012).[3] The latter claim, according to our extensive interview

[2] We don't approach the IMF as a monolithic institution, but highlight the existence of its different subcultures (see e.g., Ban 2015; Clift 2018). In the context of the actual negotiations, we refer to the IMF Greek programme negotiators, but in other instances often to the IMF as an institution.
[3] Also Ilene Grabel (2017, 233) points to this direction.

data, is misleading. As we will show, some economic-policy rethinking was indeed evident in the IMF, especially after Dominique Strauss-Kahn became the managing director in 2007 (e.g., Strauss-Kahn 2008). The strong role of Strauss-Kahn in the negotiations combined with the IMF negotiators not directly guided by EMU rules could have meant an emphasis on at least more gradual consolidation. Our analysis demonstrates that the newly expressed openness toward fiscal stimulus and gradual consolidation, however, did not significantly affect the concrete IMF measures established at the beginning of the Greek crisis and did not end up challenging the European austerity policy. One reason was that the questioning of the austerity framework within the IMF was not fully applicable to Greece. Even though the IMF had become more open to fiscal stimulus, Greece was deemed to lack fiscal space (Clift 2018, 17). Another reason was that, unlike in traditional IMF programmes negotiated with a single country, there now existed an intermediate field of negotiations. It consisted of one of the most powerful actors in world politics, the EU, concerned about its existing economic-policy framework. Of crucial importance was the fact that the IMF Greek programme negotiators could not rely on key elements of the IMF's normal toolbox, such as currency depreciation. The IMF even changed its internal rules to be able to grant an 'exceptional access' to Greece without restructuring its public debt amid worries about debt sustainability (Henning 2017, 86–87). We disclose that besides the European resistance (see e.g., Blustein 2015), also many actors in the IMF were sceptical about debt restructuring. The initially strong role of the IMF was gradually reduced as the Commission gained more expertise in loan negotiations. Our data suggests that the IMF negotiators ultimately did not even make major attempts to reform the EMU's austerity policies. It can be concluded that the IMF's ideational change was more fully realised only after the first Greek programme. The criticism towards the programme was one catalyst for this change.

Exploring the role of the IMF in the Troika, we contribute to debates on how apparent policy reforms in international institutions are not always materialised in concrete economic advice. The nascent IMF policy revision, apparent in its research department and top-leadership declarations, was not all that important for the loan agreement negotiations team, which mostly followed conventional orthodox practices. Therefore, our research provides additional support for earlier research that has pointed out the existence of inconsistency (Grabel 2011; Grabel 2017), different subcultures (e.g., Ban 2015; Clift 2018) and fragmented change (Kaya & Reay 2019) in the IMF. Combined with the relative autonomy of the negotiations team, a point raised also by for example Lütz and Matthias Kranke (2014), this contributed to the sluggishness and slowness of the IMF's economic policy revision. Thus, the austerity paradigm was not questioned in the Greek negotiations. More generally, our analysis highlights how difficult institutional change is even when leadership encouraged it.

Next, we will briefly explore the IMF's changing economic-policy lines as well as earlier research on its agency during the eurozone crisis. It will be followed by a presentation of our data and methods. Then, we will assess how the IMF influenced the Greek loan negotiations. Besides longer-term history, we refer to organizational, individual and ideational explanatory factors. After a further discussion of the results, we draw conclusions and indicate future research needs.

2. IMF and Austerity Policies

After its birth at the Bretton Woods conference of 1944, where John Maynard Keynes influenced some of its foundational principles, the IMF gradually moved toward greater emphasis on austerity policies demanding budget cuts. Apart from providing funding in balance-of-payments crises, one of the functions of the IMF has been to encourage or discipline countries into an economic-policy line. Successful involvement of the IMF can provide a stamp of approval intended to signal the creditworthiness of the country's economic policy for other actors. During its first years of existence, this dimension of the IMF's power was experienced most clearly in Latin America. The principle of economic-policy conditionality was strengthened in the 1950s. Stand-By Arrangements became the most important instrument for conditional borrowing. After 1957, the conditions became more quantified, and the surveillance of the borrowing countries more effective. (Teivainen 2002, 40.)

Apart from the conditionality attached to specific loan programmes, the IMF can influence the economic policies of member countries through regular Article IV consultations.

The 1980s were a key decade for the IMF as its global role became stronger and it moved further toward austerity-based economic policies and privatization. One reason was the retirement of various of its economists with Keynesian inclinations. Whereas capital controls had previously formed part of the policy consensus in the IMF, during the 1980s the desirability of free movement of capital became part of what Chwieroth (2010) called 'the new orthodoxy'. By the early 1990s, the policies emphasizing capital account liberalization, austerity and privatization became known as the Washington Consensus (cf. Blyth 2013, 163).

During the first years of the new millennium, the new economic-policy consensus encountered growing criticism. Major street demonstrations during the IMF-World Bank Prague meeting of 2000 drew public attention to discontent about the IMF among European social movements. Though the IMF is institutionally shielded from the influence of popular discontent, it encountered new pressures to make its conditionalities seem less harsh. These underlying pressures were among the factors that contributed to a visible, even if not fully transformational, change in the IMF's economic-policy knowledge production after the global financial crisis that emerged in 2007-2008. The lessons of the 1997-1998 Asian crisis also played a role. Perhaps more significantly, economic ideas emphasizing increasing state-led regulation were becoming popular within various southern member countries of the IMF.

Ben Clift (2018) traces an ideological shift in the IMF after 2008. He argues that through ideational bricolage there was increasing emphasis on fiscal stimulus instead of contraction policies, in cases where the fiscal space existed. The IMF's growing acceptance of fiscal stimulus and emphasis on gradual fiscal consolidation has also been highlighted by Cornel Ban (2015). The reasons for the partial changes in economic doctrine included a combination of IMF staff politics, innovative academic and IMF economists, and the emerging economic powers' creative leveraging (Ban &

Gallagher 2015; cf. Chwieroth 2015), in addition to the reasons explained above. Managing director Strauss-Kahn, appointed in 2007, was a French socialist who strived for a change that was to some extent boosted by the appointment of Olivier Blanchard as the IMF's chief economist in 2008 (Ban 2015, 173-174). The financial crisis triggered changes in the IMF's economic policy discourse, for example in advocating fiscal expansion (e.g., Gabor 2010, 807-808). Strauss-Kahn expressed his belief in 2008 that the financial crisis happened 'because there were no regulations or controls, or not enough regulations or controls' (quoted in Chwieroth 2010, 264).

3. IMF in the Eurozone Crisis

Most of the existing research on the eurozone crisis has not evaluated the IMF's role in the crisis resolution within the Troika in sufficient detail (e.g., Blyth 2013). For example, Carlo Bastasin (2015) identifies the chronology of the IMF entering the process in 2010, but does not analyze the IMF's technical role in the negotiation process. Markus Brunnermeier, Harold K. James, and Jean-Pierre Landau (2016) explore the IMF's role more extensively, including historical aspects, but not its relations with other Troika members in detail. Most importantly, they do not differentiate between time periods nor focus on causal relations within each period. One counter-example is Clift (2018) who uncovers the IMF's role during the eurozone crisis, but does not focus in great detail on the first Greek loan.

Apart from the IMF's own research, including its self-criticism (e.g., Wyplosz & Sgherri 2017), there are several IMF-specific studies on the eurozone crisis (e.g., Pénet 2018; Blustein 2015), but many focus on why the IMF entered the programme, the events, and the ideational change. Randall Henning (2017) analyzes the reasons for the IMF involvement (also Blustein (2015), who includes the secret talks of debt restructuring), but he has been criticised for state-centrism and for insufficient coverage of the economic-policy conflicts inside the Troika (Clift 2019a). Dermot Hodson (2015, 585) refers to the divisions among EU states at an informal eurozone summit in February 2010, where 'some of the leaders present favored a European response to Greece's unfolding sovereign debt crisis, while others looked to the IMF'. He offers various reasons for individual member states' support for IMF involvement, including a lack of trust in the Commission.

One motivation for our study is the lack of empirical research on a) the IMF's expert role and influence especially in the very early stages of the crisis, and b) its relations, including economic-policy disagreements, with other Troika members (exceptions[4] include Pénet (2018), Moschella (2016) and Lütz and Hilgers (2019), but they don't use interview material nor dig as deeply into the negotiations as our study). Many researchers have pointed out the ideational change within the IMF since the financial crisis: acceptance of fiscal stimulus and only gradual fiscal consolidation (e.g., Ban 2015; Clift 2018), rediscovery of Keynesianism in modeling (Clift 2019b), country ownership, social protection (Broome 2015), capital controls (Moschella 2015) and financial interconnectedness and systemic risk (Gabor 2015). Additionally, the IMF's debt sustainability analysis in the eurozone crisis has been studied and criticised (Schumacher & Weder di Mauro 2015; Wyplosz & Sgherri 2017). The IMF's self-criticism of the use of inadequate fiscal multipliers in the Greek programme, in particular, has drawn attention (e.g., IMF 2013) and contributed to an impression of a disagreement between the IMF and the EU institutions. We explore whether the IMF's ideational shift towards stimulus policies was already apparent in the first Greek loan agreement. This, together with the rising European emphasis on stimulus policies in 2009, could have led to at least partial changes in the European austerity policies. Were the IMF Greek programme negotiators demanding less austerity than the Commission, as stated by Blustein (2015) (see also Moschella 2016; Rogers 2012; Grabel 2017; on Central and Eastern Europe Lütz and Kranke 2014)?

4. Data and Methods

[4] And Lütz and Kranke (2014) on the period before the Greek negotiations. Many others (e.g., Blustein 2015; Clift 2018; Bastasin 2015) touch the question of the IMF involvement in Greece in 2010, but do not analyse comprehensively the intra-Troika relations in the negotiations.

Our analysis is based on official EU and IMF documents and statements, as well as on a unique data set of 129 semi-structured interviews with EU decision-makers from Brussels, member state officials – mostly from Germany – and IMF officials, conducted during doctoral research on the use of expert knowledge in the eurozone crisis decision-making 2009-2012 (Nordström, forthcoming). The interview data includes mainly Commission and Council officials and EU and national parliament advisors who were part of the decision-making process, five key IMF officials, and a few civil society representatives who observed the process closely (see Appendix). Some of the interviews were anonymous. The names are mentioned if the persons permitted this and were in a leading position in the mission or in the EU.

The interviews went through a qualitative content analysis, coded in Atlas.ti to identify mentions of the role of the IMF in the Greek loan negotiations. We assessed what the quotes revealed about how the IMF acted as a source of expertise, impacted the programme, and aligned with the austerity measures and the other Troika members. Furthermore, we evaluated these findings in relation to our written sources and theoretical framework. Data triangulation was needed as interviewees may have promoted their own subjective interpretation in hindsight or simply forgotten some details.

5. IMF Influence in 2010

Apart from the Troika, there was also an extended form of the regime that influenced the outcomes of the first Greek loan package. It included the EU member states (most importantly Germany, with its finance ministry and chancellery, and France) in the form of the Eurogroup, the Commission, the ECB, the IMF (Rehn 2012, 33), and the Eurogroup working group, the Economic and Financial Committee (EFC) and their alternates as the Council's preparatory bodies. The IMF took part in the meetings of the Eurogroup working group and the EFC, except in very limited cases when the EU staff critically reviewed the IMF cooperation (interviews 113 and 82 EC), and often in the Eurogroup meetings (interviews 82 and 93 EC; interview with Poul Thomsen). However, the Troika mission that was in Athens from 21 April to 3 May 2010 constituted the knowledge regime and de facto policymaking regime for the Greek conditionality programme (Memorandum of Understanding (MoU) for the EU and the Memorandum of Economic and Financial Policies (MEFP) for the IMF) (interview 95, member state official). The mission team that negotiated with the Greek authorities in Athens was small: 'I would say 12 persons from the Commission. […], from the ECB, maybe five or six' (interview 70 EC). The IMF mission's second-in-command Bob Traa (interview) confirmed that there were 9 persons from the IMF in the core mission team. According to the IMF mission chief Poul Thomsen (interview), an IMF briefing paper guided the negotiations, but within these margins the mission was quite autonomous. All relevant units provided input for the paper that was not decided by the executive directors (interview with Bob Traa). Overall, the programme formulation was staff-led. The back office also provided information for both the IMF and Commission core teams during the negotiations (ibid.; interview 93 EC; interview 123 IMF).

5.1 IMF as Source of Data, Macroeconomic and Negotiation Expertise

The IMF's role in the process is emphasised repeatedly by interviewees. 'ECB was less vocal and visible in the beginning and will also say IMF was more important while ECB became more important later' (interview 73 EC). 'The IMF was the solver of the crisis due to its decades of experience, the ECB stayed a little in the background, but provided good knowledge, analysis. And then the Commission had the closest contact with the member states. They worked well together, although from different angles, but everything produced was common' (interview 24, Finnish official). 'The Commission became more involved, but that, at least in my experience, 2010-11 the IMF was dominating fiscal discussions' (interview 90 Greek official). Even if the Commission was, and needed to be seen as (interview Thomsen), the official leader, 'the IMF in some way they were the boss, the de facto leader of the thing' (interview 104 EC). Several interviewees noted that many persons in the process had previous work experience at the IMF, which could indicate elements of an epistemic community. At least one interviewee referred indirectly to the influence that his previous IMF background had on taking the IMF models into consideration (interview 81 EC). Later the Commission borrowed personnel from the IMF (interview 48 EC).

The IMF was repeatedly mentioned as a source of data and models, especially on macroeconomics (e.g., interview 69 EC; interview 123 IMF). One source was the Article IV consultations. 'The IMF was going and sort of looking at the [data] on the ground. The Commission was receiving the data more from Eurostat.' (Interview 47 think tank.) The IMF had been closely involved with Greece since 2009 and had sent technical missions (tax administration and public financial management) feeding later information to the loan negotiations. The mission team entered Athens before the Commission due to the Icelandic volcano eruption. (Interview 123 IMF.) Many pointed to the Commission and the IMF as sources of the austerity measures. At the same time some saw that, especially in 2010, the Commission was not as important a knowledge producer as the IMF. Even if the Commission had data, the IMF had both data and solutions. Nobody remembered any discussion at the time about the validity of the IMF's fiscal multipliers, which were criticised only later. Only Traa (interview) mentioned that the IMF was already worried about them in spring 2010. In any case, the multipliers were used in the background of the negotiations (interview 22 EC). Since it was deemed important to present unambiguous and shared numbers and measures to the Greeks, the IMF and the Commission had to resolve the differences in their views and projections before this (interview 86 EC; interview Thomsen).

The technical expertise that the IMF brought to the negotiations was emphasised by the interviewees (e.g., interview Traa). This was a key reason for requiring an IMF contribution to the programme. The Commission had little previous experience in loan negotiations and, overall, the IMF provided external legitimacy for the programme. One consequence of the IMF involvement was that, according to its statutes, the IMF can grant loans only to countries that adopt precise commitments. Thus, a multi-year programme detailing these commitments had to be prepared.

(Bastasin 2015, 152.) The IMF's technical models of adjustment measures attached to loans hence contributed to its institutional relevance, as expressed by one interviewee:

> The Commission had some limited experience, from balance of payment supports to Hungary and to Latvia, but honestly, it was very limited […]. We kind of took the methodologies and working methods approach of the IMF […]. I wouldn't say we hadn't a clue, but we knew bits and pieces about Greece. […]We had surveillance under the Stability and Growth Pact, so we knew quite a lot about the budget. We, actually, probably knew more about the details of the budget than the IMF colleagues did. Okay? With structural reforms, we knew a lot more, but it was a bit hidden mess. (Interview 70 EC.)

The interviews made clear that the IMF's technical contribution to the handling of loan negotiations was widely recognised. It provided the loan facilities. 'I think it was not that bad that the IMF was there, because there was no know-how, to be honest, on these things. They knew how to do these, we didn't know.' (Interview 80 Luxembourgian official.) 'The IMF was much more experienced then with experience since decades, so they did not only analyze, but provided policy proposals' (interview 22 EC). 'I would say, in terms of the targets and the overall quantifications and financing envelope, probably initially the IMF were more leading the process, but we caught up pretty quickly' (interview 70 EC).

Many interviewees confirmed that the Commission learned from the IMF quickly (e.g., interview Thomsen). First the Commission followed what the IMF negotiators did, but later the IMF was pushed out (interview 88, EC). The IMF's financial sector expertise was considered useful: 'This is a kind of copy and paste of what the IMF did because we are not used to these rescue programmes for countries. The IMF, since the Second World War when it was created, has done this all the time, so we learned from them. (Interview 73 EC.)

> The IMF had experience and I must admit that we counted on them to set up the programme, to set up the envelope of how much should it be, they're quite experienced in taking on the financial needs month by month, in the next three years, and making the calculations, so for us it was really beneficial of course then we learned how to do it and also the assumptions they were making for debt sustainability analysis. (Interview 87 EC.)

Indeed, the loan's debt sustainability analysis came from the IMF (e.g., interview 69 EC; interviews 123 IMF and Traa and Thomsen), even if some regarded it as 'cooked' (interview 87 EC). The

Commission later copied the model and developed it for its own use (ibid.). The IMF too developed it further (interview 111 ECB).

The IMF's analysis was also used to legitimise the programme (interview 87 EC) in national contexts. The Finnish Parliament pointed out that the IMF had performed a debt sustainability analysis and would have not joined the loan if the Greeks could not have handled the debt (Eduskunta 2010). The IMF's role in signaling trust in the sustainability of the programme was also highlighted by the Bundesbank president Axel Weber (Bundestag 2010).

In conclusion, the IMF Greek programme negotiators took the lead in the 2010 negotiations in many ways, especially on technicalities of loan negotiations and macroeconomic modelling, due to its experience in prior loan negotiations. However, the Commission learned quickly. According to most of the interviewees, drawing on its experience in surveilling and sharing best practices between the member states the Commission actually had more impact on the content of the conditions and structural reforms, such as the pensions, than the IMF negotiators.

5.2 IMF not Advancing Fiscal Stimulus

Next, we analyze internal disagreements in the negotiations. Many researchers highlight the IMF's moderate position, that the IMF converged around a middle-of-the-road position defending long-term fiscal sustainability, but rejected some of the deficit-reduction hawks' claims (Dellepiane-Avellaneda 2015, 401). The Fund concluded that 'fiscal consolidation typically reduces output and raises unemployment in the short term, [moreover] budget deficits cuts are likely to be more painful if they occur simultaneously across many countries' (IMF 2010a, 93). It has been claimed that it was problematic for the Europeans that the IMF wanted to focus on debt management and sustainability and not act as a 'whipping boy' (that the big and powerful states wanted), as it had learned its lessons from the 1997-1998 Asian crisis (Brunnermeier et al. 2016, 289, 295).

Nevertheless, the image depicted by our interviews is more diverse than that of various previous analyses. Many interviewees say that the cooperation functioned and there were not as many internal disputes in 2010 as later, partly due to the time pressure (e.g., interviews 123 IMF, Traa and Thomsen). '[In] the first mission particularly, I would say the IMF was more in the lead. Okay? Over time that started to evolve and change, for several reasons. One is we gained more expertise ourselves and we were in position to challenge things a bit more. There also then became, I mean policy differences started to emerge more clearly over time.' (Interview 70 EC.) 'For a while we had disagreement with the IMF, but quite quickly the IMF thought that now we should move on pragmatically and handle the crisis' (interview 22 EC). Other interviews confirm that the few disputes that occurred in 2010 were handled within the Troika before negotiating with the Greek authorities. Nevertheless, this does not mean that there were no disagreements. Attribution of austerity preferences is not clear for all negotiators: 'I can't say that one was softer than the other' (interview 93 EC).

However, most[5] of the interviewees depict the IMF negotiators as being stricter (demanding greater austerity) than the Commission (e.g., interview EC president José Manuel Barroso). According to one interviewee, the ECB was the strictest of the Troika members, while the Commission had to find compromises and to bring a more balanced view. For him, the IMF negotiators were also strict and did not adequately understand how the eurozone or the single market functioned, nor was it comprehensively interested in Greece or the social effects of the crisis. (Interview 112 EC.)

> In the first year, year and a half, perhaps even two years, they [the IMF] were really the bad cops. Although, more in reality than on paper. As I said, their MEFP remained very vague, so they didn't appear as being such bad cops. But when it came to the negotiation moments, the IMF mission chief was extremely tough with the Greeks, extremely tough. And this was an issue. Because our mission chief was also rather tough at the time, but he was under instructions to be a bit less tough. (Interview 93 EC.)

[5] This is supported by thirteen negotiators of the package (and six close followers). Three negotiators (and three followers) see the Commission as advocating more austerity. Of the latter, one comments on the whole crisis, one indicates there was variation, and one speaks only about the debt target.

One dimension of the IMF's strictness that many point out was that it taught the EU institutions that one can demand 'everything' from a programme country. (Ibid., interview 95 member state official.) Additionally, the IMF standard led to a very tight time frame (interviews 70 and 88 EC) contributing to the speed of the austerity measures. The IMF negotiators highlighted more than the Commission that the programme needed to be 'serious', but 'they did not care so much about what would have happened afterwards with Greece. They would have gotten back to Washington and the problem, Greece would have remained with us.' (Interview 86 EC.) The Commission learned from the IMF to adopt market rates and preferred creditor status for the loan (interview 82 EC). One interviewee mentions that even the IMF's working method, without much sleep or EU working time directives, was adopted by the Commission negotiators (interview 48 EC).

> Jean-Claude Juncker […] certainly had the strongest focus on the social matters, quite strong views sometimes, clashing with the IMF on many social matters, and under his idea colleagues in these missions started to reach out, social partners, trade unions and had a more open mind and probably also somewhat more focused to programme management but to my taste still a very micro management style approach. (Interview 82 EC.)

'[T]he Commission was on the soft side' in the beginning and then the roles changed (interview 106, MEP). One issue mentioned was that the IMF Greek loan negotiators promoted a more neoliberal model: 'In this sector the IMF was the more liberal, it wanted less regulation US style. For example, the tourist guides: the Commission wanted to continue some regulation, but the IMF wanted "no regulation" in there. Finally, some regulations was left.' (Interview 59 EC.) Five interviewees claimed that the IMF negotiators would already have been tougher on labour market reforms in 2010, more hawkish on wage cuts, including in the private sector, than the Commission (interviews 75, 69 and 93 EC; interview 90, Greek official; interview with Greek Finance Minister George Papaconstantinou). This issue would become more contentious (interview 86 EC; interview 123 IMF). Four interviewees mention that the IMF negotiators demanded, at least later, more pension cuts (interviews 48, 69 and 83 EC; interview Papaconstantinou). All in all, the conflicts between the Troika members later became more intense (interview 69 EC).

> [W]e needed to understand the way the IMF work programme works. They basically operate on a three-year turnaround and you correct the imbalances and you restore market access within three years and it's over, right? [...] So, you know, if you take a pension reform for example, if you design a pension reform and your time horizon is you got to fix it within, I mean bring the spending and the contributions in line with three years, you end up with very, very upfront cuts in pensions. (Interview 70 EC.)

The IMF Greek programme negotiators' focus on austerity was evident in their emphasis on scheduling the most austerity measures in the first years of the programme instead of gradual consolidation, a practice known as frontloading, and structural reforms. All but one of the interviewees argued that frontloading was an IMF demand. Only one states that fiscal frontloading was a Commission demand, while making clear that the IMF negotiators were more demanding and insisted on frontloading structural reforms and privatisation. (Interview 86 EC.) Our data indicates that the Commission did not generally object to frontloading and it was even supported by the Greeks (interview 123 IMF).

It seems that 'the Commission always had been relatively lenient. But then, suddenly the IMF also became a bit more concerned [...], the European Commission was lax and the IMF, well okay, they are, tend to be serious. And then, of course, also the ECB was strict'. It is clear that the IMF changed over the years. (Interview 111 ECB.) Thus, many interviewees point out (also Bastasin 2015, 269) that the inner disputes intensified and Commission-IMF relations weakened from 2011 onward: 'I think the institutions in the very beginning, my general feeling is that they were probably more converging in the beginning than in the later years when the analysis was more sophisticated and it was more politicised' (interview 76 Council official).

The IMF's demands on debt sustainability and on a longer deficit timeframe contributed to a softer image, while the EU was still rooted in the Stability and Growth Pact (SGP) rules-based thinking, demanding that the deficit be corrected in 1-2 years (interview Nogueira Martins). The member states demanded this. The IMF maintained as a negotiation constraint that the debt had to start diminishing during the programme period (interviews 93, 69 and 82 EC; interview 111 ECB; interview Traa; interview 123 IMF), while the EU constraint was the deficit target.

This made the reality complex. ‘It varied between programmes who was the strictest, there was no clear pattern. I remember the ECB having been the strictest in the beginning and we [the Commission] tried to mediate between the ECB and the IMF. We then came to the common conclusion that until 2014, that there would be a sufficient four-year adjustment period to reach the three percent.’ (Interview with Commissioner Olli Rehn.) The IMF negotiators were generally vocal, which annoyed some leading Commission negotiators (interview 93 EC), but in this case especially the IMF negotiators successfully pushed the harsh deficit target (-2.6 % of GDP) from 2013 to 2014 (interview Thomsen). An internal IMF (2010f) memo warned against a too fast adjustment: aiming for the SGP deficit target of 3 % as early as 2012 would be too risky. The Europeans had a more punitive approach than the IMF, for example in the form of higher interest rates. And they demanded more structural reforms, such as on public administration and transport (interview 93 EC). The fact that the involvement of the IMF was in part based on wrong information is mentioned (e.g., interview 81 Luxembourgian official): ‘In truth, the Germans wanted the IMF because they didn't trust us [the Commission]. They thought we would be too lenient. But the IMF wanted the debt cut. It took, as usual for Germany, five years at least to understand that we were more in line.’ (Interview 69 EC.)

Brunnermeier, James and Landau (2016, 303) mention three big fights inside the Troika, without situating them chronologically: They concur with our observations that the IMF negotiators were tougher on structural reforms than the Commission and the ECB. According to them, the IMF was more pessimistic on banking than the Commission and the ECB. They point to the debt restructuring debates (the IMF supporting it against the ECB) after the package. (Ibid., 303-305.) Even if the IMF indicated afterwards that this had already been discussed in spring 2010, our data does not suggest that this discussion was relevant during the Greek mission, as the EU side had definitively rejected the possibility of debt restructuring (interview 119 IMF). Nor did everyone within the IMF support the restructuring (interview 22 EC). There was a lost opportunity in 2010 for the IMF to influence the path dependency of the European crisis resolution towards more stimulus or gradual consolidation. Given our data, it is difficult to wholly embrace the view often presented in previous studies (e.g., Blustein 2015) that the IMF Greek programme negotiators were softer on fiscal policy. Traa (interview) summarises: ‘Within a group of three, the Commission was always a little bit on the more cautious side and we, the IMF was on the harsher, more austerity side. That is definitely true. The ECB didn’t have any problems siding with us.’ The Commission stuck to the SGP rules and the ECB was very tough. All Troika members thus promoted austerity (cf. Johnston 2020). Even in the long run, the IMF could not make its case for softer fiscal consolidation efficiently, partly because it became enmeshed in debates on fiscal multipliers (Brunnermeier et al. 2016, 303).

6. Discussion

The new regime proposed conditional loans and devised bailout programmes for EU member states in an unprecedented manner. As Burns et al. (2018, 735) argue, the Troika meant a significant change in how the institutions were able to influence EU member states’ policies. The IMF was in a position to influence the first handling of the eurozone crisis within and through this small, closed regime. Although its policy impact was less important than is often thought, it mattered what expertise it promoted. The IMF Greek loan negotiators, reflecting a particular worldview, took a position that cannot be reduced to the national governments that own it (cf. Brunnermeier et al. 2016, 289). Even if the European member states of the IMF could have pressured the negotiators (a fact not appearing in the interview data), the IMF was not bound by the SGP rules. Thus, it could have provided critical insights on existing EMU policies, including the austerity focus emphasised by prevalent interpretations of the Maastricht Treaty and the SGP deficit and debt criteria.

Did the IMF no longer promote the Washington Consensus? During the years preceding the eurozone crisis, the US government and the IMF had begun to emphasise the need to spur demand as a response to economic crises (Matthijs 2016). The IMF held that its new generation of adjustment programmes, mostly implemented outside the eurozone in Central and Eastern Europe, were lighter on fiscal adjustment and conditionality, reflecting the lessons of past mistakes, for example the controversial heavy-handed treatment of Asian countries in the late 1990s. The IMF highlighted already in March 2011 that the Greek reform plans were not functional and Greece would not be able to re-access markets before the economy could get back onto a growth path and debt dynamics could have changed course. (Bastasin 2015, 161, 260.)

The IMF evaluations (e.g., IMF 2016) have criticised the bailouts for their secrecy, optimistic group-think and dependence on EU partners. Within this self-criticism, acknowledgement of the inaccuracy of the IMF's fiscal multipliers drew significant public attention. The multiplier typically used by the IMF and other international organizations in 2010 to forecast the impact of austerity on economic growth was 0.5, meaning a 0.5 percent reduction in GDP for every percent of fiscal consolidation (Fazi 2014, 110; Blanchard & Leigh 2013, 19). Traa and Thomsen (interviews) indicate that the source of the Greek multiplier was the OECD. In April 2012, the IMF published its first analyses showing the underestimation of fiscal multipliers in downturns: austerity had more negative impact on growth than projected. Later, the IMF confirmed that the multiplying effect was seriously underestimated (IMF 2012, 41) and that in Greece the recession was much deeper than projected (IMF 2013). Other publications (e.g., Ostry et al. 2016, 38-39) from the IMF Research Department also argued that the neoliberal agenda had not met expectations. Additionally, in the IMF Executive Board meeting that approved the first Greek bail-out some member states had serious doubts about the programme's real aims (Fazi 2014, 112-113). One interviewee pointed out that the IMF was critical about the programme success "on the ground" in Greece at least in spring 2012 (interview 67 member-state official). The IMF mission members now admit that the multipliers were wrong, but attribute the reasons to false Greek data and the procyclicality of the crisis (interview Traa). According to Thomsen (interview), it was politics and crushed confidence, rather than multipliers, that caused the collapse of the economy.

Our data indicates that the research conducted in the IMF is not always reflected in its policy advice (see also e.g., Gabor 2015). There is a gap between the IMF research department and the operational side. The Washington Consensus was still more influential in the latter. (Interview 98, think tank representative.) ‘Blanchard took this [criticism] up already in the World Economic Outlook in 2009 and 2010, but this was not reflected on the political level’ (interview 84, EC). ‘It really mattered to whom you talked in the IMF, as the views were slightly different’ (interview 22, EC). Thus, our analysis provides support for the research that has pointed out the existence of subcultures in the IMF (e.g., Ban 2015; Clift 2018). Kaya and Reay (2019) have demonstrated that change in the IMF happens in a fragmented way: it occurs unevenly and selectively in different parts of the IMF. Ban’s (2015) analysis show that only in the Research Department the promoters of change clearly outnumbered the supporters of orthodoxy. There was already criticism of the programme within the IMF in 2010 (interview 85 MEP). Indeed, in a confidential Office Memorandum dated 4 May 2010, Blanchard voiced serious concerns that the risky programme would go off track and lead to a deeper recession than projected due to the exceptional degree of adjustment and lack of measures supporting growth and competitiveness (IMF 2010b). The negotiations were, however, already completed by then. Research department papers in spring 2010 also promoted larger fiscal deficits in crisis when needed (e.g., Claessens et al, 2010, 19). Traa (interview) alarmed about Greece’s economic problems already during the Article IV consultations in 2009.

This gap between the IMF’s research and practice, including the Greek mission, helps explain why the criticism of fiscal contraction is mostly absent in our interview data focused on the practical level of negotiations. The criticism did not significantly affect the missions even if their members were aware of it and sometimes sceptical about the future of the programme (interview 123 IMF). One reason was the political constraints under which the IMF operated. Traa (interview) said that the financial size of the programme did not allow his recommendation that Greeks should not cut more than 2% of GDP. The circle had to be squared by making the programme look sustainable and prevent Greece from defaulting without a loan. These negotiations were highly political (interview Traa). The IMF had to adapt to a new situation: change rules, focus on the medium term instead of the current fiscal year (interview 123 IMF), negotiate in a big group and take Greece out of the market for three years (interview Thomsen). As debt restructuring and currency depreciation were impossible, only austerity was left of the textbook approach. The absence of debt restructuring has been criticised afterwards (e.g., IMF 2013). Also, the research department commented critically on the programme, but did not entirely oppose it. According to Thomsen (interview) few people decided on the programme during the negotiations, so their views on austerity mattered greatly. The loan negotiators were quite autonomous (see for previous research Lütz & Kranke 2014) and succeeded in being the guardians of austerity. Our findings about the mismatch between the less austerity-focused discourse of Strauss-Kahn and the way the 2010 crisis was handled are also compatible with the analysis of Alexander Kentikelenis, Thomas Stubbs and Lawrence King (2016, 546), about the "addition of token gestures to placate critics, without altering the underlying premises of reform design". Nevertheless, based on a slightly longer time frame, Grabel (2017) points out that despite incoherence, the IMF policies have gradually changed during 2010s. In our findings this was not yet seen in 2010.

Many point out oddities in the IMF's hindsight (e.g., interview European Council President Herman Van Rompuy). 'There is a little bit of historical revisionism on part of some people, or the IMF in particular, that they had predicted. This is not my recollection, at all, of their position' (interview 70 EC). Also, 'the IMF wanted to say nice things, at the same time doing and to get pushing to more austerity' (interview Barroso). According to Grabel (2011), different or even contradictory strategies existed, and still exist, inside the IMF. According to our data, the internal IMF warnings about the programme did not affect the Troika negotiations significantly, even if they raised the alarm level. It is important to note that in 2010 EU institutional actors and international organizations such as the IMF sought to strengthen their internal research units and departments (Coman 2018, 4). This would be important for IMF's legitimacy and image as a neutral actor.

The Troika institutions had different assessments of the Expansionary Fiscal Contraction (EFC) hypothesis, according to which spending cuts could lead to economic expansion. This growth optimism probably found more support in the Commission than in the IMF (see e.g., Helgadóttir 2016, 402). 'I think we were all pessimistic, but IMF was maybe a little bit more pessimistic if I remember correctly' (interview 73 EC). The IMF's pessimism about overestimated economic effects and growth is highlighted in several interviews (interview Traa; interviews 93 and 55 EC). Our data shows that EFC was not supported in the IMF (e.g., interview 86 EC), and was of some minor relevance in the Commission. It seems that for the IMF negotiators austerity was more a necessity due to the non-availability of certain usual tools and a path dependent modus operandi than an ideology based on the EFC. Nonetheless, our novel finding is that IMF's pessimism meant a greater focus on austerity in the negotiations to achieve the targets as the initially envisaged measures did not yield enough according to the IMF. As the Commission was more optimistic, it demanded fewer measures (interview 123 IMF). The IMF's debt sustainability analysis enabled the whole programme and its austerity measures. On the other hand, the IMF had more concerns about the success of the programme: 'So from the Fund this was super clear from the beginning and also for those that understood the things from the Commission side, so we had to pretend that this could succeed but implicitly everyone understood that this was a mission almost impossible' (ibid.).

The later IMF self-reflection has partially blurred analyses of the path-dependent decisions at the very beginning of the eurozone crisis. Greece was considered to tarnish the reputation of the IMF (Blustein 2015). Clift (2018, 128) sees that the Greek programme was an important catalyst for fiscal policy rethink. At the same time, these updated projections do not necessarily imply a full-scale paradigm change. However, it is notable that most of the EU interviewees got somewhat upset when the criticism on the fiscal multipliers was expressed. It would be intriguing to explore the basis for European decision-makers to assume that the IMF would implement the austerity policies more coherently when the IMF had already started to change direction. In the end, they were not completely wrong, even if the IMF quite quickly began to criticise the level of fiscal contractions, at least in its research. In the longer run, the fear of the Commission being too lax was unfounded.

Ultimately, the IMF Greek programme negotiators did not use their potential power in 2010 to offer an alternative to the European austerity-focused policies, even if the IMF's managing director, who insisted on an ideational change, was directly involved in the negotiations (interviews Thomsen; Traa). Strauss-Kahn's ineffective impact highlights how strong foothold austerity still had in the IMF. This had long-lasting effects on the resolution of the eurozone crisis. The IMF pursued a more visible role as a global crisis manager, but during the first Greek negotiations the IMF mission team did not demonstrate a paradigm change that would have significantly questioned the centrality of austerity policies, as might have been suggested by the IMF's preceding ideational rethinking. Also, our data indicates that the IMF Greek loan negotiators were willing to take a back seat in the formulations of various economic conditionalities.

Finally, if we understand the IMF's ideational change as highlighting fiscal space (Clift 2018), the IMF negotiators' focus on austerity can be explained by the perceived lack of fiscal space in Greece. Nonetheless, this would not explain the frontloading of the austerity measures nor the magnitude of austerity requested, especially as the IMF had emphasised gradual consolidation (Ban 2015; Clift 2018) that they could have promoted more also in Greece.

.

7. Conclusions

Our analysis shows in a novel way that the IMF was in many ways in a leading position in the first Greek loan negotiations despite its being a secondary financial contributor (cf e.g., Blustein 2015; Pénet 2018; Grabel 2017 who emphasise the latter role and bowing to European pressure). This was the case especially on loan negotiation technicalities as well as macroeconomic data and modelling, due to the IMF's prior experience and the external legitimacy it provided. However, the Commission learned quickly and produced most of the programme content on the structural reforms. The Commission's role was thus larger than many have assumed. Contrary to some other interpretations (Blustein 2015; Rogers 2012; also Grabel 2017), we conclude that the IMF Greek programme negotiators did not challenge the austerity policies promoted by the Commission. The IMF negotiators mostly promoted frontloaded austerity instead of stimulus and gradual consolidation. At times, the IMF mission team was even stricter, though it managed to shift the final deficit target and the Commission took a more punitive approach. It matters what expertise the IMF promoted in the knowledge regime (Troika) that was formed in spring 2010, as decision-makers relied on its expertise to face uncertainties in the crisis and the IMF's template was the basis for negotiations. We show that technical know-how and "seeing like the IMF" (Broome and Seabrooke 2007) influence not only individual states where the IMF operates, as has been highlighted by many earlier studies, but also larger units such as the European Union.

Even if there was an ongoing internal redirection of the IMF economic knowledge production, it did not use its potential power in the pivotal year of 2010 to offer an alternative to the European austerity paradigm, but rather ended up reinforcing it. As all Troika members promoted austerity, the economic policies were mostly unchanged. This had long-lasting effects on the resolution of the eurozone crisis, as the Greek package created a path-dependent scheme to manage the crisis by focusing on austerity. The later critical self-reflection and increased criticism of austerity policies by the IMF may have contributed to blurring some of the interpretations of the path-dependent decisions at the very beginning of the eurozone crisis. It is possible that the IMF's internal critique was aimed at regaining its legitimacy as a neutral depoliticizing actor. At least the Greek programme that was seen problematic (Blustein 2015) led into the rethinking of fiscal multipliers (Clift 2018, 128). The IMF's image of neutrality took a serious blow from the European bailouts.

Many expected the Commission to be more flexible about policy conditionalities, but it actually proved to be tougher, especially due to its adherence to the European austerity rules demanded by the member states. At first, the Commission was not able to control the Greek economy, but it soon gained extensive surveillance powers during the initial period of the eurozone crisis. Our data indicates that the IMF brought its surveillance expertise to the first Greek programme, even if it did not play a key role in the formulation of many of the policy conditionalities. Our key finding is that the IMF negotiators taught the Commission how to negotiate with programme countries in a tough way. On an organizational level, there was institutional learning and knowledge transfer, which enabled the Commission to assume more leadership of the knowledge regime that turned into a policymaking regime.

In conclusion, the IMF Greek loan negotiators did not even aim to challenge austerity, which contributed to the stability of the EMU's austerity policies. In the multifaceted and incoherent IMF (see e.g., Grabel 2011; Grabel 2017), the nascent internal policy revision promoted by the research department did not transfer to the loan negotiations team, which followed the earlier economic-policy guidelines. There was an obvious gap between the IMF's research and policy departments. Thus, we confirm the previous observations of the IMF as a complex and fragmented institution (e.g., Ban 2015; Clift 2018; Grabel 2011). The practical loan negotiation formulas are very persistent, highlighted by the fact that even the IMF's managing director, who had visibly advocated an ideational change, was directly involved in the negotiations. Also, few people directly influenced the process. Thus, their views and adherence to negotiation conventions mattered more than the IMF's ideational change. The relatively autonomous loan negotiators were the guardians of austerity.[6]

Another constraining reason is the influence of the Commission, which proved more austerity-minded than some actors had expected. This is intertwined with the role of austerity promotion in the IMF's past practice. As the EU ruled out debt restructuring and currency depreciation, the only remaining key element from the IMF's textbook approach was austerity. It is, however, probable that a programme devised by the IMF alone would have been similar to that produced by the Troika, as the systemic risk of debt restructuring was greatly feared. The IMF was more sceptical than the Commission about the success of the programme, but this actually made the IMF negotiators demand more measures. It seems that the IMF pursued a loan almost at all costs as Greece was running out of

[6] Interestingly, Lütz and Kranke (2014) point to the same autonomy in the preceding East European negotiations, but then the negotiators promoted stimulus policies.

money. Furthermore, the IMF negotiators' focus on austerity can be explained by the perceived lack of fiscal space in Greece. However, it does not fully explain the extent and frontloading of the contraction measures. Additionally, it is important not to overemphasise the extent of the IMF's ideational change. For example, Ban (2015, 170-171) shows that the 2010 IMF Global Fiscal Monitor had changed to favour an earlier exit from stimulus, although it still warned against an abrupt fiscal withdrawal. Finally, it should be noted that as our main data consists of interviews, we need to be careful about the possibility of intended or unintended errors in the narratives about past events. Due to later criticism, it could have been beneficial for the interviewees to portray their institutions as less austerity-focused. This, however, has been taken into account in our interpretation of the interviews.

We hope our detailed analysis of the eurozone crisis helps elucidate, besides the understudied internal dynamics of the Troika, the stability of economic paradigms as well as the impact, extent and sluggishness of ideational change in the IMF. This can illuminate the challenges of promoted institutional change in international organisations that contain different subcultures. This supports the stability of paradigms. There is further need for a detailed analysis of the period after spring 2010 until the IMF's exit from the Troika cooperation. Did the IMF's ideational change affect the negotiations of the second bailout, the other eurozone loan programmes and their monitoring?

References

Ban, C. (2015) 'Austerity versus stimulus? Understanding fiscal policy change at the International Monetary Fund since the Great Recession', *Governance,* 28(2): 167–83.

Ban, C. & Gallagher, K. (2015) 'Recalibrating policy orthodoxy: The IMF since the Great Recession', *Governance,* 28(2): 131–46.

Bastasin, C. (2012) *Saving Europe: Anatomy of a dream,* Washington D.C.: Brookings Institution Press.

Blanchard, O. & Leigh, D. (2013) *Growth forecast errors and fiscal multipliers,* IMF Working paper WP/13/1.

Blustein, P. (2015) *Laid low: The IMF, the euro zone and the first rescue of Greece*, Waterloo: Centre for International Governance Innovation.

Blyth, M. (2013) *Austerity. The history of a dangerous idea, Oxford:* Oxford University Press.

Broome, A. (2015) 'Back to basics: The Great Recession and the narrowing of IMF policy advice', *Governance,* 28(2): 147–165.

Broome, A. & Seabrooke, L. (2007) 'Seeing like the IMF: Institutional change in small open economies', *Review of International Political Economy* 14(4): 576–601.

Brunnermeier, M. K., James, H. & Landau, J.-P. (2016) *The euro and the battle of ideas*, Princeton: Princeton University Press.
Burns, C., Clifton, J. & Quaglia, L. (2018) 'Explaining policy change in the EU: financial reform after the crisis', *Journal of European Public Policy,* 25(5): 728–746.
Campbell, J. L. & Pedersen, O. K. (2014) *The national origins of policy ideas: Knowledge regimes in the United States, France, Germany, and Denmark,* Princeton: Princeton University Press.
Chwieroth, J. M. (2010) *Capital Ideas: The IMF and the Rise of Financial Liberalization*. Princeton: Princeton University Press.
Chwieroth, J. M. (2015) 'Professional ties that bind: How normative orientations shape IMF conditionality', *Review of International Political Economy,* 22(4): 757–87.
Claessens, S., Dell'Ariccia, G., Igan, D. & Laeven, L. (2010) *Lessons and policy implications from the global financial crisis*, IMF Working paper WP/10/44.
Clift, B. (2018) *The IMF and the politics of austerity in the wake of the global financial crisis,*Oxford: Oxford University Press.
Clift, B. (2019a) [Review of the book *Tangled governance: International regime complexity, the troika, and the euro crisis,* by C. R. Henning], *Perspectives on Politics,* 17(2); 623-625.
Clift, B. (2019b) 'Contingent Keynesianism: the IMF's model answer to the post-crash fiscal policy efficacy question in advanced economies', *Review of International Political Economy*, 26(6): 1211–1237.
Coman, R. (2018) 'Why and how do think tanks expand their networks in times of crisis? The case of Bruegel and the Centre for European Policy Studies', *Journal of European Public Policy,* 26(2): 286–301.
Dellepiane-Avellaneda, S. (2015) 'The political power of economic ideas. The case of 'expansionary fiscal contractions'', *British Journal of Politics and International Relations,* 17(3): 391–418.
European Commission. (2010) *The economic adjustment programme for Greece* (Occasional Papers 61).
Fazi, T. (2014) *The battle for Europe: How an elite hijacked a continent - and how we can take it back,* London: Pluto Press.
Gabor, D. (2010) 'The International Monetary Fund and its new economics', *Development and Change,* 41(5): 805–830.
Gabor, D. (2015) 'The IMF's rethink of global banks: Critical in theory, orthodox in practice', *Governance,* 28(2): 199–218.
Grabel, I. (2011) 'Not your grandfather's IMF: global crisis, 'productive incoherence' and developmental policy space', *Cambridge Journal of Economics,* 35(5): 805–830.
Grabel, I. (2017) *When things don't fall apart: Global financial governance and developmental finance in an age of productive incoherence*. Cambridge: MIT Press.
Helgadóttir, O. (2016) 'The Bocconi boys go to Brussels. Italian economic ideas, professional networks and European austerity', *Journal of European Public Policy,* 23(3): 392–409.
Henning, C. R. (2017) *Tangled governance: International regime complexity, the Troika, and the Euro Crisis,* Oxford: Oxford University Press.
Hodson, D. (2015) 'The IMF as a de facto institution of the EU: A multiple supervisor approach'. *Review of International Political Economy,* 22(3): 570–598.
IMF. (2010a) *Greece: First review under the Stand-By Arrangement*, IMF Country Report No. 10/286.
IMF. (2010b) *Office memorandum from Olivier Blanchard to Mr Thomsen (confidential).*
IMF. (2012) *Coping with high debt and sluggish growth*, World Economic Outlook October 2012.
IMF. (2013) *Greece: Ex post evaluation of exceptional access under the 2010 Stand-By Arrangement*, IMF Country Report 13/156, June 2013.

IMF. (2016) *The IMF and the crises in Greece, Ireland and Portugal,* Independent Evaluation Office evaluation report.
Johnston, Alison. (2020) '*Rethinking the IMF's portrayal in the euro crisis: Guilty by association?'* Comparative European Politics, 18(1): 73–77.
Kentikelenis, A, Stubbs, T. H. & King, L.P. (2016) 'IMF conditionality and development policy space, 1985–2014', *Review of International Political Economy*, (23)4: 543-582.
Lütz, S. and Kranke, M. (2014) 'The European rescue of the Washington Consensus? EU and IMF lending to Central and Eastern European countries', *Review of International Political Economy,* 21(2): 310–338.
Lütz, S. & Hilgers, S. (2019) 'When Overlapping Organisations Play Two-Level Games: IMF–EU Interaction in Credit Lending to Latvia and Greece'. *New Political Economy,* 24(3): 299–312.
Matthijs, M. (2016) 'Powerful rules governing the euro: the perverse logic of German ideas'. *Journal of European Public Policy*, 23(3): 375–391.
Moschella, M. (2015) 'The institutional roots of incremental ideational change: The IMF and capital controls after the global financial crisis'. *The British Journal of Politics and International Relations,* 17(3): 442–460.
Moschella, M. (2016) 'Negotiating Greece: Layering, insulation, and the design of adjustment programs in the Eurozone', *Review of International Political Economy,* 23(5): 799–824.
Nordström, L. (forthcoming) Power of Experts in EU. Networks of decision-making and expert knowledge in the European debt crisis in 2010? PhD Dissertation, University of Helsinki.
Pénet, P. (2018) 'The IMF failure that wasn't: Risk ignorance during the European debt crisis', *The British Journal of Sociology,* 69(4): 1031–55.
Rehn, O. (2012) *Myrskyn silmässä: Eurokriisistä eteenpäin* [In the eye of the Storm: Forward from eurocrisis], Helsinki: Otava.
Rogers, C. (2012) *The IMF and European economies: Crisis and conditionality,* Basingstoke: Palgrave Macmillan.
Teivainen, T. (2002) *Enter economism, exit politics: Experts, economic policy and damage to democracy,* London: Zed Books.
Schumacher, J. & Weder di Mauro, B. (2015) *Greek debt sustainability and official crisis lending,* Brookings Papers on Economic Activity, Fall 2015: 279–305.
Strauss-Kahn, D. (2008) *The IMF and its future* (Speech at the Banco de España, Madrid, Spain, Dec 15),https://www.imf.org/en/News/Articles/2015/09/28/04/53/sp121508.
Wyplosz, C. & Sgherri, S. (2017) 'The IMF's Role in Greece in the context of the 2010 Stand-By Arrangement', in MJ Schwartz & S Takagi (eds) *Background papers on the IMF and the crises in Greece, Ireland, and Portugal,* Washington, D.C.: International Monetary Fund, pp 257–319.

Acknowledgments: The authors would like to thank Heikki Patomäki and the participants of the following workshops for improving the draft versions of this article: EU Research workshop of the Annual Conference of the Finnish Political Science Association in 2021, the Political Economy workshop of the Annual Conference of the Finnish Political Science Association in 2020, 'Evidence and Policy-Making: Understanding the Politics and Practices of the Use of Evidence in Policy' workshop of the ECPR Joint Sessions in 2021, 'Challenging Liberal Hegemony' workshop of the IPSA conference in 2021,' More Vital Than Ever? New and Old Roles for the IMF' workshop of the ISA conference in 2021 and the Helsinki University World Politics doctoral seminar. We would like to thank as well the anonymous reviewers for helpful comments in completing this manuscript.

Funding details: This interview field visits and transcription were supported by Palkansaajasäätiö and the Finnish Foundation for Share Promotion. The work has been supported as well by the Foundation for Economic Education.

Conflict of interest statement: The Authors declare that there is no conflict of interest.

Key messages:

1. IMF's impact on the first Greek loan was notable, but Commission ruled mostly on the content.
2. IMF's expertise wasn't used to challenge austerity, even if IMF had become more open to stimulus.
3. Reasons were lack of fiscal space, EU constraints, growth pessimism and gap between research and policy units.
4. Fragmentation and autonomy explain stability of economic paradigms in international organisations.

Bios:

Laura Nordström is a PhD researcher at the University of Helsinki (Political Science, World Politics). Her research is on the power of experts in the Eurozone crisis, lobbying, global political economy and EU. Before academia, she worked for 10 years as a political advisor, e.g. in the European Parliament.
ORCID: 0000-0002-5541-8717; https://twitter.com/lauranord; https://www.linkedin.com/in/laura-nordstr%C3%B6m-8874983

Teivo Teivainen is Professor of World Politics at the University of Helsinki, previously Head of Political Science Department and Research Director of the Center of Excellence on Global Governance. In 2022, he received the Outstanding Activist Award of the International Political Economy section of the International Studies Association.

ORCID: http://orcid.org/0000-0001-7620-4999; https://twitter.com/TeivoTeivainen; https://www.linkedin.com/in/teivo-teivainen-5b22334a/

Appendix

Interviews used as data in the article

Affiliation	Number of interviewees
Key actors: persons directly involved in drafting and deciding the Greek Loan Facility, MEFP and the MoU: IMF, EC, Council and European Council officials drafting the MoU and MEFP, Commissioners and their advisors, Eurogroup ministers and close advisors, Member State officials in Eurogroup working group or Coreper	47
Important actors: Persons taking part in the process in the institutions, but a bit more in the background: national members of parliament, MEPs, national and European parliamentary assistants, advisors and civil servants, consulted	44

experts. Commission, Council and ECB officials following the process or relevant only after 2010.	
Close followers: Persons closely following the process from outside (such as media, specialised NGOs, think tanks)	11
Background interviews (such as NGOs, academics and embassy officials)	10
Background interviews with specialists on EU lobbying in Brussels or Germany	17
TOTAL	**129**