

THE GOOD STUDENT, THE BAD STUDENT, AND THE CELTIC TIGER: THE
ROLE OF NATIONAL IDENTITY AND RESPONSES TO THE TROIKA IN EUROPE

By

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DISSERTATION ABSTRACT

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Title: The Good Student, The Bad Student, and the Celtic Tiger: The Role of National Identity and Responses to the Troika in Europe

In response to crises of unsustainable debt, which left Greece, Ireland, and Portugal locked out of bond markets, each country received assistance from the “Troika” (European Commission, European Central Bank, and IMF). They received loans in return for implementing austerity policies and liberal structural reforms. All three countries suffered painful cuts and massive recessions, but their citizens and leaders reacted differently.

Greece experienced significant political and social resistance and ultimately needed a second program. The Irish rejected the government that requested the bailout and elected a new government that implemented the Troika program with little deviation from the original plan and exited its Troika program on time. Ireland also saw very little labor unrest, and limited protest. The Portuguese elected strong advocates of the Troika's policies and saw an initial 16-month period with moderate levels of protest and strikes, before a more intense period ensued. Despite increased social pressure, the Portuguese government weathered a near collapse while maintaining its commitment to the Troika program and exited its Troika program on schedule.

Many have argued that the prevalence of “neoliberal” ideas, institutional factors, or differences in the difficulty of the individual programs can account for these responses,

but all of these explanations fall short in various ways. This dissertation argues that these responses were influenced by particular aspects of each country's national identity, especially as each relates to the European Union. In this dissertation, I show that each country can be seen to have very different types of national identities, with the most prominent features of each identity being themselves a result of the historical context of each country. Additionally, the most prominent aspects of each country's identity were the least contested in each society. Viewed through the lens of national identity, the responses from Greece, Ireland, and Portugal not only reproduced central elements of the content of each country's national identity, but the identities interacted in real time, with Ireland and Portugal highlighting their differences from Greece, and Portugal actively striving to be more like Ireland. The interaction between identities further reinforced each country's responses to their respective Troika programs.

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TABLE OF CONTENTS

Chapter	Page
I. INTRODUCTION	1
Literature Review.....	4
Rational/Material Explanations	4
Economic Interest Explanations	5
Party Politics Explanations	15
Electoral Consequences of Retrenchment	16
Why Parties Retrench	20
International Pressure.....	26
Institutional Explanations	28
Ideational Explanations.....	34
National Identity	37
Contestation of Identities	43
National Identity and the Troika.....	44
The Argument in Brief – The Good Student, The Bad Student, and the Celtic Tiger.....	46
Greece	47
Ireland	49
Portugal.....	50
Data and Methods	51
Plan for the Rest of the Dissertation	54
II. GREECE.....	55
The Greek Economic Adjustment Program.....	61
External Pressures and Government Response From the Bailout through Summer 2010.....	63
Social Responses From the Bailout through Summer 2010	67
External Pressures and Government Response September – December 2010	70
Social Responses September – December 2010	73
External Pressures and Government Responses Q1 2011	75
Social Responses Q1 2011	78
External Pressures and Policy Responses Q2 of 2011	80

Chapter	Page
Social Responses Q2 of 2011	86
External Pressures and Policy Responses July - November 2011.....	89
Social Responses July – November 2011	100
External Pressures and Policy Responses December 2011 – March 2012: From Unity Government to Second Bailout.....	107
Social Responses December 2011 – March 2012.....	112
Post Second Bailout	118
Analysis of the Greek Case.....	120
Greek National Identity.....	123
Foreign Occupation.....	132
Everything is on the Table	147
Constraints? What Constraints?	159
Conclusion	170
III. IRELAND.....	173
The Irish Program	183
Political Response and External Pressures after the Bailout with the Troika.....	186
Social Responses From Troika Announcement Through the January of 2011	188
External Pressure and Government Responses from the Campaign to the end of Q1 2011	190
Social Responses February and March 2011	193
External Pressures and Government Responses Q2 2011	195
Social Responses Q2 2011	198
External Pressures and Government Responses Q3 2011	200
Social Responses Q3 2011	203
External Pressures and Government Responses Q4 2011	205
Societal Response Q4 2011	211
External Pressures and Government Responses Q1 2012	214
Social Responses Q1 2012.....	218
External Pressures and Government Responses Q2 2012	221
Social Responses Q2 2012.....	224

Chapter	Page
Social Responses Q3 2012.....	227
External Pressures and Government Responses Q4 2012	227
Social Responses Q4 2012.....	230
External Pressures and Government Responses Q1 2013	231
Social Responses Q1 2013.....	234
External Pressures and Government Responses Q2 2013	236
Social Responses Q2 2013.....	239
External Pressures and Government Responses Q3 2013	241
Social Responses Q3 2013.....	243
External Pressures and Government Responses Q4 2013	245
Social Responses Q4 2013.....	248
Conclusion	250
Analysis of the Irish Case	251
Irish National Identity – From Catholic Ireland to The Celtic Tiger.....	254
Faith in Ireland’s FDI Economic Model and Free Markets	265
Ireland is not Greece.....	289
Conclusion	297
IV. PORTUGAL.....	299
The Portuguese Economic Adjustment Program.....	307
External Pressures and Government Responses Summer 2011..	310
Social Responses From Troika Agreement Through the Summer of 2011.....	313
External Pressure and Government Responses Autumn 2011....	316
Social Responses Autumn 2011.....	320
External Pressures and Government Responses Q1 and Q2 2012.....	325
Social Responses Q1 and Q2 2012.....	331
External Pressures and Governmental Responses Q3 and Q4 2012.....	338
Social Responses Q3 and Q4 2012	345
External Pressures and Governmental Responses Q1 2013	359
Social Responses Q1 2013.....	365

Chapter	Page
External Pressures and Governmental Responses Q2 2013	367
Social Responses Q2 2013	370
External Pressures and Governmental Responses Q3 2013	373
Social Responses Q3 2013	377
External Pressures and Governmental Responses Q4 2013	377
Social Responses Q4 2013	379
External Pressures and Governmental Responses Q1 2014	382
Social Responses Q1 2014	385
External Pressures and Governmental Responses Q2 2014	387
Social Responses Q2 2014	389
Conclusion	392
Analysis of the Portuguese Case	394
Portuguese National Identity – From Atlanticist Empire to the Good Student	397
The Good Student	405
Off the Table	415
Portugal is not Greece	435
Conclusion	443
V. CONCLUSION	445
REFERENCES CITED	451

LIST OF FIGURES

Figure	Page
Figure 1: Protests in Athens, Greece and Lisbon, Portugal	149
Figure 2: Irish Protests	176
Figure 3: Irish Strikes.....	176
Figure 4: Portuguese Protests.....	303
Figure 5: Portuguese Strikes	303

LIST OF TABLES

Table	Page
Table 1: Fiscal Measures	11
Table 2: Greece Structural Reforms	12
Table 3: Portugal Structural Reforms	13
Table 4: Ireland Structural Reforms	14
Table 5: Ireland Banking Reforms.....	15
Table 6: Protests per 1 Million Inhabitants from 1990-1995.....	136
Table 7: Blame Attribution for Crisis in Greece and Portugal	137

CHAPTER I

INTRODUCTION

As the global financial crisis worsened in 2008-2009, several European governments with debt problems were locked out of bond markets. As a result, Greece, Ireland, and Portugal received assistance from the so-called “Troika” of international institutions,¹ in return for implementing highly contentious austerity policies that included cuts to the welfare state, public wages, and public sector jobs, as well as tax increases and structural reforms. While all three countries implemented similar policies and suffered massive recessions, huge increases in unemployment, and large-scale emigration, each country’s response was profoundly different. Greece experienced significant political resistance, numerous strikes, and huge protests that frequently involved violence and property damage. Ultimately, the Greeks would need a second Troika program before finishing its first. The Irish rejected the government that requested the bailout by electing a new government with the largest majority in the history of the Irish state. But besides some pre-election bluster, the Fine Gael/Labour government implemented the Troika program with little deviation from the original plan and exited its Troika program on time. Ireland also saw very little labor unrest, and limited protest. Meanwhile in Portugal, despite a problem that required steeper initial fiscal consolidation targets than Greece and comparable structural reforms, voters elected strong advocates of the Troika’s policies. Portugal saw only a moderate level of protests and strikes for the initial sixteen months of its program. Even when social pressure increased, the

¹ The Troika consists of the European Commission, European Central Bank, and International Monetary Fund (IMF).

Portuguese government weathered a near collapse and maintained its commitment to its Troika program while exiting on schedule. Why would three countries in relatively similar situations respond in such profoundly different ways? This question speaks to the larger question of why some countries accept and implement policies recommended and enforced by outside actors regarding fiscal, monetary, and structural economic policies in times of economic distress while other countries reject such policies. While there have been several cases of countries being required to implement painful austerity and structural reforms in exchange for funding,² the European Debt Crisis presents an opportunity to directly compare countries that not only find themselves in similar situations but that have similar constraints. Membership in the European Monetary Union (EMU) placed limits on the policy options available to governments in the EMU due to the Stability and Growth Pact limiting government spending and the European Central Bank controlling monetary policy. Therefore, each state lacked the full range of fiscal and monetary policy tools that are typically available to states when they enter an economic downturn. Given the similar economic situations Greece, Ireland, and Portugal faced, as well as the common constraints, how do we explain the wide variation in responses to each country's Troika program?

This dissertation argues that the responses of all three countries were shaped and influenced by particular aspects of each country's national identity, and especially as each relates to Europe and the European Union. National identities vary widely, and which aspects become prominent in an economic crisis will depend on the specific nature of each country's national identity. In an economic crisis where outside help is required,

² Most notably in Latin America in the 1980s and Asia in the late 1990s.

the aspects of national identity that become most prominent are shaped by a country's history and its relationship with the countries and institutions offering aid. This is especially important when those offering aid are also demanding they implement difficult policies in return for their help. Building on theorizing about identity from Abdelal *et al.* (2009), I will show that my cases can be seen to have very different types of national identities, with the most prominent features of each identity being themselves a result of the historical context of each country. Additionally, the most prominent aspects of each country's identity were also the least contested. Viewed through the lens of national identity, the responses from Greece, Ireland, and Portugal not only reproduced central elements of the content of each country's national identity, but the identities interacted in real time, with Ireland and Portugal highlighting their differences from Greece, and Portugal actively striving to be more like Ireland. The interaction between identities further reinforced each country's responses to their respective Troika programs. In other words, national identity is crucial for understanding the responses of each Troika program country as well as the interaction of identities between the three countries.

The remainder of this chapter is organized as follows. First, I will review the literature on why countries might accept or reject externally-imposed policies, which focuses on three big lines of argument: rational/material, institutional, and ideational. Next, I will present my approach to answering the question of why Greece, Ireland, and Portugal responded in such different ways to their Troika programs, which builds upon the approach promoted by Abdelal *et al.*, (2009). Then, I will present my specific argument, focusing on how national identity structured the interpretations of each country's Troika program, influencing how political and social leaders, as well as the

public responded. Finally, I will discuss the methods I employed to reach my conclusions and will finish by summarizing the organization of the dissertation.

Literature Review

There are many possible ways to try to explain the differing responses of Greece, Ireland, and Portugal to their Troika programs, although little has been written directly on why states respond the way they do to externally-imposed economic policies in times of economic distress. The literature on compliance with IMF structural adjustment programs may come the closest to directly addressing question of why countries respond the way they do to externally-imposed economic policies, but this literature fails to reach a consensus. The most common explanations within this literature center on how domestic interest groups and domestic institution shape states' responses to difficult economic policies imposed from the outside. This literature review includes and expands on interest group and institutional explanations to include party politics, international pressure, ideational, and identity explanations. First, I will explain potential rational/material explanations, which include interest groups, party politics, and international pressure. Next, I will move to institutional explanations. Then, I discuss ideational explanations before finishing with a discussion of national identity explanations, upon which my argument is built.

Rational/Material Explanations

The dominant approach to studying political economy questions is by employing rational/material explanations that focus on the economic or material incentives of important actors. Because austerity has distributional consequences, it appears sensible to start here when looking for answers to responses to Troika austerity. A rational/material

explanation need not be exclusively economic and can come in many forms. Broadly, these explanations argue some version of the following: the objective positioning of a state or actors within a state will determine their preferences, which in turn lead to the choices the state and other actors will make. Examples of this type of argument include the international positioning of a state vis-à-vis other states or the composition of economic sectors within an economy, but the overarching argument is that material factors are primarily responsible for outcomes. These explanations view individuals' preferences as fixed and focused on material concerns such as economic well-being or winning elections. Therefore, within a rational/material type of explanation there are many arguments one could make to explain why states accept or reject difficult economic policies imposed from outside sources, but the unifying thread is that preferences can be determined a priori, and material incentives will define the preferences of actors, which in turn play a large role in determining policy outcomes.

Economic Interest Explanations

Many scholars have studied how economic interests and distributional conflict contribute to political outcomes following financial crises. Scholars such as Peter Gourevitch (1986), Jeffrey Frieden (1991), and Tom Pepinsky (2009), among others (Alesina and Drazen 1991; Hellman 1998; Martinelli and Tommasi 1997; Rodrik 1996; Schamis 1999) have performed various studies displaying the importance of domestic interests in determining economic policies and outcomes during and after financial crises.

While Gourevitch focused on interest group coalition realignment after crises, Frieden was concerned with the distributional effects of foreign exchange rate policy. Finally, Pepinsky examined how political coalitions and the preferences of powerful

interests within Indonesia and Malaysia led to divergent responses and outcomes regarding the Asian Financial Crisis. The common thread throughout works such as these is that they expect powerful domestic interests that would gain from an economic policy to pressure governments to adopt the policy while the interest groups likely to be harmed by the policy would oppose it. As Pepinsky (2009) points out, “governments fulfill particularistic demands for political purposes, with the result that in countries facing similar needs for economic adjustment, policies enacted will vary according to the profile of powerful interest groups within those countries.”³

Greece, Ireland, and Portugal were all facing an external debt crisis that shut all three governments out of bond markets at the time that they asked the Troika for help. The pressure exerted by bond markets comes as interest rates increase, making borrowing increasingly costly, and affecting the government’s ability to finance its activities. Due to the reliance on bond markets to finance their government operations, the initial conflict was between governments and global markets as lenders.⁴

Once states decide to repay creditors, they must have the money to do so. Accomplishing repayment generally entails a mix of cuts to the welfare state, public wages, public sector jobs, as well as tax increases – i.e., austerity. Some economists have

³ Thomas B. Pepinsky, *Economic Crises and the Breakdown of Authoritarian Regimes: Indonesia and Malaysia in Comparative Perspective* (New York: Cambridge University Press, 2009), 5.

⁴ Carmen M. Reinhart and Kenneth S. Rogoff, *This Time is Different: Eight Centuries of Financial Folly* (Princeton: Princeton University Press, 2009).

argued that high debt to GDP ratios⁵ have substantial negative effects on growth⁶ and that spending cuts are more likely to reduce deficits and less likely to create a recession than tax increases.⁷ Additionally, the Eurozone's Stability and Growth Pact limits governments to deficits of 3 percent per year. This makes the prospect of stimulus even less appealing as it would lead to violating the Stability and Growth Pact and result in closer monitoring of budgets from Brussels. Therefore, if a government wants to lower borrowing costs and restore growth, implementing austerity is required.⁸ Additionally in cases where countries reach out to others like the IMF, or in this case, the Troika, gaining access to financing typically involves structural adjustments in addition to austerity measures. These usually include liberalizing protected sectors of the economy, increasing labor flexibility, privatization of state-owned enterprises (SOEs), and reforming specific product markets, among others.

According to this line of reasoning, the distributional effects of these austerity policies and structural reforms should lead the groups within states that will be hurt economically to pressure governments to avoid these painful policies. Since most cuts

⁵ Reinhart and Rogoff (2010) argue that a 90% debt to GDP ratio has significant effects on growth, but later Irons and Bivens (2010) demonstrated that the 90% threshold is inaccurate and that slow growth causes debt buildup and not the reverse.

⁶ Carmen M. Reinhart and Kenneth S. Rogoff, "Growth in a Time of Debt," *American Economic Review: Papers and Proceedings* 100, (2010).

⁷ Alberto Alesina and Allan Drazen, "Why Are Stabilizations Delayed?" *American Economic Review* 81, (5): 1170-1188.

⁸ This point of view has been challenged by economists such as Paul Krugman (2009; 2012) and Joseph Stiglitz (2002), as well as political economist Mark Blyth (2013). As Blyth (2013) argues, it may make sense for one country to try and cut spending to reign in deficits as long as their trading partners do not. However, if all states are cutting simultaneously as we have witnessed in Europe, the recovery is much more difficult as aggregate demand is depressed and incomes and profits of all countries are reduced.

would affect the public sector, one would expect states where the government is more involved in the economy to offer more resistance to austerity than states with less government intervention. Pepinsky (2014) points out that “opposition to external debt repayment during debt crises should be strongest in countries with large public sector wage bills, strong public sector unions, and heavy public dependence on government-provided unemployment and poverty assistance.”⁹ Additionally, those likely to have their profession liberalized or have their labor rights reduced would also be expected to speak out against these policies. To summarize, economic adjustment programs that would cause harm to greater numbers of people should be resisted more than “easier” programs with fewer cuts. Therefore, if one country had a more difficult program than the others, where more people were harmed, or were facing wage cuts and layoffs, that country would be expected to offer more resistance to its Troika program than countries with an “easier” program.

Conversely, this type of explanation would also argue that sectors of the economy in each state might expect to benefit from austerity and structural reform policies. The loans could be used to recapitalize banks and provide capital to businesses while increasing labor flexibility would lower labor costs for businesses. Furthermore, some consumers may support liberalizing protected industries as increased competition could lower prices and improve product quality.

In summary, a domestic interest explanation of responses to austerity would expect the distributional effects of austerity to create clashes between groups that would

⁹ Thomas B. Pepinsky, "Financial Crises and the politics of adjustment and reform," in *Handbook of the International Political Economy of Monetary Relations*, ed. Thomas Oatley and W. Kindred Winecoff (Northampton: Edward Elgar Publishing, Inc., 2014), 269.

benefit from austerity measures or structural adjustments and those that would be hurt by these policies. Applying this logic to Greece, Ireland, and Portugal, there would be varying responses and differing levels of resistance to each Troika program based on the political coalitions and economic makeup of each state as well as the overall difficulty of the program. Referring back to Pepinsky (2014), states with the largest public sector wage-bills and unions, as well as states with large public dependence on government-provided unemployment and poverty aid would be expected to exert the most opposition to austerity.

Examining the differing reactions in Ireland, Portugal, and Greece leads one to question the validity of explanations emphasizing domestic interests. According to this line of reasoning, Portugal and Greece should have responded rather similarly as they have comparable welfare state structures, large public sector unions, and heavy state involvement in the economy.¹⁰ Yet these two countries responded in very different ways to their Troika programs, with Greece rebelling and Portugal being much more acquiescent. If, as theory would predict, states with larger public sectors and public sector unions etc. should be more resistant to austerity, how do two states with similar domestic economic structures take such divergent paths when asked to implement similar policies?

Some have argued that the size of the public sector, unions, and government involvement in the economy may have an effect, but the Irish and Portuguese programs

¹⁰ Alexandre Afonso, Sotitios Zartaloudis, and Yannis Papadopoulos, "How party linkages shape austerity politics: clientelism and fiscal adjustment in Greece and Portugal during the eurozone crisis." *Journal of European Public Policy* 22, no. 3 (2015): 1-20.

were simply not as difficult as Greece's.¹¹ While this is certainly true if we sum up *all three* of Greece's Troika programs, the initial Troika programs were quite comparable. Including all three Greek programs in the comparison skews the economic pain experienced in Greece compared to Ireland and Portugal, making the comparison less insightful.

Greece's original MOU expected it to make a fiscal consolidation of 10.9 percent of GDP between 2010 and 2013.¹² Between 2011 and 2014, Portugal was expected to make a fiscal consolidation of 10.6 percent of GDP.¹³ However, the first two years of Portugal's program initially required a consolidation of 8.7 percent of GDP while Greece's program initially required a consolidation of 6.5 percent of GDP. Even Ireland was expected to make a larger fiscal consolidation in 2011 than Greece. Ireland's program required a consolidation of 3.8 percent of GDP,¹⁴ compared to Greece's expected consolidation of 2.4 percent. Table 1, below, includes all three countries' fiscal measures agreed to in their original MOUs as well as the fiscal consolidation accomplished by each country.

¹¹ Catherine Moury and Adam Standring, "Going beyond the Troika': Power and discourse in Portuguese austerity politics." *European Journal of Political Research* 56, no. 3 (2017): 660-679; Niamh Hardiman et al., "Tangling with the Troika: 'domestic ownership' as political and administrative engagement in Greece, Ireland, and Portugal." *Public Management Review* 21, no. 9 (2019): 1-22.; Ricardo Cabral et al., "Austerity Measures in Crisis Countries – Results and Impact on Mid-term Development." *Intereconomics* 48, no. 1 (2013): 4-32. among others.

¹² European Commission, "The Economic Adjustment Programme for Greece", *europa.eu*, May 2010, <https://op.europa.eu/en/publication-detail/-/publication/64c89a77-ddc4-46f4-9bb0-18d7e80f6f0c/language-en>.

¹³ European Commission, "The Economic Adjustment Programme for Portugal," *europa.eu*, June 2011, https://ec.europa.eu/economy_finance/publications/occasional_paper/2011/op79_en.htm.

¹⁴ European Commission, "The Economic Adjustment Programme for Ireland," *europa.eu*, February 2011, https://ec.europa.eu/economy_finance/publications/occasional_paper/2011/op76_en.htm.

What is apparent is that, while Greece had the highest total amount of fiscal measures to implement, they were not significantly more than Portugal, and Portugal agreed to much higher fiscal consolidation targets for the first two years of its program. This is especially puzzling given the violent opposition to Greece’s program seen just after the government signed its MOU, whereas serious opposition to Portugal’s Troika program did not manifest until nearly 16 months after signing its MOU.

Table 1: Fiscal Measures

Greece Fiscal Measures (% of GDP)	2010	2011	2012	2013	Total
Revenue	0.5	2.9	0.7	-0.3	
Expenditure	1.9	1.2	1.7	2.3	
Total (Estimate)	2.4	4.1	2.4	2	10.9
Total Adjustment (Actual)	4.8	2.5	3.7		11
Source: Fiscal adjustment and debt sustainability: Greece 2010-2016 and beyond: Page 85					
Portugal Fiscal Measures (% of GDP)	2010	2011	2012	2013	Total
Revenue		2	0.9	0.5	
Expenditure		3.7	2.1	1.4	
Total (Estimate)		5.7	3	1.9	10.6
Total Adjustment (Actual)		3.5	2.6	0.9	7
Source: Eighth and Ninth Review: Page 19 & Eleventh Review: Page 19					
Ireland Fiscal Measures (% of GDP)	2010	2011	2012	2013	Total
Revenue		1.3	0.9	0.6	
Expenditure		2.4	1.3	1.2	
Total Adjustment (Estimate)		3.8	2.2	1.8	7.8
Total Adjustment (Actual)		3.5	2.25	1.75	7.5
Source: Initial MOU and Ex post Evaluation of the Economic Adjustment Programme Ireland, 2010-2013: Page 66					

Yet, the fiscal targets were only one aspect of each country’s Troika program. There were numerous structural reforms that all three countries were required to implement, although somewhat fewer in Ireland, and with a large focus on restructuring

the banking sector. Below are tables 2-5 that compare the structural reforms each country agreed to in their original MOUs.

The above tables also indicate that Greece’s initial program was not significantly more challenging, especially compared to Portugal. Both had numerous structural fiscal reforms, labor market reforms, privatizations, the liberalization of key sectors, and the rationalization of public administration. When combining these with the fiscal targets for each country, the responses do not follow the logic that more people stood to be hurt economically in Greece than in Portugal and that is why Greece rebelled against the Troika while Portugal and Ireland were more acquiescent.

Table 2: Greece Structural Reforms

Greece
Structural Fiscal Reforms
Pension Reform - Age from 60 to 65. Merge existing system into three funds. Strengthen link between contributions and benefits
Important reforms to strengthen the budgeting system and fiscal framework. (i) introduction of a medium-term fiscal framework covering the general government based on rolling three year expenditure ceilings for the State, social security and local governments; (ii) strengthened budget procedures introducing binding expenditure ceilings for each Ministry consistent with the deficit target; (iii) strengthening the position of the Finance Minister in relation to the line Ministers in both budget preparation and execution phases, (iv) reforming the General Accounting Office, to make it more active in fiscal policy making and budget planning and control; and (v) creation of a non-partisan fiscal agency to provide independent and expert scrutiny of government finances.
Reforms to make Tax system more efficient and equitable - make it more progressive.
Stronger enforcement of tax code
Rationalization of public administration - local administration reform
Labor Market Reforms
Reforms to labor market by strengthening wage-setting mechanisms
Decentralize wage-bargaining
Sub-minima wages for young and long-term unemployed
Revise rules on firing and costs
Revise part-time and temporary work regulations
Product Market Reforms
Implement services directive (from EU) and extend it to closed shop professions like lawyers, pharmacists, auditors etc.
Simplify business startup requirements - lower licensing and administrative burdens
Liberalize energy sector
Liberalize railway sector
Statistics
Improve fiscal and other public sector reporting and statistics

Table 3: Portugal Structural Reforms

Portugal
Structural Fiscal Reforms
Strengthening fiscal framework and administrative capacity
Spending controls and curtailing risks from wider pub sector, especially PPPs and SOEs
Implement new budgetary framework law - sets up a multi-annual framework with expenditure and budget balance rules. Also establishes a fiscal council as independent advisory body. Ministry of Finance to start publishing quarterly reports on revenue and expenditure.
Public administration rationalization - administrative bodies that are inefficient or redundant will be merged or closed
Local government to be more closely monitored by government administration
Health Care Reform
Better use of IT and existing datasets, and other measures to increase efficiency
Reduce generous markups on pharmaceuticals
Publication of prescription guidelines, using more generic drugs, and moderating user fees
Rationalization of the hospital network and medical staff management
Containing risks from the wider public sector perimeter
All PPPs to undergo a thorough review from external experts to assess financial risks
Reduce costs of SOEs by an average of 15 percent and tighten debt ceiling on SOEs
Privatization of parts of transportation, energy, communications, and insurance among others. Proceeds equaling €5bn
Labor Market Reform
Comprehensive labor market reform
Reduce maximum unemployment benefits
Revise Employment protection legislation to reduce severance payments
Make it easier to fire employees on open-ended contracts
Make working time arrangements more flexible to cut down on overtime and reduce labor costs
Change criteria for extending collective agreements across the sector and make firm level negotiations less prohibitive
Improve efficiency of the school system
Reviving the Housing Market
Easing rent controls
Strengthening ownership rights
Simplifying judicial procedures and construction permits and modernizing property taxes
Improving the functioning of key sectors
Energy - Liberalizing the sector
Transport - Increase competition, less government dependence, parts of the sector privatized
Services and Telecommunications - liberalizing both telecommunications and postal sector
Liberalization of the services sector
Improving Framework Conditions
Judicial Reform to increase efficiency -
Stronger enforcement of competition rules - new courts and the implementation of best practices in terms of independence of national regulators
Abolish golden shares that give the state special rights in private companies in the energy and telecommunications sectors
Ease the regulatory burden on business

Table 4: Ireland Structural Reforms

Ireland
Structural Fiscal Reforms
Significant reforms to the medium-term budgetary framework are to be introduced under the programme. This will enhance the consolidation strategy's credibility and further strengthen the credibility of Ireland's fiscal stance over the medium to long term. A Fiscal Responsibility Bill will be introduced, including provisions for a medium-term expenditure framework with binding multi-annual ceilings on expenditure in each area. The Bill will take into account any revised economic governance reforms at EU level. Further, the government will establish a budgetary advisory council to provide an independent assessment of the budgetary position and the underlying forecasts. The MoU also stipulates that any additional unplanned revenues must be allocated to debt reduction.
Further measures to reform the pension system should help ensure the long-term sustainability of public finances. In accordance with the National Pensions Framework published by the authorities in March 2010, the age at which people qualify for State Pension will be increased from currently 65 years to 66 years in 2014, 67 in 2021, and 68 in 2028. Pension entitlements for new entrants to the public service will also be reformed in 2011. Notably, pensions will be based on career average earnings, while the retirement age will be linked to the state pension retirement age.
Envisaged labour market reforms cover the system of minimum wages, the unemployment benefit system and activation policies.
Lower minimum wage by 12 percent
Review sectoral wage agreements to ensure they do not hamper inter-sectoral adjustment.
Income protection for unemployed workers needs to be set so as to eliminate unemployment and poverty traps, increase incentives to accept job offers and reduce the risk of long-term unemployment.
Enhanced labour market activation policies, together with more stringent job search conditionality attached to unemployment benefits, will strengthen job search efforts and improve labour market matching at limited budgetary cost. Training should be targeted (Carcillo and Grubb, 2006) and careful programme evaluation will be required.
Irish authorities undertake to introduce legislation to increase the state pension age.
Policy measures will be taken to bolster competition in product and energy markets and other network industries.
Despite Ireland's openness to global markets and generally competition-friendly business environment, there are still outstanding issues which have contributed to comparatively high price levels, which feed through to production costs. This will be tackled through the concerted implementation of still outstanding recommendations by the Irish Competition Authority in various areas: sheltered professional service sectors such as the legal and the medical profession, where prices are particularly high and impervious to the economic situation; the general competition environment, in particular adjusting incentives so as to discourage anticompetitive behavior

Table 5: Ireland Banking Reforms

Reorganization and Downsizing of the Banking Sector - A radical overhaul
An enhanced Prudential Capital Assessment Review (PCAR) for 2011, based on a thorough assessment of banks' asset quality and more rigorous stress testing. The design and implementation of the PCAR 2011 will be the responsibility of the Central Bank, in co-operation with the Commission, the ECB and the IMF.
A new Prudential Liquidity Assessment Review (PLAR) for 2011. The PLAR will outline measures to be implemented with a view to steadily deleveraging the banking system and reducing banks' reliance on short term market funding by the end of the programme period. To this end, the PLAR will establish target funding ratios for 2013 for each bank. In order to reach the targeted LTD ratios, banks have to increase their deposit base and/or to decrease their loan portfolios. The PLAR will identify non-core assets and set an adjustment path to the agreed targets.
Ambitious target loan-to-deposit ratios will be established for each bank. These targets will be designed to ensure convergence to Basel III standards. Compliance with the PLAR benchmarks will be monitored and enforced by the Central Bank taking account of prevailing market conditions. The PLAR will be updated on an annual basis.
Legislation on improved procedures for early intervention in distressed banks and a special bank resolution regime (SRR) has been introduced. The Credit Institutions (Stabilization) Act 2010 which was enacted last December provides the legislative basis for the reorganization and restructuring of the banking system agreed in the Programme. It is designed to deal with the urgent and pressing issues facing the domestic financial sector and as such provides broad but time limited-powers to the Minister for Finance to act on financial stability grounds to effect restructuring actions and recapitalization measures envisaged in the Programme.
Legislation introducing SRR which is due to be published by end-February will include a robust set of powers and tools to ensure the competent authorities can promptly and effectively resolve distressed banks e.g. when they pose a risk to financial stability. The legislation will be consistent with both the EU Treaty rules and similar initiatives ongoing at EU level.
An in-depth review of the personal debt regime will be submitted to the Irish Parliament considering measures to limit the distress of mortgage holders and overindebted consumers at the same time best serving the national and creditors' interests...The government will prepare legislative change.
Using the above policy tools, the viable banks will be further streamlined. The banks that will be found viable will be required, inter alia, to (a) increase provisioning for non-performing assets as needed; (b) identify their non-core assets; and (c) dispose of non-core assets, using the most appropriate instruments (such as securitization with credit enhancement or sales of assets). The possibility of asset segregation (e.g. good and bad banks) will be considered.
For non-viable banks, notably Anglo and INBS, a resolution plan will be established and submitted to the European Commission in accordance with EU competition rules.

Party Politics Explanations

A party politics line of reasoning generally argues that political parties are primarily motivated by winning elections and staying in political power. Thus, their policies will be formulated in ways that help them achieve these ends.¹⁵ Because the Troika's austerity programs required states to make cuts to the welfare state and raise

¹⁵ Anthony Downs, *An Economic Theory of Democracy*. (New York: Harper and Row, 1957).

taxes, austerity is often seen as inherently unpopular and puts political parties at odds with their goals of winning elections and remaining in power. Earlier research followed this reasoning by arguing that retrenching the welfare state would be unpopular regardless of which party was responsible for the reforms (Pierson, 1996; Weaver, 1986). Parties that nevertheless do pursue retrenchment would be expected to use blame avoidance techniques to minimize its costs at the polls (Pierson, 1996; Giger & Nelson, 2010; Vis & Van Kersbergen, 2007). However, more recent research has found that some political parties (conservative and/or liberal) can be rewarded at the polls for advocating and implementing policies of retrenchment (Giger & Nelson, 2010; Schumacher, Vis, & Van Kersbergen, 2013). Finally, others have used prospect theory to explain why political parties will adopt policies that scale back the welfare state (Vis & Van Kersbergen, 2007; Van Kersbergen & Vis, 2014).

Electoral Consequences of Retrenchment

Pierson (1996) argues that the popularity of the welfare state makes it resilient to large-scale change as recipients of social benefits tend to be focused and relatively well organized. Therefore, there will always be electoral costs to retrenching the welfare state. If parties pursue retrenchment, they will be expected to use blame avoidance strategies to avoid taking blame for the policies. The major implication of Pierson's argument is that political parties will face universal punishment for retrenchment. This implies that partisan politics will have little importance with regards to welfare state retrenchment, as all parties should avoid retrenchment. The issue with this argument centers on Portugal as all parties agreed to terms with the Troika and sought to implement austerity that required retrenchment. Yet, the PSD, which was advocating strict adherence to austerity and

exceeding the Troika's demands for structural reforms, was elected. The PSD/CDS coalition also received the most votes in the 2015 but they had lost seats and could not form a stable government. This situation differs with the cases of Ireland¹⁶ and Greece during the Eurozone Crisis where opposition to the programs has been more pronounced. Ireland and Greece both faced situations comparable to Portugal's but their bailouts were contested by the other main political parties. The parties in Ireland's opposition wanted to renegotiate parts of the agreement while Greece's main opposition party refused to support the MOU, eventually leading to missed targets, delayed reviews, and a second Troika program.

The belief that all parties will actively avoid welfare state retrenchment has been questioned as some researchers have found that not only can some political parties retrench without significant punishment at the polls, but also, they can be rewarded for retrenching.¹⁷ Giger and Nelson (2010) found that religious and market-liberal parties systematically win votes for retrenchment. According to Giger and Nelson, religious and market-liberal parties can 'claim credit' for scaling back social policy.¹⁸ These findings suggest that retrenchment is a popular policy choice for some voters and that contrary to the 'new politics' view, partisan politics is important for understanding why parties retrench and which parties are rewarded for retrenchment.

¹⁶ This is most applicable in the first few months of the program. Once the Fine Gael/Labour coalition took over, there was little resistance to implementing the policies in the MOU.

¹⁷ Nathalie Giger and Moira Nelson, "The electoral consequences of welfare state retrenchment: Blame avoidance or credit claiming in the era of permanent austerity?" *European Journal of Political Research* 20, no. 1 (2011): 1-23; Gijs Schumacher, Barbara Vis, and Kees van Kersbergen, "Political parties' welfare image, electoral punishment and welfare state retrenchment." *Comparative European Politics* 11, no. 1 (2013): 1-21.

¹⁸ Nathalie Giger and Moira Nelson, "The electoral consequences of welfare state retrenchment."

This line of reasoning would expect the religious and market-liberal parties to be able to “claim credit” for retrenchment and thus win votes. However, this argument does not tell us why liberal and religious parties systematically win votes for retrenchment, which the authors admit as a shortcoming. However, this has difficulty explaining all three of the cases in this dissertation. In Ireland, Fine Gael is both religious and market liberal, but was not rewarded in the 2016 election, as it lost 16 seats in parliament. This argument also fails to explain the situation in Portugal, because while the PSD is a center-right party, it is not traditionally a market-liberal party or a religious party. The PSD is more liberal than the PS and there is some religious influence within the party, but these are not their primary factors distinguishing them from the PS. The Social Democratic Center-People’s Party (CDS) fits this profile as it is a religious party (Christian Democratic) that is market liberal. However, CDS was not rewarded for its retrenchment policies during Portugal’s Troika program as it also lost seats in the 2015 election. In Greece, New Democracy, which is the main center-right party, opposed any austerity deal with the Troika and never considered working with PASOK to reach a deal until the possibility of default and being forced out of the euro were being seriously discussed. According to the reasoning that market liberal and religious parties can be rewarded at the polls for welfare retrenchment, New Democracy could have agreed to and implemented austerity and been rewarded. It was only after much disagreement between parties that a bailout package was agreed to, but both PASOK and New Democracy were severely punished at the polls for the austerity measures.

Schumacher, Vis, and van Kersbergen (2013) argue that a party’s ‘welfare image’ has significant effects on electoral punishment for welfare state retrenchment. A party’s

welfare image is a function of the party's role in constructing the welfare state and whether it has a credible commitment to the support of the welfare state. The states that supported the construction of and maintain a credible commitment to the maintenance of the welfare state have a positive welfare image. Those with a negative welfare image are usually the parties that no longer have a credible commitment to defending the welfare state as all major political parties were usually responsible for the construction of European welfare states. The authors find that right wing governments are more successful than left wing governments at cutting back entitlements without punishment, and that left-wing governments lose votes systematically for cutting the welfare state. Finally, when a party with a positive welfare image retrenches the welfare state, the parties that gain the most electorally tend to be other parties that also have a positive welfare image. Therefore, conservative or market-liberal parties do not gain votes when a party with a positive welfare image retrenches the welfare state.

Greece and Ireland appear to fit quite well within this framework. After much disagreement and turmoil, and a second program, many voters moved to SYRIZA while punishing PASOK in the elections in May and June of 2012. While SYRIZA did not win enough seats to form a government it made huge gains in parliament in both elections campaigning to defend the welfare state and cancel the Troika program. In Greece voters turned from traditional defenders of the welfare state (PASOK) that made massive cuts to entitlements and social spending to another party, SYRIZA, which was promising to defend the welfare state. The welfare image of PASOK had been tarnished with their previous austerity policies and voters looked to another party that would defend the welfare state. In Ireland, Fianna Fáil, which is a traditional defender of the welfare state,

lost 51 of their 71 seats in the 2011 parliamentary election, while Labour gained 17 seats. Voters moved from one traditional defender of the welfare state, who had lost credibility, to another defender of the Irish welfare state. After implementing the Troika program with Fine Gael, Labour was also punished in the 2016 elections, where they went from 37 seats to 7, while Fianna Fáil and Sinn Féin gained seats.

However, for the Portuguese situation, this explanation provides very little insight. It was the conservative coalition of the PSD and CDS that gained a combined majority of votes, not the Socialists, the Communist Party, or the Block of the Left, which are ardent defenders of the welfare state. Yet, the PSD is a center right party with at worst a fuzzy classification regarding their ‘potential’ welfare image. Yet, the political parties in Portugal all generally defend the welfare state, and although the parties on the left argue for a more expansive welfare state than others, classifying the PSD as having a negative welfare image appears to be incorrect. If the PSD is classified as having a positive welfare image, the PSD vowing to “go beyond the Troika” casts doubt on the welfare image hypothesis as they won votes advocating retrenchment when theory would predict votes to go to other parties. Also, voters would be turning from one party with a positive welfare image (the PS) to another with a positive welfare image (the PSD) but was promising policies that would cast serious doubt on the PSD’s willingness to defend the welfare state.

Why Parties Retrench

The above discussion focused on the electoral consequences for retrenchment but failed to address why political parties want to retrench in the first place given the expected associated costs electorally. This is particularly important in these three cases

because the Troika was demanding a specific set of reforms that were bound to be unpopular. Various political parties in all three states agreed with these policies and agreed to retrench and reform the welfare state.

Vis and van Kersbergen (2007; 2014) and Barbara Vis (2009; 2009; 2010) offer an explanation of why political parties would pursue unpopular reforms such as retrenching the welfare state by using prospect theory. One of the primary findings of prospect theory is that people are generally risk-averse when they are in the domain of gains (i.e., satisfied with their current position and would prefer it over potentially risky change). Therefore, if people (or political parties) find their situation tolerable or desirable, they will opt for continuing that position as opposed to undertaking risky reforms that could make them unpopular.

Applying this logic to the politics of the welfare state, Vis (2010) argues that political parties have two issue areas that matter for retrenchment, and that political parties can be in the realm of gains or losses in either area. The first is socioeconomic and the second is politically, which can include where a party stands in opinion polls or where they stand with power in government (i.e., large majority in parliament or control of both houses in a bicameral system). Parties will prefer the status quo (i.e., no retrenchment) when they are in the domain of gains. Politically this means that the party is polling favorably compared to other political parties or has a large majority in the legislature. As long as the situation is one of gains, parties will opt for the safe certainty of the status quo as opposed to taking a gamble on reforms that could hurt them in elections or public opinion. However, when parties view their situation of one of losses, whether it is

electorally or socioeconomically, they will be more willing to attempt politically risky policies such as welfare state retrenchment.¹⁹

Vis (2010) finds that there are two paths to unpopular reform. The first is a weak socioeconomic situation in combination with a rightist government. If a rightist government is in power when they view the current socioeconomic situation as unacceptable (domain of losses socioeconomically) it will increase the odds of welfare state retrenchment policies. Thus, a rightist government does not need to be in the realm of losses electorally to enact retrenchment, as they are more likely than leftist parties to do so regardless. Yet, Vis argues only that the odds of retrenchment increase when the government is a rightist government and in the realm of losses socioeconomically but does not find evidence that rightist governments will retrench more deeply than leftist governments. Conversely, Allan and Scruggs (2004) do find that rightist governments implement harsher retrenchment, but the reasons why are not articulated, leaving researchers with an observation without causal claims.²⁰ The second path to reform is a weak socioeconomic situation in combination with a weak political position. In other words, if a party or coalition is in power when the economic situation is weak and the party or coalition is in a politically weak position, one can expect retrenchment of the welfare state to be more likely.

In Portugal, the fact that we see the PSD and CDS wanting to retrench further than the PS, challenges this finding because they advocated deeper austerity than the

¹⁹ Barbara Vis, *Politics of Risk Taking: Welfare State Reform in Advanced Democracies*. (Amsterdam: Amsterdam University Press, 2010).

²⁰ James P. Allan and Lyle Scruggs, "Political Partisanship and Welfare State Reform in Advanced Industrial Societies." *American Journal of Political Science* 48, no.3 (2004).

Troika was demanding. Allan and Scruggs (2004) do find that rightist governments implement harsher retrenchment, but the reasons why are not articulated, leaving researchers with an observation without causal claims.

In Portugal, prospect theory could be used to describe the multiple austerity packages the PS attempted after the elections in 2009. Their political position had deteriorated from the previous elections, as did the socioeconomic situation. The PS enacted austerity measures on their own prior to the memorandum with the Troika. The PS also agreed to the memorandum with the Troika and agreed to implement it, but not pursue reforms that exceeded the mandate. However, according to Vis's logic, the PS's positions and actions are not so puzzling as the PS could be seen as in the realm of losses both electorally and socioeconomically because they had lost seats in parliament and the economy was deteriorating. Therefore, prospect theory offers some insight into the actions of the PS but has a more difficult time with the PSD's decision not only to advocate austerity, but to advocate going beyond the mandate of the Troika. Additionally, prospect theory fails to explain why the PSD continued with such harsh cuts after winning the election.

Yet, regardless of who won the Portuguese election in 2011 they were going to retrench the welfare state due to the memorandum signed with the Troika. Therefore, arguing that the PSD was in the realm of losses regarding the socioeconomic situation in Portugal appears to carry less weight in the period after Portugal went to the Troika as opposed to the period before because all parties would have been in the realm of losses. This is also further complicated by the fact that the PSD was in a favorable situation politically as they had closed the gap from the previous election and were either even or

ahead of the PS leading up to the election. Furthermore, the policies were not popular as the vote for the PSD was more of a vote against the performance of the PS.²¹ Moury and Freire (2013) also point out that the Passos Coelho government has been accused of exceeding its electoral mandate by going beyond the Troika.²² Thus, “going beyond the Troika” was not a popular stance to take with voters. Yet the PSD won by taking further gambles on austerity and structural reforms (i.e., going beyond the Troika), despite being in a favorable political position. Prospect theory, as described by Vis (2010), would predict that the PSD should have been more risk-averse because of their favorable political position and the unpopularity of their economic policies. Ultimately, the use of prospect theory does not explain why the PSD would exceed their mandate given a favorable political position and economic reforms that were deemed unpopular.

Peter Starke (2008) offers a comparative look at radical welfare state retrenchment and states that researchers must distinguish between triggers of retrenchment and structuring causes. The trigger that Starke argues causes retrenchment is a deep economic crisis, in particular short-term economic performance. Because welfare states continue to have large support, the public demands very good reasons to scale it back. The structuring causes are a party’s welfare ‘stance.’ This is similar to Schumacher, Vis, and Kersbergen’s (2013) welfare image. Starke argues that parties who have unfavorable views of the welfare state enact more drastic cuts to the welfare state than parties with a more positive view of the welfare state. The other main structuring

²¹ Pedro Magalhães, “The Elections of the Great Recession in Portugal: Performance Voting under a Blurred Responsibility for the Economy.” *Journal of Elections, Public Opinion, and Parties* 24, no. 2 (2014).

²² Catherine Moury and André Freire, "Austerity Policies and Politics: The Case of Portugal." *Pôle Sud* 39, no. 2 (2013).

cause is the presence of a Westminster parliament. Because there is little fragmentation and few veto points, unpopular policies are more likely to be pushed through. Therefore, Starke essentially argues that three conditions are needed for radical welfare state retrenchment to occur. A deep economic crisis, an anti-welfare state government is required to be in office and Westminster style institutions.²³

While it appears that the three cases might fit these conditions for retrenchment,²⁴ Starke's explanation runs into trouble with Portugal and Ireland. It does not offer insights into why retrenchment would be rewarded at the polls and does little to explain why the PSD would want to exceed the mandate of the Troika. Stating that rightist parties are prone to implementing harsher austerity measures reduces the explanation to partisan ideology and the presence of an economic crisis. However, the economic crisis aspect is only a necessary condition, not a sufficient condition. Partisan ideology may be a central cause of the drive of the PSD to implement such drastic cuts, but this begs questions about why the PSD would move so drastically to the right and seek to exceed their mandate from the Troika. The PSD, normally a centrist party, made a drastic shift to the right from 2009-2011 but the reasons are unclear.²⁵

This explanation also does not fit the Irish case as the Fine Gael/Labour government could hardly be described as anti-welfare state. While Fine Gael alone would

²³ Peter Starke, *Radical Welfare State Retrenchment: A Comparative Analysis*. (New York: Palgrave MacMillan, 2008).

²⁴ In Greece, the lack of an anti-welfare state party would lead Starke to predict that Greece's political parties would resist retrenchment and in Ireland Fianna Fáil was governing during the financial crisis and signed the agreement with the Troika. Their successor, Fine Gael, a center-right liberal party known for being fiscally conservative took over in 2011 and austerity continued.

²⁵ José Magone, "Portugal is Not Greece: Policy Responses to the Sovereign Debt Crisis." *Perspectives on European Politics and Society* 15, no. 3 (2014).

meet the anti-welfare state conditions, Labour is arguably the most ardent defender of the welfare state in Ireland. Although Labour undoubtedly softened some of the policies agreed to in the MOU, it also helped implement very difficult budgets with cuts to the welfare state as well as the public sector.

In summary, explanations based on party politics all center on the premise that parties want to get their members elected and stay elected. However, there are many potential outcomes from this one assumption that lead to different expectations. Many of the explanations may apply to one case and not the other two or vice versa. Explanations may explain behavior at one point in time, such as prospect theory expecting the PS in Portugal to pursue austerity prior to asking the Troika for a bailout or welfare image leading voters to leave PASOK for SYRIZA in Greece. However, these explanations fail to explain the range of outcomes across Greece, Ireland, and Portugal. Ultimately, explanations based on party politics do not account for why all three countries responded to their Troika programs in the ways they did.

International Pressure

Another explanation that could help our understanding of responses to austerity involves pressure from other countries within the EU, EU institutions, and the IMF. Since Greece, Ireland, and Portugal are periphery countries in the EU, realists in international relations would expect the more powerful countries in the EU or international institutions to be able to coerce smaller countries into following their desired policies because of structural positioning. Realist scholars such as Waltz (1979) and Mearsheimer (2001) would add that international institutions are merely tools of the powerful to further exert their influence. These types of arguments have been applied by scholars in reference to

asymmetrical power within the EMS (Greico 1995), how the world's poorest countries are vulnerable to coercion from the World Trade Organization (Gowa and Kim 2005) as well as the International Monetary Fund (Thacker 1999; Stone 2004; Broz and Hawes 2006). In using this type of logic to explain the three cases in this prospectus, one would expect the more powerful EU states such as Germany and France to get their preferred policies implemented over the wishes of Ireland, Greece, and Portugal. Since the debt crisis involving these three countries threatened the stability of the Eurozone as a whole and many of the debts were owed to banks in Germany and France, the governments of Germany and France would be expected to pressure the governments of Ireland, Greece, and Portugal to implement and follow the austerity policies because they were in structurally weaker position within the EU compared to countries like France and Germany that have larger and more systemically important economies.

This line of reasoning would assume that the smaller, indebted states are virtually powerless against the wishes of the larger states. However, there are reasons to caution against this argument. First, there were well-documented reports of Germany attempting to coerce and influence elections as well as the outcome of the referendum in Greece. Yet, despite the international pressure they resisted by refusing to accept the Troika's terms, politicians and the public engaged in brinkmanship, and mass public protests and strikes were held before reluctantly agreeing to the terms of the bailout. If the powerful states could exert their will on weaker states, Greece would have no option but to acquiesce, but instead mounted significant resistance. Second, Ireland and Portugal faced intense pressure from larger and more powerful states in the EU yet did not react the same way as Greece. The Irish and Portuguese governments were not completely

acquiescent but worked with the Troika to ensure they met the commitments in their respective MOUs. If international pressure was responsible for the different responses, one would expect that more pressure would result in less resistance, but the opposite ended up being true with Greece offering significantly more resistance politically and socially than Ireland or Portugal.

Institutional Explanations

An institutionalist perspective could also offer insights into why these countries had differing responses to their Troika programs. Institutional explanations generally focus on the role institutions play in shaping the obstacle courses through which actors maneuver.²⁶ Thus, if there are different institutional designs that policy makers must maneuver, these institutions can affect the options of policy makers when responding to the Troika's demands. Two of the most plausible institutional explanations involve how institutions insulate policy makers from democratic processes and interest groups (Evans, 1995; Kohli, 2004) and the Varieties of Capitalism approach (Hall and Soskice, 2001).

In a situation where states are required to implement unpopular policies, such as the Troika's austerity program, having an institutional structure that insulates policy makers from interest group or popular pressure can be beneficial as it allows policies to be implemented without significant resistance from society. While Evans (1995) and Kohli (2004) were discussing insulation or autonomy from domestic pressures in the context of the developmental state and economic modernization, the logic could apply to implementing austerity and the accompanying structural adjustment programs. One of the main points Evans and Kohli argued was that economic modernization is highly

²⁶ Craig Parsons, *How to Map Arguments in Political Science*. (Oxford: Oxford University Press, 2007).

disruptive to society and would likely be resisted. Thus, to successfully implement policies that were necessary for economic modernization, policy makers need to be sufficiently insulated from domestic pressures that could derail their policy aims. Similarly, the Troika's policies could be expected to face fierce opposition and resistance from groups likely to be harmed by austerity. Therefore, states with more autonomy or insulation would be expected to carry out these policies more easily, as they would be shielded from pressures preventing the implementation of austerity policies.

Afonso *et al.*, (2015) have applied a variation of this argument to Portugal and Greece, arguing that the Greeks were less able to cooperate across parties when negotiating austerity measures because of the clientelistic ties that were heavily relied upon by Greek parties. Implementing the measures would mean undermining their organizational base and breaking the linkages between the patrons and the clients. As Alfonso *et al.* argue, "if the patrons' ability to supply resources is undermined by austerity, there is nothing left that ties voters and parties, and clients may quickly desert their patron to find another one promising to supply resources."²⁷ Yet, the cooperation across parties that happened in Portugal and was absent in Greece occurred before each country's Troika program. PASOK and the PSD/CDS coalition both held comfortable majorities in their respective parliaments as each country began its Troika program, meaning cross-party cooperation was not needed to implement the program. It is much easier to criticize policies and refuse to cooperate when doing so matters little. Whether New Democracy in Greece, or the PS in Portugal voted for the specific austerity policies

²⁷ Alfonso *et al.*, "How party linkages shape austerity politics: clientelism and fiscal adjustment in Greece and Portugal during the eurozone crisis," 14.

or not, the outcome would have been the same.

Furthermore, this may help explain why political parties are willing to cooperate or not, but it does not explain why politicians in one country would seemingly be so concerned with maintaining or gaining power (Greece) while some politicians seemed to have little regard for their re-election prospects (Portugal). Former Portuguese Prime Minister, Pedro Passos Coelho, not only campaigned to “go beyond the Troika,” but told a party meeting in 2012, “If one day we have to lose elections in Portugal in order to save the country, then, as they say, the hell with elections.”²⁸ If one is going to argue that clientelism prevented Greek parties from reaching agreement, it appears that the presence of deep clientelistic ties could be a necessary and sufficient condition for a lack of cooperation between political parties when agreeing to austerity measures. Conversely, the absence of clientelistic ties could be thought of as a necessary but not sufficient condition for the cooperative implementation of austerity. Therefore, one must ask what other conditions or characteristics were present that allowed Portuguese parties to successfully cooperate to implement very difficult austerity and structural reform policies.

Hall and Soskice (2001), using the *Varieties of Capitalism* framework, argue that the structure of institutions within states that have been built up through time will affect the types of policies a country prefers and follows. Hall and Soskice assert that capitalism is classified primarily by two ideal types: liberal market economies (LME), epitomized by the US, and coordinated market economies (CME) best exemplified by Germany. The

²⁸ Reuters Staff, “Portugal PM puts austerity before election victory,” *Reuters*, July 24, 2012, <https://www.reuters.com/article/instant-article/idUSBRE86N0JY20120724>

economic policies of a country can largely be explained by the organizational structure of firms in conjunction with the organization of the political realm. In liberal market economies, economic actors tend to have “arm’s-length relationships” with each other, mediated by markets, and coordination occurs in response to price signals. A heavier reliance on markets leads to flexible labor markets, limited collective bargaining, and capital markets focused on short-term returns. Coordinated market economies rely much more on nonmarket forms of coordination such as negotiation, bargaining, and collaboration, which leads to power sharing within firms, more rigid labor markets, investment in skill development, bank-based finance, and a high degree of coordination between employers.

These varying institutional structures could impact responses to Troika austerity in various ways, but the organization of labor, business, and finance as well as their corresponding relationships with government would be especially important. The differences in the institutional makeup of liberal market economies and coordinated market economies produces divergent, yet unclear expectations in how states should respond to austerity. On one hand, the CME model should be able to handle austerity in a way that more groups can agree upon and with less social disruption. Because of the modes of coordination such as bargaining and power sharing, where relevant groups come together to negotiate policies, one could expect that all groups could agree to cut back a little and this would allow the more painful effects of austerity to be spread throughout society and not concentrated in specific sectors that would likely lead to protest.

The expectations for countries in the LME model are less clear. On the one hand, it could be expected that the smaller, less-unionized, and thus weaker public sectors in LMEs would have less ability to resist cuts to wages or a reduction in public-sector jobs. This would imply that from the mass public side, the responses to austerity would be less intense than in a CME political economic structure. Because workers in an LME are encouraged to develop their skills and the labor market is flexible, employers can fire workers more easily and workers are expected to change jobs more often. However, the arms-length relationships and lack of coordination between employers, employees, and the government could lead to disruptive cuts in jobs or wages that lead those hurt by austerity to resist the measures. Moreover, the actual implications for how a society classified as an LME would react to externally-imposed austerity are far from certain.

Hall and Soskice acknowledge the possibility that a third type of capitalism exists that is a “Mediterranean” type, which has been expanded upon by other scholars. Molina and Rhodes (2007) present what they call a mixed market economy (MME). As the name implies, MMEs use market and nonmarket forms of coordination. Firms and trade unions have difficulty delivering collective goods in the ways that CMEs are more effective. Instead of negotiation and bargaining, firms and trade unions in MMEs are able to demand compensation for state intervention because they have veto power over the state. Also, the institutional complementarities found in CMEs and LMEs may be lacking or dysfunctional in MMEs.²⁹ As Hassel (2014) argues, southern Europe exemplifies this

²⁹ Oscar Molina and Martin Rhodes, "The Political Economy of Adjustment in Mixed Market Economies: A Study of Spain and Italy," in *Beyond Varieties of Capitalism: conflict, contradictions, and complementarities in the European economy*, eds. Bob Hancke, Martin Rhodes, and Mark Thatcher (Oxford: Oxford University Press, 2007), 223-252.

MME model, including Portugal and Greece. What the MME model implies regarding austerity is that governments will be more beholden to domestic interests that have veto power over policy, which would make austerity difficult to implement. Yet, the differences observed between the responses in Portugal and Greece challenge this line of reasoning. Two states classified as MMEs could be expected to act similarly in their responses to policies that threaten politically important groups. Greece responded this way, but Portugal's response was much less intense as it adhered to the program and worked with the Troika to meet its deficit and structural reform targets. This variation casts some doubts on the ability of the Varieties of Capitalism framework to explain the divergent responses of Greece and Portugal.

Others have argued³⁰ that the institutional structure of each country and its reform capacity created an institutional environment with more roadblocks, making the program more difficult to implement (i.e., Greece and Portugal), or created a more permissible institutional environment where policies were easier to implement (i.e., Ireland).

However, roadblocks are only causal factors to the extent that people try to take the road in question. If the Greeks were attempting to carry out the policies from the MOU by working with the Troika and were still incapable of implementing them because of capacity issues, this would point towards an institutional explanation. However, the brinksmanship that politicians and social actors were willing to engage in does not suggest that the Greeks were doing everything they could to implement the program and

³⁰ Kevin Featherstone and Dimitris Papadimitriou, "Assessing Reform Capacity in Greece: Applying Political Economy Perspectives," in *From Stagnation to Forced Adjustment: reforms in Greece 1974-2010*, eds. Stathis Kalyvas, George Pagoulatos and Hardimos Tsoukas (New York: Columbia University Press, 2012), 31-46; Peter Siani-Davies, *Crisis in Greece*. (Oxford: Oxford University Press, 2017).

simply could not. Rather, the Greeks direct embrace of brinkmanship indicates a deliberate unwillingness to follow through on the program, not an inability to do so. This contrasts to Portugal, which also had significant institutional roadblocks (i.e., four Constitutional Court rulings against austerity measures) but the government remained committed to the program and found ways to comply with the program despite institutional barriers. The institutional barriers may have shaped specific policy options, but it does not explain the vastly different choices of leaders in Portugal and Greece.

Measures of reform capacity have shown Greece to have less reform capacity than Ireland or Portugal,³¹ but this also fails to explain the vastly different responses from those in each country. Reform capacity may have affected Greece's ability to implement various reforms that required centralized data gathering and reporting or IT capabilities that the state lacked, but it was not responsible for the decisions of Greek political and social leaders to grandstand and employ brinkmanship strategies with the Troika. The embrace of brinkmanship points to causes outside of the Greek institutional structure for its difficulty in implementing its Troika program.

Ideational Explanations

Yet another major school of thought in political economy focuses on the role played by the economic ideas held by policymakers and the public.³² In this line of reasoning, the ideas that people hold about the proper policies to implement in a given situation influence their policy preferences and choices. Many scholars have written

³¹ S. Bertelsmann, "Sustainable Governance Indicators." *SGI: Sustainable governance Indicators*, 2009, sgi-network.org.

³² Within the IR literature, ideational approaches are referred to as constructivist. See Alexander Wendt, *Social Theory of International Politics*. (Cambridge: Cambridge University Press, 1999).

specifically about economic ideas and their effects on policy choices in comparative political economy (Hall 1989, 1992; Blyth 2003, 2013; McNamara 1998; Jabko 2006). Mark Blyth (2013) specifically traces the history of austerity and why it has become the default policy response during an economic downturn. In general, there are two reasons. One is ideational and one is material. Some policy makers truly believe that austerity is the policy choice that will work and that there is no viable alternative. Furthermore, certain businesses, especially banks and creditors, will benefit from governments cutting costs and reducing debt. Finally, austerity can be popular because it is easier to sell to the public. Going further in debt to reduce debt is counterintuitive, but people generally understand that cutting spending reduces debt.³³

As Parsons (2007) argues, to demonstrate an ideational explanation, ideas must be held prior to the current situation and must have been chosen for ‘inexplicable’ reasons when other ideas could have just as easily been chosen. Therefore, ideas at time t affect decisions made at time $t + 1$.³⁴ An economic ideas argument would rely on the specific economic ideas held by policymakers and the public in Greece, Ireland, and Portugal just before they entered their respective Troika programs. Those countries holding more pro-free market views would be more likely to agree with the Troika program and implementing it should face much less political and social resistance.

However, when one compares the attitudes towards the free market and competition in Greece, Ireland, and Portugal this explanation fails to explain the variation in responses. Greece is home to many socialists and communists that have contempt for

³³ Mark Blyth, *Austerity: The History of a Dangerous Idea*. (Oxford: Oxford University Press, 2013).

³⁴ Craig Parsons, *How to Map Arguments in Political Science*.

capitalism. Its rebellion against policies opposed by so many in power and in the public is unsurprising. On the other hand, Ireland is much more market oriented than many in Europe. Labor unions have a presence, but Ireland has a very flexible labor market. Socialism and communism never had much appeal in Ireland and the main political parties would both be described as center-right in policy orientation. The relative acquiescence of the Irish is also unsurprising given the ideological makeup of the country. If one were only comparing Greece and Ireland this explanation would appear very plausible. However, Portugal creates obstacles to this explanation. The Portuguese are not overwhelmingly in favor of free markets. While it is true that many in the PSD/CDS coalition strongly adhered to the “neoliberal” economic ideas contained in the MOU, survey data indicate that the majority of the public do not share these views. Eurobarometer surveys in 2006 show that Portugal had the lowest score of all EU countries (46 percent) in agreeing with the view that “free market competition is essential to economic prosperity.” In the same Eurobarometer, 57 percent of Greeks and 70 percent of Irish agreed with the previous statement. The EU average was 64 percent.³⁵ Given the mismatch between the economic ideas held by those in government and the public, the Portuguese response is puzzling, especially the delay of 16 months before significant opposition to the program emerged. If the Portuguese are not overwhelmingly in favor of free markets, why was the resistance to a very harsh, “neoliberal,” economic adjustment program not more intense?

³⁵ European Commission, “Standard Eurobarometer 66, Autumn, 2006,” *europa.eu*, September 2007, https://ec.europa.eu/commfrontoffice/publicopinion/archives/eb/eb66/eb66_en.pdf; The European average was 64 percent in agreement that free market competition is essential to economic prosperity

To summarize, rationalist/materialist and explanations centered on economic ideas appear to fall short in explaining the different reactions to the Troika programs in Ireland, Greece, and Portugal. Most of the explanations under the rational/materialist label may be able to explain one or even two of the cases, yet they appear unable to account for all three cases. Generally, these theories would expect Greece and Portugal to behave similarly given the similarity of their institutional and economic makeup, but we see Ireland and Portugal acting more similar with Greece appearing as the outlier that intensely resists its Troika program. Rational/material explanations are also unable to account for Portugal's willingness to exceed the Troika's demands and the public's delayed and muted response. Approaches focusing on economic ideas also fail to explain the variation in responses between the three Troika program countries as Portugal had the lowest levels of faith in free markets in Europe only five years before they entered their Troika program, yet there was much less resistance to the program than in Greece, indicating the presence of other factors. Given the shortcomings of the previous explanations, I offer an alternative way to explain responses of Greece, Ireland, and Portugal to their respective Troika programs. I argue that each country's national identity, especially as it relates to Europe, is crucial in explaining why three countries facing relatively similar circumstances reacted in profoundly different ways.

National Identity

Studies of identity have recently gained attention in political science literature. Studies focused on national identity have been diverse, ranging from security (Katzenstein, 1996; Hopf, 2002), to ethnic war (Kaufman, 2001), to international political economy (Abdelal, 2001) and comparative political economy (Campbell & Hall, 2017).

There has been an increasing realization that identities play an important role in explaining political and social outcomes. Rogers Smith states that identities are “among the most normatively significant and behaviorally consequential aspects of politics.”³⁶ However important some scholars view national identity, it has yet to be applied to the explanations for the responses of Greece, Ireland, and Portugal to their Troika programs.³⁷ National identity helps to explain the divergent responses to each country’s Troika programs as it enables an understanding of how policy makers as well as citizens interpreted their situations and how these interpretations structured the responses. Policy makers and citizens remain self-interested actors and material factors are certainly relevant, but the differing national identities acted as a lens through which actors viewed and interpreted events and circumstances, leading to countries in similar material or structural situations to respond in different ways.

For this dissertation, the concept of a collective identity is most appropriate when referring to national identity as it explores responses to the Troika at the collective level.³⁸ Abdelal *et al.* (2009) offer a framework that summarizes the arguments of much

³⁶ Rogers Smith, "Identities, Interests, and the Future of Political Science." *Perspectives on Politics* 2, no. 2 (2004): 302.

³⁷ Campbell and Hall apply the concept of national identity to Denmark, Ireland, and Switzerland to help understand their responses to the 2008 financial crisis, but not to Ireland’s Troika program. John L. Campbell and John A. Hall, *The Paradox of Vulnerability: States, Nationalism, & the Financial Crisis*, (Princeton: Princeton University Press, 2017).

³⁸ This is opposed to theories focused on individual identity, such as social identity theory, which hinges on the proposition that ‘who one is,’ depends on the group one identifies with. Liesbet Hooghe & Gary Marks, "Calculation, Community and Cues: Public Opinion on European Integration." *European Union Politics* 6, no. 4 (2005): 419-443. Humans have long had strong group loyalty and these loyalties can be instrumental in shaping individuals’ views towards political objects. David O. Sears, "Symbolic Politics: A Socio-Psychological Theory," in *Explorations in Political Psychology*, ed by Shanto Iyengar and William J. McGuire, (Durham, NC: Duke University Press, 1993), 113-149; Douglas Massey, "Presidential Address: A Brief History of Human Society: The Origin and Role of Emotion in Social Life." *American Sociological*

of the existing research on national identity and enables researchers to better conceptualize collective identity. Their framework defines collective identity “as a social category that varies along two dimensions – content and contestation.”³⁹ Content refers to the meaning of a collective identity and can include constitutive norms, social purposes, relational comparisons, and cognitive models. Abdelal *et al.* (2009) argue that the four types of content an identity can contain are non-mutually exclusive, meaning a national identity can potentially encompass all four of the content types. Regardless of the type of content, a national identity exerts its causal influence by acting as a lens through which actors interpret their situations, interests, and preferred policies. The content of an identity conditions actors’ perceptions and can lead to different responses despite similar structural positioning.

Constitutive norms are the “formal and informal rules that define group membership.”⁴⁰ These are a normative set of social or legal rules that determine collective meanings and expectations for the members of a group. These practices and expectations allow those within a group to recognize others in the group and the practices become understood as obligations. Also, when practices resulting in recognition are viewed as obligations, the group may espouse these practices as virtuous. For example, Price and Tannenwald (1996) argue that what it means to be a “civilized state” has evolved to include the non-use of chemical or nuclear weapons in armed conflict. Thus,

Review 67, (2002): 1-29; Paul M. Sniderman, Louk Hagendoorn, and Markus Prior, "Predisposing Factors and Situational Triggers: Exclusionary Reactions to Immigrant Minorities." *American Political Science Review* 98, no. 1 (2004): 35-49.

³⁹ Rawi Abdelal, *et al.*, "Identity as a Variable," in *Measuring Identity*, eds. Rawi Abdelal, Yoshiko M. Herrera, Alastair Iain Johnston, and Rose McDermott, (New York: Cambridge University Press, 2009), 19.

⁴⁰ Rawi Abdelal, *et al.*, "Identity as a Variable."

“civilized states” recognize each other by their non-use of these weapons and the non-use of chemical and nuclear weapons can also be promoted as an ethical obligation of all states identifying as “civilized”.⁴¹ When states act in accordance with constitutive norms, these actions lead others to view an actor as having a particular identity. Moreover, constitutive norms do not set the goals of a state or group but define the social meaning by creating collective expectations and individual obligations. Preferences are not determined by constitutive norms, yet the norms define the boundaries and distinctive practices of a group.⁴²

Finally, Abdelal *et al.* (2009) argue that constitutive norms or practices can be internalized or habituated in three ways. First, some behaviors may be ruled out consciously because they conflict with the expected behaviors of a state with a particular identity. This could be thought of as something akin to the logic of appropriateness discussed by March and Olsen (1989). Second is semiconscious choice, where norms decrease the options consciously considered. Norms allow policies that may conflict with an identity to be acknowledged and then dismissed with little to no consideration. Weldes *et al.* (1999) refer to this as “commonsensible,” as policies conflicting with expected behaviors are given very little thought. Lastly, norms can be so deeply entrenched that they are acted upon habitually or unconsciously. Hopf (2002) describes this as the logic of habituation and if norms are operating in this way there are no considerations of other options as practices are simply followed.

⁴¹ Richard Price and Nina Tannenwald, "Norms and Deterrence: The Nuclear and Chemical Weapons Taboos" in *The Culture of National Security*, ed. Peter J. Katzenstein, (New York: Columbia University Press, 1996), 114-152.

⁴² Rawi Abdelal, *et al.*, "Identity as a Variable."

The following type of content in an identity is social purpose. A social purpose identity is an identity that is defined by the goals shared by the members of a group. This can lead a group to carry out practices with group purposes and to interpret the world through lenses partly defined by the social purpose(s). Therefore, a social purpose identity defines the preferences of a group and creates obligations of members to engage in practices that are likely to make the group's goals more achievable. Social purpose can also define the legitimate ends of policy and structure the debate about national interests and identity.⁴³ For example, Abdelal (2001) argued that the various types of nationalism arising in the wake of the collapse of the Soviet Union contained specific purposes that influenced their political decisions. Lithuania, Estonia, and Latvia wanted to remove themselves from the Soviet sphere of influence while simultaneously "returning to Europe." Thus, following the collapse of the Soviet Union, the purpose of returning to Europe and gaining autonomy from post-Soviet Russia influenced every facet of these countries' political-economic changes.⁴⁴

The next type of identity content is a relational comparison identity. This type or aspect of identity focuses on how one understands them self in relation to other collective identities. In this instance, an identity can be formulated by many different relational characteristics. For example, an identity may be defined by what it is not, meaning the holding of one social identity may exclude the holding of certain other identities. An identity can be constructed in opposition to another identity or one of its characteristics.

⁴³ Rawi Abdelal, *et al.*, "Identity as a Variable."

⁴⁴ Rawi Abdelal, *National Purpose in the World Economy: Post-Soviet States in Comparative Perspective*. (Ithaca: Cornell University Press, 2001).

For example, Bell (2001) shows that the construction of French nationalism was done by using England's 'barbarianism' as a core difference that France could use to define itself. This type of identity is inherently relational, and Barnett (1999) defines relational identity as "the understanding of oneself in relationship to others; therefore, identities may be contingent, dependent on the actor's interaction with others and place within an institutional context."⁴⁵ According to this logic, one way to understand identity is when it is viewed in relation to some other identity or its characteristics.

The final type of identity content is a cognitive model. Cognitive models can be thought of as worldviews or shared mental models that help members of a group make sense of their world. This type of content suggests a theory of interpretation, similar to a lens through which actors view and understand their world, which conditions how material or social incentives for specific actions are influenced by their identities. The content of this identity gives members of a group a common explanation of how the world works and descriptions of the social reality of the group.⁴⁶ Similarly, Brubaker, *et al.* (2004) argue that identities are ways of viewing the world. "They are ways of identifying oneself, making sense of one's problems and predicaments, identifying one's interests, and orienting one's action. They are ways of recognizing, identifying, and classifying other people, of construing sameness and difference, and of "coding" and making sense of their actions."⁴⁷

⁴⁵ Michael N. Barnett, "Culture, Strategy, and Foreign Policy Change: Israel's Road to Oslo." *European Journal of International Relations* 5, no. 1 (1999): 9.

⁴⁶ Rawi Abdelal, *et al.*, "Identity as a Variable."

⁴⁷ Rogers Brubaker, Maria Loveman, and Peter Stamatov, "Ethnicity as Cognition." *Theory and Society* 33, (2004): 47.

More importantly for this dissertation, Abdelal *et al.* (2009) argue that cognitive models can affect how groups understand political and economic interests. “Identities can affect conceptions of legitimacy, shared interests, and policy choices, as well as preferences for political leaders and parties.”⁴⁸ Furthermore, identities can also structure interpretations of material conditions and economic interests. Risse *et al.* (1999) argue, “collective identities define and shape how actors view their perceived instrumental and material interests and which preferences are regarded as legitimate and appropriate for enacting given identities.”⁴⁹

Contestation of Identities

The second part of this typology is the degree of contestation identities face. Contestation is the amount of agreement within a given group regarding the content of the shared identity. Identities become subject to change or fragmentation with greater contestation of an identity. As Abdelal *et al.* point out “the further apart the contending interpretations of a collective identity prove to be, the more that identity will be fragmented into conflicting and potentially inconsistent understanding of what the group’s purposes or relations should be.”⁵⁰ Moreover, the model put forth by Abdelal *et al.* (2009) allows for the fluidity and contextual nature of identities, which implies that identities are not necessarily ephemeral but that the meanings of an identity may be more or less widely shared at different points in time. Thus, the less contested an identity is, the more unified that identity becomes and the greater its ability to influence the actions of

⁴⁸ Rawi Abdelal, *et al.*, "Identity as a Variable." 26

⁴⁹ Thomas Risse, *et al.*, "To Euro or Not to Euro? The EMU and Identity Politics in the European Union." *European Journal of International Relations* 5, no. 2 (1999): 157.

⁵⁰ Rawi Abdelal, *et al.*, "Identity as a Variable." 27

the group that hold such an identity. However, identities are constantly being contested and remade, meaning that describing the amount of contestation of an identity's meaning at any one moment is very difficult. However, there are times when the meanings of identities are stable enough "that they can be treated as if fixed and can be analyzed with social scientific methods."⁵¹

National Identity and the Troika

A country's history is crucial in the development of national identity, with historical experiences imprinting onto a country's character. National identity evolves with collective experiences and the national identities of Greece, Ireland, and Portugal are no different. The four types of identity content discussed above can be seen in all three cases in this dissertation, but the most salient features of each identity are themselves a product of the historical context of each country. The national identities of Greece, Ireland, and Portugal vary widely due to different histories and experiences, especially the interactions with European countries and the EU, meaning that each country's interpretation of its Troika program was structured by these shared previous experiences. For example, the difficult history Greece has with many of its European neighbors, but especially Germany, opened the door for those in the media and political leaders to draw on collective memories of the Nazi occupation of Greece that did not exist in Ireland or Portugal. This history is one reason many Greeks to view their Troika program as a foreign occupation. One of the most important parts of the Portuguese interpretation was that they had not lived up to being a modern, Western, European country since joining the EU, as they were still economically behind many in Europe. Therefore, they could

⁵¹ Rawi Abdelal *et al.*, "Identity as a Variable."

use the Troika program to move closer to its European neighbors, which they aspired to be more like. Ireland was previously in a similar situation but had already completed the move from being one of the poorest countries in Europe to being one of the richest and interpreted their Troika program as a temporary roadblock on their way back to prosperity. Despite a massive banking crisis that effectively bankrupted their state, the Irish maintained faith in its economic model as it had produced significant wealth in the past and it was believed that a return to similar policies would deliver again.

The most dominant features of each national identity are also the least contested,⁵² leading to a more direct causal role as the identity cross-cuts societal cleavages and political ideologies.⁵³ Therefore, references to an identity or elements of its content that cross the political spectrum indicate that that particular aspect of national identity is more prominent (and less contested) than if references are only from one side of the political spectrum. The dominant features of each country's national identity also foreground the other features. For example, if a social purpose identity is most prominent in a country, it will condition other aspects of the national identity, such as the constitutive norms and relational comparisons. Therefore, these other aspects of identity content will be congruous with the social purpose identity. A social purpose is defined by the goals of the identity. Therefore, if certain actions conflict with achieving the goals of the social purpose identity, those actions will be much less likely to be taken by those sharing that social purpose identity. For example, as I elaborate in the next section, the prominence of

⁵² This is reflected in the historical references from which I gathered the content of each national identity.

⁵³ This is similar to the logic argued by Parsons (2002) about "showing ideas as causes." Craig Parsons, "Showing Ideas as Causes: The Origins of the European Union." *International Organization* 56, no. 1 (2002): 47-84.

the “good student” identity in Portugal meant that a strong rejection of the Troika program was largely “off the table” for a significant portion of the population. By strongly rejecting the Troika program and risking default and/or ejection from the euro, not only would Portugal be contradicting the very goals that had been motivating it for the past 40 years, but it would be violating the norms that modern, Western, European democracies don’t default on their debts or renege on their international obligations.

The Argument in Brief – The Good Student, The Bad Student, and the Celtic Tiger

As the Euro Crisis played out, each country’s national identity manifested in various ways as each country was asked to make very difficult decisions to save their economies. Not only did each country react in accordance with the content of its national identity, but instead of room for new ideas to influence policy, each country reverted to and reproduced central elements of these identities. Greece rebelled, as many Greeks viewed this as another instance of foreign meddling enabled by their treacherous elites. Their belief that foreigners were responsible for their failures was further reinforced. Irish faith in their economic model and the material gains it produced led to a quiet confidence that they would weather the crisis and get back to the growth they had enjoyed in the lead up to the crisis. The Portuguese tended to see their crisis as an opportunity to further their integration with Europe and make the changes they felt were necessary to fulfill their goals of becoming closer to a modern, Western, European country.

The national identities of Greece, Ireland, and Portugal also interacted in unforeseen ways. Because the Greeks reacted so violently against their Troika program, leading to further social, economic, and political chaos, the Irish and Portuguese were able to label Greece as the “other” in relation to their own identities as well as labeling

each other as part of the “in-group” that was committed to their programs. While there were many criticisms of the Irish and Portuguese programs many leaders appealed to their citizens’ sense of “we are not that” when referring to how the Greeks responded to their program and how they expected their own citizens to respond. In public statements as well as interviews with conducted with elites in both Ireland and Portugal this message was hit upon multiple times. The use of Greece as the other by Irish and Portuguese leaders to reveals the role of identity in not only reaffirming who Irish and Portuguese leaders believed their countries to be but also what they believed their countries were not.

Greece

Since the establishment of the modern Greek state in 1832 and continuing through their accession into the EEC and later the EU, Greece has aspired to become a modern country at the core of Europe. Yet, there has been hesitancy from many Greeks about their journey back to Europe.⁵⁴ It was not uncommon for foreign countries to meddle in Greek affairs and outside influences have meddled in domestic Greek affairs much more than in Ireland and Portugal. Powerful European countries as well as the Ottoman Empire had been injecting themselves into Greek politics since the modern state was formed in the early 19th century and this trend would continue throughout the 20th century. The brutal Nazi occupation of Greece further solidified Greek skepticism of Western Europe and imprinted a deep anti-German sentiment onto Greek national identity. The Greek Civil War following WWII only added to this suspicion of foreign powers injecting themselves in Greek affairs as the Greek Civil War was the first proxy war of the Cold

⁵⁴ Thomas W. Gallant, *Modern Greece*. (New York: Oxford University Press, 2001); Richard Clogg, *A Concise History of Greece* (Cambridge: Cambridge University Press, 2002); Stathis Kalyvas, *Modern Greece: What Everyone Needs to Know* (Oxford: Oxford University Press, 2015).

War with the US and UK supporting one side and the USSR supporting the other. Greece's dependence on the US during the Cold War and US support for the military junta from 1967-74 engrained anti-Americanism further into the Greek character.⁵⁵ Following the fall of the military junta, many Greeks saw their failures as caused by foreign meddling, as any progress made appeared to be quashed by outside forces. Therefore, the Greeks sought to limit foreign meddling as a way of reaching their greatness.⁵⁶ Even as Greece sought closer ties with Europe starting in the 1970s, the country was divided on forging closer ties as some thought it would leave Greece permanently on the periphery of Europe. Excitement for European integration only truly began to appear in the 2000s, but even when Greece appeared to be reaching its goals of modernizing and becoming a Western European democracy, there was always a sense of hesitation and even distrust towards the EU as well as the US.⁵⁷ When Greece asked for financial help in early 2010, the unpopular policies required from the Troika were viewed as a threat to Greece as they were being imposed by Germany, which held large sway at the European Commission and the ECB, as well as the IMF, which was viewed as another American intervention. These interpretations led many Greeks to reject the program and rebel against the Troika and its own government, who was implementing the policies. Politically, there was a lack of ownership of the program, infighting among parties, blame cast at each other and the Troika, and grandstanding and brinksmanship tactics. Protests and strikes were large, numerous, intense, and long-lasting. There were

⁵⁵ Kalyvas, Stathis Kalyvas, *Modern Greece: What Everyone Needs to Know*.

⁵⁶ Ibid

⁵⁷ Kevin Featherstone and Dimitris Papadimitriou, *Prime Ministers in Greece* (Oxford: Oxford University Press, 2015).

significantly more strikes and protests in Greece than in Ireland or Portugal and they were much more violent and disruptive to the political process and society.

Ireland

Starting in the late 1950s Ireland made economic growth and modernization a nation building project as its leaders looked to leave poor, anti-materialistic Ireland behind.⁵⁸ This goal structured many of its policies throughout the second half of the 20th century and joining the EU in 1973 furthered this goal by helping Ireland escape from the shadow of the UK.⁵⁹ The move away from the UK and towards the EU resulted in the Irish feeling a sense of more sovereignty as they were less dependent on the UK for its economic destiny. After periods of growth, severe recession, and reform, the dedication to economic growth began to pay off and the result was the “Celtic Tiger” in the 1990s and into the 2000s. The success and wealth generated by Ireland’s Celtic Tiger economy imprinted onto Irish national identity a faith in markets and in its foreign direct investment based economic model. Ireland became one of the richest countries in the world on a per capita basis and also finally felt as if it finally belonged with its ‘core’ European partners.⁶⁰ With the success of the Celtic Tiger economy, the faith in markets and Ireland’s economic model became a lens through which the Irish made sense of their economic and social conditions. Therefore, when Ireland asked for help from the Troika

⁵⁸ Bryan Fanning, *The Modern Quest for Ireland: The Battle of Ideas 1912-1986* (Dublin: Irish Academic Press, 2008); Bryan Fanning, *Irish Adventures in Nation Building* (Manchester: Manchester University Press, 2016); J.J Lee, *Ireland 1912-1985* (Cambridge: Cambridge University Press, 1989).

⁵⁹ Sean Kay, *Celtic Revival? The Rise, Fall, and Renewal of Global Ireland* (Lanham, MD: Rowman & Littlefield Publishers, Inc, 2011).

⁶⁰ Susan Nitzsche, "From Periphery to Core (and Back)? Political, Journalistic, and Academic Perceptions of Celtic Tiger- and post-Celtic Tiger-Ireland." *Studi irlandesi. A Journal of Irish Studies* 3, no. 3 (2013): 115-135.

in late 2010 – as a direct result of catastrophic failures in their overgrown and overleveraged banking sector – the faith they had in markets and their economic model led many to view their crisis as more of a storm to be weathered as they attempted to revive the Celtic Tiger. While many in Ireland were justifiably upset with the recklessness of the banks and the mismanagement of the economy by the government, the Irish nonetheless implemented their program with far less political resistance than was witnessed in Greece. The social response also never reached the size or intensity of the protests or strikes in Greece or Portugal. The overwhelming majority of protests focused on very specific policies, such as closing hospitals or the bank bailout, but were not an overall rejection of the program. Even when the number of protests peaked in late 2011 and early 2012, the number of participants was very small, ranging from a few dozen to a few hundred protesters at any given time.

Portugal

In post-revolution Portugal a new national identity developed that was driven by the goal of Portugal becoming a stable, modern, Western European democracy similar to its European neighbors, and away from being the poor, imperialist, dictatorship it had been for the previous 40 years. Most Portuguese believed the best way to achieve these goals and fulfill the aspirations of its new national identity was to make a full turn towards Europe and further Portugal's European integration.⁶¹ The European turn manifested itself with Portugal internalizing the identity of the "good student" of Europe.

⁶¹ Martijn Schukking and Arne Niemann, Portugal and the EU's Eastern Enlargement: A logic of identity endorsement." *European Integration online Papers* 16, (2012): 1-42; Laura C. Ferreira-Pereira and A.J.R. Groom, "Conclusion" in *Portugal in the European Union: Assessing Twenty-Five Years of Integration Experience*, eds. Laura C. Ferreira-Pereira (New York: Routledge, 2014), 218-226.

Here, the Portuguese acted in ways that were consistent with what it saw as appropriate actions for a ‘core’ European country and as a means of modernizing its country, consolidating its democracy, and reinforcing its “good student” identity.⁶² However, the Portuguese had never truly fulfilled these aspirations as they continued lagging behind their European neighbors. Therefore, Portugal viewed its Troika program as an opportunity to continue to make changes to further integrate with Europe and become more like other European countries by strictly adhering to the Troika’s policies and even *exceeding* its demands for structural reforms. The government took full ownership of the program and there was a strong consensus among the PS, PSD, and CDS for fulfilling Portugal’s obligations in the MOU, even if they disagreed with some of the individual policies. Additionally, protest developed slowly, and when it did flare up, it was either because it connected with other international events or grievances (not just Portuguese reactions to austerity), or due to objections to specific policies or the particular way in which the program was administered. While there was criticism from mainstream political parties, labor, and business organizations, the criticism was specific, the groups remained committed to fulfilling the MoU, and they always stopped short of rejecting the program in its entirety.

Data and Methods

Data for this dissertation comes from four sources: primary documents, secondary literature and histories, official online data sources, such as the OECD, and interviews with policymakers, bureaucrats, economists, and academics in Ireland, Portugal, and at

⁶² Antonio Costa Pinto and Nuno Severiano Teixeira, "From Atlantic Past to European Destiny: Portugal," in *European Union Enlargement*, eds. Wolfram Kaiser and Jürgen Elvert (New York: Routledge, 2004), 112-130.

the European Commission. The interviewees were selected based on recommendations from experts in Ireland and Portugal, as well as from the interviewees themselves. I conducted 36 total interviews between November 2017 and May 2018. All but one of the interviews were digitally recorded and all of the recorded interviews were transcribed personally. The average interview time was 82 minutes. Each interview was conducted with a similar set of open ended, semi-structured questions, depending on which country the interviewee was being asked about. However, the questions varied somewhat depending on what I had learned in previous interviews. All interviews were conducted in confidentiality, and names have been withheld.

In determining social responses, I relied on official statistics on protests and strikes where possible. Ireland and Portugal had official statistics for labor disputes, while only one union in Greece (GSEE) released statistics. Protest statistics were compiled using previous studies, where available. Karyotis and Rüdig (2017) compiled police statistics for all protests in Greece and Athens, Greece for the duration of Greece's first Troika program and beyond. Accornero and Pinto (2015) compiled similar statistics for Lisbon. While these statistics included all protests and not just protests against austerity and structural reforms, they enabled me to compare official protest statistics between Athens and Lisbon to gain an understanding of the levels of protest in each city. To supplement the official statistics and when official statistics were not available, I used international newspapers such as the *Financial Times*, *Reuters*, and *Bloomberg*, as well as local papers in Ireland, Portugal and Greece. The international and local newspapers not only allowed me to understand the number of protest and strikes, but also roughly how many people participated, and the reasons for protests and strikes.

For Ireland, I used LexisNexis to gather all Irish Times and Irish Independent articles from November 2010 through November 2013 using the search terms “Ireland” and “protest” or “strike.” Both the Irish Times and the Irish Independent were used because they have home offices in different cities. The Irish Times is based in Dublin while the Irish Independent is located in Cork, which are the two largest cities in Ireland. This allowed me to have a more complete picture of the protests against the Troika program in Ireland. In Portugal, I used the web page for the newspaper Público, which is one of the most widely read publications in Portugal. In addition to being widely read, Público has headquarters in Portugal’s two largest cities, Lisbon and Porto, which like using newspapers based in Dublin and Cork in Ireland, allowed me to gain a more complete picture of the protests in Portugal. Using the search function from the website I gathered all articles from May 2011 through May 2014 using two different searches. One using the search term “protesto” (protest) and the other using the search term “greve” (strike). For Greece, I used the search function on ekathimerini.com to gather articles on protests and strikes for the year 2010. This was used to supplement the statistics from Karyotis and Rüdig (2017) as well as GSEE, and to gain an understanding of the reasons why people were protesting and participating in strikes.

Methodologically, this dissertation uses a research design that includes both a small-n controlled comparison and within-case process tracing. Cross case comparisons are useful in accounting for important country specific attributes as opposed to making direct causal inferences from the comparison. This is more effective than using only one case as that would limit my ability to discern the effects of national identity whereas using the controlled comparison allows me to understand how each of the national

identities affected responses to Troika programs in multiple contexts. Because I am concerned with understanding the causal processes of decision making in the three cases, process tracing is also an appropriate method to incorporate. Carefully examining the decision-making process as it progressed and evolved is very useful for this dissertation as this allowed me to analyze the decision-making process at many points in time, enabling the argument to be more carefully tested. Further, process tracing allows for the analysis of the decision-making processes in each case to understand why specific decisions were made. When compared to forms of quantitative analysis, process tracing has the additional benefit of being able to establish causality.⁶³

Plan for the Rest of the Dissertation

The rest of the dissertation is organized in the following way. The next three chapters are the case studies, which are presented in chronological order with Greece first, then Ireland, and I finish with Portugal. Here I introduce the situation that each country was in with their Troika program, and then proceed with a detailed account of the crisis and its response. Each account is organized by the external pressures and policy responses to these pressures, which typically cover three-to-six-month intervals. This varies depending on the idiosyncrasies of each case. After the detailed account of the case, each chapter has an analysis section where the role of national identity in each country's responses to their Troika programs is discussed. The dissertation ends with a short conclusion.

⁶³ Alexander George and Andrew Bennett, *Case Studies and Theory Development in the Social Sciences*, (Cambridge, MA: MIT Press, 2005).

CHAPTER II

GREECE

"What people forget is that we Greeks don't like authority. We have always resisted when we think something is unfair. We fought against the Persians at Marathon, the Germans during the second world war and we will fight the IMF because in reality we no longer have a government. It is foreign forces who are in charge of us now." - Giorgos Didimopoulos, May 5, 2010¹

On May 3, 2010, after months of discussions, policy proposals, and negotiations between the Greek government, Brussels, and other European partners, Greece requested aid because it had lost access to financial markets. Greek 10-year bond yields reached more than 10 percent in late April 2010 and its deficit for 2009 reached 13.6 percent of GDP. Eurozone governments along with the IMF and the ECB agreed to provide €110bn in loans to aid to Greece in return for a 3-year economic adjustment program that included cuts to public expenditure, tax hikes, and structural reforms to the Greek economy. Greece's request for aid made it the first Eurozone country to ever seek help from the IMF and made it subject to a strict monitoring program involving the IMF, ECB, and the European Commission.

The main characteristic of the Greek response to its Troika program was resistance, both politically and socially. The program was not universally opposed, but even the initial commitment from the government to the implement the program was met with skepticism as many within the government and in opposition parties held reservations about the program. Politically, already-tenuous support for the program quickly faded as fighting among and within political parties increased even when the

¹ Helena Smith, "Greek bailout: Athens burns – and crisis strikes at heart of the EU," *The Guardian*, May 5, 2010, <https://www.theguardian.com/world/2010/may/05/greek-bailout-economic-crisis-deaths>.

government was faced with a potential default and losing its euro membership. The unwillingness or inability to take ownership of the program, reach a consensus, and work together continued and in many ways intensified with the “unity” government from late 2011 up through the agreement for Greece’s second bailout in early 2012, which is where this chapter ends.

Socially, there was intense resistance to the program from the beginning with numerous large, violent protests and significant labor unrest. Immediately after the MOU with the Troika was signed, there was a 48-hour general strike as well as large, violent protests. There were four general strikes in the first two months of the program, compared to zero in Ireland and two in Portugal for the entirety of their programs. While Ireland also saw one large protest immediately after its government signed the MOU with the Troika, protest activity decreased significantly shortly after. Portugal saw some protests, but it wasn’t until after 16 months and a monumental policy blunder by the government that the Portuguese resistance intensified. This is reflected in data comparing the three countries as well.

The first thing that becomes apparent when examining the number of protests in Greece is how many more protests there were than in either Ireland or Portugal. If we only looked at Greece by itself, we might not see anything surprising by these numbers. We would expect countries to resist large cuts to public spending, tax increases, and structural reforms that will change the way the economy and society operate. However, similar policies were asked of the Portuguese and Irish and their responses were very different. How can we explain why the Greeks, facing a similar set of policies and reforms as the other two bailout countries – but especially similar to Portugal – offered so

much resistance to the Troika program, risking a disorderly default and ejection from the euro?

This chapter will argue that the high level of resistance to Greece's Troika program is not rooted primarily in material differences. The first response of many in explaining why the Greeks offered so much more resistance than the Irish or Portuguese is that their program was so much more difficult than the other two.² However, many of these claims typically include all three of the Greek bailout programs. The initial response of large, violent protests and general strikes bringing Greece to a standstill does not coincide with a more difficult adjustment, especially in the first two years of the program, and before any measures were yet to be implemented. The argument that Greece's response from politicians and the public was because of a more difficult program does not hold up to the data concerning fiscal consolidation. Yet fiscal consolidation was only one aspect of each of these programs as they were each required to implement a series of structural reforms to their economies. Ireland did not have nearly as many structural reforms to implement as the structural reforms agreed to in Ireland's MOU were largely reforms to the banking sector, lowering minimum wage by €1.00, and implementing new labor activation measures. This is clearly not comparable to Greece.

However, Portugal was required to implement many of the same structural reforms as Greece yet responded very differently to its Troika program. Both countries needed to put their fiscal policies on more sustainable paths, therefore they had a number of structural fiscal reforms to implement. The structural reforms required of Greece were

² Moury and Standring, "Going beyond the Troika," Hardiman, *et al.*, "Tangling with the Troika," Cabral et al., "Austerity Measures in Crisis Countries – Results and Impact on Mid-term Development," among others.

not more ambitious than what was expected from Portugal in its original MOU. In fact, there are many of the same reforms expected of Portugal and the number is greater for Portugal in its original MOU. Arguing that Greece had a more difficult program does not stand up to the reality on the ground.

Institutions also fail to provide a persuasive explanation for Greece's response to its Troika program. While it is true that the institutional structure of Greece created roadblocks to the program's implementation, roadblocks are only causal factors to the extent that people try to take the road in question. If the Greeks were attempting to carry out the policies from the MOU by working with the Troika and were still incapable of implementing them because of capacity issues, this would point towards an institutional explanation. However, the brinkmanship that politicians and social actors were willing to engage in does not suggest that the Greeks were doing everything they could to implement the program and simply could not. Rather, the Greeks direct embrace of brinkmanship indicates a deliberate unwillingness to follow through on the program, not an inability to do so. This embrace of brinkmanship points to causes outside of the Greek institutional structure for its difficulty in implementing its Troika program. Additionally, many institutional roadblocks were also present in Portugal, but the Portuguese government was dedicated to implementing the program and found ways to work around potential impediments. Similar to Portugal, institutions may also shape specific policy options available policymakers, but they alone do not explain why politicians had so many reservations about the program, engaged in brinkmanship with the Troika and Europe, or why they failed to find ways to make the program work.

Finally, institutions struggle to explain why the public had such an intense negative reaction to the Troika program.

Economic ideas also fail to adequately explain the Greek response. On the left the Greeks are much more skeptical of markets, but these ideas do not extend to the right side of the political spectrum. New Democracy and other political parties on the right do not subscribe to the same economic ideas as SYRIZA or PASOK, which can be very critical of markets, and especially neoliberalism. Yet, despite the difference in economic ideas, there were criticisms and rejections of the Troika program from across the political spectrum. Even though those on the right held more pro-market views they did not agree with many of the policies in the Troika program.

This chapter argues that the trajectory of the Greek social and political responses to its Troika program were influenced by particular aspects of Greek national identity. Since the establishment of a modern Greek state in the early 19th century, Greece has been plagued by foreign interference in its domestic affairs. This includes important periods and events such as being ruled by the Ottoman Empire for nearly 400 years, the Nazi occupation, the Greek Civil War following WWII, and the Junta that had the support of the US. This feature of Greek national identity further solidified after the fall of the dictatorship in 1974 and encouraged a belief that Greece's failures were caused by foreign meddling. Many Greeks came to believe that Greece would be great once more if they could keep the foreign meddlers out of their business. Modern Greek history played an important role in shaping Greek national identity as the insecurity caused by constant foreign meddling in Greek affairs led the Greeks to view resistance outside interference as heroic. This aspect of Greek national identity significantly influenced the strong

rejection of the Troika program by many politicians as well as the public as it was considered patriotic for Greeks to resist such an incursion by foreign meddlers.

Greece's political and social responses to its Troika program were influenced by Greek national identity in three ways. First, the Troika program was viewed by many as a foreign occupation. This was especially pronounced because of the association of the program with Germany, which had brutally occupied Greece during WWII. This was also associated with the US given its role at the IMF and to a lesser extent the rest of Europe, which Greece has traditionally felt dominated by. Second, and contrary to Ireland and Portugal, all options for resisting the Troika were on the table for the Greeks. Politically, there was criticism from opposition parties and the government itself from the beginning of the MOU. There was political infighting and failure to reach a consensus on the program. The program was haphazardly implemented, and Papandreou called a referendum on the program without consulting the Troika. Socially, there were large, intense, and often times violent protests that were much more sustained than in Ireland or Portugal. Unlike Ireland and Portugal, labor unions did not necessarily seek to keep the peace as some viewed their protests and strikes as a "social uprising."³ They also staged many strikes, using very disruptive tactics, and held four general strikes in the first two months of the program. Finally, unlike the Irish and the Portuguese, the Greeks appeared to have little sensitivity to international and economic constraints. Despite a worsening economic position and deteriorating relationships with its European partners, elites and the public continued ignoring warnings from the Troika and others about how failing to

³ Ekathimerini.com, "Employees take over ministry as strike begins," *ekathimerini.com*, February 10, 2012, <https://www.ekathimerini.com/news/139032/employees-take-over-ministry-as-strike-begins/>.

implement the program could lead to Greece defaulting and/or losing its euro membership. When viewing Greek responses to its Troika program through the lens of Greek identity, especially the impact of foreign meddling on modern Greece, it is not unexpected that Greece would offer such significant resistance to difficult policies imposed by foreigners.

The rest of the chapter proceeds as follows. Next is an account of the Greek crisis during its first Troika program. First, I describe the specifics the Greek Troika program. Then I document the history of the Greek program from May 2010 through June 2012. This section is organized chronologically into three-to-six-month periods. Each three-to-six-month period includes two sub-sections: one section documenting the political responses to external pressures, such as bond markets and external pressures from other governments or the Troika, and the second section describes the social responses from the Greeks. Following the account of the Greek crisis is the analysis of the Greek case, which demonstrates that in a very complicated debt crisis, only an explanation that emphasizes national identity can account for the specific features of the Greek response.

The Greek Economic Adjustment Program

The Greek economic adjustment program included many of the same elements of previous adjustment programs that were administered by the IMF, such as spending cuts, tax increases, and structural reforms to help Greek exports be more competitive. However, in this case, another common and important element of many IMF structural adjustment programs was missing: Greece could not devalue its currency because it was part of a currency union. States can devalue their currency to increase their international competitiveness through cheaper exports. Currency devaluation is the preferred method

to achieve this because it is not as politically and economically difficult as an internal devaluation. With no ability to devalue its currency, Greece could only achieve increased competitiveness through an internal devaluation, meaning Greek wages and prices would need to be forced lower. The program incorporated objectives for both the short and medium-term. In the short-term, the program was designed to correct the fiscal imbalance and restore confidence enough to allow Greece to return to capital markets for funding. The other objective was to ensure the stability of the Greek banking system. In the medium term, the program was aiming to correct the external imbalance through structural reforms designed to increase competitiveness and move the economy to a more export-oriented model with more FDI and investment from abroad, and to create the conditions for sustainable growth.

Greece's first program included a large macroeconomic adjustment, especially in the public sector. This included spending cuts equivalent to 7.1 percent of GDP and tax increases amounting to 3.8 percent over the period 2010-2014. To reach these fiscal consolidation goals, there were large cuts in wages and cuts to pensions as these two areas amounted to roughly three-quarters of total primary expenditure in 2009.⁴ Wage cuts included abolishing the Easter, summer, and Christmas bonuses and replacing them with a flat bonus of €1000 for those earning less than €3000 per month while also reducing the allowances paid to high wage earners. Cuts to pensions included an 8 percent average cut to those pensions exceeding €1400 per month, which affected about 10 percent of pensioners. The program also included several structural fiscal reforms.

⁴ European Commission, "The Economic Adjustment Program for Greece," *Europa.eu*, July 26, 2010, <https://publications.europa.eu/en/publication-detail/-/publication/64c89a77-ddc4-46f4-9bb0-18d7e80f6f0c/language-en>.

These involved reforming the pension system by raising the retirement age and create a stronger link between contributions and benefits, which would mean working more years, higher contributions, and a more contributory-based pension scheme. Reforms to the budgeting system and fiscal framework essentially made the budgeting process more transparent, provided oversight within the Greek government regarding Greek finances, strengthened the position of the finance minister vis-à-vis the line ministers, and strengthened budget procedures by the tax and tax collection system, and rationalization of the public administration. Other structural reforms included reforming the labor and product markets to boost international competitiveness and improve the business environment. The labor market changes included creating a social pact with social partners to establish a consensus on the following: a decentralized wage bargaining structure, allowing young and long-term unemployed to accept wages below the minimum wage, important parts of firing rules and costs, and revising some of the part-time and temporary work regulations. The last two areas the MoU addresses for reform are the financial sector and the statistics office, which were addressed to stabilize the Greek banking sector and to improve the Greek reporting of financial statistics, which was severely insufficient in the run up to the crisis.

External Pressures and Government Response From the Bailout through Summer 2010

On May 6, 2010, the Greek parliament approved the austerity measures that were previously agreed to with the troika institutions. The measures were passed by a vote of 172 to 121 in the 300-member chamber. Three Socialist deputies abstained from voting

and were immediately expelled from the party.⁵ The measures were also supported by the far-right LAOS party. The measures were opposed by New Democracy, SYRIZA, and KKE. One member of New Democracy, Dora Bakoyanni, voted in favor of the measures and was expelled from the party.⁶

Because of high levels of tax avoidance, one of the key structural reforms of the troika program was to reform the tax collection agency, which would also help reduce budget deficits for the Greek state. In May, the PASOK government released the names of more than 60 doctors and dentists accused of underreporting their taxes as well as the firing of Angela Gerekou, the tourism minister, after it was discovered that her husband owed €5.5m in unpaid income taxes.⁷ Also, in late May, the Greek finance ministry stepped up their fight against tax evasion and fired the heads of 20 tax offices and began to investigate hundreds of tax and customs officials suspected of corruption.⁸

Greece continued to implement its economic adjustment program throughout the summer months as they marched on with both structural and fiscal reforms. Athens outlined a plan for the privatization of some State Owned Enterprises in the transport, communications, and energy sectors as well as passing many other structural reforms such as establishing the Hellenic Statistical Authority, reforming the local public

⁵ Kerin Hope, "Greece passes tough austerity package," *Financial Times*, May 6, 2010, <https://www.ft.com/content/9be5a598-592e-11df-adc3-00144feab49a>.

⁶ Siani-Davies, *Crisis in Greece*, 128.

⁷ Kerin Hope, "Greek minister sacked over husband's taxes," *Financial Times*, May 18, 2010, <https://www.ft.com/content/d70da6a0-624a-11df-991f-00144feab49a>.

⁸ Dimitris Kontogiannis, "Tax chiefs fired amid Athens graft probe," *Financial Times*, May 25, 2010, <https://www.ft.com/content/ada3942c-684a-11df-a52f-00144feab49a>.

administration, private and public sector pension reforms, passing the Fiscal Management and Responsibility Act – aimed at curbing tax-evasion, and the simplification of the start-up of new businesses, among others.⁹ On the fiscal side, by August, Greece reduced its cash deficit 46 percent compared to the same period in 2009 and ahead of the target for the year (40 percent) through cuts in wages, pensions, and other current spending as well as increases to the VAT and fuel and excise taxes.¹⁰

Despite the Greek government’s efforts to fulfil the requirements of the program, it was dealt a financial blow by Moody’s in June as its Greek credit rating was downgraded four notches from A3 to Ba1 (junk status) with a negative outlook. The negative outlook was justified due to “current uncertainties arising from the implications of local government reform within the national plans to curb public spending as well as our expectations that in the short-term municipal revenues will likely be lower than anticipated due to a weakening economy.”¹¹

This sequence of events illustrates that the Greek government was initially committed to implementing the demands of the MoU, despite their own misgivings about the program and the misgivings of the opposition in parliament, labor unions, and public sector workers. The government was not enthusiastic about implementing the measures, but it had every intention of passing and implementing their economic adjustment

⁹ For a full list of the reforms implemented please see the document in footnote 10.

¹⁰ European Commission, “The Economic Adjustment Programme for Greece - First Review - summer 2010,” *europa.eu*. August, 2010, https://ec.europa.eu/economy_finance/publications/occasional_paper/2010/pdf/ocp68_en.pdf.

¹¹ Paul Murphy, “Athens, sacked, with negative outlook,” *Financial Times*, June 14, 2010, <https://ftalphaville.ft.com/2010/06/14/260461/athens-sacked-with-negative-outlook/>.

program although some within PASOK accused the government of abandoning its socialist roots.¹² Despite doubts by the Troika and many economists about Greece's ability to consolidate such a large amount in such a short period of time, Greek policy makers publicly voiced their optimism about Greece's ability to fulfill the requirements of the program. Yet, by the end of summer, two narratives had emerged in the months after beginning the program with the troika in May 2010. The optimistic narrative said that Greece was doing all it could, and the government had tremendous resolve to carry out the necessary reforms and austerity. The pessimistic narrative, which more closely examined budget numbers, tax receipts, and public opinion polls suggested things were getting much worse in Greece as 2010 progressed.¹³

As summer came to a close, the first review of the Greek Program was conducted by a joint EC/IMF/ECB mission, which lauded the Greek government for managing an "impressive budget consolidation" in the first half of 2010 and for making "impressive progress in major structural reforms" to help transform the economy.¹⁴ While these reports highlighted Greece's "strong ownership and determined implementation of the program so far" they also noted that there were many difficulties ahead in challenging entrenched interests, safeguarding the banking system, improving tax compliance, controlling sub-national government expenditure, and restoring competitiveness as well

¹² Siani-Davies, *Crisis in Greece*, 144.

¹³ Siani-Davies, *Crisis in Greece*, 141.

¹⁴ European Commission, "The Economic Adjustment Programme for Greece - First Review - summer 2010," *europa.eu*. August, 2010, https://ec.europa.eu/economy_finance/publications/occasional_paper/2010/pdf/ocp68_en.pdf.

as boosting growth.¹⁵ By many measures the Greek program was off to a relatively good start and George Papandreou attempted to use the early success of the program to call for “collective efforts to change the country” and portrayed the program as an opportunity for a fresh start where Greece could shed its past failures and reach its full potential.¹⁶ At this point, the rhetoric from Greece’s government about its Troika program was analogous to rhetoric used by Portugal’s government, which also saw its Troika program as an opportunity to implement reforms to its economy. Yet unlike the Portuguese, the Greek government did not receive the public backing it sought as many Greeks viewed the crisis not as an opportunity to make changes to the Greek economy and state, but as foreign meddling in Greek affairs.

Social Responses From the Bailout through Summer 2010

Social responses to the signing of the MOU with the Troika and the passing of the Troika program in parliament were met with waves of large and oftentimes violent protests as well as significant labor unrest. Unlike Portugal, Greece’s social responses at the beginning of its Troika program were large and intense, making international news headlines. Ireland had a 50,000 person protest soon after the Irish agreed to their Troika program, but protests of that size and intensity did not persist in Ireland. The sheer number of protests, violence, and disruptive tactics of the protesters separate Greece’s social response at the beginning of its program from Ireland or Portugal. However, it should be noted that despite the violence making international news headlines many of

¹⁵ IMF, “Greece: First Review Under the Stand-By Arrangement,” *imf.org*, September 14, 2010, <https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Greece-First-Review-Under-the-Stand-By-Arrangement-24208>.

¹⁶ Athens News Agency, “Athens News Agency: Daily News Bulletin in English, 10-09-13,” *hri.org*, September 13, 2010, <http://www.hri.org/news/greek/ana/2010/10-09-13.ana.html#01>.

the protests were not as violent as the protests in early May. Additionally, the protests tended to focus more on austerity generally than in Ireland or Portugal, suggesting Greeks rejected the Troika program in its entirety. This assertion is supported by an ekathimerini.com poll from May 2010 showing only 23 percent of Greeks support the measures outlined in Greece's MOU with the Troika.¹⁷ Finally, there were a significant number of disruptive strikes and work stoppages that left the country paralyzed, including four general strikes between May 4 and July 8 that had the participation of Adedy and GSEE.

The characteristics of the protests in Greece were much different from Portugal and Ireland. First, the number of protests in Greece was far beyond those witnessed in Portugal or Ireland as Karyotis and Rüdig (2018) reported roughly 2,390 protests in Greece from May through August 2010,¹⁸ including seven large protests,¹⁹ with more than 500 participants. Not only were there drastically more protests than in either Ireland or Portugal, but they were accompanied by large numbers of strikes and work stoppages as well as more violence and much more disruptive tactics. In early May just after the Greek government agreed to its bailout with the Troika, there was a 100,000-person protest²⁰ accompanied by a 48-hour general strike that resulted in petrol bombs being

¹⁷ Ekathimerini, "Strong Resistance to Measures", *ekathimerini.com*, May 10, 2010, <https://www.ekathimerini.com/news/68514/strong-resistance-to-measures/>.

¹⁸ Georgios Karyotis and Wolfgang Rüdig, "The Three Waves of Anti-Austerity Protest in Greece, 2010-2015." *Political Studies Review* 16, no. 2 (2018): 158-169.

¹⁹ According to data from ekathimerini.com.

²⁰ Ekathimerini.com, "Greeks protest more reforms, peacefully." *ekathimerini.com*, May 21, 2010, <https://www.ekathimerini.com/news/68659/greeks-protest-more-reforms-peacefully/>.

thrown at police and tear gas and flash bombs being fired on protesters. The violence also turned deadly as protesters threw a petrol bomb into an Athens bank, killing three people.²¹ Another example of disruptive tactics was when 35,000 truckers protested the liberalization of their sector by holding a week-long strike that led to shortages of gasoline and other goods, affecting many Greeks.²²

Additionally, while there were protests against specific policies, such as cuts to social security or pensions and the privatization of companies, 10 of the 26 protests reported by the English version of *ekathimerini.com* from May through August 2010 focused on austerity more generally.²³ This is much more frequent rate than the Irish, who protested the entirety of its Troika program only seven times out of the 47 total protests between November 2010 and June 2011. It is also more frequent than the Portuguese where only 14 of its 128 protests between May and December 2011 focused on the larger Troika program.

There were also many strikes and work stoppages across numerous sectors. From May through July 8 there were four general strikes where Adedy and GSEE participated, whereas there were zero general strikes in Ireland for the duration of its program and only two general strikes in Portugal during its whole program that had the participation of both main trade unions. Strikes occurred in various sectors of the economy ranging from pharmacists to metro and rail workers to lawyers and sports betting shops, among others.

²¹ Lefteris Papadimas and Renee Maltezos, "Greek anti-austerity march erupts in violence, 3 dead," *Reuters*, May 5, 2010, <https://www.reuters.com/article/us-greece/greek-anti-austerity-march-erupts-in-violence-3-dead-idUSTRE6441N620100505>.

²² *Ekathimerini.com*, "Truck drivers launch strike," *ekathimerini.com*, July 26, 2010, <https://www.ekathimerini.com/news/69464/truck-drivers-launch-strike/>.

²³ According to articles on *ekathimerini.com*.

Unlike many strikes in Portugal, which were partial-day and not very disruptive, the strikes during this period in Greece tended to be at least 24 hours with others lasting up to one week while causing significant disruptions around the country.

To summarize, the social response from Greece between the signing of the MOU with the Troika through August 2010 was much more swift and severe than in Ireland or Portugal. There were immediate, large, violent, and disruptive protests and strikes. The protests had more of a focus on rejecting the entire Troika program than those in Ireland or Portugal, while the number of strikes (general and sector specific) was greater and more disruptive to society than the other bailout countries.

External Pressures and Government Response September – December 2010

In September 2010 the PASOK party conference was held to select people for the upcoming regional elections but ended with a reshuffling of the PASOK cabinet shortly after the conference. Many within PASOK saw that it was losing ground politically because of their association with the MOU. Opinion polls showed around 60 percent of Greeks as dissatisfied with the cabinet's performance and wanting changes before November's local elections. In addition to the reshuffle, Papandreou added twelve ministerial posts and one minister left their post. With the addition of twelve additional ministers into the cabinet, not all of whom agreed with the MOU, the cabinet reshuffle simultaneously strengthened and weakened the government.²⁴ In the wake of the reshuffle, George Papaconstantinou wrote a letter reminding the Greek people of their

²⁴ Siani-Davies, *Crisis in Greece*, 144-145.

commitment to the MOU's implementation as well as controlling expenditure and proceeding with the structural reforms.²⁵

As the summer ended, concerns about a Greek default were heightened as many investors did not see a way to for Greece to reduce their debt levels without a large debt restructuring. These concerns led Greek, Irish, and Portuguese bond yields to rise sharply in early September. Despite talk of a potential Greek default, both Papandreou and Papaconstantinou dismissed such claims. Parliament passed legislation that would cut salaries of those earning over a certain amount by 10 percent and prevent wage increases passed parliament, but did not result in any loss of jobs. Those that may have been fired were redeployed to other areas of public service. Greece also passed legislation that essentially granted tax amnesty to millions of citizens, which was contrary to the wishes of the troika and those in PASOK who wanted real reform to curb tax avoidance.²⁶ Yet, throughout much of the early autumn months the Greek crisis appeared to be diminishing²⁷ as local elections were approaching in Greece.

The main focus of the government throughout the early autumn months was on the local election, where George Papandreou stated that if PASOK did not win a clear victory, he would call a general election. The Greek prime minister also declared the elections as a referendum on their troika program just days before the November 6 elections. However, despite the fact that PASOK only won five of the 13 races in the

²⁵ Athens News Agency, "Athens News Agency: Daily News Bulletin in English, 10-09-09," *hri.org*, September 9, 2010, http://www.hri.org/news/greek/ana/2010/10-09-09.ana.html#12_

²⁶ It is worth noting that tax amnesty is a relatively regular occurrence in Greece every decade or so.

²⁷ Other evidence for the crisis appearing to be diminishing includes Greek 10-year bond spreads with German bonds falling 300bp to 650bp in mid-October.

local elections, Papandreou did not call snap elections as the center right party New Democracy also secured five of the 13 regional seats. There was unusually low voter turnout with nearly half of the voters staying home in some regions and an opinion poll conducted by Metron showed that 80 percent of those polled were against snap elections.²⁸

Despite the Greeks focusing on local elections for much of the autumn, in October the infamous Deauville declaration was made by Germany and France, which stated that in future bailouts they would like to see more private sector involvement to help “Member States to take appropriate coordinated measures to safeguard financial stability of the Euro area as a whole.”²⁹ This declaration meant that in the future, government bonds of countries that requested help from the European Stability Mechanism could be reduced in value through haircuts and investors would lose out.³⁰ With this declaration, bonds from EU governments now contained more uncertainty and bond spreads began to rise in Europe, but especially in Greece.

In November, Greek bond yields continued to rise as Ireland began talks for their own bailout, which was formally requested on November 18, 2010. Eurostat also revised total Greek debt up from 115.1 percent to 126.8 percent and the 2009 deficit up to 15.4 percent. Greece passed its 2011 budget in late December, which called for more spending

²⁸ Kerin Hope, “Papandreou demurs over snap poll after regional losses,” *Financial Times*, November 7, 2010, <https://www.ft.com/content/3315f114-ea7c-11df-b28d-00144feab49a>.

²⁹ France and Germany, “Franco-German Declaration,” *www.eu.dk*, October 18, 2010, https://www.eu.dk/~media/files/eu/franco_german_declaration.ashx?la=da.

³⁰ On November 28, the Ecofin council reviewed PSI as contained in the Deauville Declaration and decided that in the event of a Member State’s insolvency, private sector creditors would need to participate in negotiations to help establish debt sustainability instead of imposing mandatory haircuts on private sector creditors.

cuts and tax rises, and resulted in more protests as well as a general strike. In December, the Troika also conducted its second program review that showed a deepening recession, expenditure overruns, and missed targets, which coupled with a warning from S&P of a potential downgrade of Greek debt and Greece was back in the international spotlight again at the end of 2010.

Social Responses September – December 2010

Societal responses during the last four months of 2010 continued many of the trends from the summer months. After a decrease in protest and strike activity in August, there was a dramatic increase in activity, especially from September through November. During this period there were roughly 2,450 protests³¹ in Greece and continued industrial action, including another large general strike and a civil service strike. Similar to the summer months, violence accompanied some of the protests and many of the strikes and protests were very disruptive to daily Greek life, blocking roads, closing ports, grounding flights, and halting railways.

While the number of protests were only slightly higher than in the May through August period, many of the targets of the protests remained the same. There were a number of protests against austerity more generally, and there were also more protests targeting specific changes, such as pay structure, permanent contracts, and tolls on new roads. The autumn also brought students and teachers back to university, leading to many protests against changes to education reforms, and students at Aristotle University even

³¹ Karyotis and Rüdig, "The Three Waves of Anti-Austerity Protest in Greece, 2010-2015.

occupied the main administrative office to protest the reforms.³² The yearly march commemorating the 1973 student uprising against the junta saw a crowd of around 17,000 march to the U.S. embassy. The protest combined the traditional march with chanting slogans against international efforts to solve Greece's debt crisis, such as "No IMF, no EU, let's take our fate into our own hands." The protests also turned violent as students began throwing stones and police fired tear gas in response.³³

Similar to the previous period documented above, there was significant labor unrest with strikes and job stoppages across many sectors of the economy. Transportation was one of the hardest hit sectors as numerous strikes were carried out by Hellenic Railways, truckers, and public transportation more broadly. Similar to Portugal, there were partial transportation strikes, but there were also many multi-day strikes, such as an eight-day strike by seamen and a 16-day strike by truck drivers, where they parked on the side of the road and refused to deliver their shipments.³⁴ Additionally there were many 24-hour strikes in various sectors, such as transportation, journalism, garbage collection, betting shops, and kiosk owners, with several causing disruptions around the country. Finally, there was a civil service strike in October and a general strike in December. The civil service strike, while smaller than previous strikes, still had the participation of roughly 65 percent of civil servants and shut tax offices, public hospitals, and

³² Ekathimerini.com, "In Brief," *ekathimerini.com*, December 9, 2010, <https://www.ekathimerini.com/news/71217/in-brief-2605/>.

³³ Renee Maltezou, "Greeks march to mark 1973 revolt, protest austerity," *Reuters*, November 17, 2010, <https://www.reuters.com/article/us-greece-clashes/greeks-march-to-mark-1973-revolt-protest-austerity-idUSTRE6AG35M20101117>.

³⁴ Ekathimerini.com, "Road haulage bill approved amid protests," *ekathimerini.com*, September 23, 2010, <https://www.ekathimerini.com/news/70204/road-haulage-bill-approved-amid-protests/>.

government offices.³⁵ The general strike in December was held by Adedy, GSEE, and PAME, and was the largest demonstration in Athens since May. The protests were very disruptive as an estimated 80,000 protesters were on the streets of Athens.³⁶ The strike grounded flights, shut down public transportation, led to a media blackout, and shut schools. What began as mostly peaceful protests, ended in violence as anarchists threw firebombs and rocks and burned cars. Once again, tear gas was used in response to the violence and vandalism.

During the last four months of 2010 social responses continued many of the trends from the summer months as protest and strike activity remained elevated. Similar to the previous months, many protests targeted the austerity measures, but there were also more specific reforms that were protested. Once again, violence accompanied some of the protests and many of the strikes and protests continued to be very disruptive to daily Greek life as many multi-day strikes occurred across various sectors of the economy as Greeks displayed their anger at the harsh measures required by its Troika program.

External Pressures and Government Responses Q1 2011

In the beginning of 2011 Greece continued to push forward implementing their program, but conditions were quickly deteriorating. The Greek government was facing increasing societal resistance and a rising unemployment rate, which was running at 13.5 percent in February 2011. In February, the Troika undertook its third review of Greece's

³⁵ Dimitris Kontogiannis, "Civil servants strike in Greece," *Financial Times*, October 7, 2010, <https://www.ft.com/content/4e8cb15c-d22c-11df-8f8e-00144feabdc0>.

³⁶ Ekathimerini.com, "PASOK suffers bill fallout," *ekathimerini.com*, December 17, 2010, <https://www.ekathimerini.com/news/71305/pasok-suffers-bill-fallout/>.

adjustment program and both reports from the IMF and the European Commission noted a deteriorating economic situation, deeper recession, and increased tensions in implementing the program. The IMF's report noted some slow progress, but also stated that "the program remains at a crossroads."³⁷ The Commission's report specifically stated, "going forward, there are major challenges," citing "a tense financial situation, contagion from other peripheral economies, persistent deficiencies in tax collection, some delays and capacity problems in delivering complex and far reaching structural reforms."³⁸

Towards the end of winter, the economic situation continued to worsen as hitting deficit and structural adjustment targets became more elusive. Athens released figures showing a contraction of 1.4 percent of GDP in the fourth quarter of 2010 and a 4.5 percent contraction for 2010. These figures were released amid a vote in parliament to pass legislation that would liberalize Greece's state-owned transportation services. Athens' five main transport organizations had accumulated losses totaling around €38bn and this overhaul would attempt to reduce costs by merging companies, cutting salaries, and transferring workers that would lose their jobs to other areas of the public sector.³⁹ The Greek government also unveiled legislation to crack down on tax evasion, which

³⁷ IMF, "Greece: Third Review Under the Stand-By Arrangement—Staff Report," *imf.org*, March 16, 2011, <https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Greece-Third-Review-Under-the-Stand-By-Arrangement-Staff-Report-Informational-Annex-Press-24708>.

³⁸ European Commission, "The Economic Adjustment Programme for Greece Third review - Winter 2011," *europa.eu*, February, 2011, <https://publications.europa.eu/en/publication-detail/-/publication/0c88313b-527c-420d-b1ef-d224af32da6e/language-en>.

³⁹ Kerin Hope, "Greece plunges deeper into recession," *Financial Times*, February 15, 2011, <https://www.ft.com/content/521e9dfa-38fa-11e0-b0f6-00144feabdc0>.

included jail time for those convicted of not paying taxes, and the creation of an independent body of tax arbitrators for disputes over €150,000.⁴⁰

In February, there was a botched press conference by the troika where its team surprisingly suggested that Greece could raise €50bn by 2015 through privatization. This caught many people by surprise as the original memorandum mentioned the possibility of raising €1bn per year through privatization, but the figure of €50bn was never mentioned.⁴¹ Soon after this troika press conference, Papandreou unexpectedly announced that Greece would embark on the €50bn privatization plan in return for the three-year extension and one-point interest rate cut granted to Greece by other European leaders in mid-March. The privatization commitment led to increasing political disagreement from the opposition and within PASOK. Predictably, the move was criticized by both members of both New Democracy and the leftwing parties for giving into pressure from creditors to “sell the family silver.”⁴² But, later in March, when Papandreou announced the first steps towards implementing the €50bn privatization program, he did so in spite of harsh opposition within PASOK and his own cabinet.⁴³

By the end of winter, talk of restructuring Greece’s debt was starting to become commonplace in the international media as many were starting to have concerns that Greece would be unable to return to capital markets in late 2011. In March, Greek debt

⁴⁰ Kerin Hope, “Greece plans tough tax evasion laws,” *Financial Times*, February 21, 2011, <https://www.ft.com/content/20c519a0-3de1-11e0-99ac-00144feabdc0>.

⁴¹ Siani-Davies, *Crisis in Greece*, 155.

⁴² Kerin Hope, “Greek PM calls for consensus on privatisation,” *Financial Times*, March 14, 2011, <https://www.ft.com/content/7f0f3d00-4e1d-11e0-a9fa-00144feab49a>.

⁴³ Kerin Hope, “Greece takes first steps to €50bn sell-off,” *Financial Times*, March 23, 2011, <https://www.ft.com/content/0945f91c-555f-11e0-87fe-00144feab49a>.

was downgraded three notches by Moody's from B1 to Ba1, and two notches by S&P to BB-, which increased worries about a Greek default and resulted in sharp rises in Greek bond yields. This led to a sharp rebuke from the Greek government as well as Brussels. The Greek finance ministry released a statement accusing Moody's of only focusing on "the downside risks" while ignoring the progress Greece had made towards fiscal consolidation.⁴⁴ Despite the ratings downgrade, in early March Greece was able to raise €1.62bn in an auction of six-month treasury bills with a yield of 4.75 percent, which was only 31 percent of the issue, but Greece's debt manager Petros Christodoulou argued, "Given the circumstances, the downgrade and the uncertainty in the eurozone, it went quite well."⁴⁵

Social Responses Q1 2011

In early 2011, the number of protests declined from the previous quarter, but was still significant. There were roughly 1,170 protests⁴⁶ in Q1 in Greece. Resistance came in the form of strikes and protests from those who opposed the government's proposed structural reforms but also evolved into more grassroots actions, such as the "won't pay" movement. This movement involved Greeks refusing to pay highway tolls and riding buses or the metro without paying for tickets to protest rate hikes for tolls and mass transit. The prime minister accused the movement of running a civil disobedience

⁴⁴ Kerin Hope and David Oakley, "Greece attacks Moody's over cut to rating," *Financial Times*, March 7, 2011, <https://www.ft.com/content/fd7c02e4-4897-11e0-9739-00144feab49a>.

⁴⁵ Kerin Hope, "Greece raises €1.2bn at T-bill auction," *Financial Times*, March 8, 2011, <https://www.ft.com/content/f94f6850-4978-11e0-b051-00144feab49a>.

⁴⁶ Karyotis and Rüdig, "The Three Waves of Anti-Austerity Protest in Greece, 2010-2015."

campaign intending to undermine the structural reforms agreed to in the troika program.⁴⁷ In January, pharmacy owners, lawyers, and civil engineers among others marched in the streets of Athens to protest measures to liberalize “closed shop professions,” which would do away with their current privileges and protections.⁴⁸ In mid-February, bus, metro, tram and trolley services organized a coordinated shut-down of services by staging a 24-hour strike in protest of the transportation liberalization law.⁴⁹ And, in late February, the talk of renegotiation of the terms of Greece’s bailout resulted in more protests and strikes, which were met with police action and prompted speculation of intensified social and industrial action should Greece fail to secure more generous terms on its troika program.⁵⁰ Surprisingly, despite the opposition to the reforms from some groups within society, a poll conducted around the same time showed that 54 percent of respondents agreed that the crisis was an opportunity to move the economy forward but the same poll showed that about two-thirds of respondents believed that people should protest the measures as well.⁵¹

⁴⁷ Kerin Hope, “Greeks adopt 'won't pay' attitude,” *Financial Times*, March 9, 2011, <https://www.ft.com/content/84839398-4a6d-11e0-82ab-00144feab49a>.

⁴⁸ Kerin Hope, “Greeks strike over profession reforms,” *Financial Time*, January 19, 2011, <https://www.ft.com/content/82b23910-23d1-11e0-8bb1-00144feab49a>.

⁴⁹ Kerin Hope, “Greece plunges deeper into recession,” *Financial Times*, February 15, 2011, <https://www.ft.com/content/521e9dfa-38fa-11e0-b0f6-00144feabdc0>.

⁵⁰ Kerin Hope, “Greek police clash with anti-austerity protesters,” *Financial Times*, February 23, 2011, <https://www.ft.com/content/1c12218e-3f56-11e0-8e48-00144feabdc0>.

⁵¹ Georgios Karyotis and Wolfgang Rüdiger, “Blame and Punishment? The Electoral Politics of Extreme Austerity in Greece.” *Political Studies* 63, no. 1 (2015): 2-24.

External Pressures and Policy Responses Q2 of 2011

Throughout the spring of 2011, Greece was facing numerous external pressures: The recession was deepening, deficit numbers were revised upwards, ratings agencies continued to downgrade Greek debt, discussions about reforming the Greek program became more commonplace, political divisions between and in within parties were intensifying, and there was growing talk of Greece leaving the euro. This led to increasingly desperate measures to avoid default and hit fiscal and structural reform targets, culminating in the passage of the medium-term fiscal strategy (MTFS), which included more spending cuts and tax increases.

In late March, S&P downgraded Greek debt two grades to BB-, which is well into junk territory, and fears of a debt restructuring for Greece were starting to emerge. In mid-April, fears intensified that Greek debt would be restructured. Comments by the German and Greek finance ministers emphasized the need to make changes to the Greek program and spooked markets further, sending the spread between Greek and German bonds to euro-era highs.⁵² However not all Greek government officials agreed the program needed restructuring, as George Provopoulos, Greece's central bank governor argued that debt restructuring was "neither necessary nor desirable," as "it would have catastrophic consequences for the ability of the government and the private sector to access markets" and would negatively affect the pension funds, banks, and individuals holding Greek government bonds.⁵³ At this point, if changes to the Greek program were

⁵² Jennifer Hughes, "Greek debt hit by restructuring fears," *Financial Times*, April 14, 2011, <https://www.ft.com/content/086d7be6-667b-11e0-ac4d-00144feab49a>.

⁵³ Kerin Hope, "Greece rules out debt restructuring," *Financial Times*, April 18, 2011, <https://www.ft.com/content/a7e43d8a-69b5-11e0-826b-00144feab49a>.

made, it was unclear what changes would include as there was primarily talk of debt restructuring and extending maturities, which would help reduce some of the pain of the Greek program. The issue of whether private creditors would be forced to take haircuts on their Greek bonds was central to the debate on Greek debt restructuring as some feared this would open other countries in the eurozone, such as Ireland and Portugal, to contagion. The Greek government's preference was to extend the maturity of its bonds without burning bondholders, but in order to do this the reforms would need to be sped up and better implemented to improve Greece's credibility with its creditors.⁵⁴

These fears of a Greek debt restructuring plagued not only Greek markets, but markets across Europe as well, and Greece's goal of returning to bond markets was thrown into doubt when Eurostat revised Greece's 2010 budget deficit from 9.4 percent to 10.5 percent of GDP. Adding to the uncertainty and casting further doubt on Greece's ability to fulfill the terms of their program, Portugal formally requested financial assistance from the troika in early April. On April 19, Greece had a successful bond auction of 13-week bonds, for which demand exceeded the offer by over three times.⁵⁵ Yet, as a result of the deteriorating economic and political conditions as well as Eurostat's deficit revision, Greek 2-year bonds jumped almost ten percentage points in the month of April to 24.34 percent on April 26.⁵⁶

⁵⁴ Kerin Hope, "Greece rules out debt restructuring," *Financial Times*, April 18, 2011, <https://www.ft.com/content/a7e43d8a-69b5-11e0-826b-00144feab49a>.

⁵⁵ Neil Dennis, "Risk appetite buoyed after Greek debt sale," *Financial Times*, April 19, 2011, <https://www.ft.com/content/48d55c9c-6a6f-11e0-a464-00144feab49a>.

⁵⁶ David Oakley and Ralph Atkins, "Greek debt yields soar on deficit fear," *Financial Times*, April 26, 2011, <https://www.ft.com/content/1934790e-7038-11e0-bea7-00144feabdc0>.

In May, Greece's situation continued to deteriorate further as there was not only increased talk of Greek debt restructuring, but news stories about a potential Greek exit from the eurozone became more regular. When press leaks emerged with stories about how the Greek government was considering leaving the euro, a not-so-secret meeting of euro area G20 finance ministers, Jean Claude Juncker, Jean-Claude Trichet, Ollie Rehn, and the Greek Finance Minister, George Papaconstantinou took place in Luxembourg.⁵⁷ Spiegel Online indicated the meeting was convened to discuss Greece's potential exit from the euro, but after the meeting both the Greek government and the European Commission denied that there was any possibility of a Greek exit from the eurozone.⁵⁸ Shortly after the meeting in Luxembourg, Greece and its European partners acknowledged publicly that Greece would not be able to raise money in bond markets in early 2012, as was expected in the original memorandum. Therefore, in early May, it was believed by many that the Greek bailout plan would have to be adjusted if it had any chance of success, but how it would be altered would still need to be agreed upon.⁵⁹

Despite the mounting external pressures, Greek prime minister George Papandreou continued to press for unity in an effort to fulfill the demands of the adjustment program, saying on Greek TV, "We have to devote all our strength to

⁵⁷ Wolfgang Münchau, "The political causes of a not-so-secret meeting," *Financial Times*, May 8, 2011, <https://www.ft.com/content/3eb6bbe8-796c-11e0-86bd-00144feabdc0>.

⁵⁸ Siani-Davies, *Crisis in Greece*, 161-162.

⁵⁹ Peter Spiegel, Kerin Hope, and Ralph Atkins, "European officials to revamp Greek aid," *Financial Times*, May 8 2011, <https://www.ft.com/content/b445945c-7978-11e0-86bd-00144feabdc0>.

implementing reforms in the coming months, whatever the obstacles.”⁶⁰ In early May, Greece also revealed an ambitious plan to for raising revenues as well as fighting tax evasion, which would reduce the debt by €11.8bn during 2011-13. These measures included collecting taxes in arrears owed to the state, strengthening tax compliance, improving tax collection mechanisms, closing tax loopholes, and founding a financial police force to help reduce incidents of tax fraud and avoidance.⁶¹

Yet, even with the push for fulfilling the demands of the program, Greece could not create any breathing room as S&P cut Greece’s credit rating by two notches to B, citing that any voluntary debt restructuring by Greece would be treated as a default, and later in May Fitch cut Greek debt three notches from BB+ to B+ with a negative outlook due to worries about Greece’s ability to implement its program. The IMF also added pressure on Greece to follow through with their privatization program and to speed up the structural reforms agreed to in the memorandum.⁶² Additionally, cracks were beginning to show in the government’s cabinet as Papandreou was being publicly criticized by his own cabinet ministers. The health minister, Andreas Loverdos, spoke out against the mixed policy messages that the government had been sending the Greek people while the energy and labor ministers had publicly opposed the €50bn privatization plan.⁶³

⁶⁰ Kerin Hope, “Greek PM calls for all-out push on reform,” *Financial Times*, April 28, 2011, <https://www.ft.com/content/6c15a98c-71b8-11e0-9adf-00144feabdc0>.

⁶¹ Dimitris Kontgoiannis “Greece in bold move to cut deficit,” *Financial Times*, May 2, 2011, <https://www.ft.com/content/67e38512-74e4-11e0-a4b7-00144feabdc0>.

⁶² Ralph Atkins, “IMF official urges more Greek asset sales,” *Financial Times*, May 12, 2011, <https://www.ft.com/content/2f1a7890-7c8b-11e0-b9e3-00144feabdc0>.

⁶³ Kerin Hope, “Greek cabinet falls out over reforms,” *Financial Times*, May 10, 2011, <https://www.ft.com/content/718b664c-7b2f-11e0-9b06-00144feabdc0>.

In early June, conditions in Greece continued their downward trajectory as markets continued to worry about Greece's ability to hit its program targets. The recession was deeper and longer than anticipated, political consensus was becoming more difficult, and reforms were not being implemented due to things such as "weakness in political coordination and constraints in administrative capacity...weighed on programme implementation."⁶⁴ Eurostat increased their budget deficit projections for 2011 from 7.4 to 9.5 percent and Moody's cut Greece's credit rating from B1 to Caa1 and said there was a 50 percent chance of default. The credit downgrade was due to Greece's failure to stabilize its debt position, the difficulties of implementing the program, and a "track record of underperformance against budget consolidation targets."⁶⁵ The euro area members wanted these commitments before they would release more funds and the IMF, per its own rules, needed Greece to show that its funding needs for the next twelve months could be covered before releasing the fifth tranche of funds.

Early June was especially tense, as negotiations for a second bailout package became much more serious between eurozone governments, Troika institutions, and Greece. Countries such as the Netherlands, wanted more private sector involvement, while others, such as the ECB, were concerned with how extending maturities and making sector contribute to the solution would affect the rest of Europe. Greece submitted its Medium-term Fiscal Strategy (MTFS) to the Greek parliament in early

⁶⁴ European Commission, "The economic adjustment programme for Greece," *europa.eu*, July, 2011, <https://publications.europa.eu/en/publication-detail/-/publication/0a256be3-f327-4cd6-829a-b797d08365db/language-en>.

⁶⁵ John McDermott, "Moody's downgrades Greece to Caa1, sees even chance of default," *Financial Times*, June 1, 2011, <https://ftalphaville.ft.com/2011/06/01/582231/moodys-downgrades-greece-to-caa1-sees-even-chance-of-default/>.

June, which included adjustments totaling €28.3 billion (12% of GDP). €6.5 billion alone in the second half of 2011. Half of this would be from higher duties, property taxes, and restructured VAT brackets. Expenditure was to be reduced by public sector wage cuts, merging of state entities, efficiency gains, reform to the health and social security systems in order to curb pharmaceutical and pension costs. There was also an extensive privatization program that included selling a number of SOEs, such as the Hellenic Postbank.⁶⁶ This was approved by the cabinet but was criticized by many PASOK deputies. One parliamentarian resigned from PASOK but did not leave parliament. Several others threatened to vote against the package leading the media to doubt whether it would pass in parliament. On June 10, Papandreou addressed the nation and called for political consensus, but these calls were rejected by PASOK's leftwing deputies and the opposition. New Democracy said the mid-term strategy was "unreliable, unfair, and ineffective," while describing the new tax hikes as "unacceptable."⁶⁷ Fears of the possibility of a Greek default also increased further as S&P cut Greece's long-term credit rating to CCC in June, making it the worst rated country in the world.⁶⁸

By mid-June, George Papandreou had begun talks with the opposition about forming a national unity government with New Democracy. Despite Papandreou offering to resign in exchange for forming the government of national unity, the unity government

⁶⁶ IMF, "Greece: Fourth Review Under the Stand-By Arrangement and Request for Modification and Waiver of Applicability of Performance Criteria," *imf.org*, July 13, 2011, <https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Greece-Fourth-Review-Under-the-Stand-By-Arrangement-and-Request-for-Modification-and-Waiver-25038>.

⁶⁷ Ekathimerini.com, "PM seeks backing on new measures," *ekathimerini.com*, June 10, 2011, <http://www.ekathimerini.com/134040/article/ekathimerini/news/pm-seeks-backing-on-new-measures>.

⁶⁸ John McDermott, "Greece rating now worst in the world," *Financial Times*, June 13, 2011, <https://ftalphaville.ft.com/2011/06/13/592836/greece-rating-now-worst-in-world/>.

was never formed. However, Mr. Papandreou reshuffled his cabinet and announced he would be having a vote of confidence later in the week. Mr. Papandreou replaced finance minister George Papaconstantinou, the architect of austerity measures who was despised by many in Greece, with Evangelos Venizelos. Mr. Papandreou survived the vote of confidence with a vote of 155 to 143, but shortly after the vote, the mission from the troika institutions identified a €5.5bn financing gap in Greece's MTFS that would need to be addressed before the next tranche of funds could be released. EU leaders were also increasing their pressure on Greece by urging support for the program by all parties despite the staunch opposition of the program by Antonis Samaras, the leader of New Democracy. The Papandreou government re-worked parts of the MTFS to plug the €5.5bn hole, resulting in new measures totaling roughly €28bn of spending cuts and tax increases. At the end of June, the Greek parliament passed the MTFS with only one PASOK deputy voting against the measures, temporarily staving off disaster.⁶⁹

Social Responses Q2 of 2011

Social responses in Q2 represented an escalation of resistance from Q1 and peaked in June as there were roughly 875 protests across the country in that one month, which was the most of any single month in the Troika program up to that point.⁷⁰ Overall, resistance to the Troika continued to ebb and flow with the measures taken by the Greek government, as protests and strikes occurred in response to moving forward with the €50bn privatization drive as well as the passage of the MTFS. Additionally, Q2 of 2011

⁶⁹ Cardiff Garcia, "Greece pulls back from the brink," *Financial Times*, June 29, 2011, <https://ftalphaville.ft.com/2011/06/29/609141/greece-pulls-back-from-the-brink/>.

⁷⁰ Karyotis and Rüdig, "The Three Waves of Anti-Austerity Protest in Greece, 2010-2015."

saw the beginnings of the “indignados movement,” which started first in Spain but then spread to Greece and other countries in southern Europe in late May. June was a contentious month as the MTFS was being debated and was eventually passed in parliament, leading to violent protests.

The privatization drive, as mentioned above, was opposed by many MPs in parliament as well as some in the PASOK government cabinet. In April, when Greece announced plans to appoint international advisers to help with the privatization program, Greek unions vowed to oppose the measures. Genop-DEH, a public sector union that represented about 24,000 workers at the state electric utility, led the charge against the privatization drive. Its president Nikos Fotopoulos stated, “we will not allow our company to be sold to a private investor with the interests that are not those of the Greek consumer.”⁷¹ Despite the resistance to privatization pledged by Greek unions, much of April and May were relatively quiet with regards to public protests and resistance to the troika program. The trade unions held a one-day general strike in mid-May, but it only attracted around 15,000 protesters, which was half the number expected. In mid-May, the Financial Times even noted that reform fatigue had eroded much of the enthusiasm for protesting.⁷²

However, on May 25 there were numerous demonstrations in various cities in Greece that started more than a month of continuous protest that came to be known as “The Indignados Movement.” Roughly 20,000 protesters gathered in Syntagma square,

⁷¹ Kerin Hope, “Athens faces fight to sell €50bn of assets,” *Financial Times*, April 19, 2011, <https://www.ft.com/content/0ad6fb66-6aa7-11e0-80a1-00144feab49a>.

⁷² Kerin Hope, “Reform fatigue saps Greek appetite for protest,” *Financial Times*, May 11, 2011, <https://www.ft.com/content/1d73833c-7bb6-11e0-9298-00144feabdc0>.

just outside the parliament building. 5,000 protesters assembled in front of the White Tower in Thessaloniki, and others congregated in cities around Greece. The indignados movement continued from May 25 until August 7, 2011. The protests in Syntagma square continued into June, intensifying on weekends as more people could attend, with crowds growing into the hundreds of thousands on June 5.⁷³ The protests were peaceful until mid-June, when the government released its MTFs, which resulted in violent clashes between protesters and the police in Syntagma Square in Athens. Many of ‘the indignados’ were trying to block MPs from entering into parliament to debate the MTFs and demanded its withdrawal.⁷⁴ This was also the first time the indignados movement coincided with general strikes and rallies by GSEE and Adedy, the public sector unions, leading to large and diverse crowds in Syntagma Square. At the same time, an opinion poll conducted prior to the cabinet reshuffle showed that 47.5 percent of those surveyed wanted the MTFs rejected by parliament, while 34.8 percent were in favor of passing the legislation, and the rest were undecided.⁷⁵

Protests were again ratcheted up in late June, when the MTFs was being debated and voted on in Greek Parliament. PAME, Greece’s communist-led trade union, commenced a 48-hour period of anti-austerity strikes and protests where many public services and government offices were shut down and air traffic controllers delayed flights

⁷³ “The ‘indignados’ movement in Greece,” *SicJournal.org*, July 2011, <https://sicjournal.org/the-indignados-movement-in-greece/>.

⁷⁴ Ekathimerini.com, “Protesters plan to block Parliament,” *ekathermini.com*, June 14, 2011, <http://www.ekathimerini.com/134071/article/ekathimerini/news/protesters-plan-to-block-parliament>.

⁷⁵ Michael Winfrey and Renee Maltezou, “Greeks protest, almost half oppose austerity,” *Reuters*, June 18, 2011, <https://uk.reuters.com/article/uk-greece/greeks-protest-almost-half-oppose-austerity-idUKTRE75E11820110618>.

by participating in two four-hour work stoppages. PAME, along with GSEE and Adedy, also marched on parliament in protest of the MTFS, while the indignados continued their protests in Syntagma Square.⁷⁶ The violence came to an end in the late evening of June 29 after a post office below the Ministry of Finance was burned out by a fire. In the end the MTFS was passed, and Greece secured the fifth tranche of funds from the Eurogroup and IMF despite the large number of protesters and intensity of the protests and strikes throughout the end of May and nearly all of June.

Q2 of 2011 saw an escalation of tensions in Greek society as protest and strike activity increased significantly from Q1. June 2011 had the most protests of any month since Greece entered the Troika program. There were also new forms of resistance, such as the Indignados Movement that contributed to the increase in social resistance to the Troika program. The passage of the MTFS capped a very turbulent month of June as protests turned violent, leading to clashes with police in Syntagma Square.

External Pressures and Policy Responses July - November 2011

The second half of 2011 proved to be the most contentious and unpredictable period of the Greek crisis to that point. On the heels of a reshuffled cabinet and the passage of the MTFS, the Greek government continued to run into roadblocks as it attempted to implement the measures agreed to with the troika. After negotiating a second bailout package with significant haircuts to private bondholders in July, the Troika found shortfalls and missed targets and demanded more reform from the Greek government. This led to a chaotic two months in September and October that saw the

⁷⁶ Kerin Hope and Ralph Atkins, "Greek unions stage mass strike," *Financial Times*, June 28, 2011, <https://www.ft.com/content/5edd7a5c-a16e-11e0-baa8-00144feabdc0>.

collapse of the government and the formation of a unity government to secure the next tranche of bailout loans and restructure the debt before elections calling elections.

In early July, Moody's downgraded Portuguese debt from Ba2 to Baa1 because of contagion fears from Greece. The discussions of private sector involvement for Greece implied burden sharing and it was assumed that burden sharing would be a precondition for lending to Portugal, scaring off potential investors. The Troika and Eurozone governments tried to come up with ways for Greece to restructure its debt without causing the ratings agencies to declare Greece in default, but S&P warned that rolling over debt or extending maturities would result in a default.⁷⁷ As July progressed Eurozone countries and Troika institutions continued to devise ways to help the Greeks get their debt on more sustainable footing, but the major obstacle concerned how to get private bondholders to pay part of the new bailout. Eurozone countries were concerned that if they let Greece technically default, they would be signaling to the world that they were fine with Eurozone countries defaulting, which would threaten larger economies such as Spain and Italy.

European leaders held an emergency summit on July 21 to finalize a second Greek bailout. Greece wanted a deal quickly, to secure funding, while Germany and the Netherlands urged private sector involvement (largely to appeal to their domestic audiences). The ECB was still terrified that any default would destabilize the markets, with Trichet warning that if Greece defaulted the ECB would no longer be able to accept defaulted bonds as collateral, potentially cutting off Greek banks from ECB funding. On

⁷⁷ Matt Steinglass, "Voluntary Greek debt plan 'unrealistic,'" *Financial Times*, July 7, 2011, <https://www.ft.com/content/8c78d8b0-a873-11e0-8a97-00144feabdc0>.

July 21 a deal was reached for a new €109bn bailout of Greece where private bondholders will contribute €37bn by agreeing to either swap or rollover debt for new bonds that would mature in 30 years. This also included a commitment from Europe to support Greece until it was able to return to financial markets, which was a potentially unlimited guarantee. There would be four options for the bond swap/rollover. These were three types of debt exchange and one rollover plan, all with different durations and interest rates. The bondholder programs amounted to roughly a 21 percent reduction in the bonds value, so they were expected to trigger a selective default by the ratings agencies. The European leaders made sure to emphasize that the bondholder program would be limited to Greece because it was “an exceptional and unique solution.” This program would cut an estimated €26bn off Greece’s existing €350bn debt by 2014.⁷⁸ Additionally, the deal agreed to lower interest rates for Greece, Ireland, and Portugal by extending maturities from 7.5 years to 15-30 and lowering interest rates to an average of 3.5 percent for all three countries.⁷⁹

Many were happy following the summit and Papandreou likened the deal to enjoying the benefits of Eurobonds. Despite the upbeat mood, there were some issues with the package, such as not knowing if it had enough firepower to stave off crisis in the secondary markets as well as the absence of a timetable. Also, Fitch described the bond deal as a ‘restricted default’ and on July 25, Moody’s cut Greece’s credit rating three notches to Ca-, leading to increased market volatility in the short-term.

⁷⁸ Peter Spiegel et al., “EU leaders agree €109bn Greek bail-out,” *Financial Times*, July 21, 2011, <https://www.ft.com/content/952e0326-b3af-11e0-855b-00144feabdc0>.

⁷⁹ Cardiff Garcia, “EU leaders agree new Greek bail-out,” *FT Alphaville*, July 21, 2011, <https://ftalphaville.ft.com/2011/07/21/630746/eu-leaders-agree-new-greek-bail-out/>.

Until the beginning of September, Greece was relatively quiet aside from a side deal made between the Greek and Finnish finance ministers, which threatened to derail the second package. The deal would have Greece deposit millions of euros in an escrow account as an insurance policy that Greece would not default on Finland's share of the rescue. Other eurozone countries were upset with the agreement because, according to Dutch finance minister Jan Kees de Jager, "it is not compatible with the principle of equal treatment of all euro countries."⁸⁰

However, the Greco-Finnish side deal fell into the background as Troika officials suspended talks with the Greek government on September 2 due to disagreements about how to cover a €1.2bn budgetary shortfall. The walkout put the next €8bn tranche of bailout funds at risk unless Greece took more action to fulfill its current austerity program and Troika officials also accused Greece of dragging its feet with the implementation of structural reforms, privatization, and improvements to tax collection. Without any further measures, Greece's budget deficit projection was set to increase to nearly 9 percent of GDP as opposed to the target of 7.6 percent.⁸¹

Greece was resisting Troika demands to accelerate public sector job cuts and other spending cuts, while arguing the deeper than expected recession was to blame for the budgetary shortfall. However, Troika officials noted that only a third of the shortfall could be accounted for by the deep recession and Greece was also coming under increasing pressure from Germany and the EU for failing to implement many of the

⁸⁰ Peter Spiegel, "Greco-Finnish deal reopens bail-out debate," *Financial Times*, August 22, 2011, <https://www.ft.com/content/967804e2-ccd3-11e0-88fe-00144feabdc0>.

⁸¹ FT Reporters, "Lenders suspend Greek bail-out talks," *Financial Times*, September 2, 2011, <https://www.ft.com/content/7d8aa766-d541-11e0-bd7e-00144feab49a>.

structural reforms agreed to earlier in the summer as part of the second troika bailout. One Greek economist was quoted in the *Financial Times* as saying, “The Troika returned to Athens and found only broken promises, there had been no practical progress during the summer.”⁸²

Greece’s response to these new external pressures involved walking a tight line between trying to reduce the domestic political damage that would come from announcing new austerity measures and still drafting a budget that was credible to the Troika. The following week, Venizelos announced that Greece would begin to cut jobs immediately in order to comply with the Troika’s demands. Greece had agreed to cut 150,000 public sector jobs by 2014 according to the second bailout agreed to earlier that year, but their implementation had been delayed due to significant political resistance. Venizelos also said an emergency property tax would be applied for 2011-2012 and all elected officials would take a 7 percent salary cut for 2011 while blaming the €2bn shortfall on poor revenue collection.⁸³ On September 10, George Papandreou announced new austerity measures to fulfill the demands of the Troika. He announced he would be cutting civil service salaries, dismissing 20,000 public sector workers within the next two weeks, nationalizing many struggling banks that were seeking capital injections from a €10bn bank stability fund, and he also defended his €50bn privatization program.⁸⁴

⁸² Kerin Hope, Joshua Chaffin, and James Wilson, “Greece defends progress on reform package,” *Financial Times*, September 4, 2011, <https://www.ft.com/content/35672b54-d6f3-11e0-bc73-00144feabdc0>.

⁸³ Kerin Hope, “Athens to levy property tax in budget U-turn,” *Financial Times*, September 11, 2011, <https://www.ft.com/content/bf83f570-dc8d-11e0-8654-00144feabdc0>.

⁸⁴ Kerin Hope, “Greece vows to avoid default at all costs,” *Financial Times*, September 10, 2011, <https://www.ft.com/content/97637bae-dbd1-11e0-9387-00144feabdc0>.

Despite these pledges from the Greek government, markets were becoming increasingly anxious about a potential Greek default. Its two-year bonds reached a bid yield of 74 percent and its ten-year bonds hit 23.55 percent.⁸⁵

As Greece was trying to secure the next tranche of bailout loans, the government announced new austerity measures on September 21 that included lowering the tax-free income threshold from €8,000 to €5,000. Pensions below €1200 per month would remain untouched, but pensions over €1200 would have the amount over €1200 reduced by 20 percent. Pensioners under 55 with a pension of more than €1000 would have anything above €1,000 reduced by 40 percent and 30,000 public sector workers would be placed in a labor reserve by the end of 2011,⁸⁶ meaning they would earn a reduced salary (speculated to be around 60 percent) for a specified amount of time and then if no new jobs were found they would be let go.⁸⁷ The next week Greece passed the property tax in parliament, but said it would not implement the other parts of the program until late October, including cutting public sector jobs. This move added to European countries' skepticism that Greece would fulfill its end of the bargain and implement the policies it

⁸⁵ Richard Milne, "Fears of Greek debt default rattle investors," *Financial Times*, September 12, 2011, <https://www.ft.com/content/08519638-dd59-11e0-9dac-00144feabdc0>.

⁸⁶ Greece had around 380,000 civil servants in late 2010 excluding police and military. See

Dimitris Kontogiannis, "Civil servants strike in Greece," *Financial Times*, October 7, 2010, <https://www.ft.com/content/4e8cb15c-d22c-11df-8fbe-00144feabdc0>.

⁸⁷ Ekathimerini.com, "With eye on loan, Greece unveils austerity measures," *ekathermini.com*, September 21, 2011, www.ekathimerini.com/136058/article/ekathimerini/news/with-eye-on-loan-greece-unveils-austerity-measures.

had pledged to do.⁸⁸

In early October, facing intensifying pressure from the Troika and other EU countries to implement the measures agreed to in the summer, the Greek cabinet approved large cuts in the 2012 budget. The new budget called for raising €6.5bn in spending cuts, including the dismissal of 30,000 public sector workers, 23,000 of which would be nearing retirement and another 7,000 would be dismissed as part of mergers and the restructuring of many state-controlled organizations.⁸⁹ The following day, Greece acknowledged it would miss its 2011 deficit target of 7.6 percent as the deficit was now projected to be 8.5 percent of GDP. A draft budget was also revealed, which detailed further cuts. There would be a 5.8 per cent overall reduction in wages and pensions for 2012 and 9 percent cuts to the health and welfare budget. The cutting 30,000 public sector jobs would save the state €200m in 2012, while launching a unified payment system for civil servants was expected to save €950m. There would be an extra ‘solidarity tax’ of 2-5 percent collected for the month of October and a property tax to be collected through household electricity bills.⁹⁰

In the run up to the parliamentary vote on the 2012 budget, the government and MPs in parliament faced added external pressures as a group of northern European countries, led by Germany and the Netherlands, were pushing for PSI to include private

⁸⁸ Dimitris Kontogiannis, Matt Steinglass, and Peter Spiegel, “Greek bail-out quest hit by legislative delay,” *Financial Times*, September 27, 2011, <https://www.ft.com/content/ad005a3c-e922-11e0-9817-00144feab49a>.

⁸⁹ Kerin Hope, “Greek cabinet approves budget cuts,” *Financial Times*, October 2, 2011, <https://www.ft.com/content/17955778-ed13-11e0-be97-00144feab49a>.

⁹⁰ Kerin Hope, “Greece unveils draft budget for 2012,” *Financial Times*, October 3, 2011, <https://www.ft.com/content/5352bed0-edbe-11e0-a9a9-00144feab49a>.

bondholders taking more of a haircut than the 21 percent agreed to in July. Germany was reportedly pushing for haircuts as big as 50-60 per cent, which was deemed unacceptable to bondholders and threatened to derail the second bailout.⁹¹ There was also considerable internal pressure as the dismissals of public sector workers were opposed by unions and workers and the unified payment system was opposed by better paid bureaucrats because it would cut their pay between 15 and 20 percent.⁹² Despite the wrangling about haircuts and the opposition from domestic groups, the austerity bill passed in parliament on October 20 by 154 to 144 votes.

The following week European leaders and Greek bondholders reached an agreement where bondholders would take a 50% haircut in the face value of their bonds, which was estimated to help Greece reduce its debt levels to 120 percent of GDP by the end of the decade. The agreement also indicated that European governments would provide an additional €100bn until 2014, including required recapitalization of Greek banks. Greece was also to generate €15bn from project Helios (an export-oriented solar project) or other privatization revenue in addition to the privatizations already agreed to. The agreement also established monitoring capacity on the ground in Greece by the EC and other Troika institutions, that would work with national experts, the Greek government, and the Troika to “offer assistance in order to ensure the timely and full implementation of the reforms.” The EFSF was also strengthened by allowing it to offer

⁹¹ Peter Spiegel, “Investor threat to second Greek bail-out,” *Financial Times*, October 14, 2011, <https://www.ft.com/content/3be6b6aa-f676-11e0-86dc-00144feab49a>.

⁹² Kerin Hope, “Greek cabinet approves budget cuts,” *Financial Times*, October 3, 2011, <https://www.ft.com/content/17955778-ed13-11e0-be97-00144feab49a>.

risk insurance to investors buying bonds on primary markets and there was a renewed commitment to strengthen economic governance by requiring German-style debt brakes, such as writing a balanced budget, into each constitution.⁹³

Greece was thrown into political turmoil and the fate of the Greek program once again was in doubt the following week when George Papandreou announced that he would be putting the second bailout package up for a referendum and he would be asking for a vote of confidence in parliament. This caught Europe completely off guard. One senior EU official quoted in the FT said it was “like a bolt out of the blue”. “I don’t think anyone expected this,” the official said. “The calculation has to be this is the only way [Papandreou] believes he can get this through.”⁹⁴ There was much speculation as to why Papandreou felt he needed a referendum. Some guessed it was to avoid being seen as a puppet of the Troika while others saw it as bringing the democratic process back in and others viewed it as a desperate move by an unpopular politician.⁹⁵ The reaction inside Greece to the vote of confidence and referendum was chaotic. The opposition had been calling for elections for some time and had been increasingly critical of the program, but it was critical of this move as well, with Antonis Samaras saying that a referendum was “not the way out” and “the only option is elections and, like Ireland and Portugal, to

⁹³ European Commission, “Euro Summit Statement,” *European Commission*, October 26, 2011, https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/125644.pdf.

⁹⁴ Kerin Hope, Peter Spiegel, and Telis Demos, “Greece calls referendum on EU bail-out,” *Financial Times*, October 31, 2011, <https://www.ft.com/content/68748490-03f5-11e1-98bc-00144feabdc0>.

⁹⁵ Sebastian Seibt, “Greek PM Papandreou’s gamble on a referendum,” *France24.com*, November 3, 2011, <https://www.france24.com/en/20111103-george-papandreou-referendum-greece-economy-eurozone-euro-finance-debt>.

request the obviously necessary changes in the bail-out agreement.”⁹⁶ One interviewee from Ireland commented about the referendum, saying, “I had discussions with them and essentially what he wanted to do was similar to what we were doing. His problem was that he didn’t feel that he had a mandate for it and what he wanted to do is that he wanted to have a referendum to approve the, basically a program, which was fairly close to what we had.”⁹⁷ Some PASOK deputies announced they would not vote for the referendum bill when it came to parliament and another resigned from the party but did not give up her seat.⁹⁸

Markets reacted quickly to the news of the referendum, with the euro falling in value, European bank stocks were hammered, and the Greek and Italian stock markets fell nearly 7 percent. Papandreou also faced tremendous pressure from his European partners to continue with the plan he had agreed to in late October. At the G20 Summit in Cannes, France, Merkel and Sarkozy both pushed for Greece’s referendum to be about leaving or staying in the euro as opposed to accepting or rejecting the most recent package of reforms just agreed to.⁹⁹ On November 2, the EU suspended the €8bn tranche of money due to Athens as part of its bailout and also demanded that Greece decide whether it wanted to leave the eurozone or not. Papandreou agreed that the referendum would be about staying in the eurozone or not and not just about the €130bn rescue

⁹⁶ Kerin Hope, Peter Spiegel, and Telis Demos, “Greece calls referendum on EU bail-out,” *Financial Times*, October 31, 2011, <https://www.ft.com/content/68748490-03f5-11e1-98bc-00144feabdc0>.

⁹⁷ Interview with former Irish Minister, Dublin, Ireland, January 11, 2018.

⁹⁸ Siani-Davies, *Crisis in Greece*, 182.

⁹⁹ Peter Spiegel, “Inside Europe’s Plan Z,” *Financial Times*, May 14, 2014, <https://www.ft.com/content/0ac1306e-d508-11e3-9187-00144feabdc0#ixzz34GEE8FUj>.

package.¹⁰⁰ Papandreou also said that he was open to forming a unity government with New Democracy that would endorse the bailout and then take the country to elections. There created a split in PASOK between older party loyalists who agreed with Papandreou retaining power and younger ‘reformers’ that wanted a change in leadership. In total there were five PASOK MPs who opposed the referendum plan, which eliminated PASOK’s 3 seat majority in parliament.¹⁰¹ However, the following day Papandreou abandoned his plan to hold a referendum on eurozone membership as ND promised to support the terms of the €130bn rescue package. Papandreou said that with the support of the opposition there was no need to hold the referendum and that “Failure to back the package would mean the beginning of our departure from the euro,” adding, “if we have consensus, then we don’t need a referendum.”¹⁰²

Papandreou survived the confidence vote, but there was enormous uncertainty as to the next steps to be taken. Papandreou and Venizelos wanted a unity government, but the opposition leader, Samaras, said Papandreou should resign first. Andreas Loverdos, the health minister who was seen as a potential successor to Mr. Papandreou, threatened to resign “unless moves are made immediately after the vote towards forming a national

¹⁰⁰ Peter Spiegel, Hugh Carnegy and Chris Giles, “EU suspends €8bn in Greek aid,” *Financial Times*, November 3, 2011, <https://www.ft.com/content/992a2cb0-0577-11e1-8eaa-00144feabdc0>; Gernot Heller and Daniel Flynn, “Insight – Grave mood, straight talk at historic EU meeting,” *Reuters*, November 3, 2011, <https://uk.reuters.com/article/uk-eu-greece-papandreou-insight/insight-grave-mood-straight-talk-at-historic-eu-meeting-idUKTRE7A251320111103>.

¹⁰¹ Kerin Hope and Tony Barber, “Papandreou’s future hangs in the balance,” *Financial Times*, November 3, 2011, https://www.ft.com/content/86789444-0644-11e1-8a16-00144feabdc0_2

¹⁰² Tony Barber et al., “Greek PM scraps referendum plan,” *Financial Times*, November 3, 2011, <https://www.ft.com/content/9366ce44-0605-11e1-ad0e-00144feabdc0>.

unity government.”¹⁰³ On November 5, Papandreou and Samaras met with Greek President Karolos Papoulias and agreed to form a unity government and Papandreou agreed to step down. A successor was not chosen until November 10, only after days of negotiation between the two main parties. On November 10, Lucas Papademos, a former vice-president of the ECB, was announced as the new prime minister and the new government included PASOK, New Democracy and Popular Orthodox Rally (LAOS), a smaller conservative party. The Papademos government was not a formal coalition, but a coalition with a narrow mandate of securing the next tranche of financing and making sure the debt was restructured before calling a new election.

This period was a very chaotic and uncertain time for Greece. Papandreou was ultimately unable to implement the austerity reforms without the support of New Democracy, who later agreed to support the reform package to avoid Papandreou’s proposed referendum. A tumultuous autumn ended with Papandreou resigning and what amounted to a caretaker government made up of political rivals assuming power to ensure Greece received its next tranche of funding from the Troika.

Social Responses July – November 2011

The societal responses to changes in and the implementation of Greece’s bailout program moved along with the passage of legislation that threatened entrenched interests and public sector workers and enterprises. What started off as a relatively quiet July and August transformed into chaos in the late summer and early autumn. As more austerity

¹⁰³ Kerin Hope and Tony Barber, “Papandreou survives confidence vote,” *Financial Times*, November 4, 2011, <https://www.ft.com/content/8e804f62-070a-11e1-8ccb-00144feabdc0>.

measures were agreed to and the government attempted to secure the next tranche of funding to avoid defaulting on its debts, social resistance to further austerity intensified.

The summer of 2011 was somewhat quieter than Q2 regarding protests and social action in Greece as total protests in Q3 were just over 1,300. July saw a major decline from the nearly 900 protests in June, but there was a lengthy strike from the taxi drivers in mid-July, a protest from university students over reforms to the Greek university system in late August, and a decision by Greek café and restaurant owners to refuse to pay a 10 percent rise in the VAT. Taxi drivers were opposing measures to liberalize the profession, which would open them up to more competition through issuing more taxi licenses. Over the course of two weeks, striking taxi drivers blocked roads to Athens International Airport, the port of Piraeus, and bridges at the height of tourist season, causing major disruptions.¹⁰⁴ These disruptions would continue into the autumn.

In August, hundreds of students protested in response to changes in the university system to add competition and curb the students' role in university administration. The new law would also allow private sponsorship of science, technology, and business programs at the universities and place a four-year deadline for finishing a degree. Following the student protest, members of the communist-led union, PAME, led a march to parliament after the bill was passed.¹⁰⁵

¹⁰⁴ Kerin Hope, "Taxi drivers' strike causes chaos in Athens," *Financial Times*, July 18, 2011, <https://www.ft.com/content/faa63502-b12a-11e0-a43e-00144feab49a>; Ekathimerini.com, "Cabbies rev up protests," *ekathermini.com*, July 26, 2011, <http://www.ekathimerini.com/135058/article/ekathimerini/news/cabbies-rev-up-protests>.

¹⁰⁵ Kerin Hope, "Students march over Greek university reform," *Financial Times*, August 24, 2011, <https://www.ft.com/content/77d37f46-ce61-11e0-99ec-00144feabdc0>.

Restaurant owners, who saw the VAT increase from 9 percent to 13 percent in 2010 from 13 percent to 23 percent in 2011 voted at a general assembly of the PanHellenic Federation of Restaurants and Related Professions union to refuse to pay the additional 10 percent VAT. Owners argued that it would “drive many establishments out of business” as many had seen their businesses decline between 20 and 40 percent in the past year. The government expected the measure to generate roughly €750m over the next year.¹⁰⁶

Following the walkout of the Troika officials in early September, protests and strikes increased in intensity as the government vowed to implement the reforms demanded by the Troika. Minor protests began the day before Papandreou delivered the annual economic policy speech in Thessaloniki on September 10, but there were at least 10 more demonstrations planned for the following day. During the speech an estimated crowd of more than 25,000 protesters were outside participating in the anti-austerity protests as Papandreou declared his intention to fulfill the terms of the bailout and implement the measures demanded by the Troika. Taxi drivers also staged a 24-hour strike on September 10 and many of them met in Thessaloniki to protest the government’s plan to open them up to competition. The demonstrations led to some violent clashes between police and protesters as roughly 100 people were arrested.¹⁰⁷

¹⁰⁶ Kerin Hope, “Restaurants in Greece refuse to pay VAT rise,” *Financial Times*, September 1, 2011, <https://www.ft.com/content/5a6e2be6-d4aa-11e0-a7ac-00144feab49a>.

¹⁰⁷ Ekathimerini.com, “Security sky-high in port as thousands protest,” *ekathermini.com*, September 9, 2011, www.ekathimerini.com/135881/article/ekathimerini/news/security-sky-high-in-port-as-thousands-protest; Ekathimerini.com, “PM vows to push reforms despite opposition,” *ekathermini.com*, September 10, 2011, <http://www.ekathimerini.com/135883/article/ekathimerini/news/pm-vows-to-push-reforms-despite-opposition>; ekathimerini.com, “Cabbies launch 24-hour Saturday strike,” *ekathermini.com*, <http://www.ekathimerini.com/135876/article/ekathimerini/news/cabbies-launch-24-hour-saturday-strike>.

Protests and industrial action continued into the following week as the government continued to work with the Troika to secure its next tranche of bailout funds. Taxi drivers staged a two-day strike that included a rally outside parliament,¹⁰⁸ and civil servants such as tax collectors and customs officials as well as garbage collectors all staged industrial action the following week.¹⁰⁹ These protests and strikes continued throughout September and increased once the new austerity package was announced on September 21 as a strike was staged by Greek workers on September 22 that shut down public transportation as taxi and bus drivers as well as rail workers all took part in the strike. Over 7,000 protesters marched on parliament, including members of the communist group MAS and students, all protesting the new austerity measures that were passed by the government.¹¹⁰

The protests intensified the following week as there was growing opposition to the plan to cut 30,000 jobs and transfer those workers to the labor reserve for roughly 60 percent of their previous salary. Public sector workers took over a number of state organizations ahead of the Troika's return to Athens. They occupied the Finance Ministry and held unannounced sit-ins at the ministries of development, justice, health and environment, and the national accounts office. The sit-ins were timed to coincide with the return of the Troika for further talks. "These are timed to coincide with the return to

¹⁰⁸ Ekathimerini.com, "Taxis launch two-day strike," *ekathermini.com*, September 11, 2011, <http://www.ekathimerini.com/135889/article/ekathimerini/news/taxis-launch-two-day-strike>.

¹⁰⁹ Ekathimerini.com, "Workers scale up protest action," *ekathermini.com*, September 13, 2011, <http://www.ekathimerini.com/135925/article/ekathimerini/news/workers-scale-up-protest-action>.

¹¹⁰ Lefteris Papadimas, "Greeks strike among pain and anger over austerity," *ekathermini.com*, September 22, 2011, <http://www.ekathimerini.com/136067/article/ekathimerini/news/greeks-strike-among-pain-and-anger-over-austerity>.

Greece of the Troika and the barbarous new measures that have been decided to cut our salaries further” read an Adedy statement. The unified payment system, which would put all civil servants on the same payment level and was opposed by many of the higher paid civil servants was being delayed because of foot dragging and resistance from mid-level bureaucrats.¹¹¹

Protesters also blockaded the statistics office in Athens, to which the head of Greece’s statistical agency warned that the blockade of the statistics office as well as the walkout by its employees could delay or prevent approval from the troika for the next tranche of loans. The delay was projected to be two to three days and the deadline was September 30th to allow the troika to recalibrate the draft budget before it goes to parliament. Andreas Georgiou, chairman of ELSTAT (the Hellenic Statistical Agency), told the Financial Times that he could not give the Troika the figures needed to finalize the 2012 budget because of the walk-out and takeover of ELSTAT, saying that “We will miss tonight’s deadline for sending final updated debt and deficit figures for 2010 to Eurostat because I and my team can’t get into the building to finish the job.”¹¹²

With the cabinet approving the 2012 budget, which called for large spending cuts and dismissals of public sector employees, GSEE and Adedy staged a general strike in early October, which saw thousands of Greeks walk off the job, but did not draw as many protesters as they had hoped, with the police estimating a crowd of 13,000 and rally

¹¹¹ Kerin Hope, “Greek protesters occupy government buildings,” *Financial Times*, September 29, 2011, <https://www.ft.com/content/21355e40-ea84-11e0-adbf-00144feab49a>.

¹¹² Kerin Hope, “Greeks told protests could derail bail-out,” *Financial Times*, September 30, 2011, <https://www.ft.com/content/5fa01836-eb70-11e0-adbf-00144feab49a>.

organizers estimating around 25,000 participants. However, the strike affected travel and transportation and shut down tax offices, courts, and schools.¹¹³ Also, municipal workers in Athens blocked the entrance to the main landfill for two weeks, leading the accumulation of over 6,000 tons of garbage on Athens streets. This was eventually ended when riot police evicted the workers in mid-October, allowing private trash collectors to dispose of the garbage.¹¹⁴

Industrial action continued and intensified over the next couple of weeks in the run up to the parliamentary vote on the 2012 budget. There was a 48-hour strike from the transportation sector, members of GENOP, the union representing workers at the Public Power Corporation took over the company's billing department to prevent it from sending out electric bills that contained newly levied property taxes, civil servants occupied at least seven ministries, municipal employees staged sit-ins, tax collectors staged a four-day strike, and customs officials began a ten-day strike intended to bring about food and fuel shortages.¹¹⁵

The social responses during this time came to head leading up to the vote in parliament on the revised 2012 budget when Greek unions called for a 48-hour general strike and promised it would be one of the biggest strikes since the beginning of the crisis. The strike included many in the transportation services, all taxi drivers, and led to

¹¹³ Ekathimerini.com, "Clashes blight austerity protest," *ekathermini.com*, October 5, 2011, available <http://www.ekathimerini.com/136329/article/ekathimerini/news/clashes-blight-austerity-protest>.

¹¹⁴ Ekathimerini.com, "Private garbage cleanup launched," *ekathermini.com*, October 16, 2011, <http://www.ekathimerini.com/136583/article/ekathimerini/news/private-garbage-cleanup-launched>.

¹¹⁵ Ekathimerini.com, "Transport paralyzed as strikes intensify," *ekathermini.com*, October 13, 2011, <http://www.ekathimerini.com/136533/article/ekathimerini/news/transport-paralyzed-as-strikes-intensify>.

the cancellation of most flights. Teachers, shopkeepers, bankers, tax inspectors, doctors, customs officials, and journalists also joined in the strike, which closed schools, shut down media broadcasts and newspaper circulation, and delayed imports coming into the country. The first day the protesters in Syntagma Square, outside Greek Parliament, numbered between 75,000 and 125,000¹¹⁶ and the second day estimates put the number of protesters between 70,000 and 100,000¹¹⁷. Despite the large protests, the budget was passed through parliament. Throughout the remainder of October, social action continued, but at lower levels than in the lead up to the vote on the budget. Many smaller protests also took place. These included a 24-hour transportation strike, hundreds of protesters at the Thessaloniki parade commemorating Greece's entry into World War II, which forced the parade to be cancelled for the first time ever, and a three-hour strike called by the civil servant union in mid-November.

Following the large amount of social action surrounding the passage of the MTFS in June, this protest cycle started off relatively calm but increased in intensity as the Troika demanded more cuts and reforms, ultimately culminating in numerous strikes from the public and private sectors, the takeover of government buildings and public spaces, and massive protests that put Greece in a state of gridlock in October as the 2012 budget was being debated in Greek Parliament.

¹¹⁶ Ekathimerini.com, "Massive turnout for Syntagma rally [update]," *ekathermini.com*, October 19, 2011, <http://www.ekathimerini.com/136631/article/ekathimerini/news/massive-turnout-for-syntagma-rally-update>.

¹¹⁷ Ekathimerini.com, "Huge turnout in anti-austerity rally, marred by clashes," *ekathermini.com*, October 19, 2011, www.ekathimerini.com/136647/article/ekathimerini/news/huge-turnout-in-anti-austerity-rally-marred-by-clashes.

External Pressures and Policy Responses December 2011 – March 2012: From Unity Government to Second Bailout

The time period following the formation of the Papademos government was characterized by political infighting, tight deadlines to meet the Troika's demands, and serious discussions within Europe of Greece leaving the euro before a second program was eventually agreed to and elections were called. To secure the next tranche of funding and meet all of the requirements of the troika in order to finalize a second bailout, Greece had to pass another austerity budget for 2012, convince its private bondholders to "voluntarily" take a significant haircut on the bonds they owned, and finish implementing the measures demanded by the Troika before a second program could be agreed to. Furthermore, Greece had to do this all with a technocratic government that included three political parties that were political rivals.

The new government was reported to have more than half of Greeks supporting it. According to a poll conducted by ekathimerini.com, 55 percent of Greeks approved of Papademos's appointment and only 18 percent reported a negative view.¹¹⁸ However, soon after forming the government, the new coalition suffered from infighting. Each party accused the others of failing to meet obligations or criticized specific policies. Almost immediately, there was a delay with the written pledge to the Troika from all three parties in government stating that they would implement the policies they had agreed to. Without this pledge the sixth tranche of funds would not be disbursed. In

¹¹⁸ Ekathimerini.com, "Most back new PM, coalition, poll shows," *Ekathimerini.com*, November 13, 2011, available <http://www.ekathimerini.com/137272/article/ekathimerini/news/most-back-new-pm-coalition-poll-shows>.

particular, Samaras was dragging his feet on the pledge as he wanted some of the policies changed to promote more growth, but he later signed the pledge after pressure from those in Troika institutions.¹¹⁹ The new LAOS minister of transport rejected the proposal to liberalize the taxi profession and the new PASOK minister in charge of the labor reserve ruled out any firings. Events such as these led to rumblings that the Troika was already unhappy and Karatzaferis, the leader of LAOS, said after one meeting with the troika, “I believe they have no trust in us at all.”¹²⁰

Passing the 2012 budget proved to be the easy part for this government, despite opposition from the leftwing parties SYRIZA and KKE as well as violent protests outside parliament. The budget, which had initially been negotiated in October and revised in November, passed in parliament in early December with a vote of 258-41. The 2012 budget called for further spending cuts, the dismissal of thousands of public sector workers, reductions in wages and pensions, and cuts to the health and welfare budget. The passing of the budget allowed the IMF to sign off on the sixth tranche of funding the next day, which guaranteed Greece would meet its financing needs through the end of the year.¹²¹

Throughout December and January there were ongoing discussions between Greece, the Troika, eurozone governments, and private bondholders over PSI, the structure of the haircuts, and how deep they would be. Bondholders were worried that

¹¹⁹ Kerin Hope, “Samaras tells lenders he backs bail-out plan,” *Financial Times*, November 23, 2011, <https://www.ft.com/content/5d60adf2-15f9-11e1-b4b1-00144feabdc0>.

¹²⁰ Siani-Davies, *Crisis in Greece*, 190.

¹²¹ Ekathimerini.com, “IMF: Greek aid to be paid by Dec. 15,” *Ekathimerini.com*, December 7, 2012, <http://www.ekathimerini.com/137535/article/ekathimerini/business/imf-greek-aid-to-be-paid-by-dec-15>.

cuts would exceed 50 percent, which would be unacceptable to them. Finalizing PSI for Greek bonds was an urgent matter because it was a precondition for the approval of the second Greek bailout program. Also, Greece was facing a €14.4bn bond redemption on March 20. Many believed Greece would be unable to pay the bond redemption unless their second program was approved along with a large haircut on privately held bonds.¹²²

Throughout the winter months, talks regarding Greek PSI and a second Greek program continued in fits and starts, unleashing new speculation about a Greek default. There were two reasons for such prolonged negotiations with intermittent progress. First, there was a disconnect between Greece, European leaders, and private bondholders on the interest rate for new 30-year bonds to be issued by the Greek state. Greece had agreed with bondholders to an interest rate of just under 5 percent. However, Germany and other Northern European countries wanted a rate of between 2-3 percent, which would increase bondholders' losses from 60 percent to 80 percent in net present value terms. The Eurogroup wanted an average rate of no higher than 3.5 percent while bondholders wanted public sector holders of Greek sovereign debt to also take the same voluntary haircut as private bondholders.¹²³ The haircut could not be forced on bondholders because they would need to "voluntarily" take the haircut in order for Greece to avoid default from ratings agencies. The haircut was seen as an essential condition for the second bailout, because without a significant haircut Greece's debt-to-GDP ratio would be unsustainable according to the IMF, which would prevent them from participating in

¹²² Dimitris Kontogiannis, "Clock ticking as Greece races to avoid default," *Financial Times*, January 9, 2012, <https://www.ft.com/content/2c154626-3878-11e1-9f07-00144feabdc0>.

¹²³ Patrick Jenkins, "Central banks urged to share Greek bond pain," *Financial Times*, January 24, 2012, <https://www.ft.com/content/3faa1a9a-46a6-11e1-bc5f-00144feabdc0>.

the program. These negotiations would continue up until February 21 when the Eurozone approved the second Greek bailout.

The second issue with approving the second bailout package was the ongoing negotiations around the austerity measures to be taken before and during the new bailout. This would include more austerity measures before the bailout is approved and four more years of very unpopular structural and fiscal reforms. During negotiations in early February, the Greek coalition wanted the Troika to ease some of the conditions of the second bailout package, including an extra €3bn in spending cuts in the 2012 budget. The Troika's proposal included projected cuts of 25 percent to private sector wages, 35 percent to supplementary pensions, and roughly 100 state-controlled organizations would be shut down, causing thousands of job losses. Samaras wanted concessions on private sector wages, which were part of this package, but the Troika refused, forcing the three parties in government back to the drawing board. France and Germany then stepped up the pressure on Greece to agree to the terms of the new €130bn bailout, threatening that there would be no rescue unless all three parties signed that they would implement the deal. However, the three parties' inability to come to an agreement on cuts to pensions brought Greece ever closer to a potential default.¹²⁴

On February 9, the party leaders of PASOK, New Democracy, and LAOS agreed to a new round of austerity cuts in early February, but they were rejected by the Eurozone finance ministers, who demanded an extra €325m in cuts. Five ministers resigned in protest of the wage and pension cuts, four of which were from LAOS, which also left the

¹²⁴ Kerin Hope, Alex Barber, and Quentin Peel, "Greece takes steps closer to default," *Financial Times*, February 5, 2012, <https://www.ft.com/content/cf397bb8-5003-11e1-8c9a-00144feabdc0>.

government at this point. After further negotiations between PASOK and New Democracy and amid violent protests outside parliament, new austerity measures were passed parliament by a vote of 199-74. 43 deputies from PASOK and New Democracy were expelled from their parties for not supporting the legislation. A few days later Samaras submitted a letter to the Troika declaring his commitment to implementing the measures if New Democracy would win the next election and on February 21 the second Greek bailout was agreed to by the eurozone.

The second Greek bailout totaled €130bn and included a “voluntary” haircut of 53.5 percent for private sector bondholders, which is more than the 50 percent haircut agreed to the previous October. This also called for reductions in some pensions, minimum wage, more reforms to fight tax evasion, further privatizations. The second program also included a retroactive reduction in interest rates from the initial Greek program from other member states (which was mostly bilateral loans) and the EC strengthened its Task Force for Greece by creating a permanent presence on the ground in Greece, which was intended to bolster its capacity to provide and coordinate technical assistance. Greece agreed to add a legal measure that would be added to the constitution later, which gave priority to debt servicing over domestic expenditure. There was an increased monitoring presence from Europe as well as requiring a prior action plan before funds could be released.¹²⁵ Even though there was an agreement for the second bailout Greece still had work to do in order to secure the €130bn bailout plan. They needed to complete 38 specific actions related to tax, spending, and wage policies, such as firing

¹²⁵ European Commission, “The Second Economic Adjustment Programme for Greece,” *Europa.eu*, March 2012, http://ec.europa.eu/economy_finance/publications/occasional_paper/2012/pdf/ocp94_en.pdf.

underperforming tax collectors, passing legislation to open up closed professions, moving forward on privatizations due to take place in June, and strengthening rules against bribery.¹²⁶

Greece passed the required legislation, and on February 24, launched its debt swap program, which would run until March 12. After applying some pressure to holdouts on the bond swap program, the program had a participation rate of 95.7 percent after the collective action clauses were initiated.¹²⁷ By clearing these hurdles, Greece's second bailout was approved by all European and national parliaments as well as the IMF by mid-March. The new bailout package was approved in Greece's Parliament on March 21 by a vote of 213-79, finalizing the package of €174bn worth of aid.

At the end of 2011 and into the beginning of 2012 Greece had come to the end of the road with its first Troika program. The government had to simultaneously pass a budget for 2012 while negotiating a second Troika program and ironing out the details of the haircut for private bondholders. After much infighting and many disagreements with the Troika, the government passed a budget and was able to successfully negotiate a second Troika program worth €130bn that also included "voluntary" haircuts for private sector bondholders.

Social Responses December 2011 – March 2012

Like previous social responses, the strikes and protests occurring during the Papademos government responded to government legislation. After a decrease in protests

¹²⁶ Peter Spiegel, Gerrit Wiesmann, and Kerin Hope, "Athens told to change spending and taxes," *Financial Times*, February 23, 2012, <https://www.ft.com/content/fde0e3d4-5e3b-11e1-85f6-00144feabdc0>.

¹²⁷ Joseph, Cotterill, "Greek PSI – the results," *FT Alphaville*, March 8, 2012, <https://ftalphaville.ft.com/2012/03/09/915631/greek-psi-the-results/>.

from December to January, there was an increase in protests in February and March as the second bailout package was being negotiated. The protests and strikes were more sustained and tended to be from specific sectors of the economy opposing legislation to liberalize their industries. After February's roughly 820 protests, there was a downward trend through the summer months and less than 100 protests in the month of August.¹²⁸

Greece was relatively quiet for the first couple of weeks of the Papademos administration and, as stated earlier, a poll conducted shortly after the change in leadership revealed that more than half of Greeks had a positive view of Papademos.¹²⁹ November was relatively free of social action aside from Greek power workers taking over the accounting office of the electric company to protest the government's proposal to cut electricity to those who did not pay the property tax, which was to be administered through electricity bills. This led to the government delaying the implementation of cutting the electricity of those who did not pay their property tax.¹³⁰

Unlike November, December saw much more social action as the government had just secured the sixth tranche of funding by including more austerity measures. Social action in December included a general strike and many industry specific strikes and protests. December started with a 24-hour general strike and protests against spending cuts, which had less participants than previous protests. There were roughly 20,000

¹²⁸ Karyotis and Rüdig, "The Three Waves of Anti-Austerity Protest in Greece, 2010-2015."

¹²⁹ Ekathimerini.com, "Most back new PM, coalition, poll shows," *ekathimerini.com*, November 13, 2011, <http://www.ekathimerini.com/137272/article/ekathimerini/news/most-back-new-pm-coalition-poll-shows>.

¹³⁰ Kerin Hope, "Athens backs down over property tax," *Financial Times*, November 21, 2011, <https://www.ft.com/content/8436d44a-1443-11e1-85c7-00144feabdc0>.

participants in Athens¹³¹ and another 6,000 protesters in Thessaloniki.¹³² From mid-December through the new year there was a flurry of industry-specific action. There was a three-day strike held by public TV and radio stations, as well as municipal radio stations and the Athens News Agency to start what would be a three-day rolling strike. Pharmacists held a 24-hour strike to protest the liberalization of their industry, the health sector held a four-hour work stoppage that coincided with a three-hour work stoppage called by the civil servants' union Adedy. The next week railway workers called a five-hour work stoppage, which shut down all OSE (Hellenic Railway Organisation) trains and held a rally outside the finance ministry. Around Christmas many archaeological sites and museums were shut down as guards staged a strike over not being paid extra for working weekend shifts since October.

January saw a drop in the numbers of protests, but social action persisted as the government continued to negotiate with the troika and private bondholders to secure a second bailout. Industry specific strikes continued along with more general strikes and protests. In early January pharmacists and doctors staged a 48-hour strike to protest changes to the health sector, such as reducing drug prices. State hospitals also participated in the strike and would remain on strike until January 6 in protest of the new state healthcare body EOPYY. Many of the doctors working for the main social security

¹³¹ Kerin Hope, "Calm reigns at Greek protest," *Financial Times*, December 1, 2011, <https://www.ft.com/content/57fa9804-1c44-11e1-9b41-00144feabdc0>.

¹³² Ekathimerini.com, "Riot free rally sees smaller turnout," *ekathimerini.com*, December 1, 2011, <http://www.ekathimerini.com/137396/article/ekathimerini/news/riot-free-rally-sees-smaller-turnout>.

fund, IKA, feared they would lose patients to doctors working for EOPYY.¹³³ Lawyers staged a three-day strike in mid-January and extended it another three days in protest of liberalization measures. Also, in mid-January Athens Labor Center (EKA) and GSEE led a 24-hour strike over wages and labor rights that disrupted travel in Athens. At the end of January, pharmacies closed for one afternoon to protest the lifting of restrictions on pharmacy hours of operation.

February saw a large increase in protests as the Troika and the Greek government came closer to an agreement between themselves as well as with private bondholders. Social action intensified. There were multiple general strikes, increased sector specific action, huge protests resulting in violence and clashes with riot police, and significant property damage. In early February GSEE and Adedy called a 48-hour general strike in conjunction with protests outside of Parliament as well as another protest organized by PAME. The strike disrupted transportation services and 10,000 people took part in a protest outside parliament, which led to clashes with police. At the same time, roughly 50 members of the workers' union GENOP took over the Environmental Ministry in Athens to protest a law that would allow the privatization of Greece's power transmission system.

The social action intensified as the terms of the second bailout were debated in Greek Parliament and passed on February 12. Only a couple of days after the first 48-hour general strike of February GSEE and Adedy called a second 48-hour general strike on February 10. The first day of social action saw thousands of workers participate in the

¹³³ Ekathimerini.com, "Deal reached with protesting pharmacists, IKA doctors continue to strike," *ekathimerini.com*, January 4, 2012, <http://www.ekathimerini.com/138106/article/ekathimerini/news/deal-reached-with-protesting-pharmacists-ika-doctors-continue-strike>.

strike and finance ministry employees staged a sit-in at the ministry of finance to protest the new agreement between the government and the Troika, which would result in laying off thousands of civil service workers. Employees of the Health Ministry also staged a sit-in to protest to protest health sector cutbacks. Government offices, schools, courts, and museums and archaeological sites were also closed. Many professional groups, such as lawyers and doctors also participated in the protests.¹³⁴ These protests culminated on February 12 when 60,000¹³⁵ people protested austerity in Syntagma Square, of which a small group of anarchists smashed and defaced store fronts, with foreign banks and companies being targeted. Violence between rioters and riot police ensued and many businesses went up in flames with around 150 shops being looted and 48 being set on fire.¹³⁶ The following day, Athens lawyers began a three-day strike to protest the liberalization of their profession, which would be extended until the end of the month.

The remainder of February and into March when the second bailout was finalized between all parties, social action in Greece was less intense than the first part of February and primarily involved specific sectors protesting changes to their industries with a few smaller rallies led by labor unions. In late February gas station owners blocked the Greek Finance Ministry to protest fines on owners charged with illegal fuel trading while state

¹³⁴ Ekathimerini.com, “Employees take over ministry as strike begins,” *ekathimerini.com*, February 10, 2012, <http://www.ekathimerini.com/139032/article/ekathimerini/news/employees-take-over-ministry-as-strike-begins>.

¹³⁵ Ekathimerini.com, “Fires in central Athens as rioters clash with police,” *ekathimerini.com*, February 12, 2012, available <http://www.ekathimerini.com/139075/article/ekathimerini/news/fires-in-central-athens-as-rioters-clash-with-police>.

¹³⁶ Renee Maltezou, “Violence offers glimpse of Greece’s reform challenge,” *ekathimerini.com*, February 13, 2012, www.ekathimerini.com/139096/article/ekathimerini/news/violence-offers-glimpse-of-greeces-reform-challenge.

hospital workers and private practitioners held a 24-hour strike to protest the healthcare cuts. In early March, the Athens metro, electric railway, and tram all shut down in a 24-hour strike against wage and pension cuts and in mid-March lawyers and seamen both called 48-hour strikes.

Protests were much less intense in this period as there were a few smaller protests across the country and some half-day work stoppages led by the unions. On the evening before the second bailout package was agreed to by eurozone governments (February 21), there was a protest of about 1,500 people outside the Greek Parliament building and the following day GSEE and Adedy held an anti-austerity rally in the afternoon. A week later the same labor unions called a three-hour work stoppage at noon and a demonstration in central Athens that evening. Outside of these few events, industrial action was limited and much less intense as the second bailout was approved, conditions for the debt swap were met, and Greece was heading to new elections in the spring.

The finalization of the second bailout led to the fizzling out of an intense period of social action that included strikes and protests that increased beginning in June of 2011 with the passage of the MTFS and new privatization measures. From December through March Greeks responded to the actions of their government as they implemented a flurry of strikes, protests, and sit-ins aimed at voicing their objections and forcing the government to withdrawal or minimize many of the measures. February marked the month with the most protests (roughly 820) and a downward trend would continue through August, where there were less than 100 protests in all of Greece.¹³⁷

¹³⁷ Karyotis and Rüdiger, "The Three Waves of Anti-Austerity Protest in Greece, 2010-2015."

Post Second Bailout

In April, as Greece was looking to move on from the political and economic turmoil of the past two years, elections were called for May 6. However, the results of the election were inconclusive, and no government was formed, which led to a new round of political disorder and more talk of Greece exiting the euro throughout the month of May. On May 17 a caretaker government led by Panagotis Pikrammenos, Greece's highest-ranking judge, took office and new elections were scheduled for June 17. No party ran on a platform of being in favor of the memorandum as all parties wanted some form of renegotiation. Whichever party won, there would be tensions with the Troika regarding implementing and sticking to the policies. Outside of KKE, no party was advocating leaving the euro and returning to the drachma. SYRIZA even explicitly insisted that Greece stay in the euro.

The second election had less turnout than the one a month earlier. New Democracy won with 29.7 percent of the vote. SYRIZA received 26.9 percent and PASOK received 12.3 percent. New Democracy formed a coalition with PASOK and the Democratic Left on June 20, but no deputies from PASOK or the Democratic Left took ministerial posts. New Democracy and PASOK had 162 seats between them, but including the Democratic Left added to its legitimacy and democratic mandate to the government and the memorandum.

At the point that the second bailout was signed, and elections were called, clear differences can be seen between the response of Greek elites and society to those in Ireland and Portugal. There was much more disagreement among politicians about the policies being asked of Greece as well as the passage and implementation of those

policies. Societal groups, such as unions and interest groups like taxi drivers, pharmacists, and lawyers were much more vocal and disruptive in Greece than the other two cases. There was a change from the Papandreou-led government to the Papademos-led government and then to new elections and a new government after the second bailout was finalized. Unions and workers took much more social action which disrupted and/or prevented the passage and implementation of many of the measures in the memorandum.

In addition to the clear differences demonstrated up to this point in the Greek case, the need for a second bailout and sheer size of the total amount of money involved to cover both Greek bailouts separates Greece from Ireland and Portugal as far as comparability is concerned. With an initial package of €110bn and a second package worth €174bn, the total for the two bailouts reached €284bn. The debt exchange program, which was intended to reduce Greece's overall debt load, eliminated €107bn¹³⁸ of Greece's face value debt. Including this into the total calculation, the amount borrowed by Greece in the two bailouts was €177bn, which was almost €100bn more than the €78bn bailout of Portugal and nearly €100bn more than the €85bn bailout of Ireland. The large difference in the amount borrowed between Greece and the other two countries makes the second bailout a logical stopping point in the Greek case despite social and political upheaval that continued for several more years.

The following section is the analysis of the Greek response. The evidence suggests that Greece's national identity best explains the response from Greek leaders and the public. The most notable aspects of this response, detailed in the above section,

¹³⁸ Jeromin Zettelmeyer, Christoph Trebesch, and Mitu Gulati, "The Greek Debt Restructuring: An Autopsy." *Peterson Institute of International Economics*. August 2013. <https://www.piie.com/publications/working-papers/greek-debt-restructuring-autopsy>.

were that the Troika program was viewed as a foreign occupation, everything was “on the table” for the government and society to resist the Troika, and the Greeks’ were much less sensitive to international and economic constraints than Ireland or Portugal.

Analysis of the Greek Case

Three important characteristics of Greece’s response to its Troika program provide the evidence for the importance of national identity in shaping the Greek response. First, many in Greece interpreted the Troika program as a foreign occupation. This was especially pronounced because of the association of the program with Germany, which had brutally occupied Greece during WWII. Anti-German sentiment rose significantly and politicians on the right and left played to historic memories, especially the Nazi occupation during WWII. There was a large increase in newspaper articles critical of Germany and their stance on the Troika program. Politicians that argued the MOU must be implemented were denounced as puppets of the Germans.

Second, and contrary to Ireland and Portugal, all options for resisting the Troika were on the table for the Greeks. Politically, there was fundamental criticism of the program from opposition parties and the government itself from the beginning of the MOU. There was political infighting, a lack of ownership, and constant undermining of the program. The program was haphazardly implemented, and Papandreou called a referendum on the program without consulting the Troika. Socially, there were large, intense, and oftentimes violent protests that were much more sustained than in Ireland or Portugal. Unlike in Ireland and Portugal, Greek labor unions did not necessarily seek to

keep the peace as some viewed their protests and strikes as a “social uprising.”¹³⁹ They also staged many strikes, using very disruptive tactics, and held four general strikes in the first two months of the program.

Finally, unlike the Irish and the Portuguese, the Greeks appeared to have little regard for international and economic constraints. Having been shut out of bond markets and reliant on the Troika for funding, Greece continued to miss deficit and reform targets, delay reviews, and engage in brinksmanship with the Troika. Dire warnings were issued from the Troika and other European leaders about the failure to implement the program potentially leading to default and ejection from the euro. Yet political leaders continued to engage in brinksmanship as they were willing to challenge the Troika and Europe up to the point of risking its euro membership, as that was unacceptable. However, social actors continued to protest and voice their opposition to the Troika and its policies even after it was clear that a disorderly default and losing its euro membership were real possibilities should Greece fail to meet its international obligations.

As in the Irish and Portuguese cases, the argument is not that national identity is the only causal factor that affected Greece’s response to its Troika program. However, when comparing the timing, focus, and intensity of the Greek response, the role of national identity must be recognized as central. There were other factors exerting influence on the Greek response, such as interest group pressure against many of the cuts and reforms agreed to in the MOU. Yet, Ireland and Portugal faced similar pressures from groups within their own societies and found ways to implement their programs

¹³⁹ Ekathimerini.com, “Employees take over ministry as strike begins,” *ekathimerini.com*, February 10, 2012, <https://www.ekathimerini.com/news/139032/employees-take-over-ministry-as-strike-begins/>.

without the need for another program. There was also intense political pressure, especially for PASOK, to reject the policies agreed to in the MOU, but this pressure was again present in Ireland and Portugal and their governments were able to implement their respective programs.

Institutional barriers to implementation of the program certainly existed in Greece, making the passage of austerity legislation and implementation of structural reforms more difficult. The presence of labor union and the fragmented nature of the Greek state, with its central bureaucracy spread out over 1552 buildings and each ministry having an average of 302 departments presented significant hurdles.¹⁴⁰ However, the Greek story is not one of a country doing everything it could to implement the MOU and finding itself unable because of a fragmented state or lack of capacity. Instead, it is a story of constant contestation and questioning of whether or how much the program should be implemented. The government actively engaged in brinksmanship with the Troika, leading to review delays, missing deficit and reform targets, and eventually needing a second program. The brinksmanship tactics meant that politicians largely agreed to legislation only when their backs were against the wall, facing default or losing euro membership. Societal actors continued to be defiant in the face of these massive constraints as large protests and strikes continued despite warnings from other European leaders, the Troika and Greek politicians. Additionally, significant institutional barriers were also present in Portugal. Labor unions, especially for the public sector, play a large part in Portuguese society but UGT decided to negotiate with the government as opposed to the overt and large-scale resistance offered by Greek unions from their program's

¹⁴⁰ Siani-Davies, *Crisis in Greece*, 221.

outset. Portugal had an additional institutional hurdle with its Constitutional Court that ruled four separate times against various elements of austerity legislation. While this would have been a convenient excuse for the government to back out of its commitments in the MOU, the government persisted by developing alternatives and remaining committed to its program.

Finally, some might argue that the lack of a belief in liberal economic ideas can best explain Greece's rejection of the Troika's and its policies. Not only does Greece lack a strong liberal economic tradition, but many are sympathetic to socialist ideas. Given these conditions, one would expect Greece to offer significant resistance to "neoliberal" policies that many disagreed with. But, if economic ideas were the primary causal force in responses to each country's Troika program, Greece and Portugal should have behaved similarly as Portugal also lacks a strong liberal tradition and many Portuguese have socialistic leanings. However, we see drastically different responses between Greece and Portugal.

Greek National Identity

Beginning with the establishment of the modern Greek state in 1832 and continuing through their accession into the EEC and later the EU, Greece has endeavored to become a modern country at the core of Europe. Much of modern Greek history is the story of Greeks trying to "find their way home" to Europe – politically, socially, and economically. Yet, there has been hesitancy from some within Greece as time and again that journey has been questioned by the Greeks themselves and sidetracked or derailed by other powerful countries, including those they wished to join. Throughout this process of modernization and eventually democratization the national identity of Greece has been

shaped by many domestic and international events. Greek national identity has remained consistent in some areas and evolved in others. One of the most central aspects of national identity throughout the history of modern Greece is the seamless connection between ancient Greece and the present-day state.¹⁴¹ The other deeply rooted part of Greek identity is the sense of being a puppet of powerful foreign countries, who interfered in Greek affairs and have held the Greeks back. As Nikos Svoronos argued in 1953, “a distinctive and central part of Greek identity was the Greek people’s natural disposition to resist constant foreign encroachment.”¹⁴² As will be discussed here, this disposition to resist foreign encroachment is a common theme through modern Greek history and this was incorporated further into Greek identity in the post-junta period. This encouraged the belief that Greece’s failures were caused by foreign meddling and ridding themselves of foreign interference would allow Greece to be great once again.¹⁴³

Greece has a spectacular past that reaches to antiquity. Nevertheless, under nearly four hundred years of Ottoman rule, Greek awareness of its ancient past nearly disappeared. However, with the push of Western classical scholarship, Greece’s intelligentsia developed an awareness “that they were heirs to a heritage that was universally revered throughout the civilised world.”¹⁴⁴ The connection to Classical Greece was not a foregone conclusion. Just after Greece won its independence from the

¹⁴¹ Gallant, *Modern Greece*, 69-70; Clogg, *A Concise History of Greece*; Kalyvas, *Modern Greece: What Everyone Needs to Know*; John S. Koliopoulos and Thanos M. Veremis, *Modern Greece: A History Since 1821*, (Oxford: Wiley-Blackwell Publishing, 2010); C.M Woodhouse, *Modern Greece: A Short History*. (London: Faber and Faber Limited, 1998).

¹⁴² Kalyvas, *Modern Greece: What Everyone Needs to Know*, 8.

¹⁴³ Kalyvas, *Modern Greece: What Everyone Needs to Know*, 8.

¹⁴⁴ Clogg, *A Concise History of Greece*, 27.

Ottoman Empire, there were two opposing identities that emerged and competed. One was “Hellenic,” focusing on modern Greece’s connection to Ancient Greece, paganism, and Western values rooted in antiquity, the other emphasized Greece’s connection to the Orthodox Byzantine Empire and Christianity. Not until the 1860s when Konstantinos Paparrigopoulos published his five-volume history of Greece were these contending identities reconciled. Paparrigopoulos cast Greek history as originating in antiquity and moving to the Byzantine Empire and into modern Greece. This allowed Greeks to claim both heritages. They were both Eastern and Western as well as pagan and Christian. This synthesis created unity out of seemingly separate parts of Greece’s past and allowed all Greek people, whether they identified more with the Hellenic or Byzantine past, to be included. This is one of the core aspects of Greek identity that still exists to this day.¹⁴⁵

In the 19th century this connection to Greece’s ancient past was crucial for the support that Philhellenes¹⁴⁶ in Europe gave to the Greek independence movement. While Greece was controlled by the Ottoman Empire and largely unaware of its ancient past, there was also no concept of a Greek nation. Renaissance Europe had claimed the Classical age of antiquity as the roots of the “West”, tracing its civilization back to 5th Century B.C. Athens.¹⁴⁷ Because many in Renaissance Europe felt that ancient Greece was where their own civilization originated, they were excited at the prospects of an independent Greece and wanted to ensure that the new Greek state succeeded. The

¹⁴⁵ Clogg, *A Concise History of Greece*; Gallant, *Modern Greece*; Kalyvas, *Modern Greece: What Everyone Needs to Know*; Koliopoulos and Veremis, *Modern Greece: A History Since 1821*.

¹⁴⁶ Someone who is has affection for Greece or supported their Independence from the Ottoman Empire.

¹⁴⁷ Gallant, *Modern Greece*, 68.

connection of 19th century Europe to ancient Greece was an important motivation for Europeans to intervene into Greece's domestic affairs.¹⁴⁸ This included some who were seen as supporters of the existing political order in the 19th century, such as Viscount Castlereagh, the British Foreign Secretary. He asked whether "those, in admiration of whom we have been educated (the Greeks) be doomed...to drag out, for all time to come, the miserable existence to which circumstances have doomed them."¹⁴⁹ Clogg (2002) also notes that this attitude has endured into the late 20th century as one foreign office minister commented during a debate in British Parliament concerning Greece's membership in the European Community that it would be "fitting repayment by the Europe of today of the cultural and political debt that we all owe to a Greek heritage almost three thousand years old."¹⁵⁰

After the "Great Schism"¹⁵¹ regarding participation in WWI and the Asia Minor debacle¹⁵² that ended Greek irredentism, the interwar period in Greece saw democracy give way to dictatorship under the rule of Ioannis Metaxas and then to occupation and civil war. The 1940s were one of the most traumatic decades in Greek history as Greece was brutally occupied by Germany, Italy, and Bulgaria during WWII. This period helped solidify Greece's fears of foreign interference into a durable feature of Greek identity. Despite British aid, Greece could not hold off the Axis powers and the brutal WWII

¹⁴⁸ Kalyvas, *Modern Greece: What Everyone Needs to Know*.

¹⁴⁹ Clogg, *A Concise History of Greece*, 1.

¹⁵⁰ Clogg, *A Concise History of Greece*, 2; Kalyvas, *Modern Greece: What Everyone Needs to Know*.

¹⁵¹ See Kalyvas, *Modern Greece: What Everyone Needs to Know*; Woodhouse, *Modern Greece: A Short History*; and Gallant, *Modern Greece*, for details.

¹⁵² See Koliopoulos and Veremis, *Modern Greece: A History Since 1821*.

occupation left indelible scars on Greek society. The economy completely collapsed, tens of thousands of Greeks were executed, and famine claimed hundreds of thousands of lives between 1941 and 1944. Although the occupation was brutal, there was a large underground resistance that formed to fight the occupiers. The most important guerilla organization was the Greek People's Liberation Army (ELAS), which was controlled by the communist KKE. As the communist-led resistance gained power following Italy's surrender in 1943 anti-communists who had been shunned by KKE and ELAS began collaborating with the Nazis in greater numbers. When WWII ended, this set the stage for the Greek Civil War between communist and anti-communist factions.¹⁵³

Given the communist/anti-communist divisions at the end of WWII, the Greek Civil War became the first proxy war of the Cold War between the US and USSR. The Greek state was supported by the US and the UK while the communists, led by KKE, were supported by the Soviet Union and its satellite states. The Greek Civil War was essentially a battle to decide whether Greece's destiny would lie with the capitalist democracies in the West or with the communist USSR. With support from the US and UK, the communists were defeated, and Greece was firmly oriented towards the West.

However, the civil war and its legacy only added to the view that Greece's destiny was being shaped by meddling foreigners as opposed to Greeks themselves. In addition to both sides of the conflict being dependent on support from major powers, in the wake of the Civil War the Greek government was deeply dependent on external support, although its patron had changed from the former Great Powers of Europe to the US.¹⁵⁴ Clogg

¹⁵³ Kalyvas, *Modern Greece: What Everyone Needs to Know*.

¹⁵⁴ Gallant, *Modern Greece*, 178.

(2002) notes that “the government’s dependence for its political and military survival on external patronage effectively made Greece a client state of the United States. Few major military, economic, or...political decisions could be taken without American approval.”¹⁵⁵ This level of foreign influence and control over Greek affairs led some to label the early Cold War period as one of Amerikanikokratía.¹⁵⁶

After the Greek Civil War that there was a new optimism within Greece and its was driven primarily by economic growth under the leadership of Constantine Karamanlis. With the aid of the Marshall Plan and the Greek-American Economic Cooperation Agreement, Greece maintained high rates of growth and significant progress toward modernization. The Greek government stabilized the drachma, maintained balanced budgets, and liberalized international trade, helping Greece maintain economic growth of roughly 7 percent between the mid-1950s and the late 1970s. Greece also became an associate of the European Economic Community in July 1961, moving it even closer to Europe. However, the mismanagement of the transition to democracy post-Civil War led to a coup by junior officers in the military and the military junta, which was in power from 1967-74. During this time the US gave the junta its unconditional support, further alienating many Greeks, and serving as another example of foreigners meddling in Greece’s affairs.

The military junta collapsed in 1974 after a military defeat at the hands of Turkey that resulted in a new coup that ushered in the most recent period of democracy. The

¹⁵⁵ Clogg, *A Concise History of Greece*, 143.

¹⁵⁶ Gallant (2001) notes that while this was useful term to indicate the degree to which Greece’s fate was tied to the West, it was an overstatement of the control the US had on Greek affairs.

transition back to democracy was viewed as a step forward for many Greeks as “there was a general belief that Greece would now finally fulfill its original goal of becoming a truly modern European country by combining a dynamic and prosperous economy with stable and liberal democratic institutions.”¹⁵⁷ The politicians who assumed power after the fall of the junta brought back Constantine Karamanlis,¹⁵⁸ who believed Greece’s future turned on an association with the West. However, when it came to moving this vision forward, society was split. Karamanlis was a modernizer who remarked that “he was determined to industrialize Greece and Europeanize the Greeks, ‘if necessary, by force.’”¹⁵⁹ Andreas Papandreou represented the other side of the split as he saw the EEC as a threat to Greece’s sovereignty.¹⁶⁰ Greece started negotiations to join the EEC formally in 1976 but encountered internal and external resistance. Not only were European leaders reluctant to allow Greece to join but PASOK, under the leadership of Andreas Papandreou, opposed Greece joining the EEC as well as NATO. In the 1977 elections, Papandreou vowed to withdraw Greece from the EEC and NATO,¹⁶¹ as well as take a much tougher stance on the US and Turkey. In 1979, Papandreou refused to partake in the parliamentary debate about joining the EEC and PASOK boycotted the

¹⁵⁷ Kalyvas, *Modern Greece: What Everyone Needs to Know*, 118.

¹⁵⁸ Karamanlis served as Prime Minister of Greece from 1974-1980 and President of Greece from 1980-1985 and 1990-1995.

¹⁵⁹ Woodhouse, *Modern Greece: A Short History*, 315.

¹⁶⁰ Koliopoulos and Veremis, *Modern Greece: A History Since 1821*

¹⁶¹ Negotiations were ongoing regarding Greece’s membership in NATO and Greece would eventually join in October 1980

vote.¹⁶² However, Papandreou was elected as prime minister in 1981 and would serve until 1989, and again from 1993-96. While in office Papandreou moderated his stances towards the EEC, NATO, and the US. Nevertheless, he still had reservations about Greece joining the EEC. One primary contradiction of Papandreou and PASOK was that they eventually developed a policy agenda that was very pro-European, but they simultaneously continued to fan the anti-European flames that many Greeks shared.¹⁶³ After a Brussels summit in 1985, Papandreou stated that Greece would not withdraw from the EEC, ending formal resistance to joining the European bloc.¹⁶⁴

Despite the skepticism of PASOK towards Europe and the EEC, Greek political parties came together to ratify the Maastricht Treaty in July of 1992. This resulted in difficult austerity budgets by both the New Democracy (1990-93) and PASOK (1993-96) governments in the first half of the 1990s as they attempted to meet the criteria for the EMU. When Papandreou died in 1996, he was replaced by Costas Simitis, who was very pro-EU and prioritized the modernization of Greece. Simitis, who was Prime Minister from 1996-2004, oversaw many noteworthy achievements for Greece. In the second half of the 1990s and first half of the 2000s Greece joined the euro, saw a united Cyprus join the EU, and held the 2004 Olympics. Simitis' pro-European stance, however, did not win over many inside PASOK as he never received more than 71 percent of votes to be party leader and many in PASOK did not share his views on modernization.¹⁶⁵ Papandreou

¹⁶² Woodhouse, *Modern Greece: A Short History*.

¹⁶³ Kalyvas, *Modern Greece: What Everyone Needs to Know*.

¹⁶⁴ Koliopoulos and Veremis, *Modern Greece: A History Since 1821*.

¹⁶⁵ Featherstone and Papadimitriou, *Prime Ministers in Greece*, 144.

even criticized Simitis' commitment to Europe, at one point calling him the "Foreign Minister of the EEC in Greece."¹⁶⁶

Yet, Simitis leading PASOK meant that both PASOK and New Democracy had leaders that were very committed to the EU and to Greece meeting the criteria to join the euro, which they did in 2001. Simitis' economic program to gain membership into the euro was heavily criticized as he was said to be pursuing a "neo-liberal inspired agenda."¹⁶⁷ The 2004 Olympics were a particular high water mark for the Greeks as Kalyvas (2015) notes that despite the expectation of many that Greece would fail to pull off the games, "most Greeks must have felt that their country had finally fulfilled the dreams of its founders."¹⁶⁸ Despite all of the achievements during Simitis' time as Prime Minister, many of the reforms were limited in scope and did not persist afterwards. He never truly won PASOK over as many within PASOK felt he was out of step with the party's membership and took PASOK away from its socialist roots.¹⁶⁹

To summarize, Greece has two primary elements to its national identity. First, is a seamless connection between the Greece of antiquity and the Greece of today, including its role in the Byzantine empire. The second element is the sense that Greece's greatness has been hindered by foreigners meddling in Greek affairs, often making Greece a puppet of powerful foreign countries. The numerous examples of foreigners meddling in Greece have occurred since the founding of the Greek state in 1832 and they have been

¹⁶⁶ Featherstone and Papadimitriou, *Prime Ministers in Greece*, 142.

¹⁶⁷ Featherstone and Papadimitriou, *Prime Ministers in Greece*, 144.

¹⁶⁸ Kalyvas, *Modern Greece: What Everyone Needs to Know*, 150.

¹⁶⁹ Featherstone and Papadimitriou, *Prime Ministers in Greece*, 144.

highlighted in this section. The remainder of this chapter will detail the ways in which these particular aspects of Greek national identity can be seen influencing the responses to Greece's Troika program.

Foreign Occupation

The first way of illustrating the role of national identity in Greece's response to its Troika program is through the interpretation of Greece as the victim of yet more foreign meddling.¹⁷⁰ Many Greeks viewed its Troika program as a foreign occupation where austerity policies and structural reforms were being imposed from the outside on Greece – with the help of their elites, who was the victim of foreign aggressors. This interpretation led to the Troika program being viewed as a threat by many Greeks and the discourse that emerged in response to the Troika cast the program as more than an economic threat. It was viewed as a threat to sovereignty and national identity, and it was explicitly blamed on foreigners, with a particular animus for Germany.

The interpretation that the Troika program was a foreign occupation played into a key aspect of Greek national identity that saw Greece as the victim of foreign countries continually interfering in Greek domestic affairs.¹⁷¹ As Kalyvas (2015) explains, “the sense of being a puppet in the hand of powerful forces in the international arena has become a deeply rooted part of Greek identity.”¹⁷² And for good reason: modern Greek

¹⁷⁰ Zinova Lialiouti and Georgios Bithymitris, “The Nazis Strike Again”: The Concept of “The German Enemy,” Party Strategies and Mass Perceptions through the Prism of the Greek Economic Crisis,” in *The Use and Abuse of Memory: Interpreting World War II in Contemporary European Politics*, eds. Christian Karner and Bram Mertens (New York: Taylor & Francis, 2017), 155-172.

¹⁷¹ Matthew Mazower, “Greece’s history is defined by foreign meddling,” *Financial Times*, March 8, 2010, <https://www.ft.com/content/4bede68a-2aef-11df-886b-00144feabdc0>.

¹⁷² Kalyvas, *Modern Greece: What Everyone Needs to Know*, 203.

history is littered with examples of such foreign interference. These foreign interventions subsequently produced negative feelings towards the intervening countries, including the British in the 1800s, the Nazis during WWII, the US in the second half of the 20th century, and the Germans since 2009.

There was a second interpretation of the crisis, characterized by self-blame, criticism of Greece's corruption and its inability to modernize, as well as its failure to integrate with the rest of the EU, but it proved to be less persuasive.¹⁷³ This line of reasoning was similar to Brian Lenihan's statement in Ireland that "we all partied," however it did not resonate with the Greeks in the same way. Many journalists and political elites also sought to frame the bailout in terms of a life and death struggle for the future of Greece, where the austerity measures were Greece's only realistic path.¹⁷⁴ While some in Greece saw this as an opportunity to fix mistakes of the past, the interpretation that the Troika program was a foreign occupation by European countries, especially Germany, was more powerful as the victimization interpretation is more deeply "embedded in the national identity construction" and holds a "hegemonic position within the Greek public sphere."¹⁷⁵

The belief that the Troika program was viewed as a foreign occupation is displayed when examining who protested in Greece as well as the rhetoric of some of the

¹⁷³ Lialiouti and Bithymitris, "'The Nazis Strike Again': The Concept of 'The German Enemy,' Party Strategies and Mass Perceptions through the Prism of the Greek Economic Crisis."

¹⁷⁴ Zinovia Lialiouti and Georgios Bithymitris, "A nation under attack: perceptions of enmity and victimhood in the context of the Greek crisis." *National Identities* 19, no. 1 (2017): 53-71.

¹⁷⁵ Lialiouti and Bithymitris, "'The Nazis Strike Again': The Concept of 'The German Enemy,' Party Strategies and Mass Perceptions through the Prism of the Greek Economic Crisis," 62.

protesters. It has been documented that the protests in Greece were more frequent, generally larger, and more intense than protests in Ireland or Portugal. Many assume this is simply because of the difficulty of Greece's Troika program, arguing the economic reality in Greece was much worse than Ireland or Portugal.¹⁷⁶ However, there is reason to doubt this assertion, as all three countries suffered comparable economic pain and a number of studies on the protests in Greece indicate that the protests were about more than just the harshness of the austerity measures imposed from the Troika.

Rüdiger and Karyotis (2013) examined who protested in Greece to understand why people did or did not engage in protests. They found that while relative deprivation was significant for predicting who might protest (what they refer to as "protest potential"), and who might hold anti-austerity views, it played *no part* in predicting who actually participated in protests or strikes. They wrote, "Based on these findings...the factors that predict protest potential are not a good measure of who actually takes part in protest. High levels of deprivation can convince large sections of the population to embrace the idea of protest against government policy. However, while deprivation increases the *potential* for austerity protest, it is not an independent predictor of actual protest."¹⁷⁷ This suggests that the notion that the Greeks protested more because its Troika program was more difficult than Ireland's or Portugal's may not be entirely accurate.

Some have attempted to explain the difference in social unrest in Troika program countries by using cultural explanations (Andronikidou & Korvas, 2012, Rüdiger &

¹⁷⁶ Moury and Standring, "Going beyond the Troika"; Hardiman *et al.*, "Tangling with the Troika"; Cabral *et al.*, "Austerity Measures in Crisis Countries – Results and Impact on Mid-term Development.", among others.

¹⁷⁷ Rüdiger and Karyotis, "Who Protests in Greece? Mass Opposition to Austerity." *British Journal of Political Science* 44, no. 3 (2013): 509

Karyotis, 2013, Donovan & Murphy, 2013). Greece is often viewed as unique for its protest culture that developed after the fall of the Junta. As Pappas and O'Malley (2014) point out, in Greece, "social unrest episodes are therefore seen as rites of passage, motivated by a culture of sympathy toward anti-state resistance."¹⁷⁸ Rüdig and Karyotis (2013) build on this general sentiment by arguing that the best predictor of participation in protests and strikes was previous participation in protests and strikes. In other words, the stronger the protest culture, the more likely it is for protest potential to be turned into protest participation.¹⁷⁹ However, the argument that Greece's protest culture makes them more likely to protest does not withstand empirical scrutiny. When looking at protest participation in Greece and Ireland, from 2003 – 2007, the percent of people that participated in lawful protests in Ireland was either higher or equal to the percentage of Greeks participating in lawful protests prior to the Troika programs in each country.¹⁸⁰ Additionally, Nam's research on protest activity between 1990-1995 indicates that, when adjusted for different population sizes, Ireland has many more protests per million than Greece or Portugal.¹⁸¹ This is reflected in Table 6, directly below.

¹⁷⁸ Takis S. Pappas and Eoin O'Malley, "Civil Compliance and "Political Luddism": Explaining Variance in Social Unrest During Crisis in Ireland and Greece." *American Behavioral Scientist* 58, no. 12 (2014): 1601.

¹⁷⁹ Rüdig and Karyotis, "Who Protests in Greece? Mass Opposition to Austerity."

¹⁸⁰ European Social Survey data presented in Rüdig and Karyotis, "Who Protests in Greece? Mass Opposition to Austerity," pg. 491.

¹⁸¹ Figures from Rüdig and Karyotis, "Who Protests in Greece? Mass Opposition to Austerity," 490.

Table 6: Protests per 1 Million Inhabitants from 1990-1995

Country	Protests per 1 Million Inhabitants (1990-1995)
Greece	21.3
Ireland	75.1
Portugal	6.9

Additionally, Pappas and O'Malley point out that Ireland has historically been an innovator in social protest, as it was the first place in the world to use mass political movements.¹⁸² Thus, if Ireland has a significant history of social protest and as much if not more protest experience as Greece from 2003-2007 as well as significantly more between 1990 and 1995, how can we explain that the Greeks protested in higher numbers, more frequently, and more intensely during their Troika program than the Irish? The answer, as will be shown below, lies in the widespread interpretation of the crisis as being the fault of foreigners and being imposed by foreigners on the Greeks.

We see this first through examining opinion data during the crisis. While many Greeks disliked the Troika program and its policies, who they blamed for their ills is instructive in establishing that many Greeks saw the program as caused by foreign economic and political actors such as the foreign investors/speculators, Germany, and globalization. Greeks were less willing than Portugal to blame themselves or their government for their economic ills. Only 23 percent of the population supported the measures in the MOU while about two-thirds of Greeks were against the measures.¹⁸³ Compare this to Portugal where only 43.4 percent of voters said it was wrong to accept

¹⁸² Pappas and O'Malley, "Civil Compliance and "Political Luddism": Explaining Variance in Social Unrest During Crisis in Ireland and Greece."

¹⁸³ Ekathimerini.com, "Strong resistance to measures," *ekathimerini.com*, May 10, 2010, <https://www.ekathimerini.com/news/68514/strong-resistance-to-measures/>.

the Troika agreement.¹⁸⁴ Additionally, while Greeks and Portuguese were very similar in their blame of foreigners, Greeks were less likely to blame themselves or their government for the financial problems of their country. Karyotis and Rüdig (2013) found that 41 percent of Greeks blamed the PASOK government that came to power in 2009 and 64 percent blamed the New Democracy government that was in office from 2004 to 2009¹⁸⁵ whereas Moury and Freire (2013) show that 85 percent of Portuguese voters blamed the Portuguese government.¹⁸⁶ Similarly, nearly twice as many Portuguese as Greeks said everyone was to blame.¹⁸⁷ On the other hand, 42 percent of Greeks blamed the EU, 50 percent blamed Germany, and 66 percent blamed foreign investors/speculators.¹⁸⁸ Interestingly, 67 percent of Portuguese blamed the bankers while 50 percent blamed the EU. These comparisons are displayed below in Table 7.

Table 7: Blame Attribution for Crisis in Greece and Portugal

Country	Percent that Blame Previous Government	Everyone is to Blame	Blame the EU	Blame Bankers, Investors, Speculators
Greece	41%	20%	50%	66%
Portugal	85%	39.10%	50%	67%

However, in a complex crisis, blame can be expected to be directed at multiple targets and the lack of blame on Greeks and the Greek government indicates most of this blame was directed outwards as opposed to the Portuguese who had high levels of self-blame

¹⁸⁴ Moury and Freire, "Austerity Policies and Politics: The Case of Portugal."

¹⁸⁵ Rüdig and Karyotis, "Who Protests in Greece? Mass Opposition to Austerity," 9.

¹⁸⁶ Moury and Freire, "Austerity Policies and Politics: The Case of Portugal."

¹⁸⁷ Rüdig and Karyotis, "Who Protests in Greece? Mass Opposition to Austerity"; Moury and Freire, "Austerity Policies and Politics: The Case of Portugal."

¹⁸⁸ Rüdig and Karyotis, "Who Protests in Greece? Mass Opposition to Austerity."

for their crisis. Moreover, the willingness of Greeks to blame foreign economic and political actors as opposed to themselves is congruent with the “Greece as victim of foreign interference” interpretation of its Troika Program.

The interpretation of the Troika program as Greece being victimized by foreigners or their traitorous elites was expressed by protesters, indicating that reasons for protesting went beyond the austerity measures and pure material explanations. This line of reasoning was found to be popular on the far-right¹⁸⁹ as well as by those on the left,¹⁹⁰ indicating the presence of a cross-cutting national identity that transcended Greece’s political spectrum. Georgiadou and Kafe (2020) document the narratives of the far-right protesters who were in the “upper” part of Syntagma Square during the Indignados protests in 2011 as they sought to uncover the radicalization process for far-right protesters in Greece. Throughout this process the narrative of Greece as victim of foreign interference becomes apparent in both who is blamed for Greece’s situation and the reasons people chose to protest. Theodossopoulos (2013) also notes that the “issue of foreign guardianship...fueled strong reactions, especially among left-leaning indignants, who possessed a very articulate vocabulary to highlight inequalities in the capitalist system. In a similar line, citizens from all political affiliations condemned the ‘powerful

¹⁸⁹ Vasiliki Georgiadou and Anastasia Kafe, "It's not the austerity, stupid!; interpreting the frames of the far-right wing radicalization," in *Public Discourses and Attitudes in Greece during the Crisis: Framing the Role of the European Union, Germany, and National Governments*, ed. Dimitris Katsikas. (New York: Routledge, 2020), Kindle, Chapter 2.

¹⁹⁰ Dimitrios Theodossopoulos, “Infuriated with the Infuriated? Blaming Tactics and Discontent about the Greek Financial Crisis.” *Current Anthropology* 54, no. 2 (2013): 200-221.

of the world' for Greece's predicament."¹⁹¹

Blame was framed either as a conspiracy that was out to destroy Greece and take away its sovereignty or as treason by MPs.¹⁹² Common targets of blame were Europe, the EU, Germany, the IMF, banks, the memoranda, foreigners, Americans, Turks, Jews, the Parliament and MPs.

One quote from a far-right protester encapsulates the blame of treasonous elites and how if it wasn't for foreign interference in Greek affairs and the elites that colluded with them Greece would be great again. They said:

If we had democracy, then this nation would take off. But we were undermined by PASOK and the bankers.¹⁹³

Another protester said:

These traitors have sold everything, from national issues to the economy, I am disgusted.¹⁹⁴

Those on the left drew even more explicit blame to foreigners, with one Greek saying:

The foreigners are worried that we will not return the borrowed money. They don't really care about Greece. They never did. History has proven that, again and again: the nations of the West use Greece for their own interests.¹⁹⁵

¹⁹¹ Theodossopoulos, "Infuriated with the Infuriated? Blaming Tactics and Discontent about the Greek Financial Crisis," 207.

¹⁹² Georgiadou and Kafe, "'It's not the austerity, stupid!'; interpreting the frames of the far-right wing radicalization," Chapter 2, Kindle edition.

¹⁹³ Ibid.

¹⁹⁴ Ibid.

¹⁹⁵ Theodossopoulos, "Infuriated with the Infuriated? Blaming Tactics and Discontent about the Greek Financial Crisis," 207.

The reasons expressed by some of the protesters also indicate that protesters were taking part in the protests for reasons beyond the economic situation. One encapsulates this view well:

I am not here because they cut/reduced my pension but because they weakened my country. I am not here for the economic part but for the patriotic.¹⁹⁶

While the crisis undoubtedly fueled anger about the economic situation, much of the population believed that the crisis was caused by foreigners enabled by the treasonous elite, who then foisted an unfair rescue package on the Greek people.

Finally, there was much anger and blame directed toward Germany as they were viewed by many Greeks as dominating Europe and dictating an austerity program that was seen as a major threat to Greek well-being. This can be seen in the public discourse that largely attributed the austerity program and its consequences to Germany.¹⁹⁷ This was displayed in a number of ways, such as anti-German news articles becoming more common from 2010 through 2012 (where this study ends), protesters increasingly drawing on German stereotypes, and political parties also using the growing anti-German sentiment for their political ends, among others.

Orsi (2015) notes that four anti-German lines of reasoning emerged, despite the limited amount of truth each contained. The first line of argument was that the euro is a German project engineered for Germany's benefit. Second, the euro is a German ploy to

¹⁹⁶ Georgiadou and Kafe, "It's not the austerity, stupid"; interpreting the frames of the far-right wing radicalization," Chapter 2, Kindle edition.

¹⁹⁷ George Tzogopoulos, "Assessing the image of Germany in the Greek media during the crisis (2010-2015)," in *Public Discourses and Attitudes in Greece during the Crisis: Framing the Role of the European Union, Germany, and National Governments*, ed. Dimitris Katsikas (New York: Routledge, 2020), Kindle, Chapter 5.

dominate Europe, continuing the aspirations of the Nazis. Third, this is the third time the Germans have attempted to destroy Europe in the past century. Last, Germans still have not paid for their past wrongdoings and owe Greece compensation for the atrocities of the Nazi era.¹⁹⁸ These lines of reasoning appeared frequently in newspapers around Greece, which were subsequently picked up by the international media.¹⁹⁹ Popular television hosts also made repeated anti-German references.²⁰⁰ These feelings would eventually spillover into politics as some Greek politicians began to demand reparations worth hundreds of billions of euros from Germany and the Greek Finance Ministry setup an expert group to examine the issue in the fall of 2012.²⁰¹ Despite there being limited truth in these lines of argument they were nonetheless impactful in conjuring nationalist responses and bringing former grievances against Germany to the surface, contributing to the strong rejection of the Troika program.

The focus on Germany allowed those critical of the Troika program to use the aspect of Greek identity that saw Greece as the repeated victim of foreign intervention and to draw on cultural memories of the brutal Nazi occupation during WWII. Therefore, a rallying cry developed that it was patriotic to resist the Troika program as many had

¹⁹⁸ Roberto Orsi, "Weaponisation of War Memories and Anti-German Sentiment," *London School of Economics and Political Science: Eurocrisis in the Press (blog)*, August 14, 2015, <https://blogs.lse.ac.uk/eurocrisispress/2015/08/14/weaponisation-of-war-memories-and-anti-german-sentiment/>.

¹⁹⁹ Sylvia Poggioli, "Greeks Fear They Are Losing Their Sovereignty," *NPR*, October 27, 2011, <https://www.npr.org/2011/10/27/141769979/greeks-fear-they-are-losing-their-sovereignty>.

²⁰⁰ Mark Lowen, "Debt-laden Greeks give vent to anti-German feelings," *BBC*, February 27, 2012, available <https://www.bbc.com/news/world-europe-17177200>.

²⁰¹ Dw.com, "Greece mulls demands for war reparations," *dw.com*, October 3, 2012, <https://www.dw.com/en/greece-mulls-demands-for-war-reparations/a-16279884>.

resisted the Nazis during WWII.²⁰² A spring 2012 Pew Research Center poll showed 83 percent of Greeks believed that “German/EU power over our economy” was a major problem. The next closest country was Spain at 47 percent. In the same poll, 78 percent of Greeks had a somewhat unfavorable or very unfavorable opinion of Germany. The average unfavorable or very unfavorable opinion of Germany for the countries surveyed was 26.5 percent.²⁰³ Furthermore, a poll conducted by VPRC, one of the leading independent public opinion research organizations in Greece, noted that 32.4 percent of Greeks associated Germany with Hitler, Nazism, and the Third Reich. 79 percent saw the role of Germany as negative while 76 percent saw the role of Germany as hostile, and 81 percent had a negative opinion of Angela Merkel. Finally, 91 percent of respondents saw the Greek claim for reparations from WWII as fair and 77 percent agreed with the statement that “Germany exerted a Fourth Reich policy.”²⁰⁴ As one Greek nicely summarized the anti-German (and anti-West) feelings of the Greeks:

Ha! The Germans! They say we owe them money! They forget how much they owe to us: the destruction they caused in the war, the war-compensations that we did not claim after the war. History is re-written again. The people of the West were always ungrateful for all that Greece has offered them.²⁰⁵

Anti-German sentiments were also commonly expressed by the media as well as politicians, across the political spectrum. As Lialiouti and Bithymitris (2013) point out,

²⁰² Zinovia Lialiouti and Georgios Bithymitris, "A nation under attack: perceptions of enmity and victimhood in the context of the Greek crisis." *National Identities* 19, no. 1 (2017): 56.

²⁰³ Pew Research Center, "European Unity on the Rocks," *Pew Research Center*, May 29, 2012, <https://www.pewresearch.org/global/2012/05/29/chapter-1-national-conditions-and-economic-ratings/>.

²⁰⁴ Tzogopoulos, "Assessing the image of Germany in the Greek media during the crisis (2010-2015)," Chapter 5, Kindle edition.

²⁰⁵ Theodossopoulos, "Infuriated with the Infuriated? Blaming Tactics and Discontent about the Greek Financial Crisis," 207

Germany's instructions for Greece's economy to recover were seen as a direct challenge to Greece's national sovereignty as right and left-leaning populist publications both used memories of the German occupation to delegitimize the government and Troika's policies. They also note that journalists who claim to denounce national stereotypes produced anti-German columns, highlighting some of the questionable anti-German lines of argument. One columnist wrote:

When my classmates at school blamed the Germans for both world wars – and especially the second one – I used to correct them: ‘Not the Germans, guys, the Nazis. They are not identical. I am sorry that I am about to forget this for a while...Germans. For the third time in less than one hundred years you practice the sport of humiliating and crushing people...With a euro that is actually a disguised mark, you nullify any notion of a meaningful life, unless the life you propose for us is to work twenty hours a day for 800 euros [per month] in order to be productive.’²⁰⁶

Another writer played into the similar lines of argument, writing:

I don't think there is anyone on the international scene at the moment who provokes such negative emotions in me as Mrs. Merkel and the Germany she represents...in her look and her deeper aspirations, in her ‘vision’ I see once again the paradoxical and unexplored psyche of a ‘Great Germany,’ cruel and determined to be the one to dictate whatever goes on in Europe even if that leads to blood baths, as she has proven in the past – and not just once...Great Germany is moving to a new ‘world war’ for the third time in recent history.’²⁰⁷

Anti-German feelings also seeped into the world of sports as Greece and Germany faced off in a soccer match in October 2011. The Greek sports magazine *Gavros* pictured Angela Merkel in a Nazi uniform and urged the players of Olympiacos F.C. to “kick

²⁰⁶ Lialiouti and Bithymitris, ""The Nazis Strike Again": The Concept of "The German Enemy," Party Strategies and Mass Perceptions through the Prism of the Greek Economic Crisis," 160

²⁰⁷ Lialiouti and Bithymitris, ""The Nazis Strike Again": The Concept of "The German Enemy," Party Strategies and Mass Perceptions through the Prism of the Greek Economic Crisis," 161

Germans in order to make Greece smile and humiliate the Fourth Economic Reich.”²⁰⁸ In the lead up to a soccer match between the Greek and German national teams in June 2012, the Greek magazine *Dimokratia* also portrayed Angela Merkel in a Nazi uniform with the headline “Work makes you free” which was a slogan from Nazi concentration camps.²⁰⁹

Anti-German feelings were even felt in consumer purchasing patterns. Fouka and Voth (2016) show that when there were public clashes between Greek and German governments during the Troika program, German car sales in Greece decreased. Furthermore, the decrease was larger in areas where Nazi atrocities were the worst and where the right-wing radical party Golden Dawn won large shares of votes.²¹⁰ This not only displays the role of cultural memory and the long-lasting effects of the Nazi occupation on Greek identity, but it also illustrates the way that Greek identity, in particular the aspect where Greece was again the victim of foreigners meddling in Greek affairs, influenced responses to Greece’s Troika program.

Finally, as anti-German sentiment rose, politicians sought to use this to increase their political fortunes. All political parties used anti-German strategies to serve their

²⁰⁸ Tzogopoulos, "Assessing the image of Germany in the Greek media during the crisis (2010-2015)," Chapter 5, Kindle edition.

²⁰⁹ Ryan Bailey, “Greek newspaper portrays German Chancellor Angela Merkel in Nazi uniform,” *Yahoo!Sports*, June 22, 2012, https://sports.yahoo.com/blogs/soccer-dirty-tackle/greek-newspaper-portrays-german-chancellor-angela-merkel-nazi-225825229--sow.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAACeiZgwcKlkCfOKuD1P6vD4TBBS6INO1HSW_6FAr9r2ZyLtX9kUFXDmUF3IfwgVQ849KZguLmg61mKjlt21Q9ArC-MvmNORNGQLRXqzCRNLYRu7K3B51D9ot-h4xU186y02wl6w2xX9tb1UEMZUBZ6HVoSIDMHP1tLWCSPxr2EdJ_

²¹⁰ Vasiliki Fouka and Hans-Joachim Voth, “Reprisals Remembered: German–Greek Conflict and Car Sales During the Euro Crisis,” *Stanford Center for International Development*, August 2016, https://kingcenter.stanford.edu/sites/default/files/publications/587wp_0.pdf

ends, although with their own different spin on anti-German sentiment. These strategies were also used regardless of their stance on the memorandum. The one exception is KKE, a communist party. Despite overwhelmingly anti-German feelings within the party,²¹¹ they did not use anti-German discourse as they believed that the crisis was primarily caused by capitalism and “big Greek capital.”²¹²

PASOK and ND used these arguments to shift the blame away from them to Germany for austerity, however their situations were different. PASOK needed to walk a tightrope between two discourses. First, they sought to shift blame from themselves by employing a narrative that PASOK and the Greek people were the victims of foreign lenders and Germany was responsible for the harsh austerity measures. Second, they needed to do this while also continuing its pro-Europe discourse. New Democracy was in a bind with regard to Germany because they were part of the same European party family, the European People’s Party. Even with being pro-memorandum, which was done to secure the second bailout in 2012, its leader Antonis Samaras still played up the conflict between southern Europe and Merkel in a TV interview prior to the 2012 elections. While New Democracy had resisted calls for German war reparations in the past, the party changed course in 2012 as they “appeared as a moderate and efficient claimant in January 2012.”²¹³

²¹¹ According to a Public Issue poll in 2011, 92 percent of KKE’s voters had a negative opinion of Germany.

²¹² Lialiouti and Bithymitris, ““The Nazis Strike Again”: The Concept of “The German Enemy,” Party Strategies and Mass Perceptions through the Prism of the Greek Economic Crisis.”

²¹³ Lialiouti and Bithymitris, ““The Nazis Strike Again”: The Concept of “The German Enemy,” Party Strategies and Mass Perceptions through the Prism of the Greek Economic Crisis,” 166.

As for the main opposition parties, SYRIZA, which was the main opposition party from the left during the first Troika program was explicitly pro-EU but also incorporated anti-German messaging, albeit inconsistently. In SYRIZA's manifesto for the 2012 elections, they demanded Germany pay reparations for WWII and even had Manolis Glezos, a Greek icon for his defiance of the Nazis during their WWII occupation of Greece,²¹⁴ at the top of its list of election candidates. Additionally, some SYRIZA candidates used slogans against the "4th Reich" when campaigning for the 2012 election.²¹⁵ As would be expected, the far-right parties, consisting of Golden Dawn and Independent Greeks incorporated anti-German sentiments into their rhetoric as well as rhetoric about the treasonous elites in parliament. The Independent Greeks were also on board with demanding reparations for the WWII occupation by the Nazis, blamed the treasonous government, promised "to chase the Nazis away again," and referred to the Troika as occupiers.²¹⁶ Golden Dawn was in a bind as it is a neo-Nazi party with pro-Nazi beliefs. However, despite inconsistent anti-German discourse they were able to still capitalize on anti-German feelings by portraying the politicians as traitorous elites acting on orders from foreign interests.²¹⁷

²¹⁴ Glezos was famous for climbing onto the Acropolis in the middle of the night and replacing the Nazi flag with a Greek flag. Dw.com, "Greek anti-Nazi resistance hero Manolis Glezos dead at 97," *dw.com*, March 3, 2020, <https://www.dw.com/en/greek-anti-nazi-resistance-hero-manolis-glezos-dead-at-97/a-52959404>.

²¹⁵ Lialiouti and Bithymitris, "'The Nazis Strike Again': The Concept of 'The German Enemy,' Party Strategies and Mass Perceptions through the Prism of the Greek Economic Crisis."

²¹⁶ Lialiouti and Bithymitris, "'The Nazis Strike Again': The Concept of 'The German Enemy,' Party Strategies and Mass Perceptions through the Prism of the Greek Economic Crisis," 168.

²¹⁷ *Ibid.*

This section documented that the first way the role of national identity presented itself in Greece's response to its Troika program is through the interpretation of Greece as the victim of foreign powers. This was shown in three ways. First, there was the discourse from Greeks indicating that the Troika program was more than an economic threat as it was a threat to their sovereignty, their national identity, and the future of the Greece itself. Second, Greeks were much more likely than the Irish or Portuguese to place the blame for the crisis on outside forces, whether that was the EU, IMF, financial markets, and speculators. Finally, the interpretation of Greece as the victim of foreign powers is displayed in the rise of anti-German sentiment throughout Greece's Troika program. The next section will document how, unlike Portugal and Ireland, nearly everything was "on the table" regarding appropriate actions to take in response to the Troika.

Everything is on the Table

Further evidence for the role of national identity in shaping Greece's response to its Troika program is seen in the kinds of options societal and political actors considered while in the Troika program. Because the program was viewed as a foreign imposition by European countries, the EU, and the IMF, many more options were considered to resist the program than in Ireland or Portugal. Unlike Portugal and Ireland, where responses that might jeopardize fulfilling the obligations agreed to in the MOU were not widely considered, in Greece it appears that any and all options for resisting the Troika were on the table. Protests were immediate, long-lasting, large, disruptive, intense, and many times violent. Labor unions opted for confrontation and with the government and the Troika, and even threatened violence. Unions were relentless in holding strikes and

protests, including four general strikes in the first two months of the Troika program. Many of these strikes employed disruptive tactics that shut down important parts of the economy or government, severely disrupting daily life for many Greeks. Politics was characterized by a failure to take ownership of the program, constant political infighting, failing to truly commit to the program, and blaming the Troika and other European countries, resulting in the failure to meet deficit and structural reform targets.

In comparative perspective, the social response was remarkable simply for its size, scale, duration, and intensity. There were major protests in the months leading up to the signing of the MOU, as there was talk of a bailout program as early as March. This led to large, violent protests in Athens as well as a 24-hour general strike. When the MOU was signed in early May 2010 the social response was very large, immediate, and intense. Despite the initial similarities to Ireland, which had a 50,000 person protest almost immediately following the signing of its MOU, Greece's immediate reaction was much larger, more intense, and included significant violence. Furthermore, unlike Ireland where the protests fizzled out before a slight uptick in 2013, Greece saw largely sustained protest and strike activity for the duration of its program. Additionally, whereas Portugal saw little social action until a general strike five months after its government signed the MOU with the Troika, Greece's unions immediately held a 48-hour strike and there were massive, violent protests that led to clashes with police and left three bank employees dead. Media reports indicated that Athens looked like a war zone. While the protests that continued throughout Greece's Troika program did not all have this level of intensity and violence, episodes of violence and clashes with police were common occurrences. Furthermore, the number of protests in Greece significantly outnumbered those in Ireland

or Portugal. Accornero and Pinto (2015) compiled data on protests in Lisbon using Portuguese police statistics. In 2011 there were 298 protest events in Lisbon and in 2012 there were 579.²¹⁸ Compare this to the data for protests in Athens, where there were roughly 4,235 protest events in 2010 and 1,680 in 2011. Even with a large drop-off in protest activity in Athens in 2011, there were still *three times* as many protests in Athens than in Lisbon.²¹⁹ This is illustrated in Figure 1, below.²²⁰

Figure 1: Protests in Athens, Greece and Lisbon, Portugal



This was also seen in the level of industrial action in Greece, which was much higher than the other Troika countries. Labor unions in Greece were uninterested in

²¹⁸ Guya Accornero and Pedro Ramos Pinto, "Mild Mannered? Protest and Mobilisation in Portugal Under Austerity 2010-2013." *Western European Politics* 38, no. 3 (2015): 3.

²¹⁹ Both Accornero and Pinto (2015) and Karyotis and Rüdig (2018) are presenting numbers for overall protests and not only protests that are directed towards the Troika or austerity. However, the numbers illustrate the point that there were significantly more protests in Greece than in Portugal.

²²⁰ Accornero and Pinto, "Mild Mannered? Protest and Mobilisation in Portugal Under Austerity 2010-2013."; Karyotis and Rüdig, "The Three Waves of Anti-Austerity Protest in Greece, 2010-2015."

negotiating with the Troika or the government from the beginning, and instead opted for confrontation. This is a stark contrast from ICTU and Siptu, the main unions in Ireland, and UGT in Portugal, all of which negotiated agreements with their governments.²²¹

GSEE president Yiannis Panagopoulos urged his union to reject the invitation from the Labour Minister, adding that, “We have no margins to bargain and negotiate. All bridges have been cut off.”²²² No negotiations meant unions were going to strike and protest, which they did to a much larger extent than in Ireland or Portugal. Although there is no official data on Greek strikes, GSEE²²³ provides some data for strikes in their union; it conducted 201 strikes in 2011 and 232 in 2012.²²⁴ Compare this to official statistics for *all* strikes in Portugal, and there is a stark difference. Portugal had 61 strikes in 2011, 113 in 2012, and 77 in 2013.²²⁵ Finally, Ireland had a total of 27 labor disputes for the entire duration of its Troika program.²²⁶

The particularly intense protests at the beginning of Greece’s program warrant more explanation as many typically assume that Greece responded with such fury because their program was so much more difficult than either Ireland or Portugal. It is true that in the long-term, the Greeks certainly suffered much more than the Irish or

²²¹ CGTP in Portugal is an outlier in this regard but given their history of refusing to participate in any negotiations, their absence from the negotiating process during Portugal’s Troika program is not surprising.

²²² Athens News Agency, “GSEE president: no margins for bargaining, negotiation,” *Athens News Agency*, May 28, 2010, <http://www.hri.org/news/greek/ana/2010/10-05-28.ana.html#19>.

²²³ GSEE is the main private sector union in Greece.

²²⁴ Euti.org, “Strikes in Greece – background summary,” *euti.org*, April 5, 2017, <https://www.etui.org/covid-social-impact/greece/strikes-in-greece-background-summary>.

²²⁵ Portdata.pt, “Strikes: total, workers involved and workdays lost,” *pordata.pt*, <https://www.pordata.pt/en/Portugal/Strikes+total++workers+involved+and+workdays+lost-71>.

²²⁶ Central Statistics Office, “Archive”, *cs.o.ie*, <https://www.cso.ie/en/statistics/labourmarket/archive/>.

Portuguese. They were involved in a debt restructuring deal as well as two more Troika programs. However, this was not the case in the early phases of the program, especially in terms of the initial deficit targets that were revealed before any policies had been implemented. The original MOU expected Greece to make a fiscal consolidation of 10.9 percent of GDP between 2010 and 2013. Between 2011 and 2014, Portugal was expected to make a fiscal consolidation of 10.6 percent of GDP. Similarly, but not quite as drastic, Ireland was expected to make a fiscal consolidation of 7.5 percent of GDP. The first two years of Portugal's program required a consolidation of 8.7 percent of GDP while Greece's program required a consolidation of 6.5 percent of GDP. Even Ireland was expected to make a larger fiscal consolidation in 2011 (essentially the first year of its program) than Greece. Ireland's program required a consolidation of 3.5 percent of GDP, compared to Greece's expected consolidation of 2.4 percent. As discussed in the introductory chapter, it also cannot be argued that the structural reforms required of Greece were more onerous. Many of the same structural reforms were required in Portugal and they were more detailed in Portugal's MOU.

Similar to Ireland and Portugal, there were protests and strikes focused on specific policies, such as cuts to social security and pensions or liberalizing professions, but there was also a much larger rejection of the Troika program in its entirety. As noted above, 10 of the 26 protests recorded on the English version of ekathimerini.com between May and August 2010 were protesting austerity more broadly. The calls for rejection of the Troika program intensified as the program moved forward. For example, protests erupted when members of the Troika, such as IMF director-general Dominique Strauss-Kahn, visited Athens December 2010 and again when representatives from the Troika were in Athens

for a quarterly review in September 2011. In 2010, it was also common for news broadcasts to show protesters marching against policies in the MOU on a daily basis.²²⁷ This line of protest intensified further after Greece entered its second program and when Angela Merkel visited Athens in the fall of 2012.

Greek protests and strikes also employed tactics that were disruptive to society and included violence, which was not seen in Portugal or Ireland. On numerous occasions protesters threw petrol bombs at police and even set buildings on fire. These events increased when budgets were being passed or further austerity measures were debated in parliament. When the mid-term fiscal plan was being debated in mid-2011 protesters attempted to surround parliament to prevent MPs from being able to debate the plan.²²⁸ Additionally, in September 2011 employees of the Finance Ministry held a sit-in to prevent Finance Minister Evangelos Venizelos from meeting with the Troika.²²⁹ While there are many more examples of protests becoming violent or disruptive to the public and the political process, these examples highlight the difference between protests in Greece and those in Ireland and Portugal. Protests in Ireland and Portugal remained overwhelmingly peaceful and did not disrupt the political process as in Greece. Maybe even more significant was that employing such tactics during protests was never truly “on the table” for Ireland or Portugal.

²²⁷ Siani-Davies, *Crisis in Greece*, 142.

²²⁸ Siani-Davies, *Crisis in Greece*, 169.

²²⁹ Ekathimerini.com, “FinMin employees attempt to block troika meeting,” *ekathimerini.com*, September 29, 2011, <https://www.ekathimerini.com/news/136184/finmin-employees-attempt-to-block-troika-meeting/>.

The strikes were just as disruptive as protests, shutting down important sectors of the economy and services that Greeks relied on daily, such as taxis, doctors, and pharmacists. The truckers strike in autumn of 2010 disrupted the supply of food and fuel around Greece, and the taxi strike in the summer of 2011 blocked roads to the Athens International Airport as well as the Port of Piraeus and bridges.²³⁰ All of these actions were not only disruptive to Greek citizens, but the taxi strike was carried out during the height of tourist season. The four general strikes held between May and July of 2010 affected significant portions of Greek society as it shut schools, public transportation, took media off the air, and grounded flights. In total during the first Troika program, from May 2010 through March 2012, there were 13 general strikes called by GSEE and Adedy. Many of the strikes had real consequences on an already fragile economy and disrupted important industries, such as shipping and tourism, that many Greeks rely on. By comparison, Portuguese strikes were also frequent, but tended to be partial day strikes, which were not nearly as disruptive. The number of general strikes in Portugal (2) was also significantly less than Greece (13), and Ireland had zero general strikes. The clear distinction between Greece and Ireland and Portugal with regard to strikes, is not only the number of strikes but the disruptive tactics that the strikes employed, which had real economic and social consequences for the Greek people.

Some unions even vowed to use violence if further austerity measures were implemented. This was something that was not only explicitly “off the table” for Irish

²³⁰ Kerin Hope, “Taxi drivers’ strike causes chaos in Athens,” *Financial Times*, July 18, 2011, <https://www.ft.com/content/faa63502-b12a-11e0-a43e-00144feab49a>; ekathimerini.com, “Cabbies rev up protests”, *ekathimerini.com*, July 26, 2011, http://www.ekathimerini.com/135058/article/ekathimerini/news/cabbies-rev-up-protests_

and Portuguese unions, but for the overwhelming majority of citizens in each country as well. In October 2011, as new austerity measures were being debated in parliament, unions promised bloodshed on the streets if the government brought in private contractors to clean up the trash in the streets. The chairman of the Greek taxi owners vowed that they would “not go to the cemetery alone.”²³¹

The way the Greek governments approached the Troika program was also much different from what was seen in Portugal and Ireland. Instead of viewing the program as an opportunity to make reforms like the government in Portugal, or a storm to be weathered like the Irish, Greek politicians tended to see the program as a foreign imposition and a threat to Greece. This view can be seen throughout the government response to the Troika program as many options that were clearly off the table in Ireland and Portugal were on the table for Greek policymakers. Because many in the government as well as the public viewed the program as being imposed from outside onto Greece it is not surprising that implementation of the program was frequently undermined and there was little cooperation with the Troika after 2010.

Furthermore, the Portuguese and Irish governments took ownership of their programs, created new departments²³² to help execute their programs, and Portugal went as far as rehearsing Troika reviews to avoid any surprises during the actual Troika reviews. Despite some praise in Troika reviews during 2010 for its commitment to implementing its program, Greece never took full domestic ownership of its Troika

²³¹ Siani-Davies, *Crisis in Greece*, 177.

²³² EMC and DPER in Ireland and ESAME in Portugal.

program like Ireland and Portugal did, which only exacerbated its problems. This made the implementation very difficult and delayed finalizing program reviews.²³³ One interviewee from Portugal spoke to this, saying:

In Greece many people told me from the Troika, that it was actually the Troika collecting taxes. At least on the side of Portugal, the government was on one side of the table and the Troika was on the other side. In Greece, it got so bad that at times it was actually the Troika managing the state.²³⁴

From the beginning of the program there was a political split on whether Greece should enter the Troika program. Only PASOK and the far-right LAOS Party voted in favor of the MOU with New Democracy, SYRIZA, and KKE voting against. This again marks a departure from Portugal where the PS, PSD and CDS voted in favor of the MOU. Additionally, the PS did not publicly criticize the program until nine months after Portugal had entered its Troika program. What was considered off the table for the first nine months in Portugal, namely publicly breaking the political consensus about the program, was on the table immediately in Greece. Ireland is somewhat similar to Greece as the opposition parties Fine Gael and Labour, voted against the Troika program with Fianna Fáil, the Green Party, and three independents voting in favor. Fine Gael and Labour were highly critical of certain aspects of the Troika program and vowed that they would renegotiate it if they were in government. However, these criticisms were aimed at very specific policies like the lowering of minimum wage by €1, the interest rate on the loans, and the inclusion of the Anglo Irish Bank promissory notes in Ireland's debt total. Also, once they entered office in early 2011, the Fine Gael/Labour coalition executed the

²³³ Hardiman *et al.*, "Tangling with the Troika."

²³⁴ Interview with ESAME team member, April 20, 2018, Lisbon, Portugal.

Troika program while making small tweaks.

The lack of consensus about the program from the start meant that attempts to forge a consensus were short-lived and/or consistently undermined. When the program first began, Papandreou tried to explain to the Greek public that this was an opportunity to correct the mistakes of the past, but it did not resonate the same way as it did in Portugal, where there was much more support from the public for their Troika program. In Greece, the lack of political consensus plagued its Troika program from the beginning. Political parties constantly blamed one another and cooperation among parties did not materialize until late 2011²³⁵ when it was necessary to secure the sixth tranche of loans from the Troika and ensure there was a debt restructuring deal before calling new elections.

Forming a technocratic “unity government” that included PASOK, New Democracy, and LAOS did not stop the blame shifting and reluctance to commit to the program as there was significant infighting within the government. Each party accused the others of failing to pull their weight. Each criticized some of the policies in the MOU, and constantly attempted to change the terms of the agreement. The infighting continued to the point that even having all three parties sign a pledge to implement the MOU in late 2011 was fraught with controversy and delays.

Once in government, the policies agreed to by the previous government were not guaranteed to be implemented. The new Transport Minister, from LAOS, scrapped the previous PASOK minister’s plan to liberalize the taxi profession. He instead wanted to

²³⁵ S. Vasilopoulou, D. Halikiopoulou, and T. Exadaktylos, "Greece in crisis: austerity, populism, and the politics of blame." *Journal of Common Market Studies* 388-402.

base the number of taxi licenses on population density. The new PASOK minister responsible for managing the labor reserve immediately ruled out any firings.²³⁶ These actions undercut structural reforms and measures to help Greece hit its fiscal targets and demonstrate that actions that would have been considered completely out of bounds in Ireland or Portugal were very much on the table in Greece.

When the government managed to agree on policies, they were almost immediately undercut, sometimes by those in the government that just agreed to the policies. In February 2012, the unity government agreed to a new round of austerity cuts to secure the second bailout. This led to five ministers resigning because of the wage and pension cuts and LAOS leaving the government. George Karatzaferis, the leader of LAOS, said “he could not support measures that undermined the country’s sovereignty.”²³⁷ Furthermore, after Antonis Samaras, the leader of New Democracy, told his deputies to back legislation or be expelled from the party²³⁸ he then said that the measures should be renegotiated after elections in April. Before the vote, he said, “I ask you to vote in favor of the new loan agreement today and to have the ability to negotiate and change the current policy, which has been forced on us.”²³⁹

The final example illustrating that “everything is on the table” in Greece was when George Papandreou surprisingly called for a referendum on the €130bn second

²³⁶ Siani-Davies, *Crisis in Greece*, 190.

²³⁷ Kerin Hope, “Greek parliament debates austerity bill,” *Financial Times*, February 12, 2012, <https://www.ft.com/content/cdf94132-5578-11e1-9d95-00144feabdc0>.

²³⁸ Ibid.

²³⁹ Alkman Granitsas, Matina Stevis and Nektaria Stamouli, “Greece Passes Sweeping Cuts,” *Wall Street Journal*, February 13, 2012, <https://www.wsj.com/articles/SB10001424052970204795304577218751910373864>.

bailout from the Troika in late October 2011, just five days after the Greek government and the Troika concluded negotiations that had been ongoing for months. Many speculated on the reasons for the referendum, ranging from Papandreou wanting to shore up his slim parliamentary majority to forcing New Democracy to take a position on the package to declaring Greece's national sovereignty and trying to gain leverage in negotiations with the Troika.²⁴⁰ The second bailout had been rejected by politicians across the political spectrum, including some in PASOK, and the leaders of New Democracy and SYRIZA both demanded Papandreou call snap elections. The announcement of the referendum caught Europe and the Troika by surprise, leading to demands from Merkel and Sarkozy that any referendum be made into a 'yes' or 'no' choice regarding Greece's membership in the euro. Ultimately, Papandreou withdrew the referendum because he was not willing to risk losing membership in the euro. However, what differentiates the Greek situation from Ireland and Portugal in this example, was that Papandreou was willing to have Greeks consider a full-scale rejection of its Troika program. This was almost unthinkable to the governments in Ireland and Portugal and was certainly never seriously considered throughout the program.

These examples make it very clear that Greece viewed the Troika program as something that was imposed on them from foreigners and that Greece was going to explore all options when it came to resisting the Troika and its policies. Options such as calling a referendum or arguing for renegotiation of a deal that had not yet passed parliament were undoubtedly off the table in Ireland and Portugal. In both Ireland and Portugal governments worked to adjust aspects of their Troika programs and then sought

²⁴⁰ Siani-Davies, *Crisis in Greece*, 181-182.

to adhere to those changes. In Portugal, austerity measures were ruled unconstitutional by the Portuguese Constitutional Court on four separate occasions and the government found ways to still hit its deficit targets. In Greece, for some of the same people who just agreed to policies with the Troika to immediately argue they needed renegotiated, even before they were formally passed in parliament, shows the extent to which everything was on the table in Greece.

This section has argued that the influence of Greek national identity on the response to its Troika program can be seen through the wide range of options that were considered by societal and political actors that were not considered by similar actors in Ireland and Portugal. Because the program was viewed as an imposition from the outside by European countries, the EU, and the IMF, many more options were considered to resist the program than in Ireland or Portugal. Protests happened immediately after signing the MOU, were long-lasting, large, disruptive, intense, and many times violent. Labor unions chose to be confrontational with the Troika and the government, even threatening violence, while also disrupting daily life for many Greeks. Politically, there was a failure to take ownership of the program, constant political infighting, undercutting policies, blame cast towards the Troika and other European countries, and a surprise referendum that caught Greeks and the Troika off guard. All of these actions resulted in the failure to meet deficit and structural reform targets, decreased trust between the Greek government and the Troika, and led a second Troika program.

Constraints? What Constraints?

The final way Greek national identity can be seen influencing Greece's response to its Troika program is through how international and economic constraints were much

less influential with the Greeks than with the Irish or Portuguese. This line of reasoning dovetails with the notion that “everything is on the table,” but has a distinct emphasis. This section specifically highlights the responses those in Greece had to the constraints that people in other countries and the Troika appear to have seen as requiring Greece to go with the program. This section argues that the Greeks were much less sensitive to these constraints at the governmental and societal levels than either the Irish or the Portuguese.

All three Troika bailout countries faced two constraints: (1) that they were all dependent on the Troika for financing to run their governments because they had been shut out of bond markets; and (2) all three signed binding international agreements committing themselves to the austerity policies and structural reforms in their respective Troika programs. In other words, all three countries needed to implement a series of difficult austerity measures and structural reforms to receive the money required to keep their governments functioning, avoid bankruptcy, and eventually regain access to bond markets. The alternative was to forego the Troika program, borrow at excessively high interest rates, risk default, and potentially be forced out of the euro. The insensitivity to these constraints is illustrated through the way that the Greeks engaged in brinkmanship with the Troika in the face of defaulting or being forced out of the euro. The brinkmanship tactics led to missing deficit and reform targets, delayed reviews, and eventually a second Troika program. To some degree we might be tempted to interpret these failures in implementation to reflect institutional or other obstacles to policy effectiveness in Greece, not a distinct unwillingness to respect the program. Yet, the constant brinkmanship seen in Greece undercuts arguments that this was due to lack of

capacity or other institutional factors that may have prevented the Greeks from adhering to the MOU. Rather than this being a case where Greece did all they could to implement a difficult program and failed to do so, we can see that most Greek actors balked at implementation and adopted strategies of brinkmanship and resistance that appears to simply deny the constraints.

While Greece had a core group of government officials that was initially committed to fulfilling its obligations in the MOU, the same commitment was lacking from other government ministers as well as opposition parties and other social actors. Following Papandreou's first cabinet shuffle in September 2010, only four months after signing the MOU, Finance Minister, George Papaconstantinou had to send a letter to government ministers reminding them of their obligations in the MOU and that they needed to control expenditures as well as ensuring structural reforms were implemented.²⁴¹

Even when talk of Greece exiting the euro dominated news stories, or ratings agencies downgraded Greek government debt, or an Argentinian style default looked inevitable, Greece appeared determined to continue resisting the Troika's policies. The difference between political and social leaders was that the limit of how far political leaders were willing to push stopped at the potential of being forced out of the euro. However, most of the key politicians were willing to probe the limits of what EU leaders would accept before that happened. When being forced out of the euro became a real possibility at various points throughout the Greek Troika program, the government was

²⁴¹ Athens News Agency, "FinMin addresses letters to ministers on memorandum's implementation," *Athens News Agency*, September 9, 2010, http://www.hri.org/news/greek/ana/2010/10-09-09.ana.html#12_

able to find a way to agree to new austerity measures and even a second Troika program in 2012. The public and other social actors, such as labor unions, were more willing to forego membership in the euro if it meant getting rid of the Troika and its harsh austerity policies as well as not having to take direction from Europe, Germany, and the Troika. Whereas the government found ways to agree to difficult policies when their backs were against the wall, the public continued to hold massive demonstrations and strikes when the policies that were needed to ensure that Greece would remain in the euro were passed, indicating that economic and international political constraints exerted less of an influence on those outside of the government.

The same kinds of economic and international political constraints were acknowledged in Ireland and Portugal as alternatives to their respective Troika programs were considered but quickly dismissed, as not agreeing to a Troika program was viewed as much more costly than agreeing to a program, and leaving the euro was not an option from the beginning. Both Ireland and Portugal responded by staying committed to the MOU's implementation, but simultaneously worked to minimize the social costs associated with their programs while focusing on revising certain aspects of their MOUs. As one former minister in Ireland said:

Obviously, we have to live within the constraints in terms of reaching the deficit target of 3 percent of GDP in the timeline we agreed. We actually extended that for a year as you recall. One of the first things we did to make it bearable for us to get to that threshold. What we realized that we couldn't simply ignore the fact that our income as a state had fallen by 30 percent, but our expenditure not only had not reduced, it had actually increased because we had heading to half a million people unemployed. So, we needed to ensure that we kept a funding stream available from the only people who would lend us money, the troika, but we

wanted to establish from the outset that we would do that in negotiation and in with built in flexibilities.²⁴²

Greece, on the other hand, took a much different track. While the first Troika review was broadly positive, there were some grumblings from other European countries in late 2010 that Greece was already failing to meet its obligations in the MOU and that further funding should be withheld.²⁴³ When Moody's downgraded Greek debt by three notches in March of 2011, ten PASOK MPs signed a petition asking the government to sue Moody's for the downgrade, which they claimed undermined their bargaining position at the upcoming European Summit.²⁴⁴ Criticism of ratings agencies downgrading sovereign debt were common in Troika program countries. Portugal's Finance Minister criticized Moody's for downgrading its debt to junk in 2011, but the government continued to push forward with the program. In Greece, instead of taking the downgrade as a warning and marching forward to implement the program, they sought to blame the ratings agencies for Greece's financial problems.

With European leaders openly discussing a Greek default and/or exit from the euro in the spring of 2011, the Greek government continued missing more targets and the program was beginning to come apart. With external pressure on Greece greatly increasing, reaching an agreement on new austerity measures was fraught with difficulty

²⁴² Interview with former Irish Minister, Dublin, Ireland, November 14, 2017.

²⁴³ Reuters Staff, "UPDATE 2-Austria: Greece has not met aid commitments," *Reuters*, November 16, 2010, https://www.reuters.com/article/austria-greece-idUSLDE6AF1UJ20101116_

²⁴⁴ Ekathimerini.com, "MPs looking to take Moody's to court," *ekathimerini.com*, March 9, 2011, https://www.ekathimerini.com/economy/132406/mps-looking-to-take-moody-s-to-court/_

and delays. Greek ministers warned the state would soon run out of money²⁴⁵ and the Greek European Commissioner, Maria Damanaki warned that Greek membership in the euro would be threatened if the medium-term fiscal strategy (MTFS) was not passed, saying:

I am forced to speak openly...either we agree with our lenders on a program of tough sacrifices...or we return to the drachma.²⁴⁶

Greece eventually released its plans for the MTFS in early June 2011. Yet, despite the dire warnings from the Troika and Greek officials about default and exiting the euro if the government failed to pass the MTFS, PASOK deputies criticized the package and threatened to vote against it, while New Democracy refused to support the new measures. This led to nearly a month of negotiations between PASOK and New Democracy to agree on the MTFS and Papandreou reshuffled his cabinet, which included replacing the Finance Minister with Evangelos Venizelos. Even then, the two parties could not reach an agreement as the new Finance Minister traveled to a Eurogroup meeting in mid-June to present the changes to MTFS that would allow it to pass through parliament more easily. The changes were rejected by the Eurogroup, which then demanded that there be a vote of confidence for PASOK. After PASOK survived the confidence vote, the MTFS was eventually passed in late June. However, this was only after significant resistance to the Troika's demands, and in the face of serious discussions about a Greek default and Greece being forced out of the euro.

²⁴⁵ Siani-Davies, *Crisis in Greece*, 208.

²⁴⁶ George Georgiopoulos and Harry Papachristou, "Greek austerity standoff rattles euro zone," *Reuters*, May 25, 2011, https://www.reuters.com/article/us-eurozone/greek-austerity-standoff-rattles-euro-zone-idUSTRE74M2KT20110525?edition-redirect=uk_

Another example illustrating the government's disregard for international and economic constraints can be seen in February 2012, when the "unity" government formed in the wake of Papandreou's resignation needed to agree on another austerity package with the Troika to close the funding gap that had been accumulating throughout 2011. The Troika had given the government its list of ten "prior actions" they needed to implement before the second bailout could be approved,²⁴⁷ but the government could not agree on the measures and missed its third deadline in a week. The deadline was missed despite warnings from the EU and others that failing to agree to the measures could force Greece into a disorderly default, and that the EU could survive without Greece. The prime minister of the Netherlands said, "We are currently so strong in the rest of the euro zone...that we can handle an exit of Greece"²⁴⁸ while two economists from Citi released a report arguing that Europe could handle letting Greece leave the eurozone as its banks were in a better position to absorb Greek losses than only a few months earlier.²⁴⁹ Greece finally agreed to the measures and passed them through parliament on February 12, but this was only after trying to alter the agreement, which was rejected by eurozone finance ministers. Even in the face of the very real constraints of a disorderly default and being forced out of the euro, Greece missed three deadlines and attempted to change the agreement with eurozone finance ministers at the last second. Only when the government

²⁴⁷ Peter Spiegel and Kerin Hope, "Greek fury at plan for EU budget control," *Financial Times*, January 29, 2012, <https://www.ft.com/content/c54ff27c-4a99-11e1-a11e-00144feabdc0>.

²⁴⁸ Lefteris Papadimas and Renee Maltezou, "Greek parties delay bailout talks despite EU threats," *Reuters*, February 6, 2012, available <https://www.reuters.com/article/uk-greece/greek-parties-delay-bailout-talks-despite-eu-threats-idUKTRE8120SU20120207>.

²⁴⁹ FT Alphaville, "Grexit", *FT Alphaville*, February 7, 2012, <https://www.ft.com/content/d5c4884a-a921-312a-ab0c-be81dc1e275a>.

was completely out of time and it was looking over the edge at a total financial and social catastrophe did the governments finally agree to the measures.

The final illustration of the Greek government's disregard for international and economic constraints is shown through their lack of commitment to a signed international agreement that their sovereign government agreed to. Some resistance to complying with a difficult international agreement is not surprising, but the contrast to Portugal and Ireland is striking. Many in Ireland and Portugal felt that once the government signed the MOU with the Troika, the government had an international obligation to implement the MOU, despite their disagreements with some of the specific policies. One former minister in Portugal, who was in the opposition when the MOU was signed, summarized this sentiment well:

When we get into government...it's not a question of opinion, it's a question of international obligations. So, it doesn't matter if we agree or don't agree with the things...that are in the memorandum. The things that are in the memorandum are an obligation to the Portuguese state. If we got into power, of course we would deliver. We will apply the things that are in the memorandum. Then, of course, politically...we wanted to try to rebalance some things, but we know that we had that obligation...it was an obligation that we had to fulfill and deliver.²⁵⁰

Not only was Portugal committed to meeting its international obligations, which were negotiated by the PS and not the PDS or CDS that implemented the program, but they did this despite disagreements with parts of their MOU with the Troika. Even those that disagreed with policies²⁵¹ of the program as it progressed did not reject the program in its entirety and maintained that Portugal should meet its commitments in the MOU. In

²⁵⁰ Interview with former Portuguese Minister, Lisbon, Portugal, May 9, 2018.

²⁵¹ Other than CGTP.

Greece, the government was initially committed to the program, but all other parties except LAOS rejected the program. In the initial months of the program, New Democracy sought to block many of the austerity measures required by the MOU,²⁵² and as the program continued New Democracy refused to support measures that would enable Greece to meet its commitments in the MOU.²⁵³ This even continued into 2012, when all parties in the “unity” government were required to commit to implementing new austerity measures required to approve the second bailout. Antonis Samaras had refused to commit to implementing these new cuts to the point where Greece was on the verge of a full-scale default the following month.²⁵⁴ New Democracy finally agreed to commit to the measures, but only after their brinkmanship nearly led to a disorderly default and ejection from the eurozone.

Finally, much of the public appeared to disregard international and economic constraints even more than politicians. Whereas most politicians drew the line at losing membership in the euro, social actors were willing to push further and risk default as well as losing its euro membership if it meant ridding themselves of the Troika and austerity. Unions continued to strike, and protests only intensified as new measures that were required to secure the release of funds from the Troika were introduced. Continuing the

²⁵² David Gardner and Kerin Hope, “Greece: A marathon to sprint,” *Financial Times*, July 29, 2010, <https://www.ft.com/content/4b492602-9b44-11df-baaf-00144feab49a>.

²⁵³ Cardiff Garcia, “Greek opposition dashes hopes for unity,” *Financial Times*, June 22, 2011, <https://www.ft.com/content/978ba4ca-dbf9-3742-8b30-96f4bef6b8a1>.

²⁵⁴ Tom Burgis et al., “Key Greek leader vows to honour cuts,” *Financial Times*, February 15, 2012, <https://www.ft.com/content/16386acc-57c7-11e1-b089-00144feabdc0>.

theme of this section, these responses to new austerity measures differed greatly from what was seen in Ireland and Portugal. Ireland saw virtually no industrial action and its protests remained much smaller than either Greece or Portugal. Portugal saw an increase in protest action and strikes following the botched social security tax proposal in September 2012, but the protests remained overwhelmingly peaceful and continued to focus largely on specific policies, not rejecting the whole Troika program.

In many of the instances described above, there were clear warnings (default and exit from eurozone) from the Troika, European leaders, and even Greek leaders about the consequences of failing to pass and implement the austerity measures and structural reforms that were agreed to in the MOU. However, these warnings went unheeded by many social actors. Although Papandreou initially sold the Troika program as both a foreign imposition and an opportunity to correct the mistakes of Greece's past, he also talked about the choice to enter the program as "not a pleasant decision," but necessary to save the country.²⁵⁵ Papandreou also told parliament that the alternative to the Troika program was "failure, the bankruptcy of the country."²⁵⁶ Yet, Greece was technically already bankrupt as it had been shut out of bond markets, but these warnings carried little weight with unions and others protesting Greece's entry into its Troika program. Unions immediately called a 48-hour general strike and there were multiple other strikes as Athens plunged into chaos. Unions would call three more general strikes through July 8,

²⁵⁵ Kerin Hope, "Papandreou pleads for nation's support," *Financial Times*, May 2, 2010, <https://www.ft.com/content/eef952e0-5611-11df-b835-00144feab49a>.

²⁵⁶ Kerin Hope, "Fears grow amid Greek civil unrest," *Financial Times*, May 5, 2010, <https://www.ft.com/content/46c9fa52-5882-11df-9921-00144feab49a>.

as large and often violent protests intensified. At this point it was “only bankruptcy” that was seen as the consequence of failing to implement the MOU, yet many of the unions and protesters still wanted the Troika and IMF out of Greece.

Again, during the debate over the MTFS in mid-2011, there were myriad warnings about the consequences of Greece failing to pass measures that would enable them to meet their deficit and structural reform targets from the MOU. This time there was the added consequence of Greece potentially being forced out of the euro being discussed across Europe. When the MTFS was being debated and eventually passed through parliament protest actions increased as “the indignados” movement had established itself in Syntagma Square. Even with the consequences of failing to pass the MTFS being well-known, protesters tried to prevent the vote from occurring and GSEE and Adedy called another 48-hour general strike while holding large rallies outside parliament.

Actions such as these continued throughout 2011 but intensified as Greece was nearing its agreement for a second Troika program. By this point, Greece was at the end of the line as far as Europe was concerned and there was widespread talk of Greece leaving the euro should it fail to pass the austerity measures needed to secure the second bailout package. Again, this had little effect on the social actors, who continued to reject the Troika’s policies. GSEE and Adedy called two 48-hour general strikes within only days of each other and organized huge protests outside of parliament. As Siani-Davies describes, “outside parliament the demonstrators were so thick that it took hours to cross the center of Athens.”²⁵⁷ Protests erupted into violence as rioting was widespread, which

²⁵⁷ Siani-Davies, *Crisis in Greece*, 198.

caused serious damage to 45 buildings while around 150 stores were vandalized. Overall, the damage was estimated to be in the tens of millions of euros.²⁵⁸ While the anti-austerity protesters did not cause all of the damage, the intensity and size of the responses to the finalization of the second Troika bailout indicates that there was a substantial percentage of the Greek population that was ready to risk leaving the euro and bankruptcy as opposed to continuing to implement the Troika's austerity policies.

In summary, this section has argued that the final way we can see Greek national identity influencing Greece's response to its Troika program is in widespread Greek disregard for international and economic constraints that appeared to exert much more influence on Ireland and Portugal. Having been shut out of bond markets and reliant on the Troika for funding, Greece continued to miss deficit and reform targets, delay reviews, and engage in brinksmanship with the Troika. Even after being warned that it could lead to a disorderly default or losing its euro membership, some continued to resist. While politicians drew the line for resisting the Troika at possibly being ejected from the euro, many in society appeared willing to risk euro membership as protests and strikes intensified during periods where new austerity measures were being negotiated or passed in parliament.

Conclusion

This chapter argues that Greek national identity best explains the trajectory of the Greek response to its Troika program. While facing many of the same external pressures of the other Troika programs, Greece chose to rebel against the Troika and Europe, failed

²⁵⁸ Ekathimerini.com, "Officials take stock of riot damage; politicians ask for calm," *ekathimerini.com*, February 13, 2012, <https://www.ekathimerini.com/news/139120/officials-take-stock-of-riot-damage-politicians-ask-for-calm/>.

to take ownership of their program, and undermined its own program. Parties fought with each other, and social actors relentlessly resisted the program. From the beginning of Greece's program there was a lack of commitment from political parties to its implementation and the commitment weakened as the fiscal measures and structural reforms became increasingly unpopular. The government missed deadlines for new austerity packages, delayed their own program reviews, and engaged in brinksmanship with the Troika and Europe, even though many in Europe were seriously discussing a Greek default and exit from the euro. Socially, the response was intense, frequent, and often violent from the beginning of the program. The evidence from this chapter illustrated three main ways that Greek national identity influenced Greece's response. First, many in Greece viewed the Troika program as a foreign occupation, where other countries in Europe (especially Germany) and the IMF were imposing unfair policies on Greece. Second, when it came to resisting the Troika, nearly everything was "on the table." There were few things that were not considered by political and social actors as acceptable ways to resist and undermine the program. There were many more protests than in the other Troika program countries and they were large, intense, and violent. Strikes were frequent and disruptive with some labor leaders even threatening to use violence. Politicians refused to cooperate with one another and instead fought and blamed the other parties, forcing delays of program reviews and deadlines for new measures to be missed. Finally, there was an insensitivity to international and economic constraints that nearly led to a disorderly default and Greece exiting the euro. Despite these real threats from Europe and the Troika, Greek politicians continued to delay, grandstand, engage in brinksmanship, and undermine policies that were needed to secure funding or even a

second Troika program. Only at the last minute did they agree to policies seen as crucial to meeting their commitments in the MOU and maintaining their euro membership. Socially, Greece was even more insensitive to these constraints as there were large protests and disruptive strikes even as the future of Greece was in the balance. In the end, Greece responded like a country being invaded by hostile forces.

CHAPTER III

IRELAND

“I think the people of Ireland understood how the economy worked and understood this was our mess essentially, and we were going to have to dig ourselves out of it. People...couldn’t see an alternative and if you went on strike, what was going to happen? The government didn’t have any choices...I think that people understood that there weren’t choices...basically, sit back and take the pain and then move on was more of the attitude.” – Interview with ESRI Economist

Ireland was the second country in the Eurozone to request help from the Troika, coming only months after the bailout agreement with Greece in May 2010 and before the Portuguese program in May 2011. Unlike Greece and Portugal, the private sector was at the heart of Ireland’s problems. The Irish economy had experienced a property and construction boom and bust throughout most of the 2000s, which was fueled by excessive bank lending. However, it wasn’t until after the failure of Lehman Brothers in September 2008 that capital rushed out of the Irish banking system. This capital flight led the Irish government to issue a blanket guarantee of all deposits, loans, and obligations in Ireland’s six largest banks, which totaled €440bn, and was 287 percent of Ireland’s GNP in 2008.¹ Over the next two years, confidence in the Irish banking system as well as the country’s fiscal position continued to erode as bank losses continued to increase and the government’s attempts at propping up the banking sector further exacerbated the Irish budgetary situation. After weeks of denying there were even talks about an Irish program, Ireland agreed to a three-year, €85bn bailout package with the European Commission, ECB, and IMF on November 29, 2010. In return, Ireland would make cuts to public

¹ Donal Donovan and Antoin E. Murphy, *The Fall of the Celtic Tiger: Ireland & the Euro Debt Crisis*. (Oxford: Oxford University Press), 2013.

expenditure, raise taxes, reform and stabilize its banking sector, implement structural reforms, and be subject to strict monitoring by the European Commission, IMF, and ECB.

The Irish responses to its Troika program, unlike in Portugal, did not develop in distinct phases. Initially, it appeared that there would be some significant resistance to the program from the mainstream opposition parties Fine Gael and Labour, who immediately called for a renegotiation of certain aspects of the bailout, but never rejected the bailout in its entirety. Labor union leaders also called for mobilization in the streets to oppose the agreement, leading to a 50,000 person protest in Dublin the weekend after the MOU with the Troika was signed. These initial forms of resistance, however, subsided rather quickly. While the Fianna Fáil/Green Party government, which negotiated the bailout, remained committed to the program's implementation, Fine Gael and Labour both continued to argue for renegotiating parts of the deal through the general election in late February 2011, although they both agreed with the necessity of implementing the program. After the general election in February 2011, the new Fine Gael/Labour government remained committed to fulfilling its obligations under the Troika program, but they sought to play the long-game with the Troika regarding renegotiation. This was similar to the government's strategy in Portugal but was a major difference between the political response between Ireland and Greece, where the program was widely rejected.

Social responses cooled off significantly after the initial 50,000 person protest in Dublin in November 2010 and never reached the intensity that was seen in Greece or Portugal. Labor unrest was almost completely absent for the duration of the program. There were not many protests in 2010 and through the first three quarters of 2011.

Protests that occurred were small and targeted very specific policies, such as the closing of a hospital or cuts to education, not the entirety of the Troika program. In October 2011, the number of protests increased significantly as Ireland's own "Occupy" movement began. This saw the number of protests increase from 29 in Q3 of 2011 to 273 in Q4 and 298 in Q1 of 2012. While the number of protests increased drastically, the size of these protests remained very small, ranging between 10 and 100 people at any given time. While it has been documented that anger towards austerity, the government, and the Troika slowly increased as Ireland came closer to exiting its program,² this anger is not reflected in the protest statistics while Ireland remained in its program. Much of this anger was directed toward three particularly unpopular new taxes: a household charge (essentially a property tax), water charges, and septic charges. However, the brunt of public outrage did not begin until 2014, after Ireland had left its Troika program. Below are Figure 2 and Figure 3, which illustrate the trajectory of Irish protests as well as strikes throughout the Irish Troika program.

How then, do we explain the Irish responses to its Troika program, which was almost universally understood as a consequence of bad decisions by its banks, and led to a government bailout that left the public on the hook for the bill? Although the Irish suffered somewhat less than the Portuguese or the Greeks in the crisis, and emerged first from their Troika program, one might have expected an intense reaction to the state requesting a Troika bailout to cover debts it accrued solely because it had rescued a handful of private

² Hourigan, "Austerity, resistance and social protest in Ireland: movement outcomes," in *Debating Austerity in Ireland: Crisis, Experience and Recovery*, ed. Emma Heffernan, John McHale, and Niamh Moore-Cherry (Dublin: Royal Irish Academy, 2017), 115-128.

Figure 2: Irish Protests

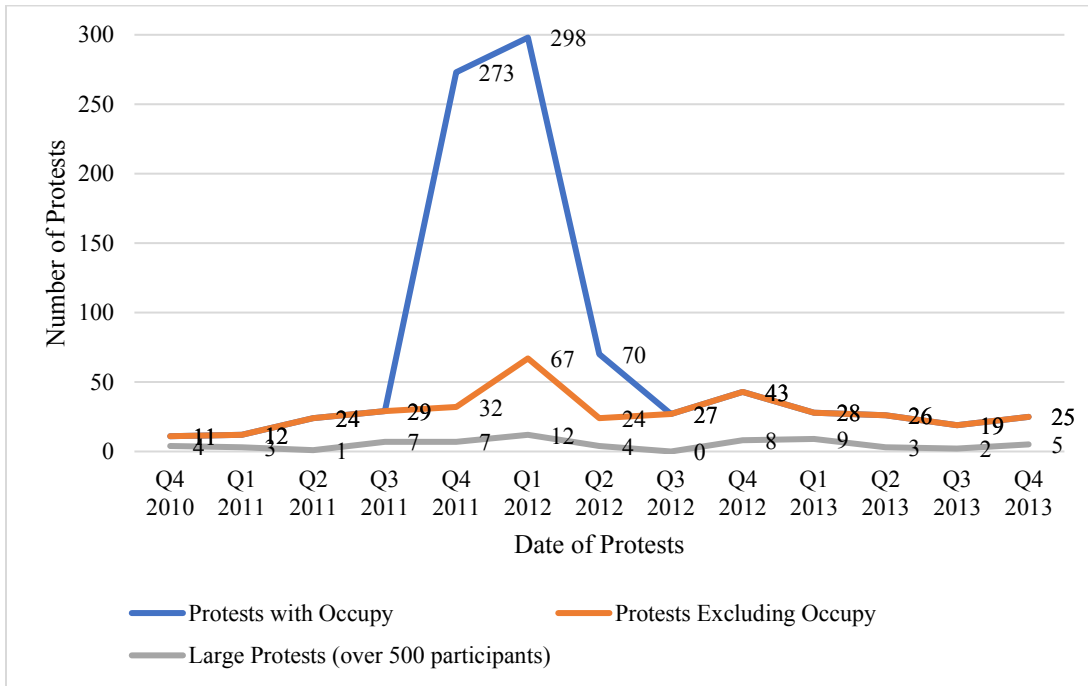
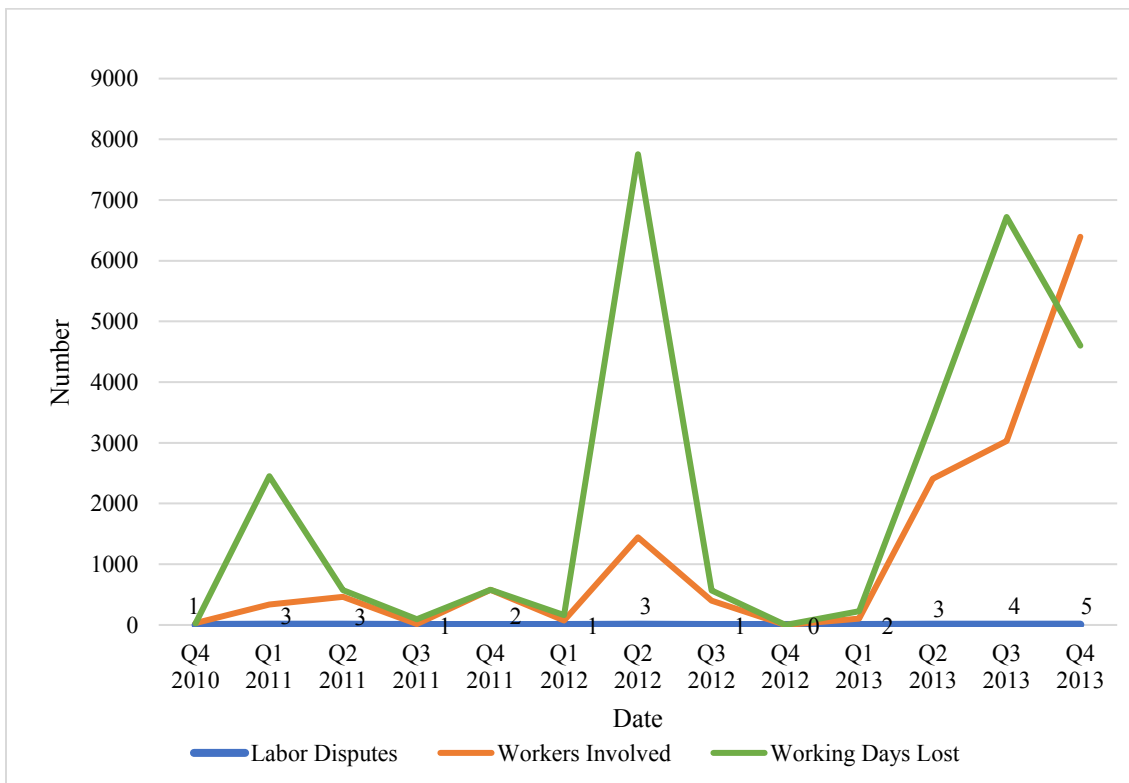


Figure 3: Irish Strikes



banks. This led to a dramatic increase in Ireland's budget deficits,³ a 9% fall in GDP between 2008 and 2010, massive budget cuts prior to the bailout, including a 14 percent cut in public sector wages in 2009.⁴ Further fiscal measures totaling 7.5% of GDP were implemented during the Troika program, including further cuts to public sector wages and Social Protection.⁵ Yet, despite the crisis' origins in the private banking sector and the economic pain the Irish were forced to endure after, Ireland sustained a political consensus for the duration of the program with no mainstream party or labor union arguing for a comprehensive rejection of the program, and there were primarily mild protests that targeted specific policies with very little labor unrest.

This chapter will argue that the lack of resistance to Ireland's Troika program is not rooted primarily in material differences. Although the Irish Troika program was somewhat "easier" than the Greek and Portuguese programs, Ireland was still forced to make an economic adjustment equivalent to 7.5 percent of GDP with additional structural reforms. Unlike the Greek and Portuguese crises, where the causes were more widespread throughout society, Ireland's private banks were the unmistakable cause of the Irish crisis. It seems surprising that there was not more resistance to the Irish Troika program when the bailout of the Irish banks led to a government debt crisis where the public was forced to foot the bill for the banks' mistakes. Many jobs were lost, pay was cut, and

³ Ireland went from running a surplus in 2007 to deficits of 13.8 percent in 2009, 32.02 percent in 2010, and 12.78 percent in 2011. (Source: OECD)

⁴ IMF, "Ireland: From Tiger to Phoenix," *imf.org*, August 2018, <https://www.imf.org/en/Countries/IRL/ireland-from-tiger-to-phoenix>.

⁵ European Commission, "Ex post Evaluation of the Economic Adjustment Programme: Ireland, 2010-2013," *europa.eu*, July 2015. https://ec.europa.eu/info/publications/economy-finance/ex-post-evaluation-economic-adjustment-programme-ireland-2010-2013_en.

taxes were increased, yet there was never broad resistance to the program as seen in Greece or in the latter phases of the Portuguese program.

Nor do institutional features offer a compelling explanation of the Irish response. Irish institutions certainly differed from those in Portugal and Greece, creating fewer roadblocks for implementing the program. Ireland's existing flexible labor regime and a globalized, free market-oriented economy certainly helped the government's ability to implement difficult policies that might not be possible in Portugal or Greece. However, institutions are not determinative of policy choices, especially when they will be very unpopular and politically costly. While institutions may have shaped the available policy options, they do not explain why an absence of institutional barriers and some modest organizational incentives would lead political parties across the political spectrum to agree to and implement difficult and costly policies. Finally, institutions fail to explain why a population would agree to take on major social costs and public cuts to bail out private banks that were widely seen as having been reckless.

Another potential explanation centers on economic ideas, as Irish views tend to be more pro-market than Greece or Portugal. Parsing ideas from identity is made more difficult because the Celtic Tiger aspect of Irish identity is so intertwined with market logic. Yet, while it is true that the Irish stand out for pro-market economic views relative to Greece and Portugal,⁶ this is itself a sign of the role of identity. It is the Irish as a society who stand out for these views, and because this is a national pattern that includes even those actors (left leaning political parties, labor unions etc.) whom we might expect

⁶ In 2006, Eurobarometer 66.1 reveals that 70% of Irish supported the statement that "free market competition is the best guarantee for economic prosperity," compared with 57% in Greece and 46% in Portugal.

to react strongly against an austerity program in which the public pays costs for a specifically private-bank-driven crisis, the dissemination of these ideas across the political spectrum indicates the presence of the Celtic Tiger identity and not merely economic ideas. Furthermore, one must answer the question of how people come to hold certain views about markets. The same free market, “neoliberal” ideas were also available to the Greeks and Portuguese, but much smaller portions of their societies believed these ideas should guide their economies. The Labour Party, which is affiliated with the Party of European Socialists at the European level, not only executed the Troika program while in government with Fine Gael but suggested only relatively small changes while trying to protect the social safety net. Even the two major labor unions did not offer much resistance to Troika program or suggest a radically different path forward. If economic ideas were the primary causal factor, one must ask why the Labour Party and Irish trade unions either bought into ideas that appear to be at odds with their interests and ideology, or why they agreed to policies they did not agree with.

This chapter argues that the path of Irish political and social responses to its Troika program was influenced by its “Celtic Tiger” national identity. Similar to Portugal, Ireland developed a social purpose identity to achieve national goals, in this case modernization and economic growth. By the second half of the 20th century Ireland had been independent for multiple decades but remained one of the poorest countries in Europe. Ireland looked to eschew its endemic poverty by embracing modernization and focusing on economic growth, making modernization a nation building project. Eventually, the focus on modernization and economic growth displaced the previous nation building focus, which centered on Irish culture, and was conservative, Catholic,

rural, and anti-modern. The vision of modernization was embraced by politicians and bureaucrats as well as the majority of the public, which led to massive changes in the Irish economy and society. Ultimately, after many difficult reforms, Ireland's economy was transformed into an open, global, interconnected economy with a heavy focus on FDI. Through decades of changes in the economy that culminated in the success of the "Celtic Tiger" in the 1990s, a faith in free markets and Ireland's FDI-based economic model was imprinted on Irish national character. The achievement of modernization and becoming a country with one of the highest GDP per capita in the world only further solidified this faith in free markets and the Celtic Tiger economic model. The success of Ireland's efforts to modernize, led the Celtic Tiger to become more of a cognitive model for the Irish to see their country and their economy. Therefore, when Ireland's crisis hit, there was no suggestion that Ireland should radically alter its economy, but a continuation of the same policies that previously led it from poverty to prosperity.

The Celtic Tiger identity can be seen influencing the Irish response to its Troika program in three ways. The first indication of the role of identity is the national nature of Irish beliefs in specific economic policies and general support for austerity, which were discussed above. Additionally, there was a strong belief that Ireland's economic model, which was labeled the Celtic Tiger in the 1990s, was still fundamentally strong. This belief held despite the banking problems in the late 2000s, which led to massive government deficits and its Troika bailout in 2010. This belief in the Celtic Tiger economic model was expressed across the political spectrum and revealed that many believed the economic policies responsible for Ireland's dramatic increase in wealth prior to 2008 would deliver similar results again as long as the "rotten" sectors of the economy

– banks and construction – were adequately dealt with. Only the far-left, consisting of Sinn Fein or groups such as People Before Profit, expressed criticism of the government’s decision to implement the Troika program and attempt to guide the economy back to its Celtic Tiger roots. The two main political parties Fianna Fail and Fine Gael, as well as the Labour Party, and even mainstream labor unions were largely in agreement with this approach. The labor unions wanted to spread out the pain, but even their most radical idea, which was hardly radical, was to spread the program out another two years and avoid frontloading the program. This belief in free markets and economic growth that was instilled with the Celtic Tiger is even more interesting given that the Irish crisis began with private banks that ran amuck and it was the public who was being asked to pay the costs of getting back to the Celtic Tiger.

Secondly, responses from political leaders, leaders in civil society, and the public indicate that strong rejections of the program were largely off the table. After some initial posturing from Fine Gael and Labour to renegotiate the Troika Program in late 2010 and in the lead up to the February 2011 election, once Fine Gael and Labour won the election and formed their coalition, the government remained committed to implementing the program. Fianna Fail, which negotiated the Troika program, did not offer any real criticism of the program as the Fine Gael-Labour government executed it. The new government wanted to renegotiate parts of the program, but they were very specific and did not involve a full-scale rejection of the program as was witnessed in Greece. The Fine Gael-Labour government wanted to lower interest rates, burn senior bondholders of their banks, and restore minimum wage, while Labour also sought to extend maturities on the Troika loans and stop paying on the Anglo Irish Bank promissory notes. This approach

was more similar to the approach Portugal took to renegotiating parts of its Troika Program than the grandstanding and brinksmanship of Greece. Ireland's faith in its economic model led it to stay the course and implement the program while trying to lessen the burden on itself through some renegotiation. Additionally, the public's reaction mirrored the political reaction with the largest objections to the program occurring in late 2010. After 2010 the overwhelming majority of protests were focused on very specific policies, such as closing hospitals or the weekly walk against the bank bailout in Cork and were not an overall rejection of the program. Even when the number of protests peaked in late 2011 and early 2012, the number of participants at the "Occupy" protests was very small, ranging from a few dozen to a few hundred protesters at any given time. Taken together, this points to a country that saw a broad rejection of its Troika program as largely off the table.

Finally, similar to Portugal, Ireland's elites worked diligently to differentiate themselves from Greece, but Irish elites also did not view themselves as being like Portugal. Ireland had become one of the richest countries in the world with a solidified place in the world economy that had been a stable democracy for decades whereas Greece and Portugal were younger democracies with much poorer economies that continually struggled to generate growth. Being lumped together with Greece was viewed as almost insulting because the Irish viewed themselves in such a different light than Greece. This attitude was on display in 2011 as Ireland's Minister of Finance, Michael Noonan, joked about making T-shirts reading "Ireland is not Greece." While Irish elites acknowledged how bad they felt for their Greek friends they dismissed any comparison to Greece out of hand.

The rest of the chapter proceeds as follows. Next is an account of the Irish crisis from beginning to end. This account is organized by first describing the Irish program. Then the history of the Irish program from November 2010 through December 2013 is documented. This section is organized in three to six month sub-sections with each sub-section broken down further with one section on the political responses to external pressures, such as bond markets and external pressures from other governments or the Troika, and another section describing the social responses from the Irish. Following the account of the Irish crisis is the analysis of the Irish case, which emphasizes that in a very complicated debt crisis, only an explanation that emphasizes national identity can account for the features of the Irish response.

The Irish Program

The Irish program had many similarities to the Greek and Portuguese programs, especially with fiscal measures. However, the Irish program lacked the in-depth structural reforms asked of the Greeks and Portuguese. The overarching objective of the Irish Troika program was to restore financial market confidence in Ireland's banking sector as well as the country itself. The strategy for accomplishing this was comprised of three primary elements: I) A fundamental downsizing, deleveraging, and reorganization of the banking sector. II) Restoring fiscal sustainability, which included a difficult fiscal consolidation. III) Structural reforms focused on competitiveness, intensifying labor market activation measures, and some product market reforms for sheltered service sectors.

Similar to the Greek and Portuguese cases, Ireland agreed to execute a fiscal consolidation plan that was based on the draft budget for 2011 as well as the National

Recovery Plan released in late 2010. Fiscal consolidation measures included spending cuts as well as tax increases that was projected to equal 7.7 percent of GDP. Of these adjustments, 4.9 percent of GDP was to be achieved through expenditure cuts while there would be revenue increases equal to 2.8 percent of GDP.⁷ Specific fiscal consolidation measures included lowering personal income tax bands and credits, reducing pension tax relief, reducing general tax expenditures, increasing excise and other taxes, increasing the property tax, increasing the carbon tax, cutting social protection expenditure, reducing the number of public service employees, reducing existing public service pensions, and cutting capital expenditure.⁸

Because of the centrality of the Irish banking system to its crisis, the Irish program required a major overhaul of the banking sector. New legislation to enhance financial regulations was to be passed and implemented and the banking sector was also to be reorganized and downsized in order to operate without state support. Ireland was to continue with its bank recapitalization plan, worth around €50bn, that was revealed at the end of September 2010. It was also to continue deleveraging its banks and meet the loan to deposit ratios of the Basel III accords, require its banks to hold at least 10.5 percent of core tier 1 capital with its biggest banks of Allied Irish Bank⁹, Bank of Ireland, and EBS required to recapitalize to 12 percent of core tier 1 capital. The program also required

⁷ European Commission, “The Economic Adjustment Programme for Ireland,” *Europa.eu*, February 2011, https://ec.europa.eu/economy_finance/publications/occasional_paper/2011/op76_en.htm.

⁸ Ibid.

⁹ AIB was essentially nationalized by the Irish government

Ireland to establish a plan for the resolution of Anglo Irish Bank and Irish Nationwide Building Society, which were the “bad banks” at the center of its property boom.¹⁰

While the Irish program included some structural reforms, they were nowhere near as daunting as the reforms asked of the Portuguese and Greeks. These measures included reducing the minimum wage by €1.00, reforming the unemployment benefit system, strengthening its labor activation policies, gradually increasing the retirement age to 68 by 2028, liberalizing sheltered domestic services sectors, such as the legal profession, medical services, and pharmacies. The Irish program also aimed to encourage growth in the retail sector by eliminating the cap on the physical size of retail stores. Finally, the Irish were required to establish a budgetary advisory council to provide “an independent assessment of the Government’s budgetary position and forecasts.”¹¹

What is evident about the Irish Troika program is that it included similar elements to the Greek and Portuguese programs, with the similar elements being not as extreme and the addition of drastic changes to its banking sector. The fiscal consolidation was not as deep as the others and the structural reforms were less challenging. The added challenge of the Irish program came in the form of its banking sector that needed to be significantly deleveraged, reorganized, and subject to stricter regulations. Despite being an “easier” program, the Irish still made significant sacrifices to meet their program targets and exit the program on time.

¹⁰ European Commission, “The Economic Adjustment Programme for Ireland,” *Europa.eu*, February 2011, https://ec.europa.eu/economy_finance/publications/occasional_paper/2011/op76_en.htm.

¹¹ *Ibid.*

Political Response and External Pressures after the Bailout with the Troika

After weeks of denials, Ireland formally requested aid on November 21, 2010, which led to immediate calls for the government to step down and a new general election, as well as promises from opposition parties to renegotiate parts of the agreement. The Green Party announced it would leave the government coalition with Fianna Fáil if new elections were not called for January. Fianna Fáil Taoiseach (Prime Minister) Brian Cowen announced that there would be new elections in January, but only after the 2011 budget was enacted. The opposition leaders Enda Kenny (Fine Gael) and Eamon Gilmore (Labour) as well as Sinn Féin all called for the Dáil (Irish Parliament) to be dissolved, and for an immediate election prior to the passing of the budget.¹² Additionally, there were calls from within Fianna Fáil for Mr. Cowen to resign and dissolve parliament immediately. Despite the calls from within his own party, Cowen was defiant, saying, “there will be a time for political accountability to the electorate. The interests of the electorate, of all our people, would not be served by delay or, worse, casting into doubt the steps that are necessary to secure our economy and financial stability.”¹³

External pressures on Ireland also remained elevated, even after the request for aid from the Troika as Ireland’s sovereign debt rating was cut two notches by S&P. After announcing the details of the bailout plan the euro fell to a two-month low, the Irish 10-year bond yield remained over 9 percent – significantly higher than the 5 percent bond

¹² Stephen Collins, Deaglan De Breadun, and Arthur Beesley, “Cowen announces early 2011 election,” *Irish Times*, November 23, 2010, <https://www.irishtimes.com/news/cowen-announces-early-2011-election-1.680159>.

¹³ John Murray Brown and David Gardner, “Cowen defies calls to resign immediately,” *Financial Times*, November 22, 2010, <https://www.ft.com/content/d55656e8-f685-11df-b434-00144feab49a>.

yield from July 2010,¹⁴ and many in the media doubted Ireland's ability to adhere to its program, predicting Ireland would have to default and maybe leave the euro. Any speculation on default was summarily dismissed by the Finance Minister, Brian Lenihan, and others in the government. However, with the uncertainty of the Irish program, credit markets across Europe froze as investors were worried about contagion to Portugal, Spain, and Italy, but more generally about European banks.

In early December markets were temporarily boosted when Ireland released the 2011 budget, which needed to be passed before Ireland could receive the first tranche of funding from the Troika. The budget included €6bn worth of savings, including cuts to public spending, tax increases on the middle and lower classes, a reduction in the child benefit, and cuts to pay for ministers. The budget allocated €200m for work placements and training for those out of work.¹⁵ Before the budget was passed in mid-December, Fitch cut Ireland's sovereign debt rating by three notches,¹⁶ and days after passing the budget Moody's downgraded Irish debt five notches, which was only two grades above junk status. Moody's also warned that further downgrades were possible as Ireland was put on a negative outlook.¹⁷ The move by Moody's prompted the ECB to extend a £10bn

¹⁴ Tradingeconomics.com, "Ireland Government Bond 10Y," *tradingeconomics.com*, <https://tradingeconomics.com/ireland/government-bond-yield>.

¹⁵ 'Lenihan rules out default on foreign debt', *Financial Times*, December 8, 2010, available <https://www.ft.com/content/e63cf1b6-020f-11e0-b66c-00144feabdc0>.

¹⁶ Dave Shellock, "Treasuries stage modest rebound after sell-off," *Financial Times*, December 10, 2010, USA Edition 1, Markets – Back Section; Pg. 26.

¹⁷ John Murray Brown, "Moody's slashes Ireland's credit rating," *Financial Times*, December 17, 2010, <https://www.ft.com/content/e0613c5a-09b4-11e0-8b29-00144feabdc0>.

lifeline to Irish banks, further expanding its liquidity assistance to Irish banks.¹⁸

As 2011 started, pressure continued to be centered on Prime Minister Brian Cowen as he came under fire for his ties to the disgraced banker Sean Fitzpatrick (Anglo Irish Bank) and the Fianna Fáil-Green Party coalition was starting to crumble for good. Cowen survived a confidence vote on January 18, but six ministers submitted their resignation in the following days. Cowen then stepped down as the leader of Fianna Fáil but remained on as prime minister to eventually call for an election. Shortly after, the Green Party pulled out of the coalition but continued to support the minority coalition with vital aspects of the budget legislation.¹⁹ Similar to when the bailout program was announced, Fine Gael and Labour both agreed to the fiscal goals in the program, but also remained committed to renegotiating parts of the deal.²⁰

Social Responses From Troika Announcement Through the January of 2011

The initial social response to the announcement that Ireland was requesting aid from the Troika was mixed. Similar to Portugal and Greece there were calls for immediate street protests and increased industrial action, a rejection of reductions to the minimum wage and further spending cuts, and general anger towards the current government. On the other hand, Ireland responded much like Portugal as there was relative acquiescence in the beginning stages of the bailout agreement. Most of the

¹⁸ Ralph Atkins, John Murray Brown, and Patrick Jenkins, “ECB offers Ireland €10bn lifeline,” *Financial Times*, December 18, 2010, USA Edition 1, Eurozone Woes; Pg. 3.

¹⁹ John Murray Brown, “Irish government heads for the exit as Green party quits ruling coalition,” *Financial Times*, January 24, 2011, London Edition 3, Front Page – First Section; Pg. 1.

²⁰ John Murray Brown, “Irish fiscal crisis still lingers in the wings,” *Financial Times*, January 23, 2011, <https://www.ft.com/content/0d3f56f0-273b-11e0-80d7-00144feab49a>.

protest actions taken were quite small and not very disruptive to everyday life – outside of one large protest in Dublin in late November.

Immediately after the announcement of the request for aid, there was a lot of talk about protesting and resisting the Troika program, especially from trade unions. Jack O'Connor, the General President of the Services Industrial Professional and Technical Union (Siptu) publicly rejected any proposal that would reduce the minimum wage.²¹ The following days saw small groups of around 50 or less people protesting in Dublin against the government and the Troika bailout. The largest protest of the entire bailout period (November 2010 – November 2013) occurred on November 27, 2010. The protest was organized by the trade unions Siptu and the Irish Congress of Trade Unions (ICTU), had an estimated 50,000 participants, and was a direct response to the Troika bailout. The protest was largely peaceful, with speeches from trade union leaders and other far-left leaders, but around 250 protesters went to the Dáil where they were met by gardaí (Irish police) in riot gear.²² At the end of the protest, UNITE, another trade union in Ireland and the UK, announced it was planning a “campaign of civil disobedience” ahead of budget day on December 7.²³ This manifested into a gathering on December 7 of about 1,500

²¹ Jamie Smyth, “Siptu rejects plan to cut minimum wage,” *The Irish Times*, November 22, 2010, <https://www.irishtimes.com/news/siptu-rejects-plan-to-cut-minimum-wage-1.679777>.

²² Martin Wall, “50,000 on streets to oppose cuts programme,” *The Irish Times*, November 29, 2010, <https://www.irishtimes.com/news/50-000-on-streets-to-oppose-cuts-programme-1.682975>.

²³ Michael McHale, “Trade unions call for national strike and civil disobedience,” *Irish Independent*, November 29, 2010, <https://www.independent.ie/business/budget/news/trade-unions-call-for-national-strike-and-civil-disobedience-26703998.html>.

protesters outside the Dáil to protest the 2011 budget.²⁴

After the main protest in late November, protests remained rather small in comparison, ranging from a few dozen protesters to around 500. The protests primarily occurred in Dublin and Cork, Ireland's second largest city. The exceptions being 5,000 students from University College Cork and the Cork Institute of Technology who protested against planned increases in university registration fees²⁵ and the anti-budget protest, both of which occurred in early December. However, from the announcement of the bailout through January 2011 and leading up to the announcement of new elections in March, the social response can be described as spiking in late November and tapering off significantly after student protests in Cork and the anti-budget rally in early December. The total number of protests recorded in the Irish Times and Irish Independent for this time period was 15, with only three having participation greater than 500. While this amount of protest is far less than Greece in the aftermath of signing its bailout, social resistance in Ireland compares to that of Portugal when looking at protests but is far less when it comes to strikes and industrial action.

External Pressure and Government Responses from the Campaign to the end of Q1 2011

Political uncertainty remained high in Ireland as opposition parties were calling for either a renegotiation or rejection of the Troika bailout. The political uncertainty in

²⁴ Ronan McGreevy, "1,500 turn out for noisy protest at Budget severity," *The Irish Times*, December 8, 2010, <https://www.irishtimes.com/news/1-500-turn-out-for-noisy-protest-at-budget-severity-1.685917>.

²⁵ Ralph Riegel and Katherine Donnelly, "Student flash mob attacks cuts," *Irish Independent*, December 2, 2010, <https://www.independent.ie/irish-news/student-flash-mob-attacks-cuts-26704957.html>.

combination with the Irish Central Bank more than halving its growth forecast for 2011 to around 1 percent as well as S&P and Moody's downgrading all major Irish banks to 'junk' status²⁶ kept pressure on Irish bond yields through the end of March. Additionally, Irish banks would undergo a major reorganization and stress tests would reveal an additional €24bn was needed to shore up the Irish banking sector.

Brian Cowen officially dissolved parliament in early February and called for elections, which were scheduled for February 25. Opposition parties continued to argue for renegotiation during the campaign as Fine Gael wanted to get a lower interest rate and impose haircuts on senior bond holders. Labour wanted these changes as well as an extended time frame for the fiscal adjustment, limits to privatization, restoring the minimum wage, and to stop paying the Anglo Irish promissory note from 2010.²⁷ Other pressures persisted throughout February as Anglo Irish Bank warned of record losses²⁸ and the slogan of "burning senior bondholders," which became increasingly popular during the campaign, came under fire from the Troika and especially the ECB.²⁹

Fine Gael won the election, but fell short of an overall majority, leading to a coalition with Labour, which finished second. The fall of Fianna Fáil also marked the first time since the 1927 election that it had not been the largest party in the Dáil. The

²⁶ John Murray Brown, "Moody's cuts Irish bank ratings to junk status," *Financial Times*, February 11, 2011, <https://www.ft.com/content/66fd4684-35c8-11e0-b67c-00144feabdc0>.

²⁷ Gilmore, *Inside the Room: The Untold Story of Ireland's Crisis Government* (Sallins: Merrion Press, 2016).

²⁸ John Murray Brown, "Anglo Irish warns on record losses of €17.6bn," *Financial Times*, February 8, 2011, <https://www.ft.com/content/01876dc4-33bc-11e0-b1ed-00144feabdc0>.

²⁹ Jennifer Hughes, "Ireland weighs bondholder risks," *Financial Times*, February 21, 2011, <https://www.ft.com/content/106795aa-3dec-11e0-99ac-00144feabdc0>.

Fine Gael/Labour coalition would be in charge of administering the Troika bailout over the next three years. However, the election of parties that were insistent on renegotiating parts of the Troika bailout did not help Ireland's standing in Europe or in markets. The Irish plea for renegotiation faced stiff resistance in Northern Europe and Irish 10-year bond yields reached 9.36 percent at the end of February.³⁰ Irish leaders would meet more resistance to its renegotiation aims from France and Germany at a March European Leaders Summit. Prime Minister Enda Kenny was told that Ireland would need to impose more austerity or raise Ireland's 12.5 percent corporate tax rate before there would be considerations of lowering the interest rates on its bailout.³¹

As the coalition became official and a program of government was agreed upon, it did not veer too far from the original Troika agreement. The government agreed to implement the 2011 budget passed by Fianna Fáil and to stick to the first two years of the Troika program, which was intended to buy the government time to renegotiate parts of the program with which they disagreed.³² The new government immediately created the Economic Management Council (EMC), which consisted of the Taoiseach (Prime Minister) Enda Kenny, Tánaiste (Deputy Prime Minister) Eamon Gilmore, Minister of Finance Michael Noonan, and the Minister for Public Expenditure and Reform Brendan Howlin. The government also began work to form the Department of Public Expenditure and Reform, which would become operational in July 2011.

³⁰ Peter Spiegel and John Murray Brown, "Europe wary of rethink over Irish bail-out," *Financial Times*, February 28, 2011, <https://www.ft.com/content/ecdaac94-4368-11e0-8f0d-00144feabdc0>.

³¹ Stanley Pignal and Peter Spiegel, "Ireland pressed for deeper austerity," *Financial Times*, March 11, 2011, <https://www.ft.com/content/abc7f1e2-4c0c-11e0-82df-00144feab49a>.

³² John Murray Brown, "Irish coalition agrees deal on austerity," *Financial Times*, March 6, 2011, <https://www.ft.com/content/221f17b0-4822-11e0-b323-00144feab49a>.

Throughout the remainder of March, Irish bond yields continued to climb as Irish banks came under further scrutiny and Portugal's economic situation continued to deteriorate. Drafts of the ESM included language to force investors to share in the burdens of a sovereign default, leading to speculation that the EU was afraid a country was going to default. The fears of default and worries that Germany would continue to press Ireland over its corporate tax rate sent Irish 10-year bond yields to 10.7 percent at the end of March.³³ A stress test on Irish banks at the end of March revealed that the Irish banking sector would need an additional €24bn in capital, which meant that the Irish government would need more than the €35bn allocated from the Troika for bank recapitalization. These numbers also brought the total for Ireland's bank rescue since 2008 to €70bn. The Irish government simultaneously announced a drastic restructuring of its banking sector, which was still dependent on the ECB's 'emergency liquidity assistance' (ELA), by designation Allied Irish Bank (AIB) and the Bank of Ireland as its "pillar institutions," splitting up Irish Life, and merging EBS with AIB.³⁴

Social Responses February and March 2011

As the general election campaign began, responses from the public and broader society remained relatively calm, with no events or protests coming close to approaching the 50,000 person protest in the immediate aftermath of the signing of the MOU. Labor disputes during the entire first quarter of 2011 were very small and never approached the level of industrial action witnessed in Greece or Portugal. Overall, the social response

³³ David Oakley, "Ireland's bond yields leap on default fears," *Financial Times*, March 23, 2011, <https://www.ft.com/content/ec487434-557c-11e0-a2b1-00144feab49a>.

³⁴ Financial Times, "Ireland and its banks," *Financial Times*, March 31, 2011, <https://www.ft.com/content/b8f9d444-5bbf-11e0-b8e7-00144feab49a>.

was very calm and did not disrupt daily life in Ireland. There were a total of eight protests in February and March of 2011, and only three with participation of 500 people or more. Additionally, there were only three labor disputes in the whole first quarter of 2011, which included 335 workers and a total of 2,451 days lost.³⁵

Public protests were rare and relatively small during February and March 2011. The largest protests were by nurses who were protesting government plans to cut their payments and eliminating payments to student nurses during their mandatory placement in hospitals during their final year of school. In mid-February nurses staged lunchtime demonstrations in hospitals around Ireland that had about 3,500 nurses participating.³⁶ A week later, about 3,000 nurses marched in Dublin to protest the cuts and urge people to vote for candidates promising to reverse the cuts³⁷, while in mid-March some nurses called off work in protest of the cuts, affecting services at some hospitals.³⁸ Starting on March 6, a group of people in Ballyhea, a village in north Cork, began marching the length of the village every Sunday after church in protest of the Irish government making taxpayers liable for Irish banks. The numbers were small with the first march drawing

³⁵ Central Statistics Office, "Industrial Disputes: Quarter 1 2011," *Central Statistics Office*, May 25, 2011, https://www.cso.ie/en/media/csoie/releasespublications/documents/labourmarket/2011/disputes_q12011.pdf.

³⁶ Martin Wall, "Student nurses protest over pay cuts," *Irish Times*, February 10, 2011, <https://www.irishtimes.com/news/student-nurses-protest-over-pay-cuts-1.567781>.

³⁷ Martin Wall, "Up to 3,000 nurses protest at cut to student pay," *Irish Times*, February 17, 2011, <https://www.irishtimes.com/news/up-to-3-000-nurses-protest-at-cut-to-student-pay-1.573940>.

³⁸ Martin Wall, "Unions tell agency nurses not to work for lower pay," *Irish Times*, March 15, 2011, <https://www.irishtimes.com/news/unions-tell-agency-nurses-not-to-work-for-lower-pay-1.572313>.

around a dozen protesters, 70 protesters on March 20, and fewer on the 27th.³⁹ Finally, in mid-March, restaurant and catering workers protested in Dublin against working conditions and pay in the sector.

Industrial action was very limited as it was contained to only three labor disputes in the first quarter of 2011. Of these labor disputes, the most high-profile was restaurant and catering workers, who wanted better working conditions and higher pay. While Greece and Portugal's strike and industrial action figures are only given yearly, the level of industrial action in these two countries is significantly higher than what was experienced in Ireland in 2011. In total, Ireland had labor disputes in 2011⁴⁰, while Greece had 201 strikes and 116 work stoppages in 2011⁴¹ and Portugal had 88 strikes.⁴²

External Pressures and Government Responses Q2 2011

The second quarter of 2011 continued to present the Irish government with challenges as economic data was disappointing. Despite these challenges, Ireland continued to press forward with the program while attempting to renegotiate aspects it disagreed with. Ireland also started pushing more for haircuts to be forced on senior bondholders at some of its worst banks, which was resisted from the ECB. Projected growth rates were revised downward, and Ireland received multiple cuts to its sovereign

³⁹ Keith Duggan, "Cork village takes stand against billing taxpayers for monstrous bank debt," *Irish Times*, March 28, 2011, <https://www.irishtimes.com/news/cork-village-takes-stand-against-billing-taxpayers-for-monstrous-bank-debt-1.584362>.

⁴⁰ Central Statistics Office, "Release Archive 2011," *Central Statistics Office*, <https://www.cso.ie/en/statistics/labourmarket/archive/releasearchive2011/>.

⁴¹ ETUI, "Strikes in Greece – Background Summary," *European Trade Union Institute*, <https://www.etui.org/ReformsWatch/Greece/Strikes-in-Greece-background-summary>.

⁴² Pordata, "Strikes: total, workers involved and workdays lost," *Pordata.pt*, <https://www.pordata.pt/en/Portugal/Strikes+total++workers+involved+and+workdays+lost-71>.

debt rating as its 10-year bond yields continued to rise. Ireland had the added pressure of Portugal entering its bailout and fears of a Greek default.

April was a difficult month for Ireland as it faced many headwinds. Germany was defiant in its insistence that Ireland raise its corporate tax rate of 12.5 percent. This was a non-starter for the Irish government across all political parties and was defended by Irish Enterprise Minister Richard Bruton. Bruton also announced that Ireland would reverse the €1 reduction in minimum wage that was part of the Troika bailout.⁴³ In mid-April, Allied Irish Banks released a plan to cut more than 2000 jobs in order to reduce costs and shrink its balance sheet as part of the government rescue. This news came as AIB announced losses of €10bn for 2010.⁴⁴ The uncertainty surrounding the total bill for bailing out Ireland's banks and the doubts about a debt restructuring led Moody's to cut Irish debt two notches, putting Irish debt at one notch above 'junk.'⁴⁵ Finally, following weaker than expected first quarter growth, Ireland cut its growth forecast from 1.75 percent in December to 0.75 percent.⁴⁶

Throughout May 2011 Ireland continued to struggle in markets with their bond yields reaching over 11 percent in late May as fears of a Greek default impacted Irish

⁴³ John Murray Brown, "Ireland defends low corporate tax," *Financial Times*, April 15, 2011, London Edition, World News, Pg. 8.

⁴⁴ John Murray Brown, "AIB to cut 2,000 jobs as losses soar," *Financial Times*, April 12, 2011, <https://www.ft.com/content/d9890e40-64da-11e0-9369-00144feab49a>.

⁴⁵ Finbarr Flynn and Dara Doyle, "Moody's Cuts Ireland Rating Two Levels, Outlook Negative," *Bloomberg*, April 15, 2011, <https://www.bloomberg.com/news/articles/2011-04-15/moody-s-cuts-irish-rating-two-levels-as-government-struggles-to-plug-gap>.

⁴⁶ John Murray Brown, "Ireland cuts growth forecast by half," *Financial Times*, April 29, 2011, <https://www.ft.com/content/1c9de5ee-729f-11e0-96bf-00144feabdc0>.

bond yields.⁴⁷ The resistance from Europe to lowering Irish interest rates continued into May as France joined Germany in demanding that Ireland raise its corporate tax rate if it wanted interest rates lowered.⁴⁸ Also, Portugal entered its Troika bailout and there was increased concern about the solvency of Spain and Italy. In May, the Troika also released its first review of the Irish program and the review was positive, noting that the implementation of the program had been strong and policies were in line with the MOU. Economic projections were revised downward 0.5 percent as investment recovery was delayed and economic growth for 2010 was revealed to be -1 percent, which was lower than the expected -0.2 percent.⁴⁹

June was eventful for Ireland for a number of reasons. First, Irish banks announced that junior bondholders would take very large losses (up to 90 percent) on their bank bonds.⁵⁰ Second, Finance Minister Michael Noonan announced that Ireland wanted to impose haircuts on €3.5bn of senior bonds at Anglo Irish Bank and Nationwide Building Society. Noonan noted that the IMF and US Treasury Secretary Tim Geithner agreed with the finance minister. However, the ECB and some investors remained steadfastly opposed, fearing that it “would be a very negative signal for the markets

⁴⁷ James Mackintosh, “The Short View,” *Financial Times*, May 27, 2011, London Edition, The Short View – James Mackintosh, Pg. 17.

⁴⁸ Peggy Hollinger and John Murray Brown, “France resists Ireland’s low corporate tax,” *Financial Times*, May 10, 2011, <https://www.ft.com/content/65bd6068-7b2f-11e0-9b06-00144feabdc0>.

⁴⁹ European Commission, “The Economic Adjustment Programme for Ireland: Second Review,” *Europa.eu*, May 2011, https://ec.europa.eu/economy_finance/publications/occasional_paper/2011/pdf/ocp78_en.pdf.

⁵⁰ Sharlene Goff and John Murray Brown, “Irish lenders outline loss plans for bondholders,” *Financial Times*, May 31, 2011, <https://www.ft.com/content/359d2e7a-8bb2-11e0-a725-00144feab49a>.

indeed and could have repercussions far beyond Ireland.”⁵¹ Finally, Ireland’s bond yields continued to rise throughout June, rising over 12 percent in late June, indicating doubts about the Irish program and its ability to fix its ailing banking sector.

Throughout the second quarter of 2011 Ireland faced significant challenges, from rising bond yields to disappointing economic data and resistance to renegotiating parts of its bailout program. However, the Irish government pressed forward, implementing the program, creating distance between Ireland and Greece, and receiving praise from the Troika and others around Europe for its efforts.

Social Responses Q2 2011

Protests during the second quarter of 2011 continued to be very small and the targets of the protests were very specific. The size of the protests never came close to approaching the 50,000-person protest from November 2010 and the intensity of the protests continued to be low. Additionally, labor disputes continued to be very rare and much smaller than the labor disputes in Portugal and especially Greece.

The kinds of protests witnessed in the second quarter of 2011 in Ireland generally involved less than 100 people and were targeting specific policies or cuts, but not necessarily rejecting the whole Troika bailout. Examples of the kinds of protests that occurred include small protests against education cuts that would freeze hiring and cut special needs assistants,⁵² demonstrations of around 100 people against changes to Dublin

⁵¹ Tracy Alloway, “The lesser-spotted variegated burdensharing for senior bondholders,” *Financial Times*, June 16, 2011, <https://ftalphaville.ft.com/2011/06/16/596176/the-lesser-spotted-variegated-burdensharing-for-senior-bondholders/>.

⁵² Louise Holden, “Fewer jobs for teachers next year, says Quinn,” *Irish Times*, April 26, 2011, <https://www.irishtimes.com/news/fewer-jobs-for-teachers-next-year-says-quinn-1.581329>.

Bus routes (although there was a petition signed by about 30,000 people),⁵³ those protesting banks repossessing houses, and homecare helpers protesting the government's move to put home-help services out to tender, arguing it would lead to privatization of the services.⁵⁴ The largest protest, which saw 8,000 farmers come to Dublin, had nothing to do with the Troika bailout. This demonstration was to urge the government to investigate the low prices being paid to producers by retail chains in Ireland.⁵⁵

Similar to the first quarter of 2011, there were only three labor disputes in Ireland during the second quarter of 2011. The three labor disputes involved 462 workers and led to only 572 working days lost. One labor dispute involved restaurant and catering workers, and they crashed the Irish Restaurant Awards Ceremony in Dublin, where they dressed up as waiters and confronted their employers. The Restaurants Association of Ireland wanted to end the legally binding minimum pay rates and improve working conditions.⁵⁶

Also similar to the first quarter of 2011, Ireland experienced a low level of protest and resistance to the Troika program. While there were protests, they tended to be aimed at specific policies and should not be seen as a rejection of the Troika program, as was witnessed in Greece. Additionally, the level of industrial action remained low and non-

⁵³ Kitty Holland, "Plans for Dublin Bus route changes spark protests across city," *Irish Times*, June 13, 2011, <https://www.irishtimes.com/news/plans-for-dublin-bus-route-changes-spark-protests-across-city-1.594906>.

⁵⁴ Jamie Smyth, "Standards will fall if homecare put to tender, says Siptu," *Irish Times*, April 27, 2011, <https://www.irishtimes.com/news/standards-will-fall-if-homecare-put-to-tender-says-siptu-1.582119>.

⁵⁵ Sean MacConnell, "8,000 farmers in protest march," *Irish Times*, May 26, 2011, <https://www.irishtimes.com/news/8-000-farmers-in-protest-march-1.581706>

⁵⁶ Central Statistics Office, "Release Archive 2011," *Central Statistics Office*, <https://www.cso.ie/en/statistics/labourmarket/archive/releasearchive2011/>

disruptive to everyday life in Ireland.

External Pressures and Government Responses Q3 2011

The third quarter of 2011 began with tensions high as speculation of second Irish bailout intensified. Ireland endured rising interest rates on its bond yields as well as its sovereign debt rating being downgraded to 'junk' status. Adding to the tense atmosphere was the situation in Greece, where the EU was trying to get Greece a new aid package. Yet, the fears of a Greek default impacted Irish bond yields and brought Spain and Italy further into the mix of possible bailouts as their bond yields also rose. However, once EU leaders agreed to a new Greek bailout that included reducing interest rates and extending maturities for Ireland and Portugal as well, Irish bond-yields began to drop. Ireland also received a very positive review from the Troika in mid-July, which showed signs of optimism. Yet, despite falling bond-yields Ireland still had concerns about Europe's demands regarding its corporate tax rate as well as its ability to hit its deficit target for 2012.

July was a mixed bag for Ireland as there was tremendous pressure on Ireland but positive news that the country's efforts might be paying off. Following a Moody's downgrade of Portuguese debt in early July Irish bond-yields continued to rise and Moody's also downgraded Ireland's debt rating to 'junk.'. Moody's cited concerns about the Irish potentially needing a second Troika program as well as worries about the increasing likelihood of private bondholders being required to take losses in a second program. Irish two-year yields jumped from 13.98 percent to 20.11 percent in eight days and 10-year yields jumped to 13.98 and then 14.29 percent following the Moody's

downgrade.⁵⁷ However, just days after the Moody's downgrade Ireland received a very good review from the Troika, stating that its fiscal situation was ahead of schedule for 2011, praising the previous measures to restore its banking sector, and that the troika expected growth to strengthen moving forward as there was 1.3 percent growth in the first quarter of 2011.⁵⁸

During July, Greece was working with the Troika on finalizing a new bailout, which added more pressure on Ireland and perceptions of its ability to fulfill its program. In mid-July, eurozone leaders agreed to a new Greek deal that had benefits for Ireland and Portugal as well. Ireland saw the interest rate on its bailout from the EU drop from about 6 percent to between 3.5 and 4 percent and the maturities were extended to at least 15 years.⁵⁹ Adding to the good news, George Osborne, the UK's Chancellor of the Exchequer, announced he was cutting the interest rate on Ireland's bilateral loans from the UK from 5.9 percent to 3.5 percent.⁶⁰

The rest of the summer was much quieter as the Irish economy was showing signs of revitalization. Bond yields continued to fall, with 10-year yields falling below 8 percent in late September and economic growth starting to make its way back. Exports by

⁵⁷ Richard Milne, "Irish bond yields soar after downgrade," *Financial Times*, July 13, 2011, <https://www.ft.com/content/57ea88c6-ad6b-11e0-bc4f-00144feabdc0>; Dave Shellock and Telis Demos, "Fed stimulus talk drives risk asset rally," *Financial Times*, July 13, 2011, <https://www.ft.com/content/698444e8-ad6e-11e0-bc4f-00144feabdc0>.

⁵⁸ IMF, "Press Release: Statement by the EC, ECB, and IMF on the Review Mission to Ireland," *imf.org*, July 14, 2011, <https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr11281>.

⁵⁹ John Mulgrew and Ralph Atkins, "Irish eyes smiling after shot of EU optimism," *Financial Times*, July 26, 2011, <https://www.ft.com/content/60589b6e-b799-11e0-8523-00144feabdc0>.

⁶⁰ George Parker, "Cameron team nervous of eurosceptic fervor," *Financial Times*, July 22, 2011, <https://www.ft.com/content/9e71bb0e-b480-11e0-a21d-00144feabdc0>.

multinationals such as Pfizer and other high-tech multinationals helped Ireland's recovery.⁶¹ However, not everything was positive in the August and September. In August Finance Minister Michael Noonan raised doubts that the €3.6bn of cutbacks and revenue measures agreed to in the MOU might not be enough to meet the 2012 deficit target of 8.6 percent of GDP. These remarks met resistance from some in the business community as they warned against austerity measures that went beyond the agreement. The general director of the Irish Business and Employers Confederation (IBEC), was worried that "austerity measures greater than those already planned would be at odds with the economic needs of the country at this time."⁶² Also, despite being positive about the recovery in Ireland, the IMF cut Ireland's growth forecast from 0.6 percent to 0.4 percent in 2011 and from 1.9 percent to 1.5 percent in 2012, citing the global slowdown that would hit Irish exports.⁶³

Ireland made substantial progress towards fulfilling its Troika program in Q3 of 2011 as interest rates from the Troika were lowered, bond yields fell significantly, and the review from the Troika was overwhelmingly positive. Despite this progress, unemployment continued to be high entering into Q4, Ireland's bad banks had not been fully dealt with, and Ireland was still pushing to renegotiate parts of the MOU.

⁶¹ Jamie Smyth, "Pharma sales help to cure Irish ills," *Financial Times*, September 29, 2011, <https://www.ft.com/content/04a701c8-ea77-11e0-b0f5-00144feab49a>

⁶² John Murray Brown, "Fears for Ireland's fragile recovery," *Financial Times*, August 21, 2011, <https://www.ft.com/content/a098c038-ca8f-11e0-94d0-00144feabdc0>

⁶³ Emmet Oliver and Tom Molloy, "IMF cuts its forecast for growth in our economy," *Irish Independent*, September 8, 2011, <https://www.independent.ie/business/irish/imf-cuts-its-forecast-for-growth-in-our-economy-26769331.html>

Social Responses Q3 2011

Social responses in Q3 of 2011 continued some of the trends from first half of 2011 but social resistance also intensified as there was more than a doubling in the number of protests from Q2 – from 11 to 29. Despite the increase, the number of protests still paled in comparison to Greece. The number of protests was more comparable to the number of protests in Portugal, but Portuguese protests had much greater numbers as well as more industrial action. Many of the Irish protests remained relatively small, reaching no more than around 2,000 people at any one event. Of the 29 protests recorded in the Irish Times and Irish Independent newspapers,⁶⁴ only two protest were directly challenging the Troika, although many were related to cuts due to the Troika program. Finally, labor disputes continued to remain minimal throughout this time period as there was only one labor dispute involving 17 workers.⁶⁵

Cuts and proposed cuts to the health care sector were primarily responsible for the increase in demonstrations during the third quarter of 2011. The most contentious dispute involved the closing of the emergency department at the Roscommon Hospital, where its 24-hour emergency department was replaced by an 8am to 8pm urgent care facility. Making this situation more controversial were the promises made by politicians (including Enda Kenny) to protect the services at Roscommon during the most recent election. In total, the Roscommon protests accounted for 12 of the 29 protest events and healthcare concerns accounted for over half of the protest events (17 of 29). Starting in

⁶⁴ This number is in addition to the ongoing protest on Sunday mornings in Ballyhea Village, Cork.

⁶⁵ Central Statistics Archive, "Release Archive 2011," *Central Statistics Office*, <https://www.cso.ie/en/statistics/labourmarket/archive/releasearchive2011/>

July and continuing into early September, there were a series of events protesting cuts to the emergency services at Roscommon Hospital. The demonstrations ranged from a few dozen people to around 1,500 people. The events included a protest of over 1,000 people outside parliament in early June,⁶⁶ 600 people protesting outside the Roscommon Hospital in mid-July,⁶⁷ protests along highways near Roscommon warning drivers not to get in an accident, and protests in neighboring towns. Protesters also made their presence known at events the Taoiseach, Enda Kenny attended, with 1,500 people protesting at the Connacht Gaelic Athletic Association (GAA) final.⁶⁸ Another relatively large protest included more than 2,000 people in the town of Portlaoise in early July. They were upset with potential cuts to its emergency services, but this was due to staffing shortages which were eventually filled.

The protests against the cuts to certain bus lines around Dublin continued, as did protests against cuts to special needs teaching assistants. Similarly, the Sunday marches in Ballyhea Village in Cork continued, but new protests and groups also came into focus during this period. There was the formation of a group called “The Enough Campaign” that was against the Troika and its policies. They organized two protests with the support of labor unions, MPs, and other organizations opposed to the Troika. The protests

⁶⁶ Pamela Duncan, “Roscommon A&E decision spurs major protest at Dáil,” *Irish Times*, July 7, 2011, <https://www.irishtimes.com/news/roscommon-a-e-decision-spurs-major-protest-at-d%C3%A1il-1.593187>.

⁶⁷ Tom Shiel, “The closure decision has thrown Roscommon back into the dark ages,” *Irish Times*, July 12, 2011, <https://www.irishtimes.com/news/the-closure-decision-has-thrown-roscommon-back-into-the-dark-ages-1.597708>.

⁶⁸ Eithne Donnellan, “Roscommon hospital group to consult senior counsel,” *Irish Times*, July 18, 2011, <https://www.irishtimes.com/news/roscommon-hospital-group-to-consult-senior-counsel-1.602997>.

targeted Troika officials when they came to Dublin for the quarterly review in mid-July.⁶⁹ There was also the first protest against household and water taxes, which would become larger issues as the program progressed.⁷⁰

The third quarter of 2011 was a time of relatively increased protest from the beginning of the program, but as before the protests were largely centered around specific policies relating to health care, education, and the closure of certain bus routes in Dublin. While the number increased to something more similar to what was seen in Portugal, the numbers of protesters never exceeded 2,000 and industrial action remained very low. This time period did see the beginnings of protests specifically aimed at the Troika as well as the beginning stages of the movement against household and water charges, which would become more contentious through the program.

External Pressures and Government Responses Q4 2011

The fourth quarter of 2011 was mixed for the Irish as they continued to implement the austerity policies agreed to in its MOU and move the country closer to regaining their economic sovereignty. This led to praise from the Troika and other observers, but Ireland also faced many headwinds at the end of 2011. The global slowdown in the second half of 2011 threatened to derail its fragile recovery. New austerity measures in the 2012 budget angered the business community, and despite the implementation of its program,

⁶⁹ Kitty Holland, "Echoes of Swiftian proposals on streets outside," *Irish Times*, July 15, 2011, <https://www.irishtimes.com/news/echoes-of-swiftian-proposal-on-streets-outside-1.600318>; Cian Nihill, "Taking to the streets: hundreds march in Dublin against EU-IMF austerity programme," *Irish Times*, July 18, 2011, <https://www.irishtimes.com/news/taking-to-the-streets-hundreds-march-in-dublin-against-eu-imf-austerity-programme-1.602939>.

⁷⁰ *Irish Times*, "Campaign against household and water charges to be launched," *Irish Times*, September 8, 2011, <https://www.irishtimes.com/news/campaign-against-household-and-water-taxes-to-be-launched-1.593148>

unemployment remained stubbornly high. Additionally, it would also be revealed that the Irish economy contracted in the third quarter. Finally, the Irish continued their efforts at renegotiating of parts of its program, as they felt their compliance had earned them some leeway.

Despite the progress made throughout the third quarter of 2011, pressures on the Irish government and society continued to mount in early October as unemployment was still at 14.5 percent and figures were released showing that 76,000 people emigrated from Ireland between April 2010 and April 2011. Adding to the difficulties, housing prices in parts of Dublin had fallen 55 percent below their peaks and according to Moody's nine percent of residential mortgages were in arrears of 90 days or more.⁷¹ Yet, not all news in October was negative as 10-year bond yields were down to 7.7 percent from 14.07 percent in July.⁷² While this was still high, it was a significant drop from the summer and indicated that many believed Ireland was moving in the right direction. This belief was further reinforced as the media and investors praised Ireland for implementing austerity without complaint or mass protest. Also, LCH.Clearnet, one of the U.K.'s largest clearing houses, cut margin costs on Irish debt due to its falling bond yields.⁷³

Heading into the third review from the Troika in mid-October, Ireland was hoping to use much of the good news from the summer and fall to its advantage as it sought to renegotiate parts of the Troika bailout. The government had three goals going into the

⁷¹ Jamie Smyth, "Property prices cast doubts on Irish 'bad bank,'" *Financial Times*, October 3, 2011, <https://www.ft.com/content/43de3878-edb2-11e0-a9a9-00144feab49a>

⁷² David Oakley and Jamie Smyth, "Strong revival in Irish bond markets," *Financial Times*, October 6, 2011, <https://www.ft.com/content/cf29ba88-ef6a-11e0-bc88-00144feab49a>

⁷³ *ibid*

review. First, it wanted to renegotiate their commitments to raising income taxes. Second, the government wanted to use money gained from the sale of state assets to invest in job creation as opposed to repaying its debt. Finally, Ireland wanted to lower the cost of bailing out its banks by tapping the EFSF, which had lower interest rates. The review from the Troika was very positive as they praised Ireland's program implementation and commitment to fiscal consolidation. However, there were concerns that the global slowdown could hit Ireland's recovery because its recovery was so dependent on exports. The Troika did not explicitly rule out any of the demands of renegotiation, but they were not granted at this point. At the Troika's press conference, the European Commission's mission chief for Ireland, Istvan Szekely, stated that it might be possible for Ireland to tap the EFSF, but it would depend on negotiations between EU states.⁷⁴

Despite the largely positive news in October, November was a much more difficult month for the Irish in a number of ways. In early November Ireland cut its economic growth forecast from 2.5 percent of GDP to 1.6 percent and the government announced plans to introduce more austerity measures to meet the 2012 budget deficit targets. Ireland would implement €3.8bn in austerity measures as opposed to €3.6 in the Troika MOU. Ireland also announced a new four-year plan in which it would implement €12.4bn in austerity measures instead of €11.8bn⁷⁵ and announced that a number of large infrastructure projects would be postponed in efforts to meet the budget deficit targets in

⁷⁴ Jamie Smyth, "Ireland's bail-out measures praised," *Financial Times*, October 20, 2011, <https://www.ft.com/content/a72104ce-fb36-11e0-8df6-00144feab49a>.

⁷⁵ Jamie Smyth, "Ireland slashes growth forecasts," *Financial Times*, November 4, 2011, <https://www.ft.com/content/739a3a5a-070a-11e1-8ccb-00144feabdc0>.

its program. The new four-year plan called for cutting capital spending by €1.3bn in 2012 and €7.3bn in 2013.⁷⁶ Additionally, the Irish government authorized a \$1bn repayment to Anglo Irish Bank bondholders at full value. Opposition criticized this as breaking its campaign promise to impose losses on bondholder to help with the debt. Making matters worse, Greece had just received a 50 percent haircut on its debt, leading to criticism that Greece was getting a better deal despite missing its austerity targets.⁷⁷

As November progressed, the pressures on the government continued to increase as Willie Penrose, the Irish Minister of State for Housing, resigned due to cuts resulting in the closure of a military barracks in his constituency. Only days later it was revealed that the Irish budget had been leaked to the German Bundestag before being presented to the Irish parliament, angering many in Ireland. With all of the praise being thrown Ireland's way, some began to worry that the cuts were doing major damage and might be doing long-term harm. The Irish central bank also released a forecast projecting a 2.6 percent fall in real personal consumption for 2011 and an additional 0.8 percent in 2012.⁷⁸ Ireland's central bank also revealed that the number of mortgages in arrears had risen over 7,000 between June and September, bringing the number to nearly 63,000.

Towards the end of November and as the EU summit approached on December 9, Ireland continued its push to renegotiate parts of its deal as Finance Minister Michael Noonan sent a proposal to the European Union asking permission for Ireland to tap the

⁷⁶ Jamie Smyth, "Ireland forced to halt infrastructure plans," *Financial Times*, November 10, 2011, <https://www.ft.com/content/cc2c3154-0bbb-11e1-9861-00144feabdc0>.

⁷⁷ Jamie Smyth, "Anglo Irish bondholders granted full repayment," *Financial Times*, October 31, 2011, <https://www.ft.com/content/0d16aec2-03df-11e1-98bc-00144feabdc0>.

⁷⁸ Jamie Smyth, "Few Irish eyes smiling amid fragile recovery," *Financial Times*, November 20, 2011, <https://www.ft.com/content/549370b0-137e-11e1-9562-00144feabdc0>.

EFSF, which had low interest rates, to repay €31bn in promissory notes it issued when recapitalizing Anglo Irish Bank and Irish Nationwide Building Society. Talks continued leading up to the EU summit in December as one of the main issues to be discussed was a proposal to strengthen EU oversight of budgets, which would require a treaty change. Because EU treaty changes require a referendum the Irish government saw this as an opportunity to continue its renegotiation plans. In exchange for holding a divisive referendum, Ireland wanted the cost of its bank bailout reduced by €15b to €20bn, which could be accomplished through tapping the EFSF to repay the promissory notes.⁷⁹ While nothing was agreed to in December, this issue would continue to be discussed into 2012 as Ireland looked for ways to ease their crushing debt burden.

December turned out to be a particularly difficult month for Ireland as they faced increased headwinds from another austerity budget, lower than expected growth, and cuts to growth projections for 2012. Ireland released another harsh budget for 2012 in early December, including €2.2bn in spending cuts. €1.5bn of these cuts would come from social welfare, health, and education while an additional €750m would be cut from capital expenditure. Other measures included plans to cut the winter fuel allowance for pensioners, cuts to the number of assistant teachers for disadvantaged students, and lone

⁷⁹ Jamie Smyth, "Ireland seeks EU help over bank bail-out," *Financial Times*, November 23, 2011, <https://www.ft.com/content/2932a324-15f3-11e1-a691-00144feabdc0>.

parent supports. The cuts would be accompanied by a €1.6bn rise in taxes⁸⁰ and the overall, the adjustment for 2012 would amount to 2.25 percent of GDP.⁸¹

Pressure on the Irish government continued to increase as it was revealed that the Irish economy contracted 1.9 percent in the third quarter of 2011⁸² and the IMF cut Ireland's growth forecast for 2012 from 1.9 to 1 percent of GDP. The IMF cited eurozone uncertainty and lower than expected domestic demand. Also, unemployment was still above 14 percent and over 40,000 Irish nationals had emigrated in 2011.⁸³ Despite all of the negative news concerning Ireland's economic situation, a stress test was performed on Irish banks that revealed they had increased their tier-1 core capital, indicating that the banking sector was beginning to stabilize.⁸⁴

This section illustrated that the end of 2011 started out with positive news as the Troika believed Ireland was implementing its program well and interest rates continued to drop. However, November and December proved to be more difficult for Ireland in many ways as it faced decreasing growth rates and projections, the passing of another difficult budget, high unemployment, and a global economic slowdown. Nevertheless, throughout the difficulties, Ireland persisted with its program and continued playing the

⁸⁰ Jamie Smyth, "Ireland sets out new round of spending cuts," *Financial Times*, December 5, 2011, <https://www.ft.com/content/f2f93bb8-1f68-11e1-9916-00144feabdc0>.

⁸¹ European Commission, "Ex post evaluation of the economic adjustment programme for Ireland (2010-2013)," *europa.eu*, July 16, 2015, https://ec.europa.eu/info/publications/economy-finance/ex-post-evaluation-economic-adjustment-programme-ireland-2010-2013_en.

⁸² Jamie Smyth, "Ireland GDP falls by 1.9% in third quarter," *Financial Times*, December 16, 2011, <https://www.ft.com/content/e11734dc-27ff-11e1-91c7-00144feabdc0>.

⁸³ Alan Beattie, "Eurozone turmoil poses 'serious threat' to Irish economy," *Financial Times*, December 20, 2011, <https://www.ft.com/content/c06e793c-2b2b-11e1-9fd0-00144feabdc0>.

⁸⁴ Jamie Smyth, "Bailed-out Irish banks edge towards stability," *Financial Times*, December 28, 2011, <https://www.ft.com/content/930bc3de-2cc8-11e1-aaf5-00144feabdc0>.

long game with the Troika in an attempt to be renegotiate parts of its deal in return for implementing the program.

Societal Response Q4 2011

In the fourth quarter of 2011, the frequency of protest action against the Irish austerity program increased compared to earlier periods, but the trend of small protests occurring sporadically across the country continued. Whereas the third quarter saw only 29 protests, the fourth quarter saw the emergence of Ireland's own "Occupy" movements in Dublin and Cork, which account for the increased number of protests (183) during this time period. Despite the increased number of protests due to the Occupy movements, the numbers of people protesting was still relatively small aside from a student protest of around 20,000 students in mid-November. Outside of the "Occupy" movements, there were only a total of 20 protests. Additionally, there were only two labor disputes. Each dispute lasted one day and there was a total of 580 workers involved.

As the fourth quarter began, around 80 protesters mimicked the US's Occupy Wall Street movement and place tents outside the Irish Central Bank to protest the bailout and austerity while demanding the government burn bank bondholders.⁸⁵ A week later these protests would spread to Cork and Galway, and these protests would continue through the end of 2011. Although the camps remained relatively small, ranging between a few tents in Galway to 15 to 30 tents in Dublin and Cork. The amount of people participating was also small, ranging between 10 and 100 protesters at any given time. October saw a few other small protests, such as marches in Dublin involving 400 and 600

⁸⁵ Genevieve Carbery, "Day two of protest outside Central Bank," *Irish Times*, October 10, 2011, <https://www.irishtimes.com/news/day-two-of-protest-outside-central-bank-1.614716>.

participants voicing their opposition to the Irish austerity program and “corporate greed.”⁸⁶ In early October, there were also 22 workers of the Dublin bar, Shebeen Chic, that locked themselves inside to protest banks foreclosing on the bar.⁸⁷

Throughout November, the “Occupy” protests continued along with many other small protests and two larger protests, one by students and the other protesting against the closure of a community nursing unit. The smaller actions included some localized protests, such as 1,000 people in west Cork protesting changes to its ambulance service but most of the small protests targeted cuts in the budget and banks. Sinn Féin staged a protest at two branches of Bank of Ireland because the bank had refused to grant mortgage customers a 0.25 percent rate cut⁸⁸ and around 2,000 people protested in Dublin against cuts in the 2012 budget.⁸⁹ There were two larger protests, with the largest in mid-November when around 20,000 students marched in Dublin to protest any cuts to education or raising of fees in the upcoming 2012 budget.⁹⁰ The other larger protest included 5,000 people in County Laois taking to the streets to oppose the closing the Abbeyleix Community Nursing Unit.

⁸⁶ Kitty Holland, “Dublin marchers protest against ‘corporate greed,’” *Irish Times*, October 17, 2011, <https://www.irishtimes.com/news/dublin-marchers-protest-against-corporate-greed-1.625693>.

⁸⁷ David McWilliams, “David McWilliams: Sacrificing jobs to protect landlords is plain wrong,” *Irish Independent*, October 5, 2011, <https://www.independent.ie/opinion/columnists/david-mcwilliams/david-mcwilliams-sacrificing-jobs-to-protect-landlords-is-plain-wrong-26778807.html>.

⁸⁸ Kitty Holland, “SF stages protest at bank rate retention,” *Irish Times*, November 19, 2011, <https://www.irishtimes.com/business/financial-services/sf-stages-protest-at-bank-rate-retention-1.13828>.

⁸⁹ Fiona Ellis, “Thousands march to have ‘voices heard’ before Budget cuts,” *Irish Independent*, December 1, 2011, <https://www.independent.ie/business/budget/thousands-march-to-have-voices-heard-before-budget-cuts-26796454.html>.

⁹⁰ Steven Carroll, “Students march against increased fees and grant cuts,” *Irish Times*, November 17, 2011, <https://www.irishtimes.com/news/students-march-against-increased-fees-and-grant-cuts-1.12519>.

As the year ended, small protests continued but there were no major protest events that took place. The “Occupy” camps continued, there were some protests against the closure of a nursing unit in Galway, and some people were upset at new septic tank charges, but major protest action was not seen. The protests in Galway opposing the closure of the St Francis Nursing Home saw “thousands” of people participate, but exact numbers were not given.⁹¹ New septic tank charges angered Irish in the rural parts as about 100 protesters interrupted a city council meeting in Galway in mid-December.⁹² Additionally, veterinarians, who normally perform meat inspections, protested the government’s decision to move meat inspection jobs to civil servants by refusing to work more than their contracted hours, leading to some factories turning away farmers and operating below capacity.⁹³ While December saw some protests, they were not large and did not cause disruptions outside of the ongoing “Occupy” movements in Dublin, Cork, and Galway.

To summarize, the fourth quarter of 2011 saw a continuation of many of the previous trends in Ireland’s social response to its Troika program, but there were some significant differences in this period. There was a marked increase in protest activity, which was accounted for primarily by the “Occupy” movements, and there was a large student protest of around 20,000 people. Despite the “Occupy” movement increasing the total numbers of protests in the fourth quarter of 2011, these protests remained relatively

⁹¹ John Fallon, “Protesters fight nursing home closure,” *Irish Times*, December 5, 2011, https://www.irishtimes.com/news/protesters-fight-nursing-home-closure-1.7603_

⁹² John Fallon, “Taking a stand against sewage costs,” *Irish Independent*, December 20, 2011, <https://www.independent.ie/irish-news/taking-a-stand-against-sewage-costs-26803811.html>

⁹³ Agriland.ie, “Vet action forces factories to operate on half-capacity,” *agriland.ie*, December 18, 2011, <https://www.agriland.ie/farming-news/vet-action-forces-factories-to-operate-on-half-capacity/>

small and did not cause disruptions to society. Health care and education continued to be two of the most contentious issues for the Irish as they led to the largest protests. Finally, the trend of labor peace continued as there were only two labor disputes in the fourth quarter of 2011.

External Pressures and Government Responses Q1 2012

The new year for Ireland began with a mix of positive and negative news as the government continued to comply with the Troika while looking for ways to find savings, lower its debt burden, and grow the economy. The good economic news was offset by high unemployment, downwardly revised growth projections, and data indicating the Irish economy re-entered recession in 2011. Ireland attempted to renegotiate parts of its deal while having to navigate a potential referendum on the new fiscal treaty for the EU, which was essentially a vote on Irish membership in the eurozone. Overall, this time period continued to show that Ireland was dedicated to fulfilling its program but also made moves to ease some of the conditions to make its implementation more bearable for the country.

January began with some positive economic news, which suggests that the economy was beginning to come back on track. The budget deficit for 2011 came in at 9.9 percent of GDP, which outperformed the program target of 10.1 percent. Ireland also revealed that foreign companies made record investments in Ireland in 2011, leading to nearly 13,000 new jobs being created and helping Ireland's economy return to positive growth for the first time in three years.⁹⁴ Ireland also saw its food and drink exports hit an

⁹⁴ Jamie Smyth, "Ireland boosted by foreign investment," *Financial Times*, January 5, 2012, <https://www.ft.com/content/85d9d6d2-37af-11e1-897b-00144feabdc0>

all-time high in 2011 as they grew 17 percent from 2010. Bond yields continued to fall, allowing Ireland to return to bond markets where it swapped €11.8bn worth of treasury bonds trading at 4.9 percent for bonds trading at 5.15 percent. This move delayed bond maturity dates from January 2014 to February 2015.⁹⁵

However, the economy also faced its share of difficulties as the Troika cut its 2012 forecast for Ireland in mid-January, which was followed by the Irish Central Bank in early February. Both institutions expected economic growth in Ireland to be 0.5 percent of GDP, down from 1 percent for the Troika⁹⁶ and 1.8 percent for the Irish Central Bank.⁹⁷ Despite the revision, the Troika continued to praise Ireland's efforts in fulfilling its program. Additionally, the Irish statistics office showed that house prices had fallen 54 percent from their peak in 2007 and 16.7 percent in 2011. There were also about 130,000 people either in arrears or who had restructured their mortgages with their bank.⁹⁸ Worries increased throughout February as the expiration of some major pharmaceutical patents, such as Lipitor, added to concerns about Ireland's recovery because it would lead to losses in tax revenue.⁹⁹ Finally, in March, the Irish statistics office released data showing that Ireland's economy had re-entered recession as the Irish

⁹⁵ Jamie Smyth, "Ireland returns to international bond market," *Financial Times*, January 25, 2012, <https://www.ft.com/content/d0532bc0-477f-11e1-b646-00144feabdc0>.

⁹⁶ Jamie Smyth, "Troika forecasts lower Irish growth," *Financial Times*, January 19, 2012, <https://www.ft.com/content/8fc406b4-42cb-11e1-b756-00144feab49a>.

⁹⁷ Jamie Smyth, "Ireland's central bank cuts growth forecast," *Financial Times*, February 2, 2012, <https://www.ft.com/content/a1f49a6c-4da0-11e1-bb6c-00144feabdc0>.

⁹⁸ Jamie Smyth, "Irish property prices fell 16.7% in 2011," *Financial Times*, January 24, 2012, <https://www.ft.com/content/fb411b24-4687-11e1-89a8-00144feabdc0>.

⁹⁹ Jamie Smyth, "Patent loss threatens Irish recovery," *Financial Times*, February 26, 2012, <https://www.ft.com/content/91fac36e-6080-11e1-84dd-00144feabdc0>.

economy contracted by 0.2 percent in the fourth quarter. This followed a 1.9 percent contraction in the third quarter of 2011 and a 2.2 percent drop in GNP during the fourth quarter.¹⁰⁰

During the first quarter of 2012 Ireland also made moves to stimulate its economy by leveraging its strict adherence to the Troika program to have some conditions relaxed. Ireland introduced several new initiatives to accomplish this. First, there was a new tax incentive scheme to attract foreign executives. Second, Enda Kenny unveiled a new action plan for jobs that included a loan guarantee for companies with trouble accessing credit, a €150m development capital scheme focused on companies with exporting potential, a €100m micro-financing scheme that would run over the next ten years, and a “finder’s fee” of €4,000 to Irish citizens that could bring new jobs to the country.¹⁰¹

Ireland also hosted Chinese Vice President Xi Jinping in a bid to attract more Chinese investment in Ireland. Finally, Ireland agreed to sell up to €3bn in state assets, which helped win approval from the Troika to reinvest up to one-third of its earnings from the sale into jobs programs.¹⁰²

In the midst of Ireland trying to keep its economy moving in the right direction, the EU passed its new fiscal treaty, which needed to be passed in 12 of the 17 Eurozone countries to go into effect. Because the Irish have to approve any significant transfer of sovereignty to Europe through referendum, Ireland spent most of the first quarter of 2012

¹⁰⁰ Aoife Barry, “Recession returns as Ireland’s economic output falls again,” *thejournal.ie*, March 22, 2012, <https://www.thejournal.ie/cso-gdp-gnp-recession-double-dip-economic-growth-392430-Mar2012/>

¹⁰¹ Jamie Smyth, “Dublin offers incentives to create jobs,” *Financial Times*, February 13, 2012, https://www.ft.com/content/9a678dc0-5662-11e1-b548-00144feabdc0_

¹⁰² Jamie Smyth, “Dublin to sell up to €3bn in state assets,” *Financial Times*, February 22, 2012, https://www.ft.com/content/09d3c9ec-5d54-11e1-869d-00144feabdc0_

debating the necessity of a referendum. The Irish government desperately wanted to avoid having its population vote on a treaty that could lead to a backlash against its Troika program or lead to the Irish being forced to leave the eurozone. Voting against the fiscal treaty would have also cut Ireland off from the European Stability Mechanism right when Ireland's economy was starting to show signs of life. While the government did not prefer a referendum, as many as 72 percent of Ireland favored putting the new fiscal treaty up for a referendum.¹⁰³ By the end of February, Prime Minister Enda Kenny had been advised that the Irish constitution required a referendum on the new fiscal treaty. The referendum was scheduled for May 31. This was the requirement because countries such as Germany insisted on the new fiscal rules being enshrined in each country's constitution.

However, the demands of Germany, among others, that the new fiscal rules be put in each country's constitutions created an opportunity for Ireland to lower its debt burden. Ireland wanted to restructure €31bn worth of promissory notes used to cover the cost of winding up Anglo Irish Bank in return for holding a potentially divisive referendum for the fiscal treaty. Ireland wanted to renegotiate the entire €31bn, but this was rebuffed by the ECB and European Commission. After numerous talks between the Troika and Ireland, an agreement was struck to restructure its €3.06bn promissory note payment due at the end of March. Ireland would use a long-term government bond instead of cash to make the payment. While the IMF was supportive, the ECB was more skeptical of the move, citing concerns about losing credibility with investors and delaying Ireland's

¹⁰³ Jamie Smyth, "Irish want a referendum on fiscal treaty," *Financial Times*, January 29, 2012, <https://www.ft.com/content/7c4feb24-4a6f-11e1-a11e-00144feabdc0>.

return to capital markets.¹⁰⁴

As stated above, the first quarter of 2012 was mixed for Ireland. There was some good economic news that was offset by high unemployment and the news that Ireland returned to recession in the second half of 2011. Ireland also made moves to stimulate its economy by leveraging the strict implementation of its Troika program and targeted investment. Finally, Ireland was able to win some concessions regarding its promissory notes despite the reservations of the ECB. Overall, Ireland's strategy of 'playing the long game' regarding its Troika program was starting to pay off as it was beating fiscal deficit targets and could see some small rewards coming its way for its adherence to the program. Rough roads were still ahead with the referendum approaching in May and an economy still struggling to grow again, but the Irish could see their efforts beginning to payoff.

Social Responses Q1 2012

The first quarter of 2012 continued the trend of increased protest that began in the fourth quarter of 2011, illustrating an increase in resistance to the demands of the Troika program. While these protest actions were an increase for Ireland, they still paled in comparison to what was witnessed in Greece and even in Portugal, as the numbers of people participating remained relatively low. There were 298 total protests, of which the "Occupy" movement accounted for 231. There was also a day of protest all over Ireland against water and household charges that would be coming into place that saw 40 different protests across the country. In addition to these protest actions, there were 26

¹⁰⁴ Jamie Smyth and Ralph Atkins, "Ireland sets out debt deferment plan," *Financial Times*, March 29, 2012, <https://www.ft.com/content/8891e1be-79bb-11e1-9900-00144feab49a>.

others with 8 protests focused on workers' rights or workers receiving pay after firms had closed. There were also 6 protests against cuts to education and four related to health care. Finally, Ireland continued to have labor peace as there was only one labor dispute with one firm. This included 75 workers and 161 days of lost work. Even though these protests were not on the scale in numbers of Greece or Portugal, they demonstrate that the Irish were becoming increasingly upset with the additional charges and cuts that were required due to the Troika program. This was particularly evident with the household, water, and septic tank charges, which led to the day of protests that included 40 separate protests across the country.

The "Occupy" movement in Ireland, which accounted for the vast majority of the protests in the first quarter of 2012, continued from the start of the year, but the camps in Dublin and Cork were disbanded in March. The Dublin camp was forcibly disbanded by the police, but there were only about 15 people participating when the police made the protesters leave.¹⁰⁵ In Cork, the protesters, which had dwindled to less than ten people, voluntarily left its protest camp a few days after the Dublin camp was disbanded. The small camp in Galway continued throughout the first quarter and into May before it was disbanded by police.

The nation-wide rally held by the Campaign Against Household and Water Taxes was also another significant protest event during this time because there were 40 cities and towns that participated. The individual protests ranged from 10 at a library in Dublin

¹⁰⁵ Orla Tinsley and Luke Cassidy, "Protesters demand return of possessions," *Irish Times*, March 9, 2012, <https://www.irishtimes.com/news/protesters-demand-return-of-possessions-1.477732>.

to 800 in Cork.¹⁰⁶ The numbers were still small in comparison to Greece and Portugal, but this was an increase from previous protests across Ireland.

Other notable protests during this time included protests against cuts to education, which saw one protest outside the Department of Education in mid-January of between 3,000 – 4,000 people,¹⁰⁷ another in late February that included around 2,000 protesters in Castlebar,¹⁰⁸ and another in Donegal that involved roughly 3,000 parents and teachers.¹⁰⁹ There was also a rally in Dublin of about 1,000 people to bring attention to the impact that austerity was having on rural communities.¹¹⁰

For Ireland, this was a time of increased protest with three separate locations for the “Occupy” movement, relatively large protests against cuts to the education budget, and a nation-wide coordinated protest against household and water charges. The numbers of participants were not especially large, but the increased number of protesters indicated a population that was growing weary of the austerity measures that were required of the Irish in their Troika program.

¹⁰⁶ Marie O’Halloran, “Protest rally planned against EUR 100 fee,” *Irish Times*, February 27, 2012, Ireland, Other Stories – Marie O’Halloran, Pg. 5.

¹⁰⁷ Kitty Holland, “Deis protesters picket Department of Education,” *Irish Times*, January 20, 2012, <https://www.irishtimes.com/news/politics/oireachtas/deis-protesters-picket-department-of-education>.

¹⁰⁸ ‘Coalition pursuing 'scorched earth' policy on rural schools, says principal’, *Irish Times*, February 27, 2012, Ireland; Regional News, pg. 2.

¹⁰⁹ Stephen Maguire, “Thousands march in protest at school cutbacks in Donegal,” *Irish Times*, March 12, 2012, <https://www.irishtimes.com/news/thousands-march-in-protest-at-school-cutbacks-in-donegal>.

¹¹⁰ Eoin Burke-Kennedy, “Countryside rallies against charges,” *Irish Times*, March 1, 2012, Ireland, Dáil Report – Eoin Burke-Kennedy.

External Pressures and Government Responses Q2 2012

Despite Ireland's continued implementation of its austerity program and the praise it received from the Troika, the second quarter of 2012 was one of the most uncertain times for Ireland during its Troika program as Ireland faced a referendum on the new fiscal treaty. Failure to ratify the treaty could have had severe consequences for Ireland such as being shut out of ESM funding, delaying a return to bond markets, and putting Ireland's Troika program at risk. However, the referendum passed in the end of May and the Irish ratified the new fiscal treaty. The uncertainty about the referendum also sent Irish bond-yields temporarily higher before continuing their fall that had begun in October of 2011. Ireland also faced other hurdles to its economic recovery as it continued to battle high unemployment and an ongoing European-wide slowdown, which led to lower growth projections. However, the second quarter ended with potentially 'game-changing' news as the EU summit agreed to allow ESM funds to be directly injected into banks, potentially eliminating the cost of recapitalizing Ireland's banks from the government balance sheet.

While the government was relatively confident in the passage of the fiscal treaty, many commentators in the media were uncertain as polls throughout the spring showed a yes vote in danger of falling apart. In the weeks leading up to the referendum, polls varied as numbers of those supporting a yes vote were as low as 37 percent with 35 percent uncertain and 24 percent against¹¹¹ and as high as 53 percent supporting a yes

¹¹¹ Jamie Smyth, "Fear drives Irish towards Yes vote," *Financial Times*, May 20, 2012, <https://www.ft.com/content/a8a6a8b0-a259-11e1-826a-00144feabdc0>.

vote with only 31 percent against and 16 percent undecided.¹¹² The variation in polls leading up to the referendum also affected Irish bonds as their yields rose from just under 7 percent in early May to nearly 7.5 percent just before the referendum.¹¹³ The lines were also drawn pretty clearly politically as the Fine Gael/Labour Coalition along with Fianna Fail and the business community supported a yes vote and Sinn Féin led the no campaign along with labor unions and various socialist groups.¹¹⁴ Labor unions, while urging members not to vote ‘yes’ did not encourage a ‘no’ vote as the consequences of the referendum failing were believed to be dire.¹¹⁵ In the end, the referendum passed with 60 percent voting ‘yes’ and 40 percent voting ‘no’, averting a potential crisis and notching a win for the government.

Outside of the referendum, Ireland faced a mixed batch of news as it received another largely positive review from the Troika in June, although the review warned that Irish banks were still very fragile and that Ireland would face headwinds as the European economy was in a slowdown, which could hurt exports.¹¹⁶ The Irish Fiscal Advisory Council, which was formed in 2011 as an independent body to offer analysis on whether

¹¹² Jamie Smyth, “Dublin receives boost on referendum,” *Financial Times*, May 13, 2012, <https://www.ft.com/content/db2343a8-9cef-11e1-9327-00144feabdc0>.

¹¹³ Trading Economics, “Ireland Government Bond 10Y,” *Trading Economics*, <https://tradingeconomics.com/ireland/government-bond-yield>.

¹¹⁴ Jamie Smyth, “Dublin loses momentum on Yes vote,” *Financial Times*, April 29, 2012, <https://www.ft.com/content/2b9f79ea-91d9-11e1-abdf-00144feab49a>.

¹¹⁵ Jamie Smyth, “Ireland sees support for fiscal treaty wane,” *Financial Times*, April 25, 2012, <https://www.ft.com/content/1370aafc-8eef-11e1-ab32-00144feab49a>.

¹¹⁶ European Commission, “Economic Adjustment Programme for Ireland — Spring 2012 Review,” *europa.eu*, June 2012, https://ec.europa.eu/economy_finance/publications/occasional_paper/2012/op96_en.htm.

the government was meeting its budgetary targets, issued a statement saying that Ireland would need an additional €400m in austerity to meet its 2012 deficit target of 8.6 percent of GDP. This came only a little more than a month after the IMF advised against more austerity out of fears it would damage the economy.¹¹⁷ Additionally, Ireland revised its growth forecast for 2012 downward from 1.3 percent to 0.7. The government also cited the slowdown of the European economy, which would hurt Irish exports.¹¹⁸ As the second quarter ended, Ireland announced that its unemployment rate had increased from 14.5 to 14.8 percent during the first quarter of 2012, which was the highest unemployment rate since the financial crisis began.¹¹⁹

Also, despite praise of Ireland's implementation of austerity measures, the European Commission questioned Ireland's policy of cutting public sector workers as opposed to reductions in pay, citing fears of the cuts jeopardizing the delivery of public services. However, the Croke Park labor agreement in 2010 mandated that there would be no public sector pay cuts in exchange for industrial peace, which put Ireland in a difficult spot. Finally, Ireland was given some potentially game changing news at the European summit at the end of June. Eurozone leaders agreed to make EU bailout funds available to be injected directly into Spanish financial institutions and the summit agreed that Ireland would be considered for similar treatment. If this was approved, the bank

¹¹⁷ Jamie Smyth, "Irish watchdog calls for more austerity," *Financial Times*, April 3, 2012, <https://www.ft.com/content/4d72f80e-7d83-11e1-bfa5-00144feab49a>.

¹¹⁸ Jamie Smyth, "Dublin cuts growth forecast for year," *Financial Times*, April 27, 2012, <https://www.ft.com/content/58c5460c-9085-11e1-9e2e-00144feab49a>.

¹¹⁹ Jamie Smyth, "Irish unemployment hits 14.8%," *Financial Times*, June 7, 2012, <https://www.ft.com/content/7eed663a-b0b9-11e1-a2a6-00144feabdc0>.

liabilities Ireland's government was responsible for would be removed from the government's balance sheet, potentially helping Ireland solve its banking crisis that was at the heart of its sovereign debt crisis. The announcement of the deal sent long-term Irish borrowing costs down to 6.35 percent as there was the potential for €64bn of Irish government debt to be wiped from its balance sheet.¹²⁰

While the second quarter of 2012 was dominated by discussions and canvassing for and against the fiscal treaty, which ultimately passed, Ireland faced a number of other obstacles on its path towards restarting its economy. Unemployment was still very high and even increased slightly, and the Irish economy was forecasted to grow at a slower pace due to the European-wide slowdown. Also, the Irish agreement with labor unions to ensure industrial peace had drawn criticism from Brussels as it worried about Ireland's ability to deliver public services. Despite what was a very tense second quarter of 2012, there was tremendous optimism as Ireland continued making progress with implementing its Troika program, passed the fiscal treaty, and had the possibility of erasing the banking debt that was central to its financial crisis.

Social Responses Q2 2012

The second quarter of 2012 saw a significant decrease in protest activity from the previous two quarters but had four protest events with over 500 participants. With only Occupy Galway remaining out of the three "Occupy" camps, protests during the second quarter of 2012 totaled only 70. Of the 70 total protests, 46 were at Occupy Galway,

¹²⁰ Peter Spiegel and Joshua Chaffin, "Europe agrees to crisis-fighting measures," *Financial Times*, June 29, 2012, <https://www.ft.com/content/5513d3d4-c19f-11e1-8eca-00144feabdc0>; David Oakley and Jamie Smyth, "Ireland boosted by EU bailout fund deal," *Financial Times*, July 2, 2012, <https://www.ft.com/content/fbc2849c-c423-11e1-850c-00144feabdc0>

which was forcibly disbanded in mid-May, and a further 13 protests were accounted for with the weekly protest walks in Ballyhea. When one excludes Occupy Galway and weekly marches in Ballyhea, which had small numbers of participants, there were only 21 other protests in the second quarter of 2012. Similar to trends regarding labor disputes, Ireland had only three labor disputes involving only three firms, but they involved more workers (1,445) and more lost days of work (7,754) than in previous quarters.¹²¹

Of the 21 protests outside of Occupy Galway and the Ballyhea marches, only three events had over 500 participants and these included a protest outside the Labour Party Conference, a protest against closing a nursing home, and a May Day march in Dublin. The protest outside the Labour Party Conference in Galway was a collection of people upset about the household charge, youth precarity, and those angry at the Labour Party for breaking campaign promises. The police were needed to keep the peace and ended up using pepper spray on some of the protesters.¹²² 3,000 people protested the closing of the Abbeyleix Community Nursing Home in late April, as the Health Service Executive announced the week before that it would close the hospital. Workers as well as residents participated in the protest as they hoped the government would reverse its decision.¹²³ The anti-austerity May Day protests were organized by the Dublin Council of

¹²¹ Central Statistics Office, "Industrial Disputes: Quarter 2 2012," *Central Statistics Office*, August 14, 2012, https://www.cso.ie/en/media/csoie/releasespublications/documents/labourmarket/2012/disputes_q22012.pdf.

¹²² Deaglan De Breadun, "Turbulent scenes outside conference," *Irish Times*, April 16, 2012, <https://www.irishtimes.com/news/turbulent-scenes-outside-conference-1.502076>.

¹²³ Claire O'Brien, "Nursing home residents among 3,000 protesting against its possible closure," *Irish Times*, April 30, 2012, <https://www.irishtimes.com/news/nursing-home-residents-among-3-000-protesting-against-its-possible-closure-1.511352>.

Trade Unions and 500 people attended the march. People attending ranged from Occupy activists to anti-household charge campaigners to union representatives.¹²⁴ Overall, Ireland saw a significant decrease in the number of protests in the second quarter of 2012 and with the break-up of Occupy Galway in mid-May, the numbers fell further. Outside of the three larger protests mentioned above, the protest actions taken in Q2 of 2012 remained poorly attended.

External Pressures and Government Responses Q3 2012

The third quarter of 2012 for Ireland continued the trend of mixed news regarding the economic and political situation, but the bad news far outweighed the good. The good news was that Ireland continued to meet its fiscal targets and implement its Troika program, it returned to bond markets for the first time since September 2010, and even announced a stimulus package of €2.2bn. The bad news was that Ireland's economy was still very sluggish as it reported zero growth in the second quarter and economic projections for 2013 were cut by the Troika and the Irish Central Bank. Irish banks were also struggling as AIB and Bank of Ireland posted losses through the summer and Irish banks had reduced loans to Irish businesses by roughly one-third from the fourth quarter of 2010, impeding progress towards a recovery. Also, youth unemployment continued to hover around 30 percent as emigration reached a 25-year high.¹²⁵ There was also a disagreement in the Fine Gael/Labour coalition about additional cuts to health services. Finally, the bank bailout deal agreed to at the end of June, was thrown into doubt as

¹²⁴ Eoin Burke Kennedy, "May Day marchers rally against austerity," *Irish Times*, May 2, 2012, <https://www.irishtimes.com/news/politics/oireachtas/may-day-marchers-rally-against-austerity-1.512671>.

¹²⁵ Jamie Smyth, "Ireland's emigration highest for 25 years," *Financial Times*, September 30, 2012, <https://www.ft.com/content/a1f53ac2-0997-11e2-a5a9-00144feabdc0>.

northern European finance ministers did not want the agreement to apply to debts previously incurred by governments. Overall, the Irish were doing everything the Troika wanted, but had little to show for it in economic terms.

Social Responses Q3 2012

The third quarter of 2012 continued the downward trend in protest activity in Ireland witnessed in the second quarter as all of the “Occupy” camps had been disbanded and protests occurred with lower frequency and had fewer participants. There was a total of 27 protests and the weekly Ballyhea march accounted for 13 of the 27 protests. There were seven protests relating to health care and three protests related to workers and working conditions. None of the protests during the third quarter of 2012 involved more than 400 participants, which was a protest in mid-July outside of parliament against household and water charges.¹²⁶ There was one labor dispute in the third quarter, which involved 400 workers and 571 lost days of work. This dispute was a one-day strike by Dublin taxi-drivers after the airport took away 55 of the 445 parking spots from taxis earlier in the week.¹²⁷ After increased protest activity began in late 2011, much of the increased activity had fallen off by the summer of 2012 and protests around Ireland were very few and far between, with crowds ranging from a few dozen to a few hundred.

External Pressures and Government Responses Q4 2012

The fourth quarter of 2012 was a difficult time for Ireland as its efforts to implement its Troika program were praised by the Troika and others in Europe, but the

¹²⁶ Joanne Hunt, “400 march against household charges,” *Irish Times*, July 19, 2012, <https://www.irishtimes.com/news/400-march-against-household-charges-1.538911>.

¹²⁷ Elaine Edwards, “Taxi drivers, DAA in mediated talks,” *Irish Times*, August 24 2012, <https://www.irishtimes.com/news/taxi-drivers-daa-in-mediated-talks-1.542027>.

Irish economy was still sputtering along. In a major blow to Irish debt reduction efforts, it was decided that the June agreement to directly inject capital into bailed out banks would not be applied retroactively, meaning that Ireland's bank rescue would remain on the Irish books. In addition to this disappointment, Ireland's central bank revised its growth forecasts down for 2012 and 2013 and unemployment remained around 14 percent. After the criticism from the European Commission about laying workers off as opposed to implementing pay cuts, the Irish planned to move forward with a plan to cut a number of allowances paid to public sector workers. This put the government at odds with the unions which vowed to oppose the cuts as they would violate the 2010 Croke Park Agreement.¹²⁸ More negative economic news appeared in mid-November, Ireland cut its growth forecast from 2.2 percent to 1.5 percent for 2013 and from 3 percent to 2.5 percent for 2014 as its main trading partners were continuing to experience slowdowns, which were cutting into Irish export growth.

Ireland also revealed its 2013 budget in December, which added to the ongoing economic pain. The budget included an additional €3.5bn in austerity measures including €2.25bn in spending cuts and the new measures included a number of new taxes as well as a new property tax, which was particularly unpopular. The 2013 budget left income taxes and social benefits largely untouched but reduced the monthly child benefit by €10 per month.¹²⁹ In the weeks following the release of the budget, the IMF urged Ireland to

¹²⁸ Jamie Smyth, "Dublin to clash with unions over plans," *Financial Times*, October 11, 2012, <https://www.ft.com/content/371d6e92-13b8-11e2-9ac6-00144feabdc0>.

¹²⁹ Jamie Smyth, "Irish budget seeks extra €3.5bn," *Financial Times*, December 5, 2012, <https://www.ft.com/content/372a1862-3efc-11e2-a095-00144feabdc0>.

delay further austerity measures even if it meant missing its fiscal targets as it argued that further austerity would damage an Irish economy that was facing significant risks. This warning was announced just before the Irish national statistics office released economic figures showing that the Irish economy grew at 0.2 percent in the third quarter of 2012.¹³⁰

Despite the flurry of negative news, Ireland had some positive developments in the fourth quarter. The eighth review from the Troika was positive again and the IMF and Ireland both agreed that being able to access the ESM to help Irish banks would have been beneficial despite the resistance from northern European countries. Fitch also changed Ireland's outlook from negative to stable while keeping its sovereign debt rating at BBB+. This sent Irish 9-year bond yields to 4.7 percent, its lowest rate since June of 2010. Ireland also sold €500m in three-month bonds at a rate of 0.55 percent, which was significantly lower than the 4.2 percent Greece had to pay. Additionally, Franklin Templeton purchased €8.4bn worth of Irish bonds, helping push interest rates down.¹³¹ Finally, Irish banks were starting to show some signs of life as AIB and Bank of Ireland raised €1.5bn combined in November.¹³² Ireland also extended its bank guarantee through 2013 even as Bank of Ireland claimed they were able to re-enter debt markets.¹³³

¹³⁰ Jamie Smyth, "IMF warns against more pain for Ireland," *Financial Times*, December 18, 2012, <https://www.ft.com/content/36265866-490d-11e2-9225-00144feab49a>.

¹³¹ Jamie Smyth, "Fund manager bolsters Ireland's reputation," *Financial Times*, November 23, 2012, <https://www.ft.com/content/a32815fe-3575-11e2-bf77-00144feabdc0>.

¹³² Jamie Smyth, "Irish banks show signs of stabilization," *Financial Times*, December 16, 2012, <https://www.ft.com/content/8b521e2e-4764-11e2-8c34-00144feab49a>.

¹³³ Jamie Smyth, "Frustration over guarantee extension into 2013," *Financial Times*, December 17, 2012, Companies, Pg. 22.

The fourth quarter for Ireland didn't offer much in the way of positive news as potential bank relief was thwarted and Ireland continued to face economic headwinds despite another positive review from the Troika. The June agreement to allow the ESM to directly recapitalize banks was basically dead for any existing debt and growth projections were all revised lower than previously expected. The Irish budget also led to backlash because of its new property tax and warnings from the IMF that further austerity should be delayed due to weaknesses in the Irish economy. Despite Ireland's adherence to its Troika program, it was still unable jumpstart its economy.

Social Responses Q4 2012

After two quarters of relatively calm responses following the disbanding of the "Occupy" camps, the fourth quarter of 2012 saw an increase in protest activity with 43 total protests and eight protests with over 500 participants. Again, while not reaching the frequency or numbers seen in Greece or Portugal, this was a significant increase in protests for Ireland compared to the previous two quarters. The weekly Ballyhea march accounted for 13 of the protests, but there were an additional 13 protests related to health care cuts or changes in health care services. Six protests were organized against cuts to education and five further protests were held against banks. Most of the protests ranged from a few dozen to three or four hundred, but there were some protests with thousands or tens of thousands of participants.

The largest protest related to austerity saw between 12,000 and 15,000 people on the streets of Waterford in mid-November to protest the government's neglect of the

region and the possible downgrading of its hospital.¹³⁴ In late-November an anti-austerity march in Dublin was organized by the Campaign Against Household and Water Charges, Irish labor unions, and far-left political groups such as the United Left Alliance and Sinn Fein. The march had around 10,000 protesters and wanted to bring attention to the cuts brought on by the government.¹³⁵ Protests against cuts and proposed cuts to education as well as fee increases were also more frequent during the fourth quarter of 2012 as there were protests of 3,000, 1,500, and 500 highlighting these grievances during this period. While the Irish government was doing its best to hit its fiscal targets and keep the social peace, there were growing frustrations as a sixth consecutive austerity budget was passed and cuts to healthcare and education deepened. Despite the increase in protests around Ireland from the previous two quarters, the level of resistance still paled in comparison to Greece and Portugal and never veered towards the violence witnessed in Greece.

External Pressures and Government Responses Q1 2013

The first quarter of 2013 was monumental for Ireland. All the sacrifices the country had endured in its Troika program up to this point began to show some results as it was reported that Ireland's economy grew 0.9 percent in 2012 and it accessed bond markets multiple times, issuing its first 10-year bond since 2010. The true turning point was when the government side-stepped the ECB and liquidated Anglo Irish Bank,

¹³⁴ Conor Kane, "Thousands protest over Waterford hospital," *Irish Times*, November 12, 2012, <https://www.irishtimes.com/news/thousands-protest-over-waterford-hospital-1.550499>; Barry Roche, "Deasy says hospital campaign must keep regional focus," *Irish Times*, November 13, 2012, <https://www.irishtimes.com/news/deasy-says-hospital-campaign-must-keep-regional-focus-1.550950>.

¹³⁵ Irish Independent, "Video: All ages united against the chill wind of austerity," *Irish Independent*, November 26, 2012, <https://www.independent.ie/irish-news/video-all-ages-united-against-the-chill-wind-of-austerity-28939935.html>; BBC, "10,000 attend Dublin anti-austerity demonstration," *BBC*, November 12, 2012, <https://www.bbc.com/news/world-europe-20478276>.

swapping the promissory notes for bonds with longer maturities and lower interest rates. This move created some initial uncertainty because it was done without an explicit agreement from the ECB, but it alleviated many fears about Ireland's ability to exit its program as this would reduce the overall amount of money Ireland would need to raise to meet government obligations.

However, not all news was initially positive as 2013 began. The EU released a draft of bank rescue plans that walked back on the commitment made in June of 2012 for direct bank recapitalizations by the ESM, formally ending any hope that Ireland's bank bailouts could be wiped from its debt.¹³⁶ Irish banks were also facing a mortgage crisis that some were worried could threaten Ireland's exit from its bailout. Housing prices had fallen 50 percent from 2007 and one in five mortgage holders was in arrears, leaving doubts about the banks' ability to absorb the mortgage losses.¹³⁷ Brussels warned Ireland in late-January that its recovery might be in jeopardy unless there was some relief on its €64bn in bank debts. This warning came as Ireland was continuing to negotiate with the ECB about restructuring the Anglo Irish promissory notes, which would have left Ireland paying €3.1bn per year for ten years on the existing promissory notes. The deal proposed by Ireland was rejected by the ECB in late-January because of worries it would amount to monetary financing, which is illegal under EU law.¹³⁸

¹³⁶ Peter Spiegel, "EU redrafts plan for bank rescue funding," *Financial Times*, January 13, 2013, <https://www.ft.com/content/2d3b9268-5d8d-11e2-a54d-00144feab49a>.

¹³⁷ Jamie Smyth, "Irish banks warned on mortgage crisis," *Financial Times*, January 29, 2013, <https://www.ft.com/content/ef0302b6-6a38-11e2-a3db-00144feab49a>.

¹³⁸ Jamie Smyth, "ECB signals opposition to Irish debt plea," *Financial Times*, January 28, 2013, <https://www.ft.com/content/e7331ac0-6971-11e2-8d07-00144feab49a>; Reuters Staff, "Exclusive: ECB rejects Irish bid on promissory note," *Reuters*, January 26, 2013, <https://www.reuters.com/article/us-ecb-ireland/exclusive-ecb-rejects-irish-bid-on-promissory-note-sources-idUSBRE90P0DT20130126>.

While negotiations with the ECB over Ireland's promissory notes had been ongoing for over a year, they were ratcheted up starting in September of 2012 as the next payment was due in March of 2013. As the negotiations intensified in early 2013 there was no explicit agreement between Ireland and the ECB, and the Irish government felt as if it was running out of time to reach a deal. The coalition was also in jeopardy as Labour argued it would not be able to be a part of a government that paid the promissory notes as detailed before the deal. The original notes had an interest rate of 8 percent and had to be paid back in ten years, costing the Irish government €3.1bn per year for ten years. The ECB governing council was meeting on February 7 & 8, and after meeting on the 7th, the ECB wanted to sleep on the decision. As the ECB continued to be non-committal in early February, Ireland moved on its own to start the process of liquidating IBRC and swapping the promissory notes. That night, the Irish government moved forward with the legislation to liquidate IBRC without the approval of the ECB. The legislation passed in a late-night session of the Dáil and the following day Mario Draghi said that the ECB "took note" of the Irish actions, which was essentially giving approval of liquidating IBRC without officially doing so. With the ECB's "approval" of the deal, Ireland finally received some much needed debt relief and many people, such as Tánaiste Eamon Gilmore noted that this was the first time since the crisis began that they felt like Ireland would succeed and recover.¹³⁹

The promissory note deal was a huge accomplishment for the Irish government and gave Ireland some much needed confidence at the beginning of 2013. After the

¹³⁹ Gilmore, *Inside the Room: The Untold Story of Ireland's Crisis Government*, 122.

promissory note deal, S&P moved Ireland's outlook from negative to stable¹⁴⁰ and Ireland issued a new 10-year bond that raised €5bn at 3.9 percent.¹⁴¹ Ireland also reported that the economy grew at 0.9 percent in 2012 and the government reached a deal with trade unions for pay cuts and longer hours for civil servants. This was a deal for the time being, but four trade unions walked out of the meetings and the deal would need to be ratified by union membership.¹⁴² In the end, the first quarter of 2013 was a major turning point for the Irish. Despite an uncertain and chaotic lead up to the promissory note deal, Ireland's strategy of playing the long-game was paying off as its debt burden had been lowered to a more manageable level and there was a significant increase in optimism that Ireland would be able to successfully exit its program and return to bond markets on time.

Social Responses Q1 2013

The social response in the first quarter of 2013 continued the general trend of a low number of protests with a few events registering more than 500 participants, but also showed indications that the Irish were growing increasingly frustrated with austerity as more people began attending nationwide rallies against the unfair share of the European bank crisis that Ireland bore. The number of protests dropped from 43 in the fourth quarter of 2012 to 28 in Q1 2013. 13 of these protests were the weekly Ballyhea marches and there was a total of nine protests with 500 or more participants. Irish labor disputes

¹⁴⁰ Jamie Smyth, "S&P puts Irish credit outlook at 'stable,'" *Financial Times*, February 12, 2013, <https://www.ft.com/content/1cd42732-74f3-11e2-a9f3-00144feabdc0>.

¹⁴¹ Robin Wigglesworth and Jamie Smyth, "Ireland returns with debt sale," *Financial Times*, March 13, 2013, <https://www.ft.com/content/a2165ee0-8bde-11e2-8fcf-00144feabdc0>.

¹⁴² Jamie Smyth, "Irish union leaders agree to pay cuts," *Financial Times*, February 25, 2013, <https://www.ft.com/content/400d3380-7f5a-11e2-89ed-00144feabdc0>.

remained minimal as there were only two disputes involving 107 workers and 228 days lost.¹⁴³

Of the nine large protests, six occurred in early February when ICTU organized anti-austerity protests called ‘Lift the Burden’ marches. These happened in Dublin (25,000), Cork (6,000), Galway (2,000), Sligo (6,000), Limerick (2,000), and Waterford (2,000). There were an estimated 25,000 protesters in Dublin and all six locations were estimated to have around 50,000 participants.¹⁴⁴ The marches were specifically to highlight unfair burden of the European bank crisis that Ireland had accepted. Unions cited recent figures from Eurostat indicating that Ireland shouldered 42.6 percent of the total cost of the European bank crisis. The marches occurred on the heels of the promissory note deal, but unions also wanted the European Union to honor its commitment to use ESM funds to recapitalize banks.¹⁴⁵ The other large protests included a 1,500 person protest against the closure of a Garda station in Dublin,¹⁴⁶ 500 nurses and midwives protested a plan to pay recent nursing graduates 80 percent of the normal

¹⁴³ Central Statistics Office, “Industrial Disputes: Quarter 1 2013,” *Central Statistics Office*, May 15, 2013, https://www.cso.ie/en/media/csoie/releasespublications/documents/labourmarket/2013/disputes_q12013.pdf.

¹⁴⁴ Mark O’Regan, “Howlin: cuts will end if we strike (EURO)1bn savings deal,” *Irish Independent*, February 11, 2013, National Edition, News, Pg. 4.

¹⁴⁵ ICTU, “Congress Confirms Feb. 9 ‘Lift the Burden’ Protests Will Go Ahead,” *ictu.ie*, February 7, 2013, <https://www.ictu.ie/press/2013/02/07/congress-confirms-feb-9-lift-the-burden-protests-will-go-ahead/>.

¹⁴⁶ Judith Crosbie, “Shatter says station to close despite protest rally,” *Irish Times*, February 4, 2013, <https://www.irishtimes.com/news/shatter-says-station-to-close-despite-protest-rally-1.1253975>.

salary,¹⁴⁷ and a rally of around 600 people protesting the new property tax in Dublin.¹⁴⁸

While Ireland continued to see low numbers of protest throughout the first quarter of 2013, there were larger protests that attracted tens of thousands of participants, indicating a growing frustration with the austerity program. However, the protests organized by the trade unions in early February came on the heels of the promissory note deal, which directly addressed some of the concerns of the protesters.

External Pressures and Government Responses Q2 2013

Similar to much of Ireland's time in its bailout program, there was a mix of good and bad news for Ireland in the second quarter of 2013. Ireland won some concessions from the Troika, which eased some of the burden on the Irish budget. The biggest of which was the seven year extension on repaying loans to the EU. The Troika also gave Ireland an overwhelmingly positive review for the spring of 2013 despite citing some potential pitfalls. On the negative side, Irish trade union membership rejected the newly negotiated "Croke Park II" in April. However, the two sides negotiated the Haddington Road Agreement, which was finalized and approved by union membership. Ireland also sparred with judges over their pay and executive interference in the judiciary. Finally, the official statistics supporting an Irish recovery were brought into question by a new report and it was revealed that Ireland's economy was back in recession in the first quarter. Even though bond yields continued to fall, the Troika praised Ireland for its efforts, and

¹⁴⁷ Christine Bohan, "Nurses protest plan to pay graduates '80 per cent salary," *thejournal.ie*, January 5, 2013, <https://www.thejournal.ie/nurses-protest-croke-park-742160-Jan2013/>.

¹⁴⁸ Kitty Holland, "Protest rally considers boycott of property tax," *Irish Times*, January 14, 2013, <https://www.irishtimes.com/news/protest-rally-considers-boycott-of-property-tax-1.957880>.

gave the Irish some much needed relief, the Irish economy continued to sputter along as growth was uneven.

After the major victory of securing a deal on the promissory notes in early February, Ireland looked to continue making headway towards the exit of its Troika bailout. The strategy of playing the long game of strictly meeting its fiscal targets while aiming to gradually renegotiating parts of its bailout was continuing to bear fruit as Ireland (and Portugal) were given an extra seven years to repay loans given to them by the EU. This helped with the immediate debt burden and was intended ease its exit from the program in December.¹⁴⁹ The Troika's spring 2013 review was again very positive as it highlighted the progress Ireland had made at addressing its internal and external economic balances and projected confidence that Ireland was on the road to recovery. The report also highlighted challenges, such as a high debt-to-GDP ratio, high unemployment, and some issues with bank debt and weak profitability. Yet overall, it was another very positive review as Ireland also gained approval from the Troika to change or delay a number of the policies it agreed to with the Troika. It delayed the implementation of its water charges as there were not enough meters to implement the charge adequately and fairly,¹⁵⁰ they postponed the bank stress test from the fall of 2013 into the first half of 2014,¹⁵¹ and cancelled a plan to sell some of its forests to raise

¹⁴⁹ Peter Spiegel and Jamie Smyth, "Bailout countries given seven years' grace," *Financial Times*, April 12, 2013, <https://www.ft.com/content/5d0d2834-a37a-11e2-8f9c-00144feabdc0>

¹⁵⁰ Jamie Smyth, "Dublin to delay water charges," *Financial Times*, April 8, 2013, <https://www.ft.com/content/4f4d0bb6-a05e-11e2-88b6-00144feabdc0>

¹⁵¹ Jamie Smyth, "Lenders allow Dublin to delay bank stress tests until 2014," *Financial Times*, June 13, 2013, <https://www.ft.com/content/3aa78666-d446-11e2-8639-00144feab7de>

revenue.¹⁵²

Despite the significant progress made with implementing its program and some help from the Troika in easing some of the conditions, there were still some challenges facing the Irish government regarding its newly negotiated labor agreement, a spat with judges over pay, and the legitimacy of the economic recovery. The biggest challenge was the rejection of the “Croke Park II” labor agreement by Irish trade unions. The government and union leadership agreed to a deal at the end of February that would implement further labor reforms and public sector pay cuts, but it was defeated by the union membership by a margin of 54-46 percent. The defeat left the door open to potential labor unrest as five years of austerity budgets had taken its toll on Irish workers.¹⁵³ However, the government and unions went back to the drawing board and by mid-June unions had agreed to the “Haddington Road Agreement.” This agreement would help the state save €300m in 2013 and €1bn over three years by introducing pay freezes, pension cuts, changes to overtime, and an increase in working hours, among other changes.¹⁵⁴ This agreement was approved by the union membership in June, but only after the government passed emergency legislation that would have allowed the government to unilaterally impose cuts to pay and working conditions.¹⁵⁵

¹⁵² Jamie Smyth, “Ireland scraps forest sell-off plan agreed by troika,” *Financial Times*, June 19, 2013, <https://www.ft.com/content/2b36f1e2-d902-11e2-a6cf-00144feab7de>.

¹⁵³ Jamie Smyth, “Irish unions reject pay deal,” *Financial Times*, April 16, 2013, <https://www.ft.com/content/5c9b1336-a6b6-11e2-885b-00144feabdc0>.

¹⁵⁴ Gavin Reilly, “Here's what's contained in the new 'Haddington Road' public pay deal,” *thejournal.ie*, May 23, 2013, <https://www.thejournal.ie/haddington-road-agreement-922129-May2013/>.

¹⁵⁵ RTÉ, “CPSU votes to accept Haddington Road Agreement,” *rte.ie*, June 26, 2013, <https://www.rte.ie/news/2013/0626/459004-haddington-road-agreement/>.

Irish judges also clashed with the government regarding pay cuts to their salaries and pensions. The Association of Judges argued that the government violated the constitution as pay and working conditions of judges are protected from interference according to the Irish Constitution.¹⁵⁶ Finally, there were questions about the economic recovery in Ireland as it was revealed that GDP fell 0.6 percent in Q1 of 2013, primarily due to falling exports,¹⁵⁷ and the Economic and Social Research Institute (ESRI) issued a report arguing that Ireland's recovery had been exaggerated by foreign companies headquartered in Ireland. According to the report, companies legally in Ireland, but for tax purposes (redomiciled PLCs), overstated Ireland's current account surplus by as much as five percent. Ireland reported an official current account surplus of 6.1 percent, but it fell to 0.6 percent when removing the redomiciled PLCs.¹⁵⁸ While Ireland was earning praise from the Troika and doing everything they could to hit their targets and return the economy to growth, it wasn't quite out of the woods yet as some uncertainties existed about its ability to produce consistent growth and for the first time there was a real threat of labor unrest with the rejection of the "Croke Park II" deal. Nonetheless, the government responded and avoided a potentially devastating scenario.

Social Responses Q2 2013

The second quarter of 2013 continued to be rather subdued in terms of the social response to the crisis as there were only a total of 26 protests, 13 of which were the

¹⁵⁶ Jamie Smyth, "Row erupts in Ireland over judges' pay," *Financial Times*, April 16, 2013, <https://www.ft.com/content/546d3c2c-a669-11e2-bc0b-00144feabdc0>.

¹⁵⁷ Jamie Smyth, "Irish economy back in recession amid exports slump," *Financial Times*, June 27, 2013, <https://www.ft.com/content/35f13914-df1d-11e2-881f-00144feab7de>.

¹⁵⁸ Jamie Smyth, "Irish recovery exaggerated by redomiciled PLCs," *Financial Times*, May 16, 2013, <https://www.ft.com/content/eb114bda-be3f-11e2-9b27-00144feab7de>.

weekly Ballyhea marches that continued to be small. There were only three large protests (over 500 participants), with crowds of 5,000, 700, and 600. During the second quarter there was a significant threat of labor unrest as the Croke Park II agreement was rejected by unions. However, as noted above, the government, unions, and their membership reached the Haddington Road Agreement the following month, which reduced tensions with labor in Ireland. In addition to these agreements, there were three labor disputes in the second quarter. They involved 2,408 workers and 3,417 days lost. The largest of these disputes was the 48-hour strike by Bus Eireann, which accounted for 99 percent of the total days lost during Q2 of 2013.¹⁵⁹

The 5,000-person rally that occurred in April and was a combination of anti-austerity and anti-tax protesters. The anti-tax protesters were a combination of those upset about the household charge and new property tax, indicating that there was a segment of the population becoming increasingly resistant to the policies demanded by the Troika. The march began at Parnell Square and ended at Dublin Castle, where the Ecofin meeting was taking place.¹⁶⁰ Another anti-austerity protest was staged on May 1, for May Day. The march was organized by the Dublin Council of Trade Unions and about 700 people participated as they marched through Dublin demanding a reversal of the austerity policies of the Troika.¹⁶¹ The other large protest involved 600 participants

¹⁵⁹ Central Statistics Office, "Industrial Disputes: Quarter 2 2013," *Central Statistics Office*, August 22, 2013, <https://www.cso.ie/en/releasesandpublications/er/id/industrialdisputesquarter22013/>.

¹⁶⁰ Tim O'Brien, "Thousands attend anti-austerity protest in Dublin," *Irish Times*, April 13, 2013, <https://www.irishtimes.com/news/thousands-attend-anti-austerity-protest-in-dublin-1.1359805>.

¹⁶¹ Mark Hilliard, "Hundreds march in Dublin against austerity policy," *Irish Times*, May 1, 2013, <https://www.irishtimes.com/news/hundreds-march-in-dublin-may-day-parade-against-austerity-policy-1.1379672>.

and took place in late-June. This protest involved parents and teachers who continued to highlight ongoing cuts in education to special needs children. This is one of many protests against cuts to special needs students that teachers and parents had participated in since the Troika bailout began.¹⁶² Finally, Bus Eireann held a 48-hour strike to protest the company's cost-cutting measures. The strike disrupted travel as tourist season was just starting to ramp up, but an agreement was reached a few days later after 23 hours of negotiating.¹⁶³

Similar to the first quarter of 2013, there were a small number of protests in the second quarter of 2013 and only a handful were very large. However, the frustration with new taxes such as the household charge and property tax were starting to become major issues for certain segments of the Irish population. Different from previous months, there was a real threat of labor unrest, and a 48-hour bus strike disrupted some travel around Dublin as tourist season was picking up. However, the protests and labor disputes were still very small in comparison to either Greece or Portugal, where the frequency and numbers of participants were much greater than in Ireland.

External Pressures and Government Responses Q3 2013

The third quarter of 2013 saw most of the pressures on Ireland begin to lessen but there was still an air of uncertainty regarding the Irish Troika program. Ireland was on track to exit the program in December, but there were questions about whether it should use a precautionary line of credit, or backstop, that may have required further

¹⁶² Mark O'Regan, Katherine Donnelly, and Caroline Crawford, "Hypocrite' Martin forced to abandon protest," *Irish Independent*, June 27, 2013, <https://www.independent.ie/irish-news/hypocrite-martin-forced-to-abandon-protest-29376159.html>.

¹⁶³ RTÉ, "Agreement reached in Bus Éireann dispute," *RTE.ie*, May 16, 2013, <https://www.rte.ie/news/2013/0516/450556-bus-eireann-strike/>.

conditionality from the Troika. There were also some cracks starting to show between Fine Gael and Labour regarding the budget for 2014 as exiting the Troika program would give Ireland some more flexibility with its fiscal policies. Despite the uncertainty, Ireland was still moving forward and finally seeing some progress with its economy and the Troika again praised the Irish for their dedication to its program.

Small increases in interest rates on Irish bonds, going from 3.46 percent in mid-May to 4.20 at the end of August,¹⁶⁴ led some to question Ireland's ability to exit the program in December. However, after this slight uptick in interest rates, Irish bond-yields started to decrease at the end of August and would continue to do so through the end of its Troika program. Ireland was also trying to negotiate a precautionary credit line without conditionality with the Troika. The goal was to provide more confidence to the market as Ireland exited the program, but the government was wary of doing that at the expense of Ireland regaining its economic freedom.¹⁶⁵ There were also disputes between the coalition parties regarding the 2014 budget and how much belt tightening would be necessary to meet its fiscal targets as Ireland exited the program. The Troika recommended further austerity measures of €3.1bn for 2014, which Labour disagreed with, saying they were still committed to reaching a deficit of 3 percent of GDP by 2015, but that they were not required to, and should not go beyond that number.¹⁶⁶ There were other concerns as well, such as how the expiration of pharmaceutical patents would affect

¹⁶⁴ Trading Economics, "Ireland Government Bond 10Y," *Trading Economics*, <https://tradingeconomics.com/ireland/government-bond-yield>.

¹⁶⁵ Jamie Smyth and Peter Spiegel, "Dublin seeks precautionary credit line to help exit bailout programme," *Financial Times*, July 18, 2013, <https://www.ft.com/content/0c01abe8-efc6-11e2-8229-00144feabdc0>.

¹⁶⁶ Jamie Smyth, "Ireland warns 'austerity hawks' in bid to scale back cuts," *Financial Times*, September 9, 2013, <https://www.ft.com/content/e2d86e3a-1605-11e3-a57d-00144feabdc0>.

tax revenues and the effects of high numbers of mortgages in arrears on bank balance sheets.

Yet, there was positive news in the latter part of the third quarter as the Irish economy was beginning to improve after five years of harsh austerity and two and a half years in its Troika program. Ireland reported that it exited recession in the second quarter as GDP grew by 0.4 percent with exports and personal spending increasing and Ireland recorded a current account surplus of €2.9bn in the second quarter.¹⁶⁷ Ireland also saw residential housing prices rise and a new repossession process was passed in parliament to help banks deal with the large number of mortgages in arrears. Additionally, Ireland's sovereign debt outlook from Moody's was upgraded from negative to stable.¹⁶⁸ Finally, the government had another very positive review from the Troika, as it praised Ireland's strong commitment to the program despite Ireland's fragile recovery.¹⁶⁹ While there were still some lingering doubts about Ireland's exit from the program, especially surrounding the backstop, the heavy lifting had been done and Ireland was starting to see positive economic news as it edged closer towards its economic freedom.

Social Responses Q3 2013

Social responses during the third quarter of 2013 saw many of the same trends from 2013, such as a small number of protests, but there was an increase in labor unrest.

¹⁶⁷ Jamie Smyth, "Ireland emerges from recession in second quarter," *Financial Times*, September 19, 2013, <https://www.ft.com/content/1ccdb0a4-211f-11e3-8aff-00144feab7de>.

¹⁶⁸ Moody's, "Rating Action: Moody's changes outlook on Ireland's Ba1 rating to stable from negative," *Moody's*, September 20, 2013, https://www.moody's.com/research/Moodys-changes-outlook-on-Irelands-Ba1-rating-to-stable-from--PR_282634.

¹⁶⁹ IMF, "Press Release: IMF Completes Eleventh Review Under the Extended Fund Facility Arrangement for Ireland and Approves €770 Million Disbursement," *IMF.org*, September 26, 2013, <https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr13361>.

In total, there were only 19 protests, of which 13 were the weekly Ballyhea marches. Only two of the protests were of at least 500 participants and the others involved fewer than 100 people. Labor unrest increased from previous quarters as Dublin Bus staged a three-day strike in August. There was a total of four labor disputes involving 3,032 workers and 6,718 days lost.¹⁷⁰ As stated above, while this was an increase for Ireland in labor unrest, it was far below the labor unrest witnessed in Greece and Portugal.

The largest protest of the third quarter of 2013 happened in mid-September as about 2,500 people marched in Ballinasloe to protest the government's decision not to open 22 acute mental health beds at a mental health unit in their town. Labor unions, including Siptu and Impact joined in the protest as did mayors from other rural areas.¹⁷¹ The other large protest in the second quarter was an anti-austerity protest outside parliament in mid-September. There were "hundreds of protesters" from groups such as Anti-Eviction Ireland, Pensioners Against Cuts, Republican Sinn Féin, and the Unite trade union. The protest caused major traffic delays as a group of about 300 protesters blockaded a part of downtown Dublin. The group's dispersal required the use of pepper spray from police.¹⁷²

¹⁷⁰ Central Statistics Office, "Industrial Disputes: Quarter 3 2013," *Central Statistics Office*, November 21, 2013, <https://www.cso.ie/en/releasesandpublications/er/id/industrialdisputesquarter32013/>.

¹⁷¹ Brian McDonald, "Thousands march over mental health unit in Galway," *Irish Times*, September 15, 2013, <https://www.irishtimes.com/news/health/thousands-march-over-mental-health-unit-in-galway-1.1528596>.

¹⁷² Steven Carroll, "Gardaí use pepper spray as protesters disrupt central Dublin," *Irish Times*, September 19, 2013, <https://www.irishtimes.com/news/politics/garda%C3%AD-use-pepper-spray-as-protesters-disrupt-central-dublin-1.1533083>.

Labor unrest was still very low, but the three-day Dublin Bus strike made waves because of the disruption it caused to thousands in the Dublin area that use the service daily. Workers went on strike to protest an €11.7m yearly cost-cutting plan.¹⁷³ The Dublin Bus strike accounted for 3,000 of the 3,032 total workers and 6,429 of the 6,718 total days lost with labor disputes in the third quarter of 2013.¹⁷⁴ While the third quarter of 2013 saw very little social reaction as the Irish program was heading towards its end, there were still very small but vocal groups opposed to a range of the measures instituted during Ireland's Troika program.

External Pressures and Government Responses Q4 2013

Entering the fourth quarter of 2013 the most serious threats to Ireland's successful exit of its Troika program appeared to be behind the Irish as they were looking forward to regaining economic sovereignty. Some still had concerns with Ireland's ability to exit the program without a backstop as the recovery remained fragile, unemployment continued to be over 12 percent, and overall debt was still very high. However, Ireland would successfully exit the program on December 15 without a precautionary line of credit.

There was plenty of positive news in the fourth quarter as Ireland moved closer to exiting its bailout, including a move in early October to suspend issuing any new bonds until after it exited its bailout program. Ireland argued that it had met its funding needs

¹⁷³ Paul Melia, "Relief for thousands as buses back on the road during talks," *Irish Independent*, August 7, 2013, <https://www.independent.ie/irish-news/relief-for-thousands-as-buses-back-on-the-road-during-talks-29479239.html>.

¹⁷⁴ Central Statistics Office, "Industrial Disputes: Quarter 3 2013," *Central Statistics Office*, November 21, 2013, <https://www.cso.ie/en/releasesandpublications/er/id/industrialdisputesquarter32013/>.

for 2014 and was looking to convey this confidence to markets.¹⁷⁵ Ireland also received approval from the Troika to reduce the planned austerity measures for 2014 from €3.1bn to €2.5bn. While Labour was much more enthusiastic about the easing of austerity (as its approval had plummeted throughout the program) the government coalition could now present an easier than expected budget for 2014.¹⁷⁶ Yet, both the Irish Central Bank and the Irish Fiscal Advisory Council warned against relaxing austerity measures as it could make hitting fiscal targets more difficult in the future.¹⁷⁷ Ireland also revealed that unemployment fell from 13.6 percent to 12.8 percent in the third quarter and the department of finance projected growth would hit two percent in 2014.¹⁷⁸ Unemployment would continue falling as it hit 12.5 percent in October. The Irish also decided not to sell the retail part of Bord Gáis Eireann, the state gas company. Some questioned this move as they thought it might signal Ireland's unwillingness to completely fulfill its Troika program, but Ireland pulled the sale because the price offered was too low and Ireland's finances were significantly improved.¹⁷⁹

In mid-October Ireland released another austerity budget for 2014 that included the €2.5bn in austerity measures agreed to with the Troika. As mentioned earlier, this

¹⁷⁵ Jamie Smyth and Peter Spiegel, "Ireland freezes debt issuance as it eyes bailout exit," *Financial Times*, October 1, 2013, <https://www.ft.com/content/6f64fede-2aa8-11e3-8fb8-00144feab7de>.

¹⁷⁶ Jamie Smyth, "Ireland wins plaudits for budget adjustment plan," *Financial Times*, October 8, 2013, <https://www.ft.com/content/ac40ff66-303d-11e3-9eec-00144feab7de>.

¹⁷⁷ Jamie Smyth, "Watchdog warns Dublin on risks of missing deficit target," *Financial Times*, November 21, 2013, <https://www.ft.com/content/03d01266-52c7-11e3-8586-00144feabdc0>.

¹⁷⁸ Jamie Smyth, "Irish unemployment falls to lowest level since 2009," *Financial Times*, November 26, 2013, <https://www.ft.com/content/46f30f24-56a2-11e3-ab12-00144feabdc0>.

¹⁷⁹ Jamie Smyth, "Dublin pulls €1.4bn sale of state gas company," *Financial Times*, November 27, 2013, <https://www.ft.com/content/ca02e586-5753-11e3-b615-00144feabdc0>.

contained €0.6bn fewer austerity measures after winning approval from the Troika earlier in the fall. The budget included cuts to unemployment benefits for young people and to health benefits for pensioners. It also raised taxes on alcohol and cigarettes.¹⁸⁰

The most contentious issue as Ireland moved to exit its Troika program was the decision to exit the program without a backstop. The debate about Ireland's decision would continue up until December 15 when it exited its Troika program. Applying for the precautionary credit line would have provided an extra buffer against any unforeseen difficulties but applying for the credit line would have included additional fiscal constraints, which were deemed too politically risky given the finish line was so close. Turning down the credit line also made Ireland ineligible for the ECB's bond buying program known as Outright Monetary Transactions (OMT), but the Irish believed they had built up sufficient cash reserves to cushion any change in market sentiment.¹⁸¹ The Troika and the Irish Fiscal Advisory Council pushed for Ireland to take the backstop as it would help reassure investors if markets turned south in the wider eurozone.¹⁸² Troika officials were quoted as saying that Ireland's decision not to take the backstop was politics triumphing over economics as Ireland's recovery was still fragile and some worried about potential holes in Irish banks as their stress test would be conducted in

¹⁸⁰ Jamie Smyth, "Dublin unveils tax rises but signals an end to era of austerity," *Financial Times*, October 15, 2013, <https://www.ft.com/content/fbd1307e-35aa-11e3-b539-00144feab7de>.

¹⁸¹ Peter Spiegel, "Ireland to exit three-year bailout without EU credit line," *Financial Times*, November 14, 2013, <https://www.ft.com/content/9a5ed874-4d23-11e3-9f40-00144feabdc0>.

¹⁸² Jamie Smyth, "Watchdog warns Dublin on risks of missing deficit target," *Financial Times*, November 21, 2013, <https://www.ft.com/content/03d01266-52c7-11e3-8586-00144feabdc0>.

2014.¹⁸³ Regardless of the doubts about Ireland's ability to return fully to bond markets, its high debt to GDP ratio, and its choice to not take the precautionary credit line, Ireland exited its bailout program on December 15, 2013, which was celebrated by many around the country as well as in Brussels and at the IMF.

Social Responses Q4 2013

The social responses during the fourth quarter of 2013 saw a slight uptick from the third quarter as the 2014 budget had pensioners and students especially upset with the cuts to be implemented. Overall, there were 25 protests in the fourth quarter of 2013, with Ballyhea accounting for 13 of the protests. Out of the twelve remaining protests, there were five that involved more than 500 participants, two involving pensioners protesting a range of cuts in the 2014 budget and three involving students protesting cuts to education. The amount of labor disputes also slightly increased as non-consultant doctors held a one-day strike to highlight overwork. In total, there were five labor disputes involving five firms, 6,394 workers, and 4,602 lost days of work.

One of the largest protests took place in early October as students gathered in Dublin, Cork, and Sligo to protest cuts to third-level education. The demonstrations were organized by the Union of Students in Ireland's "Fight for Your Future Now" campaign. The students were protesting cuts to student maintenance grants, which help students cover living costs, and any further cuts to education. There were roughly 1,000 students

¹⁸³ Peter Spiegel, "Ireland's economic health presents mixed picture," *Financial Times*, December 15, 2013, <https://www.ft.com/content/bfe2048a-640d-11e3-98e2-00144feabdc0>.

in Dublin and Cork and between 1,000 and 2,000 in Sligo.¹⁸⁴

The other two larger protests in the fourth quarter of 2013 involved pensioners and cuts to their benefits in the 2014 budget. In late October, there was a gathering of around 2,000 pensioners outside of parliament to protest cuts to benefits such as reducing the telephone allowance and bereavement grants, withdrawing medical cards of some 35,000 people over 70, and increasing the pension levy.¹⁸⁵ The other protest involving pensioners occurred in early November as around 500 pensioners gathered in Cork to protest cuts in the 2014 budget. The bereavement grants along with increasing prescription charges and the removal of thousands from having medical cards were of special concern during the rally.¹⁸⁶

There was a slight increase in labor disputes, but again, the depth and intensity of the disputes never reached the levels seen in Portugal or Greece. There were only 5 labor disputes, and the most high-profile strike was by non-consultant doctors in early October, who were striking to bring attention to the long hours they worked. Overall, labor unrest was very minimal in Ireland throughout the Troika program and the action that occurred was not disruptive in ways seen in Portugal or Greece.

¹⁸⁴ Emma Jane Hade and Ralph Riegel, "Students call for 'protection' from spiralling costs and grant cutbacks," *Irish Independent*, October 2, 2013, <https://www.independent.ie/irish-news/students-call-for-protection-from-spiralling-costs-and-grant-cutbacks-29626577.html>; Paul Hosford, "Students protest cuts in third-level education," *thejournal.ie*, October 1, 2013, <https://www.thejournal.ie/students-protest-to-protect-grant-1109742-Oct2013/>; Pamela Duncan, "Students say 'targeted cuts' to be met with 'targeted voting,'" *Irish Times*, October 1, 2013, <https://www.irishtimes.com/news/education/students-say-targeted-cuts-to-be-met-with-targeted-voting-1.1546671>.

¹⁸⁵ Kitty Holland, "Older people 'must fight' for reversal of budget cuts," *Irish Times*, October 22, 2013, <https://www.irishtimes.com/news/politics/older-people-must-fight-for-reversal-of-budget-cuts-1.1569495>.

¹⁸⁶ Barry Roche, "Elderly people will be forced to go to moneylenders to bury loved ones, rally hears," *Irish Times*, November 5, 2013 <https://www.irishtimes.com/news/ireland/irish-news/elderly-people-will-be-forced-to-go-to-moneylenders-to-bury-loved-ones-rally-hears-1.1584569>.

Conclusion

This section has given a detailed account of the responses to the Irish Troika program from November 2010 through December 2013. During the Irish program there were some initial signs of resistance to the program from opposition political parties, labor unions, and the public, but this resistance was rather short-lived. Politically, Fine Gael and Labour both voiced their displeasure with the Troika program but only aimed to renegotiate parts of the agreement and did not wholly reject the program. Once Fine Gael and Labour formed a government after the election in early 2011, they remained committed to implementing the program while simultaneously seeking a renegotiation of items like the interest rate, reversing the minimum wage cut, burning senior bondholders of banks, and getting the Anglo Irish promissory notes off the government books. Similar to Portugal, Ireland played the long game with the Troika and renegotiation, but Ireland was able to maintain a political consensus about its program until it exited the program in mid-December 2013. Social responses also began intensely as the weekend after Ireland signed the MOU with the Troika 50,000 people protested in Dublin. However, this would be the largest single protest during the Troika program. An occupy movement began that resulted in many small protest camps being setup around the country, but its effects were minimal. Anger toward austerity, the Troika, and the government did start to build in 2013 as new taxes for water, property, and septic systems were passed, but this anger did not culminate until after the Irish exited its program. Additionally, many of the protests that did occur were aimed at specific policies and not a broader rejection of the Troika program. Finally, labor unrest was minimal throughout the program, with only a slight increase toward the end of 2013.

The following section is the analysis of the Irish response. I argue that Ireland's national identity as the Celtic Tiger offers a compelling explanation for the responses detailed in this section. The Celtic Tiger identity can be seen as influencing the Irish response to its Troika program in three ways. First, the Irish displayed a continued faith in their FDI-based economic model and free markets, despite a banking crisis that collapsed the economy and led to the Troika bailout. Second, the responses from political and social actors indicated that a strong rejection of the Troika program was "off the table." Third, Irish elites made significant efforts to differentiate themselves from Greece and to some extent Portugal.

Analysis of the Irish Case

There are three main features of Ireland's response to its crisis that show evidence for the importance of the Celtic Tiger identity. First, across Irish society there was a strong belief in the Irish FDI-based economic model and free markets despite the economic difficulties that the Irish had faced. Even though Ireland's economy had collapsed because of its banking crisis and subsequent government bailout, many still expressed a faith that the core of the economy was strong and that if Ireland could collectively tackle the banking issue, things would turn around. Many viewed this as a banking crisis and rejected the notion that Ireland needed to reform its economy. This was echoed by the structure of the Irish program as well, as the Troika recommended very few structural reforms in comparison to Greece and Portugal. Finally, some economists viewed the program as a missed opportunity to make necessary adjustments to the economy, as many were eager to simply return to the policies that were responsible for its previous prosperity. Second, similar to and even more so than Portugal, the

responses from societal actors, policymakers, and government leaders indicated that a strong rejection of the overall program was off the table. Outside of some initial posturing by mainstream opposition parties (Fine Gael and Labour) and labor unions such as ICTU and Siptu, there was no serious consideration given to rejecting the program. Instead, the mainstream organizations that offered criticisms highlighted specific issues such as the interest rates of the loans, burning bondholders of banks, or length of the program, and not an outright rejection. On the fringes, far left parties such as Sinn Fein and groups like People Before Profit wholly rejected the Troika program, but their influence was minimal as they never successfully organized broad resistance to the program. Protests were organized but tended to be small in size and number, and primarily focused on specific policies as opposed to the Troika program broadly. Labor unrest was very minimal, especially in comparison to Portugal and Greece. Finally, Irish elites made a significant effort to differentiate themselves from Greece, but also Portugal. Given the success of the Irish economy, becoming one of the richest countries in the world, and being a stable democracy for decades, the Irish felt bad for its two southern neighbors but felt the need to emphasize that Ireland is not Greece or Portugal. However, it was more important to distinguish themselves from Greece because of the negative reputation they had regarding their Troika program.

For the Irish case, the argument is not that national identity is the only causal factor at work, but the lack of resistance throughout Irish society and in its politics is best explained by taking national identity into account. There are certainly other factors at work in the Irish case and the fact that the Celtic Tiger identity is tied so closely to the economic interests, economic ideas and the institutions that govern the economy makes

Ireland an exceptionally hard case to isolate the role of identity. Despite Ireland's program being somewhat "easier" than the Greek or Portuguese programs, Ireland still had a difficult economic adjustment on top of austerity budgets from 2008 – 2010 along with some structural reforms. The major difference between Ireland and the other two bailout countries is that Ireland's crisis was not the result of out of control public spending, but was unequivocally a crisis in its private banks, which was then transferred to the public sector. The Irish were asked to cut services, jobs, and salaries while raising taxes all in order to pay for its banks that had gone bust and yet no major anti-bank movement or anti-austerity movement formed in response. The general acceptance of austerity measures to pay for bad decisions that most Irish had no part in, seems to indicate a deep faith in the market and Ireland's economic model.

Economic ideas appear to be a promising explanation for the Irish case, and it is not surprising that many people in Ireland are pro-market. Fine Gael and Fianna Fáil are both center right parties and have dominated Irish politics. However, the buy-in to the Troika program from those on the left seems to indicate that the role of economic ideas is likely subordinate to another factor. Further, one must ask how people come to have certain views about markets, not just what views they hold. Arguing that people hold certain views is different from understanding where those views originated but differentiating between the two is helpful for illustrating the role of identity. In this case, it is argued that national identity plays an important role on understanding where these economic ideas originate, indicating it plays a significant role in Ireland's response. While those in the Labour Party and in labor unions did not agree with everything in the Troika program, their suggestions for tweaking the program were anything but radical,

indicating that they were mostly on board with the requirements of the program. They sought mainly to tweak the parts they felt were most unfair. The relative acceptance of standard neo-liberal policies by many on the left suggest a major role for national identity in influencing the Irish response to its Troika program.

Unlike Portugal and Greece, institutional barriers to the Troika program's implementation were much less prevalent. There is no general right to strike, and employers are not required to recognize unions, which may explain some of the lack of protests and strikes but fails to account for why larger and more sustained manifestations were not attempted. Institutionalism is also another explanation that could be enmeshed with the Celtic Tiger identity. Because the FDI-based growth model had been in place for some time before the Irish crisis, many of the existing institutions helped reinforce and promote the status quo. However, an absence of institutional barriers and some modest organizational incentives does not appear to be an adequate explanation for why political parties across the political spectrum would agree to implement difficult and costly policies. Additionally, institutions fail to explain why a population would agree to take on major social costs and public cuts to bail out private banks that were widely seen as having been reckless.

Irish National Identity – From Catholic Ireland to The Celtic Tiger

The term Celtic Tiger was coined in 1994 by Kevin Gardiner from Morgan Stanley and suggested comparisons with the East Asian “Tiger”¹⁸⁷ economies that had experienced high growth between the 1960s and the 1990s. Ireland's journey from a poor, backward, isolated, former colony of Britain to the Celtic Tiger began well before

¹⁸⁷ Specifically, Hong Kong, Singapore, South Korea, and Taiwan.

the 1990s and this journey transformed Ireland's economy, country, and national identity. After decades of poverty following Irish independence, new Irish leaders made a decisive move away from the isolationist, Catholic, anti-materialistic, rural, and anti-modern vision of the leaders of Irish independence to one defined by modernization, economic growth, and integration into the global economy.¹⁸⁸

After Ireland achieved independence from Britain and following the Irish Civil War the main focus of nation-building was to create a truly Irish Ireland that emphasized frugality, a rural anti-materialistic lifestyle, and Catholic moral codes.¹⁸⁹ This vision had been shared by all sides of Irish nationalism since the 1890s and continued in the 1920s under the leadership of W.T. Cosgrave¹⁹⁰ and later Father Edward Cahill and Éamon de Valera. Under Cosgrave Ireland made the Irish language mandatory in primary school and passed Catholic moral legislation, such as outlawing divorce and artificial contraception. The Irish government also sought to keep the Irish pure by “turning back the filthy modern tide.”¹⁹¹ Ireland setup a Censorship Board that had to approve literature, movies, and news. While these efforts to create Catholic Ireland had some critics, there were also some who thought the government did not go far enough incorporating Catholic moral teaching into the law. In particular, this group included

¹⁸⁸ Fanning, *Irish Adventures in Nation Building*; Lee, *Ireland 1912-1985*; Thomas Bartlett, *Ireland: A History*. (New York: Cambridge University Press, 2010); Kay, *Celtic Revival? The Rise, Fall, and Renewal of Global Ireland*.

¹⁸⁹ Fanning, *Irish Adventures in Nation Building*.

¹⁹⁰ Cosgrave was the first President of the Executive Council in the Irish Free State. This would be the equivalent of the Taoiseach, but that title was not created until the 1937 Constitution.

¹⁹¹ Bartlett, *Ireland: A History*, 431.

Éamon de Valera and the Fianna Fáil party.¹⁹²

De Valera, who left Sinn Féin in 1926 because they refused to recognize the Irish Free State, founded Fianna Fáil two months later. Fianna Fáil took over the reins of government in 1932¹⁹³ and continued the cultural vision of an Irish Ireland with Catholic morality. He also oversaw the ratification of a new constitution in 1937 that further enshrined the vision of Irish Ireland, as it focused on Catholic moral codes, rural living, and anti-materialism.¹⁹⁴ While the new constitution enshrined Catholic moral codes into law, it did not enshrine Catholicism into the constitution as religious freedom was protected, leaving the door open to eventual reunification with Northern Ireland.¹⁹⁵

Under De Valera's leadership, Ireland also turned inward economically. De Valera sought to make Ireland economically self-sufficient where the Irish were dependent on no other state and Irish industry would be controlled by Irish industrialists and not foreigners. Ireland imposed high tariffs and passed legislation to limit foreign capital's access to Irish industries. This largely insulated Ireland from the worst of the Great Depression and during WWII Ireland remained neutral and emerged largely unscathed. The policies of self-sufficiency and isolationism appeared to be validated as unlike the rest of Europe, the Irish had plenty of fuel thanks to the turf from its bogs, and food was in plentiful supply. The apparent success of the 1930s and the WWII period

¹⁹² Ibid.

¹⁹³ Fianna Fáil would win the largest share of votes in every election from 1932 until 2011, just after they signed the MOU with the Troika.

¹⁹⁴ Fanning, *Irish Adventures in Nation Building*.

¹⁹⁵ Bartlett notes that De Valera hoped the new constitution "would form a basis for the future unification of the island." Bartlett, *Ireland: A History*, 446.

only further entrenched the vision of a self-sufficient, Irish Ireland.¹⁹⁶

Following WWII many felt the vision for Irish Ireland was coming to fruition, but the post-war period and the 1950s would prove to be an extremely difficult time for the Irish. The failures of the 1950s would begin a process of profound change in Ireland. In addition to a tumultuous political landscape with four different governments between 1948 and 1957 the economy was stagnant as protectionism and import substitution strategies failed. The economy averaged less than one percent growth throughout the 1950s. Emigration and unemployment were also consistent problems as young adults (primarily men) sought work elsewhere.¹⁹⁷ These challenges led to a new generation of politicians coming to power by the end of the 1950s who were not as connected to the Revolution and the vision of an Irish Ireland as the leaders through the 1950s.

De Valera left politics in 1959 and was replaced by Seán Lemass, who would plant the initial seeds for Ireland's dramatic transition from Irish Ireland to the Celtic Tiger. There were two primary documents that were the springboard for big changes in Ireland. The first was the 1958 report by T.K. Whitaker, the Secretary of the Department of Finance, *Economic Development*. Whitaker argued that the Irish state should have a more direct role in economic development, and this would be necessary if Ireland was ever going to modernize. It was essentially an embrace of Keynesianism and using the state to "pump-prime economic growth."¹⁹⁸ This led Ireland to eschew protectionism and

¹⁹⁶ Bartlett, Bartlett, *Ireland: A History*.

¹⁹⁷ Bartlett, *Ireland: A History*.

¹⁹⁸ Fanning, *Irish Adventures in Nation Building*, 103.

welcome more foreign direct investment (FDI), with the help of the Irish Industrial Development Authority (IDA).¹⁹⁹ Ireland's regime of low taxes and low wages, along with massive FDI in the 1960s, brought 350 foreign firms to Ireland.²⁰⁰

The second crucial document was a 1965 OECD report, *Investing in Education*. This report had a significant impact on Ireland's economic development in the second half of the 20th century as it jumpstarted an overhaul of Ireland's education system. The report that revealed Ireland's education system to be wholly inadequate, with large disparities in outcomes and a lack of opportunities for poorer children to move beyond primary school. *Investing in Education* moved the focus of the Irish education system to the development of human capital and away from the prevailing views of education in Ireland, especially the "obsession with Gaelicization and religion."²⁰¹ Although financial investment in schools didn't greatly increase until the mid-1970s,²⁰² significant reforms were made starting in the 1960s. The minimum age to leave school was raised to 15 and free secondary school (as well as transportation) was instituted. This led to an increase in secondary school enrollment from 96,058 in 1958 to 116,859 in 1968. New colleges and technical schools were built, university attendees doubled between 1961 and 1971, and attendance at technical colleges grew by four times.²⁰³ While the outcomes of reinventing

¹⁹⁹ Now known as IDA Ireland.

²⁰⁰ Bartlett, *Ireland: A History*.

²⁰¹ R.F. Foster, *Luck and the Irish: A Brief History of Change c. 1970-2000*. (New York: Penguin Group, 2007), 13.

²⁰² Lee, *Ireland 1912-1985*.

²⁰³ Foster, 2007, *Luck and the Irish: A Brief History of Change c. 1970-2000*.

the Irish education system have been unevenly distributed,²⁰⁴ these changed to the education system marked a monumental shift for Ireland that would help set the stage for the Celtic Tiger. By the end of the century Ireland would have a well-educated, high-tech labor force. As Bartlett (2010) states, “It seems clear that the origins of the Celtic Tiger economy of the 1990s can be located in the decision to extend secondary education to all. In terms of the educational and social benefits, the results were incalculable.”²⁰⁵

In addition to specific policies to aid in Ireland’s development and modernization, Whitaker published many articles about the need for a new mindset and a new national ideology within the Irish population.²⁰⁶ Whitaker believed the Irish needed to stop focusing on the ideals of Irish Ireland and embrace a more growth-oriented mindset.²⁰⁷ One example is the Irish view of FDI. Many Irish still thought of FDI as “code for British recolonization of Europe”²⁰⁸ and Whitaker believed that attitudes such as these needed to be eliminated if Ireland was ever going to be prosperous. As the ideas in *Economic Development and Investing in Education* were embraced by a younger generation of politicians and intellectuals a new nation-building renaissance myth was created that challenged the romantic nationalism of Irish Ireland. As Fanning (2008) explains, “The developmental narrative was...crucially important in constituting an economic nation-

²⁰⁴ Bartlett, *Ireland: A History*. In 1995 Ireland was ahead of only Portugal in adult literacy. See Foster, *Luck and the Irish: A Brief History of Change c. 1970-2000*, 14-15.

²⁰⁵ Bartlett, *Ireland: A History*, 497.

²⁰⁶ Many of these articles appeared in the sociology journal *Studies*. See Fanning, *Irish Adventures in Nation Building*, and Fanning, *The Modern Quest for Ireland: The Battle of Ideas 1912-1986*.

²⁰⁷ Fanning, *The Modern Quest for Ireland: The Battle of Ideas 1912-1986*.

²⁰⁸ Bartlett, *Ireland: A History*, 482.

building project of modernisation.”²⁰⁹

The embrace of this new economic nation-building project was aided by the horrible experience of the 1950s in Ireland, which largely discredited the protectionist and isolationist economic policies of De Valera. As Ireland opened up its economy in the 1960s, a new generation of Irish abandoned the previous vision of Ireland as self-sufficient, isolationist, and autarkic and Irish Ireland began to be supplanted by a new dogma focused on economic growth.²¹⁰ Irish attitudes towards this vision continued through the 1960s and into the 1970s, but Ireland saw challenges to the economic success of the 1960s. The excessive borrowing and spending along with the oil crises of the 1970s left Ireland in a dire situation by the beginning of the 1980s. Unemployment was upwards of 17 percent, emigration had returned, inflation was around 20 percent, and the national debt was over 120 percent of GDP.²¹¹

Despite these challenges, the 1970s were also crucial for continuing Ireland’s economic growth and modernization nation-building project. Ireland joined the EEC in 1973, which had massive support by the public. With 71 percent voter turnout, 83 percent of Irish voted to join the EEC in 1972. The joining of the EEC was seen by some as further signaling that Ireland was breaking from its past.²¹² By joining the EEC, Ireland was now less dependent on the UK for its economy²¹³ and the Irish government argued

²⁰⁹ Fanning, *The Modern Quest for Ireland: The Battle of Ideas 1912-1986*, 198.

²¹⁰ Bartlett, *Ireland: A History*.

²¹¹ Ibid.

²¹² Foster, *Luck and the Irish: A Brief History of Change c. 1970-2000*.

²¹³ Kay, *Celtic Revival? The Rise, Fall, and Renewal of Global Ireland*.

that participation in EEC institutions would extend Ireland's sovereignty.²¹⁴ Ireland was also a recipient of large structural funds from the EEC and later the EU, which helped with infrastructure projects and furthered Ireland's modernization. Ireland received £13 billion in grants and subsidies between 1973 and 1991 and a further £20 billion in EU structural funds between 1985 and 2000.²¹⁵ Former Taoiseach, Garret FitzGerald also noted that Ireland joining the EEC was a major factor for the takeoff of Ireland's Celtic Tiger economy, saying:

Had it not been for the opening of the European market to the Irish-made products as a result of EC membership, none of these advantages, natural or policy-created, could have produced the kind of economic growth that Ireland has experienced during most of the period since the 1960s...It was the availability of this European market that initially created the scale of demand for labour in Ireland that eventually became such an extraordinary feature of the 1990s.²¹⁶

The move towards Europe not only continued the break from Ireland's isolationist and protectionist past but was indispensable for positioning Ireland's economy to become the Celtic Tiger in the 1990s.

In addition to joining the EEC in 1973, the 1970s were a defining decade for the IDA, which became autonomous from the government in 1969, and an autonomous state-sponsored body in the 1970s. Under the leadership of Michael Killeen, the IDA was revolutionized.²¹⁷ Starting in the 1970s and continuing into the Celtic Tiger years, the IDA focused on attracting industry leaders in high-growth sectors of the economy such as

²¹⁴ Ibid.

²¹⁵ Bartlett, *Ireland: A History*.

²¹⁶ Foster, *Luck and the Irish: A Brief History of Change c. 1970-2000*, 20.

²¹⁷ Foster, *Luck and the Irish: A Brief History of Change c. 1970-2000*; Bartlett, *Ireland: A History*.

pharmaceuticals, IT, software, and food processing. The IDA particularly focused on American companies and this strategy started to show promise by the end of the 1970s but would not be fully appreciated until the 1990s. By 1978, 25 percent of industrial jobs were because of FDI and by 1983, 17.5 percent of the total manufacturing workforce was employed by American firms. By 1993 it was 25 percent.²¹⁸ While the economy of the 1970s was reeling, the seeds of the Celtic Tiger were continuing to be planted and the Irish embrace of Ireland's FDI growth model and free markets persisted.

Ireland's economic problems from the 1970s spilled over into the 1980s as it was another very difficult decade for the Irish economy. High inflation, public debt, and unemployment, emigration, and fraught labor relations were persistent problems. Despite criticisms of the management and structure of the economy – mostly from the left and those committed to an Irish Ireland – “the pursuit of growth as a national religion persisted” during the 1970s and 1980s.²¹⁹ After three elections in 17 months a Fine Gael/Labour government held power from 1982-1987 and instituted difficult austerity measures that finally began to stop the economic bleeding. When Fianna Fáil won the election in 1987, it continued the austerity measures of its predecessors as many across the political spectrum agreed these policies were necessary to tackle the crisis.²²⁰ Fianna Fáil also took further steps to liberalize the economy that included restructuring the tax code to benefit corporations and continued to attract significant amounts of FDI through

²¹⁸ Foster, *Luck and the Irish: A Brief History of Change c. 1970-2000*.

²¹⁹ Fanning, *The Modern Quest for Ireland: The Battle of Ideas 1912-1986*, 213.

²²⁰ Foster, *Luck and the Irish: A Brief History of Change c. 1970-2000*.

the plans of the IDA.²²¹ The social partnership process between the government, employers, and employees also began in 1987, leading to successive labor agreements have been credited as large contributor to the Celtic Tiger economy of the 1990s as wage restraint kept business costs and inflation low.²²²

The 1990s are when the policies and reforms of the previous 30 years came together to produce the Celtic Tiger economy. The Irish economy began growing in the late 1980s but spectacularly took off in the 1990s and into the new millennium. Living standards began to rise, as did consumption, with the Irish buying more cars and building new houses.²²³ Unemployment fell from 18 percent in 1987 to 4 percent in 2000 while GDP growth shot up with Ireland experiencing growth between 5 and 10 percent of GDP between 1994-2001.²²⁴ FDI increased even more through the 1990s and in the year 2000 Ireland had six times the FDI of its nearest competitor in Europe. By 2005, FDI from the US was directly responsible for employing 100,000 people.²²⁵ Emigration had also become immigration as more foreigners came to Ireland looking for work and many Irish

²²¹ Foster, *Luck and the Irish: A Brief History of Change c. 1970-2000*.

²²² R. O'Donnell and C. O'Reardon, "Social Partnership in Ireland's Economic Transformation." Vol. 2nd, in *Social Pacts in Europe - New Dynamics*, eds. Giuseppe Fajertag and Philippe Pochet, 237-256. (Brussels: ETUI, 2000); Ray Mac Sharry and Padraic White, *The Making of the Celtic Tiger: The Inside Story of Ireland's Boom Economy*. (Cork: Mercier Press, 2000); Auer, *Employment revival in Europe: Labour market success in Austria, Denmark, Ireland, and the Netherlands*. (Geneva: International Labour Office, 2000).

²²³ Paul Sweeney, *The Celtic Tiger: Ireland's Continuing Economic Miracle*. Dublin: (Oak Tree Press, 1999).

²²⁴ World Bank

²²⁵ Bartlett, *Ireland: A History*.

who left in the 1980s returned.²²⁶

By the turn of the millennium, Ireland had become one of the richest countries in the world per capita and the Ireland so many had been working to create since the 1960s finally appeared to come to fruition. The Ireland of its founders lost out to the Ireland of economic growth and modernization. As Foster notes, “Puritan Ireland fought hard for its survival, as we have seen, but it went in the end.”²²⁷ At the turn of the 20th century there were still questions about how the Celtic Tiger would transform Irish society and national identity moving forward, but there was agreement that Irish society had been transformed with the success of the Celtic Tiger.²²⁸ Ireland was transformed beyond just its economy, as the Irish had become a more confident people with an international profile that was envied by many around the globe. Many Irish not only saw themselves as transformed, but the Irish were now influencing the world. As Logue (2001) notes,

The end to introspection, the turning outwards to the world and the new self-confidence which are the results of both the Celtic Tiger experience and the involvement in Europe have had other remarkable effects. Our cultural influence extends through the whole world in many different forms. This process has been called the hibernicisation of Europe but it is fair now to talk about the hibernicisation of the world. Our music, dance, films, pubs, literature, theatre, athletes are everywhere.²²⁹

²²⁶ Sweeney, *The Celtic Tiger: Ireland's Continuing Economic Miracle*.

²²⁷ Foster, *Luck and the Irish: A Brief History of Change c. 1970-2000*, 186.

²²⁸ Kieran Allen, *The Celtic Tiger: They myth of social partnership in Ireland*. (New York: Manchester University Press, 2000); Foster *Luck and the Irish: A Brief History of Change c. 1970-2000*; Sweeney, *The Celtic Tiger: Ireland's Continuing Economic Miracle*; Mac Sharry and White, *The Making of the Celtic Tiger: The Inside Story of Ireland's Boom Economy*.

²²⁹ Paddy Logue, *Being Irish: Personal Reflections on Irish Identity Today*. (Dublin: Oak Tree Press, 2001), pg. xvii.

Despite Ireland's economic success and its newfound confidence, the mismanagement of the economy in the 2000s led to real estate and banking bubbles that shattered the Irish economy in 2008. The confidence engendered by the success of the Celtic Tiger was severely tested as the banking crisis collapsed the Irish economy and led to an international rescue by the Troika. While the need for an international rescue was an embarrassment for one of the wealthiest countries in the world, the Irish retained their confidence that had developed throughout the 1990s and had faith that their economic model that had taken so long to realize was fundamentally strong. This mindset and the devotion of the Irish to their economic model would be crucial in helping them weather a most difficult storm from the end of 2010 through 2013. The next three sections will detail the ways in which Ireland's Celtic Tiger identity can be seen influencing the responses to its Troika program.

Faith in Ireland's FDI Economic Model and Free Markets

The first way that the Celtic Tiger identity can be seen as influencing Ireland's response to its Troika program is by the expressed belief by most that the fundamental elements of Ireland's growth model were strong and that the policies responsible for its tremendous wealth would also guide Ireland back to the place of prosperity seen before the crisis. Ireland's faith in its economic model, which is largely based on foreign direct investment (FDI), having an open, globalized economy, and a reliance on the free market was expressed repeatedly in interviews and in many accounts of the crisis, regardless of the individual's political persuasion. The only exceptions to this attitude were the extreme far left, which included Sinn Fein and groups like People Before Profit, which comprised less than twenty percent of the seats in the Irish Parliament. Even more

striking was that, despite the banking and construction sectors being overwhelmingly responsible for the crisis, there was a popular, but not universal, sentiment that the responsibility for these excesses lay with the average Irish citizen and not with the banks, property developers, and politicians that enabled a banking crisis to bankrupt the Irish state.

It is undeniable that the banking and construction sectors were at the heart of the crisis, yet many in Ireland seemed to accept that all Irish had to pay for the imbalances that resulted from these two sectors of the economy. While the sentiment that all Irish were responsible for the excesses and recklessness of the 2000s was more prominent on the right side of the political spectrum, it was still a popular position throughout Irish society. As an economist from ESRI summarized:

I think the people of Ireland understood how the economy worked and understood this was our mess essentially, and we were going to have to dig ourselves out of it... They were very cross, quite understandably because the incompetence of the way the economy had been managed and the central bank's failure to regulate the banks, the people, and they still are extremely cross over it but that doesn't mean that you shoot yourself in the foot like, the Greek option where it's like fish on a hook. That you rig it and rig it to try and get off it. Basically, sit back and take the pain and then move on was more of the attitude.²³⁰

A similar view is expressed by Donovan and Murphy (2013) when discussing the overwhelming support of the electorate for parties broadly supporting the Troika program in the 2011 election,²³¹ saying:

It may be the case that the Irish people are realists at heart and recognize that very many of them benefited from the fruits of an artificial boom. Justifiably, there continues to be much controversy as to who (including foreign lenders to the Irish banks) should pay precisely which part. Nevertheless, there appears to be broad

²³⁰ Interview with ESRI economist, Dublin, Ireland, November 29, 2017.

²³¹ More than 80 percent of the electorate cast their votes for Fine Gael, Labour, or Fianna Fáil.

acceptance that much of the cost of the excesses has to be borne by Irish citizens, particularly given Ireland's small open economy and its dependence on key external partners.²³²

This sentiment was echoed by others throughout Ireland's economic crisis, especially policymakers from Fianna Fáil and Fine Gael. Former Fianna Fáil Finance Minister Brian Lenihan said:

We decided as a people, collectively, to have this property boom... That was a collective decision we took as a people... we all partied.²³³

Former Fine Gael Minister for Jobs, Enterprise, and Innovation, Richard Bruton, expressed similar views at the Report of the Joint Committee of Inquiry into the Banking Crisis in 2015. While acknowledging problems with the euro's architecture, he said:

The lion's share of the damage, Chairman, was done to the Irish economy was the fault of domestic economic and financial mismanagement. It's my belief... that the Irish economic crash, it wasn't a result of a tsunami way out in the ocean that swept away a whole bunch of very sustainable and clever economic policies, that the fault lines that made Ireland so vulnerable in those years had developed from bad policy over an extended period of time, and that far from building on enterprise, innovation and exports, economic success had come from speculation, property, and debt... That was the flaw, in the... if you like, in the underlying, real economy. It was also undermined, in my belief, by... a State that had become sluggish, wasteful, self-indulgent, in the way it approached its spending and its delivery, and the challenge of public service reform.²³⁴

Former Fine Gael Taoiseach Enda Kenny sent mixed messages about who was responsible for the crisis. When he addressed the country in December 2011, he said,

²³² Donovan and Murphy, *The Fall of the Celtic Tiger: Ireland & the Euro Debt Crisis*, 256.

²³³ Gene Kerrigan, *The Big Lie: Who Profits from Ireland's Austerity*. (London: Transworld Ireland, 2012), 104.

²³⁴ Oireachtas.ie, "Report of the Joint Committee of Inquiry into the Banking Crisis," July 23, 2015, [oireachtas.ie, https://inquiries.oireachtas.ie/banking/hearings/richard-bruton-policies-of-the-fg-party-while-in-opposition/](https://inquiries.oireachtas.ie/banking/hearings/richard-bruton-policies-of-the-fg-party-while-in-opposition/).

“Let me say this to you all: You are not responsible for the crisis.”²³⁵ However, in January of 2012 at the World Economic Forum, he said, “People simply went mad, borrowing... The extent of personal credit, personal wealth created on credit, was done between people, banks – a system that spawned greed to a point where this went out of control completely with a spectacular crash.”²³⁶ These quotations indicate a surprising level of support for the notion that all Irish deserved to pay for the mistakes of a few, even after the imbalances they created nearly bankrupted the country. As stated above, this view was not universal as Simon Carswell of the Irish Times summarized before the Report of the Joint Committee of Inquiry into the Banking Crisis in 2015:

I do not accept the proposition put forward by many of the key players involved in policy-making, banking, building, or regulating that there were so many people responsible for the crisis that it is difficult to pin individual blame on a few. Moral responsibility for the excesses of this period can be cast widely, but legal responsibility for what happened and what was permitted to happen far less so. There were a limited number of people involved in key decisions, in particular those decisions taken in response to the crisis that had major consequences.²³⁷

Just as revealing, nearly all interviewees responded that they believed the fundamental elements of Ireland’s growth model and structure of the economy were strong, and that their crisis was an instance of banks and the construction sector run amuck. Therefore, if those sectors could be sorted out, Ireland could get back to the

²³⁵ Hugh O’Connell, “In full: Taoiseach Enda Kenny's address to the nation,” *thejournal.ie*, December 4, 2011, <https://www.thejournal.ie/in-full-taoiseach-enda-kennys-address-to-the-nation-296137-Dec2011/>.

²³⁶ Hugh O’Connell, “Taoiseach slammed over 'people went mad with borrowing' comments,” *thejournal.ie*, January 27, 2012, <https://www.thejournal.ie/taoiseach-slammed-over-people-went-mad-with-borrowing-comments-338447-Jan2012/>.

²³⁷ Oireachtas.ie, “Report of the Joint Committee of Inquiry into the Banking Crisis,” *oireachtas.ie*, October 3, 2015, <https://inquiries.oireachtas.ie/banking/hearings/simon-carswell-relationships-between-state-authorities-political-parties-elected-representatives-supervisory-authorities-banking-institutions-the-property-sector/>.

growth and prosperity it enjoyed before its banking and property bubble. When asked about the soundness of the Irish economy, one former Minister from the Labour Party said:

The core of the Irish economy was sound. We had been in government until 1997 and...the period of growth in the Irish economy had started in that stage, it was export led.²³⁸

They continued when asked about the core of the economy upon entering office in 2011 and indicated that not only were many sectors of Ireland's economy sound, but that they needed to essentially double down on their FDI economic model, saying:

We were confident about it. We were confident, for example, there were sectors of the economy that were sound. The food industry for example, was sound. That we had a strong tech industry, that we had...pharmaceuticals and medical care, life sciences businesses, financial services. We knew that that was sound. Provided it stayed. Provided it continued to have confidence in the country. So, we knew that if we could retain confidence by investors, first of all that they stayed with us, that they continued with whatever investment plans that they had, that we continued to attract investment, that we grew our trade. We knew that exporting, we've got to get back to exporting in the economy and that was why, for example, we revamped the whole export strategy, and...we established a new export trade council.²³⁹

They continued about the new export trade council, expressing their continued faith in markets and the FDI economic model:

It was completely joined up, led by the embassies. In a way we shifted our...focus of our diplomatic activity from...broader traditional kind of areas of diplomacy to economic diplomacy that the ambassador in that country needs a country team, which is all of the agencies and there's a focus about getting markets and growing markets. And there was a big focus on increasing trade and particularly increasing trade for the indigenous economy. Enterprise Ireland became pretty important. The tourism sector. The idea of the gathering...getting all of these people back. That we set up this global economic forum, Irish people, business leaders who

²³⁸ Interview with former Irish Minister, Dublin, Ireland, January 11, 2018.

²³⁹ Ibid.

were Irish, many of them very, very, helpful. And (Bill) Clinton, he came and addressed it.²⁴⁰

This strategy of doubling down on Ireland's FDI economic model, was also described by Eamon Gilmore, who was both Tánaiste and the Minister for Foreign Affairs and Trade, noting the global economic forum as establishing an Export Trade Council, which targeted 27 strategic markets for Irish exports.²⁴¹ Additionally, a former minister from the 2007 – 2011 Fianna Fáil/Green government echoed similar sentiments when asked about the Irish economy and highlighted the role of FDI, saying:

The core was always strong. Yeah, the core was always strong... The core of the economy was always strong because you had this core of multinational companies and strong branded companies. The essential thing for them was stability, political stability. So, if we had ended up in Greek situation...people rioting on the streets, burning down the city, that would have become a problem for the essential stability of the country because the US multinationals who are here who employ 350,000 people would say you know, and throughout all the time, throughout the period there was always, from 2012 on most people saw stability. There was always a stream of announcements of investments. And obviously tax policies helped things...But equally coming to the labor force, the Irish labor force is incredibly educated, incredibly flexible and the experiences...of multinationals here are very positive. That continued, and that pipeline always continued. And stability was the essential thing for that.²⁴²

Similar sentiments were expressed from a former Green Party minister from the same government, saying:

I won't deny, our real economy had been hampered by the property bubble. Too much money was going into that and it was inflationary...but our underlying economy was still there. Now a lot of it is based on foreign direct investment but it's not phony foreign direct investment. It's based on real capabilities. Ok, yeah sure, Google need to pay more tax. They're still employing 7,000 people here. You know, and even if it's all just sales and backups type stuff, 7,000 people is a lot of people. And there's loads of examples of that. And that economy actually

²⁴⁰ Interview with former Irish Minister, Dublin, Ireland, January 11, 2018.

²⁴¹ Gilmore, *Inside the Room: The Untold Story of Ireland's Crisis Government*, 155.

²⁴² Interview with former Irish Minister, Dublin, Ireland, November 15, 2017.

did reasonably well in the difficult time because you had a much lower cost base, no difficulty getting staff to come...the rest of the global economy recovered from the financial crisis reasonably quickly, so you were in a global market that was expanding.²⁴³

They continued, discussing their faith in the Irish economic model:

I suppose we had been through...in the late 80s we had a really severe decade of mass, mass migration and unemployment. We finally tackled it in the late 80s, tough measures again at that time. But we had that...in our memory, our living memory that says ok let's just get on with it, do it, get out, get it behind us. And also, to a certain extent, a lot of the efficiencies in the Irish economy were in part created back then, so we didn't have huge reforms to be doing...other people said you have to all this other reform, well actually we'd done most of that back in the late 80s/early 90s. So, it was more a case of just trying to get our basic fiscal position back in some sort of credible direction and then the economy would grow, which is what happened.²⁴⁴

One representative from the Department of Public Expenditure and Reform (DPER)

echoed the same sentiments, highlighting the imbalances in specific sectors, but

expressing their faith in the Irish economy and its FDI economic model:

There were lots of positive strengths to the economy. The investment in infrastructure, educated population, university sector was good, a lot of high tech companies, and a good balance...agri-food, tourism, financial services, software, ICT, Pharma, like lots of good sectors. So, there are positives and obviously we could build on those positives when we got the economy in a better place and...FDI continued to flow positively during, it dipped a little bit, but it was pretty good during the entire period. So, multinational sector, the foreign owned sector still had confidence in the economy, and they were investing. So, yeah there were still fundamental strengths, but alongside those fundamental strengths was a set of imbalances which needed to be addressed, which we allowed to develop.²⁴⁵

The most revealing aspect of the above quotes is that they come from across the political spectrum, from those in the Labour Party on the left and Green Party that can be

²⁴³ Interview with former Irish Minister, Dublin, Ireland, December 4, 2017.

²⁴⁴ Interview with former Irish Minister, Dublin, Ireland, December 4, 2017.

²⁴⁵ Interview with representative from DPER, Dublin, Ireland. January 8, 2018.

considered far-left, to those in the center-right in Fianna Fáil. While it is true that Ireland's economic model was successful up to the crisis in 2008, the faith interviewees displayed in the market as well as the Irish economic model across its political spectrum, even though the economy had just been brought to its knees, suggests the influence of the Celtic Tiger identity was a real, active force on policymakers' decisions during its Troika program.

Beyond those in parliament and the civil service that expressed faith in Ireland's economic model and markets more broadly, even those from labor unions expressed a faith in Ireland's economic model and free markets. A representative from one of the labor unions acknowledged the need to make the adjustment while arguing that the program should have been structured differently (this will be discussed later in this chapter), but the reasoning was that the Irish economic model allowed for the program to take a different structure. They said:

The narrative really, from our point of view was that...this adjustment has to be made but two things need to happen. We need to make the adjustment over a longer period of time than 2015...and we need to kind of backload it to allow normal growth to take as much of the weight of adjustment as we can...Now, part of that you have to understand, was influenced by the composition of the industrial base of the economy here, which is hugely multinational. It's dual in a sense. There is a kind of an indigenous base very heavily concentrated in food production and there is the multinational, which is pharmaceuticals, ICT, that type of thing. Our view was that those sectors were not really going to be hit too much by the recession.²⁴⁶

Another representative from a different labor union was more forthcoming about their confidence in the economy and Ireland's economic model, saying:

Our core economy. The wider economy was actually solid largely due to the influence of FDI, foreign direct economy. But when you isolate, when you take out the banking, which of course impacted on all the other sectors, but if you

²⁴⁶ Interview with former labor union official, Dublin, Ireland, November 8, 2017.

could isolate banking and construction, the rest of our economy...was quite sound and in my own union, on the private sector side of it, we were negotiating pay agreements of two and three percent per year going back to 2011...when we had deflation or near deflation in the economy. So, the underlying condition of the economy was very good.²⁴⁷

What is most revealing in this quote is not just that there is confidence in an economy that had been destroyed because of its banks, but that the confidence was coming from those involved with labor unions, which naturally fall on the left side of the political spectrum. While both labor union representatives disagreed with the length of adjustment and the frontloading of the program, these quotes illustrate that a faith in both the Irish economic model and markets more generally was present even on the political left, suggesting the presence of the Celtic Tiger identity.

An economist from the Economic and Social Research Institute (ESRI) also expressed faith in the Irish economic model when discussing meeting with the Troika right before the MOU was signed, saying:

So, the Troika accepted the changes the incoming government made, and we met the Troika, that's the ESRI, at every quarter when they were in Dublin and there were three things which they raised each time with the ESRI. The macroeconomics. To begin off with when Ashoka Mody was the IMF person, he had a seminar in 2009 in the department of finance and he was useless. He didn't understand the Irish economy, wouldn't read any of the research on Ireland, and said, "Ireland is, this is before the bailout itself, Ireland is, the model is broken, you're not going to recover. And he wouldn't read any research and I was absolutely furious. However, he was got rid of and they brought in Ajai Chopra to head it, who was extremely good, read the research, and they were too pessimistic, but you could understand why."²⁴⁸

They continued, later in the conversation, speaking of the need to see the Irish crisis as a banking crisis and not a debt crisis as well as more faith in the Irish economic model:

²⁴⁷ Interview with former labor union official, Dublin, Ireland. January 8, 2018.

²⁴⁸ Interview with ESRI economist, Dublin, Ireland, November 29, 2017.

And it was trying to convince Ashoka Mody from the IMF this is not a debt crisis and the issues of default or whatever, it's not relevant. Ireland can trade its way out of this because the economy is working but we do have a problem with the banks. And there would have been a sympathy in particular from the IMF on the banks. The IMF were very cross with the ECB they, forcing Ireland to pay, now it was only about \$5 billion so it wasn't huge but forcing Ireland to pay the bondholders that the IMF really said this is crazy. So, the IMF were the friends.²⁴⁹

A former official from Ireland's Central Bank also expressed the confidence civil servants and politicians had in markets and especially Ireland's economic model when asked about the soundness of the Irish economy at the time of the crisis, saying:

We, almost without discussion, the officials and the politicians in charge and also opposition politicians instinctively said this is a problem related to the banking system and the excesses that have occurred in the property bubble. The rest of Ireland has been going fine. In 1996, 1998 Ireland was fine. Balanced economy, fiscal prudence. We...want to get back to that and our message both domestically and internationally is small little problem on the banking side, everything else is okay, your money is okay, your investing in Ireland is okay, the model is okay.²⁵⁰

The faith in markets and the Irish economic model is further exemplified by some suggesting that the government really missed an opportunity to change aspects of the economy they felt needed adjusted. As the same former official from Ireland's Central Bank said:

Now, this of course to some extent was a missed opportunity for the politicians. Because they should have been saying the huge change in public expenditure has to go on and taxation has to go on to get back to the right place. What do we need to rebalance this? What changes do we want in society and, well it may be a bandwidth issue, it may be like a vision or imagination by the most Irish politicians. But they didn't do that. They only wanted to get back to what was there before. In a narrow crisis management sense, that was a good point of view, but they also should have had some strategic thinking.²⁵¹

²⁴⁹ Interview with ESRI economist, Dublin, Ireland, November 29, 2017.

²⁵⁰ Interview with former Irish Central Bank official, Dublin, Ireland, December 11, 2017.

²⁵¹ Interview with former Irish Central Bank official, Dublin, Ireland, December 11, 2017.

They continued, when asked for clarification on whether the thinking was that Ireland temporarily got themselves in trouble, needed to fill the funding gap, and thought, let's get back to the model we know works, and get rid of the things that didn't, saying:

Yes, yes, that's, that was the way it was. And that was a missed opportunity to some extent, but for a crisis management it looks pretty good...I met people who think it's great. Only Iceland did better than that.²⁵²

This desire of many in Ireland to return to policies that ushered in its previous prosperity highlights another way that the Celtic Tiger identity was influencing policy decisions during its Troika program as the faith in Ireland's FDI model seemed to limit what policymakers saw as necessary to move Ireland's economy out of the crisis.

This section of the analysis has argued that the Celtic Tiger identity had imprinted on the Irish a faith in markets and its economic model that transcended its political spectrum, leading many to believe that the fundamentals of Ireland's growth model were strong, but had just gone off the rails during the 2000s with banking and construction. Therefore, many believed that if Ireland could fill its temporary funding gap, the economy would recover, and Ireland could recapture its previous prosperity. However, the catch was that all Irish would be held liable for rescuing the banks and bear the burden of austerity resulting from the bad decisions of the banks and construction companies. The evidence suggests that many individuals not only expressed a faith in markets and the Irish economic model, but the popular viewpoint that the responsibility for the crisis as resided with the Irish citizen. That many Irish would believe it was appropriate for everyone to tighten their belts in response to banks going bust and needing a bailout from the government indicates the depth at which pro-market attitudes

²⁵² Interview with former Irish Central Bank official, Dublin, Ireland, December 11, 2017.

were infused into Irish society. Additionally, the Fine Gael/Labour government essentially doubled down on the existing model and Ireland's dependence on trade and FDI while earning criticism from some who felt that Ireland had missed an opportunity to make further changes to its economic model. With so many people across the political spectrum displaying a conviction in both free markets and the Irish economic model, it suggests that the Celtic Tiger identity had permeated much of society and influenced the decisions of policymakers during its crisis. In the following section this will be examined further by showing that many actions that would disrupt the Irish Troika program or threaten its economic growth model were off the table.

Off the Table

Further evidence of the Celtic Tiger identity affecting the Irish responses can be seen in what options societal and political actors considered during the duration of the program. The various options considered would not be classified as radical or disruptive in any way comparable to Greece as well as many of the responses seen in Portugal. That serious consideration was never given to anything that might disrupt Ireland's ability to fulfil its obligations in the MOU or endanger the Irish economic model is rather telling, especially since it was widely understood that the reason for the crisis was because of the mistakes of its banking and construction sectors and not a wider societal problem. Outside of the very far-left, which had very little power, there was no serious consideration of defying the Troika, refusing to meet deficit targets, defaulting, or initiating major protests or significant labor conflict. As many of the quotes below will highlight, there was a sense that there was no alternative, and continuing a theme from the previous section, that somehow all Irish were responsible for the crisis and everyone

should bear the burden of austerity. This should not be taken as the Irish just accepted the demands of the Troika, but rather that they sought to play the “long game”, similar to Portugal, where they would meet their targets and seek to renegotiate certain aspects of their program. As one former minister from the Labour Party said:

I think that it would be naïve to suggest that we were acquiescent to the program, we immediately established from the very first interaction (with the Troika) that we would have to have flexibilities. That in terms of domestic policy we knew best. Obviously, we have to live within the constraints in terms of reaching the deficit target of 3 percent of GDP in the timeline we agreed.”²⁵³

The most remarkable of the responses to the Troika program, displaying the presence of the Celtic Tiger, was the general lack of public resistance to the program. There was a large, 50,000 person protest in Dublin the weekend after the government signed the MOU with the Troika, but no protest after approached that size or intensity for the remainder of the program, and they tended to focus on individual policies and not a rejection of the entirety of the Troika program. While the 50,000 person protest in late 2010 was more aggressive than the initial Portuguese response, it was not representative of the overall Irish response and is quite different from what was witnessed in Greece, which had constant large protests, riots, and violence in the aftermath of the government signing the MOU with the Troika. Social action in Ireland was relatively small, and when the number of protests increased in October 2011 it was part of the larger globalized “Occupy” movement that started with “Occupy Wall Street.” Undoubtedly the Irish were upset about their economic situation, but there was not persistent mobilization until there was an international call to action, and even then, the Irish “Occupy” movement was very small compared to other countries. The number of protesters at the various camps around

²⁵³ Interview with former Irish Minister, Dublin, Ireland, November 14, 2017.

Ireland ranged from ten to one hundred protesters at any time, whereas Portugal's participation in the "Occupy" movement on October 15, 2011, which was considered timid compared to many other European countries, still saw over 40,000 Portuguese participate in protests across multiple cities.²⁵⁴

Maybe even more telling was the lack of direct opposition to taxpayers being liable for huge bank losses. There were sporadic protests against the bank bailout during the Troika program, but the most sustained protest was in Ballyhea, on the outskirts of Cork. These protests in Ballyhea began in March of 2011 to protest the government making the Irish taxpayers liable for the bailout of Irish banks. While these protests were consistent, they were also very small, ranging from a dozen on the first weekend to upwards of 70 protesters. Additionally, they were not disruptive as they took place in a small village on the outskirts of Cork. The fact that this was really the extent of the organized and consistent Irish protest against the bailout of Irish banks, is striking considering the bank guarantee issued by the government in 2008 was equivalent to nearly 300 percent of Irish GNP. Furthermore, Irish protests were never very large, and when they did tend to reach significant (but still not very large) levels, they tended to focus on individual issues and were not a rejection of the whole Troika program, keeping most of the protests focused on local issues. For example, there were a number of protests that were aimed at very specifically at cuts to healthcare. 5,000 people protested the closing of the Abbeyleix Community Nursing Unit in November 2011 while there were a number of protests against the closing of the emergency services at Roscommon

²⁵⁴ Catarina Gomes, "Próximo protesto marcado para dia de votação do orçamento," *Público*, October 17, 2011, https://www.publico.pt/2011/10/17/politica/noticia/proximo-protesto-marcado-para-dia-de-votacao-do-orcamento-1516902_

Hospital. These protests saw upwards of 1,500 participants, which is much smaller than protests witnessed in Greece and Portugal. An example on the national level is when 20,000 students marched in November 2011 to protest cuts to education in the 2012 budget, but again it was a very specific policy and not a protest to reject the Troika's whole Irish program. These are both examples of how Irish protests largely aimed at very specific and local issues and not the Troika or austerity more broadly. As public anger began to slowly increase in 2013 it continued to be in response to specific policies. These included the household and water charges as well as a septic charge in rural areas, which would become larger issues after Ireland left the Troika program. But even as the anger of many increased throughout 2013 it didn't truly manifest until 2014, which was after Ireland exited its Troika program.

As noted above, there wasn't much of an appetite from the public to aggressively resist the Irish Troika program and interviewees from labor unions discussed having a difficult time mobilizing people for protests. One former labor union official expressed the difficulty they had with organizing protests and a social response even in 2008 and 2009 when the bank bailouts were fresh and austerity began to be implemented, saying:

There had been a lot of activity throughout 2009 where we tried to mobilize against what was a one-sided austerity agenda imposed domestically by the Irish government. I have to say that...we didn't succeed in developing a very effective response...So, in terms of not being able to mobilize a very effective response, I don't mean in terms of an alternative policy approach but because I think that we did have a reasonably coherent policy approach, a Keynesian approach, standard Keynesianism...But what I should say though is when I'm talking about not being able to mobilize an effective response, I mean in terms of the mobilization on the ground.²⁵⁵

²⁵⁵ Interview with former labor union official, Dublin, Ireland, January 8, 2018.

The utility of protests was questioned by many, and even those in the labor union movement. When one former labor union official was asked about the lack of social strife in Ireland compared to Greece, they responded:

I mean there's a little bit of a danger that I would end up sort of justifying ourselves in all of this, but the reality is that we kept a strong hand on it. The protests themselves were of no particular value...other than they were good tension...relievers and it's the only way you can you know we're not happy type of thing to government. But...there was no sense that protests ever, although it achieves anything, but look any government worth its salt can survive a protest.²⁵⁶

This was echoed by an economist from ESRI, who was asked about the absence of strikes and said:

I think the people of Ireland understood how the economy worked and understood this was our mess essentially, and we were going to have to dig ourselves out of it. People...couldn't see an alternative and if you went on strike, what was going to happen? The government didn't have any choices. Were they going to cut welfare payments to pay? No, they weren't. I think that people understood that there weren't choices. They were very cross, quite understandably because the incompetence of the way the economy had been managed and the central bank's failure to regulate the bank, the people, and they still are extremely cross over it but that doesn't mean that you shoot yourself in the foot like the Greek option, where it's like fish on a hook. That you rig it and rig it to try and get off it. Basically, sit back and take the pain and then move on was more of the attitude.²⁵⁷

Throughout the Irish Troika program, not only was there an inability to organize widespread mobilization against the government or its policies, but the utility of those kinds of actions was questioned from those directly involved in the labor unions. Instead of a more confrontational approach in the streets they opted for negotiating agreements, which resulted in the Croke Park Agreement in 2010 (before the Troika) and the Haddington Road Agreement in 2013. Even labor unions were not asking for the entire

²⁵⁶ Interview with former labor union official, Dublin, Ireland, November 8, 2017.

²⁵⁷ Interview with ESRI economist, Dublin, Ireland, November 29, 2017.

program to be scrapped, but merely a renegotiation to make policies more labor friendly.

Labor unions also felt that they needed any protests to be kept orderly and nonviolent, with one former labor union official saying:

So, but the whole thing was that we had to manage it and to keep it disciplined, controlled, within the labour movement, and try to move towards the best possible outcomes that we could get in the situation.²⁵⁸

This is similar to what labor union leaders in Portugal expressed, but the reasoning as they continued was revealing as it focused on investor confidence. They continued:

Yeah, there was no counter apart from people who wanted to actually burn cars and to things like that...But...we settled that very quickly because...we didn't want to destroy international investor confidence in the country either. So, you felt...that you had to protest, but the whole thing had to be under control and fairly orderly.²⁵⁹

When asked about whether the government had a strategy to ensure industrial peace, a former Labour Minister remarked:

Yes, we did. We did...avoiding instability was a part of the strategy of maintaining confidence, maintaining the narrative that we were going to get out of this. And we had to maintain that narrative to sustain investor confidence, but also to sustain the confidence...we were talking to other member states, we were talking to the Commission...when the troika mentions yeah, they're doing it, but this is going to work...I think a relationship with us of kind of (was) we have to check, ensure they're doing everything, and weekly reporting, and quarterly review and so on, to one where they started to buy into our narrative that guys, we can get out of this, we can turn, we can actually, this can be a success... And to sustain that of course, maintaining industrial peace, talking to the trade unions, having the industry on board, having a kind of, you know, at that stage there were not big protests, so there was a sense that we were managing to get it done.²⁶⁰

²⁵⁸ Interview with former labor union official, Dublin, Ireland, November 8, 2017.

²⁵⁹ Interview with former labor union official, Dublin, Ireland, November 8, 2017.

²⁶⁰ Interview with former Irish Minister, Dublin, Ireland, January 11, 2018

An official from the Department of Expenditure and Reform had similar sentiments, saying:

Yes...we were keen, so we were dealing with a crisis that had so many facets. Banking, fiscal, labor market and all the rest that we didn't want to have industrial unrest as well because we thought that would undermine our capacity to have an economic model that would work, that would actually become viable and generate jobs again. So, we wanted to keep things quiet. So, yeah, so industrial peace, avoiding strikes, stoppages was a key part of it.²⁶¹

The fact that multiple interviewees referenced the economic model or investor confidence when asked about keeping industrial peace points to the impact of the Celtic Tiger identity on Irish thinking and interpretations of its crisis. Even in the Labour Party and labor unions, the reasoning for certain things being off the table centered on its economy, Ireland's place in the international market, and maintaining the investor confidence that was so important to its economic model. By referencing international investor confidence, the labor union official indicated that the Celtic Tiger identity had indeed, permeated deeply into society.

In addition to the desire to keep industrial peace, the strategy for gaining more labor friendly changes to the Troika program was less about popular mobilization and more about disseminating information about the specifics policies that needed changed to encourage support within the unions. As one former labor union official said:

The messaging was quite sophisticated we spent a lot of money on it. The publication of materials, the kind of social media stuff and all of that. And it was kind of fairly simple stuff...it was a ten-point plan. Ten point plans are easily understood by people...So, yeah there was a lot, there was no popular labour movement descend from that. You know people signed up to it, they felt it was good, it was credible, it was working...to a degree that we could make it work. Yeah, so it was very expensive, but it was worth doing that, I think. It just had to be done...We just needed our own people needed to know what we were doing

²⁶¹ Interview with representative from DPER, Dublin, Ireland, January 8, 2018.

and what our position was essentially. So, it had to be a reasonably good public understanding of our essential argument. And that's what it was all about was just trying to get people to...Just the facts of this is the way we need to restructure this deal that's going to work.²⁶²

Another former labor union official discussed their union's strategy during the Troika program and the difficulty mobilizing protests, saying:

So, I think that to a very large extent from, certainly from the general election of 2011 until 2013, until the end, until we got back to the markets as it were, our activity was concentrated around managing the protocol in the private sector, working the Croke Park Agreement, and trying to, through the Labour Party as a minority party in the government, to influence the direction of public policy. As distinct from major mobilizations and so on. We did produce in the autumn of 2011 and again subsequently quite significant policy papers on structural funding and capital investment and how to generate capital investment, but in terms of mobilizations we didn't have very much.²⁶³

While the lack of mobilization in Ireland is surprising given that it was very well understood that private banks had led to the public being required to make significant sacrifices, it is just as surprising that the labor unions either could not generate enthusiasm for mass mobilization or did not think social action would make much of a difference. Thus, the labor unions opted to negotiate with the government and argue that the structure of the bailout needed changed to ease the burden on workers in the economy. There was no broad rejection of the program or denial that an adjustment needed to happen, as more disruptive actions that would derail the Troika program or compromise Ireland's economic model were not considered.

Those that suggested taking a more radical course of action, such as Gerry Adams of Sinn Fein, were dismissed out of hand across the political spectrum by interviewees.

²⁶² Interview with former labor union official, Dublin, Ireland, November 8, 2017.

²⁶³ Interview with former labor union official, Dublin, Ireland, January 8, 2018.

One labor union leader responded to the notion of following Adams' suggestion to 'kick the Troika out' by saying:

You know their opponents would obviously point out that Sinn Fein went very quickly for the Greek line...That...they saw Yanis Varoufakis as a great guy and we follow him in all of this for a while until it didn't work and then of course they just abandoned that line. The Trotskyists are a dead loss. I mean...as you probably know they would just oppose any kind of social democratic organization because it stands in the way of a revolution. If you look at it from where they stand...this is a golden opportunity to provoke a great deal of civil unrest and revolutionary activity and it didn't succeed.²⁶⁴

A former Labour minister expressed similar feelings about offering more overt resistance or 'kicking the Troika out', saying:

We...tried to realistically say that that obviously is horse manure because what are we going to do for money if we haven't got their money because nobody else could give us money or lend us money...so that was not only naïve because they understood full well what the implications were, but it was a nice soundbite, get rid of the troika, tell them to get lost and all will be well. When that actually was tried by the SYRIZA government in Greece you had imagined the closing of the banks, the destruction of people's savings and income would have said yeah, the Irish strategy is actually the better. But of course, to a lot of people who were hurting they didn't see that.²⁶⁵

Another former Labour Party minister remarked in a similar way, saying:

Well, we took the view that in a way we had to be pragmatic with our dealings with the troika. That, the option of, as Gerry Adams famously said it, telling the troika to go home and take their money with them, was not real.²⁶⁶

A similar sentiment was expressed by a former Fianna Fáil minister regarding taking a more combative stance toward the Troika, saying:

People were watching Greece while it was happening...and I think there was Alexis (Tsipras)...he got elected as this fire brand and the left wing here aligned themselves to him...the left here, Sinn Fein and the left parties aligned themselves

²⁶⁴ Interview with former labor union official, Dublin, Ireland, November 8, 2017.

²⁶⁵ Interview with former Irish Minister Dublin, Ireland, November 14, 2017.

²⁶⁶ Interview with former Irish Minister Dublin, Ireland, January 11, 2018.

with SYRIZA and said this is the way to go, this is the way, look at them, they're great people or something. And they went over and campaigned and when SYRIZA got elected into office. They were all in Greece and they were all in Athens. Like Sinn Fein people and People Before Profit. Then SYRIZA went into government and implemented austerity...and people here are actually quite astute. The Irish electorate is very astute. They saw this and that really kind of people just said, 'there's no way around this'.²⁶⁷

Throughout the interviews and across the political spectrum, the refrain was the same. A strong rejection of the Troika program was off the table except for those on the far-left, who had very little political power.

Even when discussing other options that could have been pursued, the proposals did not deviate from what was agreed to with the Troika. The labor unions as well as the Labour Party only wished to see the program extended a couple of years and to backload instead of front load the cuts. When discussing the various options floated, especially by labor unions, an official from DPER remarked:

So, they obviously would have argued for a different way of getting through the crisis, but they, I think they accepted that...these are the limit of our options and they played those options the best they can. The notion of the default, no serious people were talking about default, nobody credible or serious was talking about default. A country like Ireland can't default on its debts, its obligations. That's not credible... we're plugged into the international economy, we have a very developed financial service sector, a very open economy, we're a developed country. And when somebody loans us money, we're going to pay it back, because you may in the future require them. Well, we have 200 billion in debt which we need to roll over, so we need to access the markets. So, we fell out of the markets because they lost confidence, but we made sure everybody got paid back, and that's pretty important.²⁶⁸

Not only was market logic and the structure of the economy invoked in reasoning why certain actions were deemed off the table, but also a reference to Ireland as a developed

²⁶⁷ Interview with former Irish Minister, Dublin, Ireland, November 15, 2017.

²⁶⁸ Interview with representative from DPER, Dublin, Ireland, January 8, 2018.

country, which is intimately tied to the Celtic Tiger and the economic success that economic model provided.

As mentioned above, the proposals for adjusting the Troika program did not deviate much from the MOU signed by the previous government, but there was a feeling that there was no choice but to work within the program and to try and tweak it to make it “better” for their constituencies or organizations. Therefore, similar to Portugal, Ireland sought to play the long game of complying with the program, meeting the targets, and slowly pushing for an easing of the conditions. As one former Labour Minister said:

The strategy was, we’d no choice other than to work the program... to mitigate the program. It was a sovereign international agreement that the previous government had signed. Yes, we could have said goodbye to the program at any moment had we an alternative source of funds. But we didn’t.²⁶⁹

They continued:

Yeah, and work it as cleverly as we can. We’re going to get as much foreign direct investment as we can because that’s that sector. And then the third thing was obviously the huge burden of debt was from bailing out the banks. So, one of the key structures on that was the promissory notes, which involved €3bn a year payment.²⁷⁰

Even with acknowledging that the strategy was to work within the program while pursuing changes throughout, there was yet another reference to the importance of FDI and Ireland’s economic model, again using the role of Ireland’s economic model as reasoning for their decisions. When asked about alternatives to the program another former Labour Minister made similar statements about working within the program and how the “wildest” proposal for altering the program was from ICTU, who wanted to

²⁶⁹ Interview with former Irish Minister, Dublin, Ireland, November 6, 2017.

²⁷⁰ Interview with former Irish Minister, Dublin, Ireland, November 6, 2017.

extend the program to 2017,²⁷¹ saying:

Oh yeah...if you look at what were the alternatives, well first of all if you go back to the time of the 2011 election, nobody on the political spectrum argued with the figures...that this was the size of the deficit. Nobody argued with the objective of the objectives of the Stability and Growth Pact to get the deficit down to 3 percent. Nobody argued with what the implications of that were in money terms. There were differences about how you fund it and there was the back-loading argument. Well, back-loading argument still left it to be done, but even the back-loading argument, I mean even the most, the widest back-loading proposal was the congress (ICTU) proposal that was drawn out to 2017.”²⁷²

They continued:

It wasn't, no, no it wasn't crazy I mean this was all going to be paid whether it was 2017, 2015, 2014, it was all going to be paid and it was all going to involve increasing taxes and cutting expenditure. The big debate was the ratio. I mean there were two debates. One was the time for it and the second was the ratio between public expenditure cuts and...taxes.²⁷³

They added, noting the debates about how to adjust the program and the reasoning for this strategy:

So, that was the other element of the debate, was the ratio and I think those looking back on it...I came to be persuaded that, look we should get this over with. That prolonging, it's going to have to be done anyway and prolonging it was also going to be a restraint of which, so it would be better to do it, so we ended up settling for 2014, which did get it over with and then you've built into that as far as you could. Now...it isn't exactly classical Keynesianism...the kind of reduced public expenditure and stimulate growth in the economy at the same time. We did manage to do and it's one of the factors we had was the issue of confidence... Well, two. One was confidence by international investors, which would have maintained the flow of FDI...A lot of what we had to do was about communicating, it was the renegotiation of the deal, but it was also the communication with the outside world that we were...going to get through this, and we needed to maintain the flow of, and maintain trade and so on. At the beginning of 2011 we knew that there were investment decisions that were on hold and...so I had been talking up our prospects of success and it was, yeah, we're going to get through this, we're going to come out of this program by the

²⁷¹ This also included a proposal to backload the program as opposed to frontloading it with many cuts in the beginning.

²⁷² Interview with former Irish Minister, Dublin, Ireland, January 11, 2018.

²⁷³ Interview with former Irish Minister, Dublin, Ireland, January 11, 2018.

end of 2013, beginning of 2014. We're going to come out on target. We're going to achieve what we're going to do with our strategy and so on, so that was one was persuading, and we did, I think we succeeded in doing that because the flow of FDI did, in fact it increased.²⁷⁴

Again, there are references to the crucial role of FDI in helping the Irish economy recover from former Labour Party ministers. Certainly, there were other issues the Labour Party was concerned with, such as protecting the most vulnerable and preventing harsh cuts to social protection, but the role of FDI and the Irish economic model in the minds of policymakers was ever present. This mindset was also expressed by a former Green Party Minister from the previous government as they discussed alternatives to “austerity.” They said:

We were in our circumstances, as a modern, open, trading economy, which is reliant on international trade like no one else and which has a lot of private as well as public debt and when you look at the maths, just do the maths...and...nothing is certain, if to take the Argentinian example where you could be shut out for ten years or you could have higher interest rates for a period of years. With the level of private and public debt you have what's the cost of that? It always kind of worked out more than the cost, even the hole was very big in terms of the banking one. And the banking one caused our...was connected to the level of contraction here and the debate in Ireland around our economic approach wasn't so much around the public budget one, well it was but it was conflated with the banking one and we know the bank one always had prominence. We listened to all sorts of different views, I made my business to talk to a whole range of different people, bond traders, and others, bank people, city finance people as well as economists and listened to different views but I kept kind of coming back to when you looked over the edge of what the alternative is, it wasn't, and austerity was it, austerity.²⁷⁵

In this section I have argued that certain actions were considered off the table from both policymakers and the public. Actions that would disrupt the Irish economic model or hinder their ability to complete the Troika program were considered out of

²⁷⁴ Interview with former Irish Minister, Dublin, Ireland, January 11, 2018.

²⁷⁵ Interview with former Irish Minister, Dublin, Ireland, December 4, 2017.

bounds. Therefore, the lack of protest, especially given the well-understood role of the banks in causing the crisis, was surprising. There was also a strong desire from both the government and labor unions to keep industrial peace and avoid violence in the streets. There were also discussions of how refusing the Troika program was simply a non-starter for everyone except the far-left and the alternatives proposed by the Labour Party and labor unions were relatively mild and did not deviate too far from the Troika program. However, the common thread between the reasons given from interviewees was the focus on maintaining investor confidence, continuing to attract FDI, and protect Ireland's economic model. Given that these were the reasons that were discussed by those on the political left, it points to the influence of the Celtic Tiger identity on Irish decision making during its Troika program.

Ireland is not Greece

The final way that the Celtic Tiger identity presented itself during Ireland's Troika program was through assertions that Ireland was not Greece. In mid-to-late 2010 when it was becoming more apparent that Ireland would need to ask the Troika for help, media outlets in Ireland and internationally began to make comparisons between Greece and Ireland. However, Irish politicians and civil servants put considerable effort into refuting these comparisons. After the past success of the Celtic Tiger economy, the Irish were very uneasy about being grouped with the PIIGS countries (Portugal, Ireland, Italy, Greece, and Spain) and wished to shed that label as soon as possible as they had come to view themselves as more on par with European "core" countries such as Germany.²⁷⁶

²⁷⁶ Vincent Boland, "Ireland takes hard line on Greece austerity programme," *Financial Times*, February 15, 2015, <https://www.ft.com/content/dd4511a6-b3a9-11e4-9449-00144feab7de>.

While many interviewees expressed their sympathies towards Greece and felt that the Greeks had been treated unfairly by the Troika and other European countries, Greece's behavior towards the EU and the Troika was widely condemned in Ireland and the Irish explicitly sought to differentiate themselves from Greece. While this is similar to the approach taken by the Portuguese, the tone that the Irish took towards the comparisons to Greece was more dismissive than that of the Portuguese, who saw it as crucial that they create distance between themselves and Greece while showing they were closer to Ireland.

Ireland also took some concrete actions to ensure that they were able to meet the Troika's targets and make the necessary reforms to exit the program on time. Given the haphazard and sloppily organized response of the Greeks, one of the first things that the Fine Gael/Labour coalition did was create the Department of Expenditure and Reform (DPER) to manage the economic crisis and shore up Ireland's public sector finances. DPER was similar to ESAME in Portugal although DPER has endured beyond the Irish Troika program. In addition to helping meet the terms of Ireland's Troika program, DPER also handled all functions relating to the public service, public service reforms, and was responsible for managing public expenditure within the budgetary parameters that were set by the Minister of Finance. DPER was not only created to navigate the economic crisis, but to examine and reform the foundations of the Irish civil service. MacCarthaigh (2017) notes that the creation of DPER "represents one of the more significant developments in the history of Irish public administration."²⁷⁷

²⁷⁷ Muiris MacCarthaigh, *Public Sector Reform in Ireland: Countering Crisis*. (Cham, Switzerland: Palgrave Macmillan, 2017), 60.

In the months and weeks leading up to the Irish agreement with the Troika, Irish ministers and politicians stated and reiterated that Ireland was not Greece as they attempted to avoid a program as well as being lumped with the PIGS countries of Southern Europe. Despite the constant assertions from those in government and elsewhere that Ireland was not Greece, there were still many in the media making the comparison. One article in the Irish Times put it bluntly shortly before Ireland and the Troika agreed to the MOU:

Irish Government Ministers have been saying over the past week that "Ireland is not Greece". In fact, the two countries could not be more similar. If there ever was such a creature as the Celtic Tiger, it had a cousin, the Hellenic Hound, trotting after it and emulating it. Overspend, overindulge, exaggerate, be overconfident. Each on the rim of a fragile Europe and an even more fragile eurozone, each proud of its independence from the age-old dominant neighbour, and proud of its historic contribution to European culture.²⁷⁸

In the face of such arguments, the Irish continued to assert that this was not the case as they sought to convince the Troika and its European partners that Ireland was not Greece.

As one former labor union official stated:

The whole emphasis here on the part of the government and a lot of us, was to convince the creditor countries that we weren't like them (Greece).²⁷⁹

However, there was a big difference between how those interviewed in Ireland saw the comparisons to Greece and how those interviewed in Portugal saw the same comparisons. Whereas the Portuguese recognized they had a lot of work to do to truly convince the Troika, investors, and its European partners that it was not like Greece, Ireland knew they needed to do this but was more dismissive of the comparisons to

²⁷⁸ Richard Pine, "Ireland is not Greece - so what is it that makes both countries so similar?," *Irish Times*, November 20, 2010, <https://www.irishtimes.com/news/ireland-is-not-greece-so-what-is-it-that-makes-both-countries-so-similar-1.679219>.

²⁷⁹ Interview with former labor union official, Dublin, Ireland, January 8, 2018.

Greece. It was almost as if they were saying, “we’re not Greece and it’s not even close.” Despite the more dismissive attitude, the Irish still actively contrasted themselves to Greece. This is probably best exemplified in Kerrigan (2012), who notes that Irish Finance Minister Michael Noonan spent most of 2011 “sneering at Greece” and even made a joking comment in mid-2011 that he was thinking about ordering t-shirts with “Ireland is not Greece” printed on them and selling them.²⁸⁰ This is all the more striking considering Ireland had just posted a deficit of 32 percent of GDP in 2010. A former Green Party Minister put it rather bluntly:

You see we were different in a couple of ways to some of the other countries, to Greece and Portugal now this sounds arrogant, but it’s true. Various differences, firstly our own, we had a balance of payments surplus.... And, I won’t deny, our real economy had been hampered by the property bubble...but our underlying economy was still there...So, Ireland’s own economy was fairly healthy compared to Greece and Portugal, particularly Greece. They didn’t have the same balance of payments surplus, they had a balance of payments deficit and a contracting economy, whereas our real economy even though, our contraction was made in the public sector, it wasn’t really in the private economy. And the second difference, and this sounds arrogant, this is arrogant, but I think to a certain extent, we addressed our issue quickly and honestly and we restored confidence reasonably quickly when people saw actually what they said is pretty much the case and that helped. And I think one of the difficulties in Greece is people just didn’t quite trust what they were hearing. Particularly in terms of tax and revenues and so on. Whereas we were fairly up front.²⁸¹

An economist from ESRI reiterated this notion, saying:

So, compared to Greece, where there were huge structural problems, basically the troika really didn’t make a difference in terms of what Ireland did. Ireland just decided what it was going to do and then did it.²⁸²

²⁸⁰ Kerrigan, *The Big Lie: Who Profits from Ireland's Austerity*, 150.

²⁸¹ Interview with former Irish Minister, Dublin, Ireland, December 4, 2017.

²⁸² Interview with ESRI economist Dublin, Ireland, November 29, 2017.

While this dismissive attitude was present during many of the interviews, many interviewees admitted that they felt sorry for their Greek partners and acknowledged the difficulties Greece was experiencing. However, they strongly disagreed with the ways the Greek government handled their relations with the Troika and other European countries.

As one former official from the Irish Central bank put it:

Now, how did I think the Greeks behaved? I think they messed up very badly in terms of their international negotiations, but I also recognize that they have domestic constraints and that politics in Greece is terrible. It's very polarized in a way that it isn't here at all. And everything has got a lot of baggage and it's just awful. But they went through this kind of we are a proud country, we will never do this, grandstanding, and last minute, missing deadlines and then finally they do it. If you're going to do it, just do it and then move on and try and work on stuff that isn't going to be so high profile and that you can make wins on. If you're not going to do it, then by all means don't do it, but if you're going to do it, don't grandstand like that. It causes huge concern. It causes doubts about your commitment.²⁸³

A former minister from Fianna Fáil was also critical of how Greece handled relations with the Troika, saying:

Whereas in Greece, you know, they weren't collecting the taxes and Greece was a basket case before the banking collapse. So, you cannot, and then they wouldn't make hard decisions. So, I admit I had a certain sympathy with them for kicking up against Brussels, but it would be like some people I be working for right, when they're fighting on the behalf against the authorities, but you'd say you know, they'd undermine their own case. They weren't the best client you could have in terms of being responsible or looking after the property they had or whatever.²⁸⁴

When asked about whether knowledge of the Greek situation influenced the way the Department of Expenditure and Reform operated, one official said:

No, except that we demonstrated to people that there was a counterfactual. That not working with the troika program, telling your funders of last resort to get stuffed or deciding to play chicken with the ECB or the Europe, that led to your

²⁸³ Interview with former Irish Central Bank official, Dublin, Ireland, December 11, 2017.

²⁸⁴ Interview with former Irish Minister, Dublin, Ireland, December 5, 2017.

banks closing down, the imposition of capital controls, and an absolute disaster. So, the counterfactual, the alternative to what we were doing was being played out in Greece and that wasn't too good. That didn't look too great.²⁸⁵

Some interviewees discussed not only how they viewed Greece's situation, but also how they perceived that it affected the Irish people at large. One former minister from Fianna Fáil discussed how SYRIZA was received by most in Ireland, saying:

Yeah. The left here, Sinn Fein and the left parties aligned themselves with SYRIZA and said this is the way to go, this is the way, look at them, they're great people or something. And they went over and campaigned and when SYRIZA got elected into office. They were all in Greece and they were all in Athens. Like Sinn Fein people and People Before Profit. Then SYRIZA went into government and implemented austerity... Yeah, and people here are actually quite astute. The Irish electorate is very astute. They saw this and... people just said, 'there's no way around this'.²⁸⁶

Another former Labour Minister discussed how people reacted to the chaos in Greece, saying:

I think people in Ireland reacted really negatively against the reports of violence in Greece because to be honest I think for a lot of people in democratic politics in Ireland the memory of the violence in the north was enough to turn anybody off.²⁸⁷

They continued:

"Yeah, so Greece was very influential because what happened with Greece. Although it was very far from Ireland southern part edge of the European Union, nobody in Ireland wanted to see the kind of civil strife or the total political meltdown that Greece endured."²⁸⁸

As in Portugal, Ireland saw Greece as the model not to follow and they could use the events in Greece to convince others to pursue a different path. Many believed that to

²⁸⁵ Interview with representative from DPER, Dublin, Ireland, January 8, 2018.

²⁸⁶ Interview with former Irish Minister, Dublin, Ireland, November 15, 2017.

²⁸⁷ Interview with former Irish Minister, Dublin, Ireland, November 6, 2017.

²⁸⁸ Interview with former Irish Minister, Dublin, Ireland, November 6, 2017.

convince the Troika and its European partners that Ireland was not like Greece, it was crucial to not follow their lead, missing deadlines, grandstanding, and failing to implement agreed to reforms. Similar to Portugal, Ireland believed they were different and wanted to prove this by building credibility with the Troika and working within the program. As one former Minister from the Labour Party said:

Well, we took the view that in a way we had to be pragmatic with our dealings with the troika. That, the option of, as Gerry Adams famously said it, telling the troika to go home and take their money with them, was not real. So, we had to work with them, that what we needed, what we sought to do was to build a working relationship with them. And that was done at a number of levels. It was done at official levels, it was done with Brendan Howlin and Michael Noonan, they worked fairly closely with them and had regular dialogue. But, also, we also needed to build a better relationship with the Commission and with the IMF and over time with the ECB... the mood towards Ireland was quite negative across European capitals at that stage. There was a perception that, ah, this is a peripheral partner, you know we're not, and it's coming into public view, attitude, German taxpayers, I mean going to be spending your taxpayers' money to be bailing out guys from Greece...aren't working...and don't like paying tax. Fellows are in Ireland who lost the run of themselves building houses they didn't need and buying properties in Spain, overstressing themselves. So, there was a...kind of a...punitive attitude...the kind of we need to be taught a lesson.²⁸⁹

An official at the Department of Public Expenditure and Reform discussed how following Greece's lead was never an option, saying:

We were never going to go (the Greek way) anyway. That was never, because we thought the best option was to work with the program, but at various stages when the Greek authorities, and I know their situation was an awful lot worse than us, and it was very difficult for what they were being asked to do. And their situation was terrible, but the row that went down and the consequences certainly enabled us to say you can see a counterfactual here. The counterfactual isn't great, so we need to stick with this program.²⁹⁰

²⁸⁹ Interview with former Irish Minister, Dublin, Ireland, January 11, 2018.

²⁹⁰ Interview with representative from DPER, Dublin, Ireland, January 8, 2018.

In addition to the Irish refusing to follow the Greek example of how to approach its Troika program, some saw any association with the Greeks as detrimental to Ireland and its ability to separate itself from Greece. When asked about being in contact with people in Greece or Portugal, one former labor union official said:

No, no, because to be honest with you we thought to be associated with Greece would be the kiss of death...we saw Ireland as being much more like a Nordic kind of economy, very open. Greece and Portugal are quite closed economies. Also, they had sort of structural problems in their economies that we didn't have, and we didn't see any value, quite frankly, in being involved...they didn't press us to be involved with them and we didn't push to be involved.²⁹¹

In the above quote, not only was Ireland being explicitly contrasted to Greece, but they actively compared themselves to the Nordic countries. Not only does the quote emphasize the structure of each country's economy, which further suggests that the Irish economic model is entrenched into its national identity, but it speaks to perceived differences in national character.

One former Labour Minister also discussed their contact with officials from Greece, noting how they wanted to help but also how they did not want to be lumped with the PIGS (Portugal, Italy, Greece, and Spain) countries:

Well, we discussed with them...what was their experience...some of it was kind of a very practical, how are you getting on with the troika, we shared information, what they were saying. I think there was also certainly in our situation, we were careful in those discussions not to be lumped in with...we were very uncomfortable with being part of the PIIGS (Portugal, Ireland, Italy, Greece, and Spain) and we wanted out of that categorization as quickly as possible. So, we had a working relationship where we shared information, shared experience, talked about what was happening, but...we also had calculated that we would be first out and that we could be first out and therefore we didn't want to, we wanted to leave that categorization as quickly as possible and be seen as a successful economy.²⁹²

²⁹¹ Interview with former labor union official, Dublin, Ireland, November 8, 2017.

²⁹² Interview with former Irish Minister, Dublin, Ireland, January 11, 2018.

Even though many wanted to compare Ireland to Greece as they were the second country to ask the Troika for a bailout, the Irish actively dismissed such comparisons, knowing they needed to do all they could to make sure the comparisons were not seen as legitimate. For the Irish, the contrast to Greece could not be starker and they worked to ensure others believed this as well.

Conclusion

This chapter has argued that Ireland's Celtic Tiger national identity best explains the trajectory of the Irish response to its Troika program, and especially the ways in which that response contrasted to the parallel responses in Greece or Portugal. Ireland's economy, unlike Portugal or Greece, collapsed due to the reckless decisions of its private banks, but the fact that the people of Ireland were asked to foot the bill for bailing out Ireland's private banks led to a peculiar response from politicians as well as the public. After some initial protests and posturing from opposition political parties to renegotiate the agreement in the lead up to a general election in February 2011, once the new coalition assumed power, they maintained the Irish commitment to fulfill the obligations of its Troika program. While the government was committed to the program, like Portugal, they played the "long-game" and sought to work within the program and made adjustments by working with the Troika and not grandstanding as the Greeks. The government continued this strategy throughout the program and did see some conditions of its Troika program eased as they hit targets and complied with the program. Social responses were never very intense as protests were never very large and tended to focus on specific complaints while labor unrest was almost completely absent. This chapter has presented the three main ways that the Celtic Tiger identity was exhibited throughout the

Irish Troika program. First, there was a strong belief across the political spectrum that Ireland's economic model was still fundamentally strong, despite the banking problems that collapsed the economy in the late 2000s. Second, options for a strong rejection of the Troika program from policymakers, labor unions, and the public were considered off the table. Even proposals from those on the left (but not far-left) did not deviate very far from the original MOU and social resistance largely failed to materialize. Finally, similar to Portugal, Ireland made deliberate attempts to separate themselves from Greece in the minds of the Troika, their European partners, and investors. While the Irish were much more dismissive of this comparison than the Portuguese, they made a concerted effort to squash this comparison as they were worried that they would be lumped into this group as opposed to being compared with Northern European and Nordic countries.

CHAPTER IV

PORTUGAL

“I see Portugal keeping the promise it has made to itself in the revolution. We do not want to have a communist dictatorship here. We don’t want to have an empire, a conservative authoritarian regime here. We want to be like the other Europeans. And probably we are not strong enough to do that on our own terms. We need to be anchored here with these guys. And that’s what we have to do... We are doing what we have to do to be what we want to be.” – Interview with a former advisor to Prime Minister Pedro Passos Coelho

The Portuguese Crisis was the third crisis in the Eurozone, coming after bailout agreements with Greece in May 2010 and Ireland in November 2010. Portugal agreed to a three-year, €78bn bailout package agreed to by Eurozone governments, the IMF, and the ECB on May 3, 2011. In return, Portugal would make cuts to public expenditure, raise taxes, implement numerous of structural reforms, and be subject to strict monitoring by the European Commission, IMF, and ECB. Not only did Portugal’s government commit to fulfilling its obligations to the Troika, but just after being elected in June 2011, the Prime Minister, Pedro Passos Coelho vowed to “go beyond the Troika” with regards to structural reforms.

Portuguese responses to this externally-dictated bailout program developed in roughly three phases after May 2011.¹ First, until early fall 2012, Portugal saw remarkably low levels of resistance to the program, both politically and socially. The immediate social response resulted in many low-level protests (ranging from a few dozen to a few hundred participants) as well as various strikes. Most strikes were small and short, and two attempts at general strikes had disappointing participation. This differs

¹ It should be noted that during all three phases, the government remained committed to implementing the program and hitting their fiscal and structural reform targets.

significantly from Greece, where the signing of its MOU led immediately to massive protests and public sector strikes that ended in violence, and even in Ireland, where an estimated 50,000 protesters took to the streets of Dublin the weekend after signing its MOU. Politically, the main opposition party, the Socialist Party (PS), also voiced no real opposition to the program as there was a consensus that the program needed to be implemented. This made opposition minimal and allowed the required measures passed through parliament with only the far-left parties (representing 24 of 230 seats in parliament) voting against the measures. The political response also differs from both Greece and Ireland, where Greek opposition parties fully rejected the MOU and Irish opposition parties immediately called for a renegotiation of the agreement.

The initial lack of resistance is even more remarkable given that Portugal initially had steeper fiscal consolidation targets and more numerous and specific structural reform requirements than Greece for the first two years of its program. The projected fiscal adjustment in the first two years of Greece and Portugal's programs was 6.6 and 8.7 percent of GDP, respectively, while the actual adjustments that took place were 7.3 percent in Greece and 6.1 percent in Portugal.² Yet, despite having a comparable fiscal adjustment through the first two years of its Troika Program, the Portuguese response was significantly more subdued than the Greek response to what was initially projected to be an easier fiscal adjustment, and what ended up being a comparable fiscal adjustment.

The second phase, from fall 2012 through mid-2013, was characterized by a large increase in resistance to the Troika program from the public and elites. Yet, even once the

² This excludes one off measures from Portugal such as a surcharge on personal income taxes, instituting the increase in VAT on energy earlier than planned, and transferring banks' pension funds to state social security

Portuguese began to protest more seriously, it took a very specific, and catastrophic misstep by the government to bring large numbers of people to the streets. When the 2013 budget was revealed in September 2012, it announced changes to the contributions to the Social Security Tax (TSU) that would require workers to increase contributions while employer contributions would decrease. The change in TSU contributions produced feelings of unfairness towards workers in an already difficult atmosphere of budget cuts, tax increases, and structural reforms. This prompted responses that took on a different and much more resistant dimension marked by increased strike and protest activity as well as intensity, including the largest public demonstrations since the Carnation Revolution in 1974.

Also, while there was a minority in parliament and in the public that rejected the Troika and preferred that Portugal not participate in the program, there was no outright rejection of the program from the main opposition party (PS) or the majority of the general public, as was witnessed in Greece. As the main political opposition (PS) became more emboldened they began asking for the program to be renegotiated, policies changed, and some of the conditions relaxed, though there were no calls from the mainstream parties to reject the program outright. The second phase of the program marked a watershed moment for the Portuguese program as the credibility of the government and the program itself came into doubt. The increased protests and strike activity culminated in the summer 2013 when the government nearly collapsed after the resignation of Finance Minister Vitor Gaspar led to a disagreement between the PSD and CDS over his replacement. However, this crisis was avoided as the government cabinet was reshuffled and the coalition survived.

The tone again shifted in mid-2013, just after the government nearly collapsed. Strike and protest activity remained higher than in the first phase of the program but did not maintain the frequency or intensity of the second phase of its program, as strike and protest activity dwindled further the closer Portugal came to exiting its program. Unions and other groups opposed to the Troika and the government organized protests and rallies, but attendance was disappointing as it never approached the numbers reached in the second phase. This period was also marked by increased public distrust of the government and a firm position of the mainstream opposition (PS) that the program needed to be renegotiated and adjusted, which differed significantly from the initial phase of the program.

Figure 4 and Figure 5, below, show both the trajectory of the protests as well as strikes throughout the program. The strikes are put in historical context since Portugal joined the EEC in 1986 and illustrate that the number of strikes and people participating is not as high as earlier periods in Portuguese history.

How, then, do we explain that the Portuguese suffered economic pain much like the Greeks and Irish but sustained a political consensus about the program for 16 months with mainstream opposition never arguing for a complete rejection of the program, protested less, much later, and even then, in more specific, less sustained, and less extreme ways? This chapter will show that the answers do not lie in clear material differences, with the Portuguese simply having less to complain about. As is noted above, Portugal had steeper fiscal consolidation targets than Greece for the first two years of its program. It will also show that institutionalism struggles to account for the Portuguese arc. Certainly, Portuguese institutional constraints shaped and empowered their response

Figure 4: Portuguese Protests

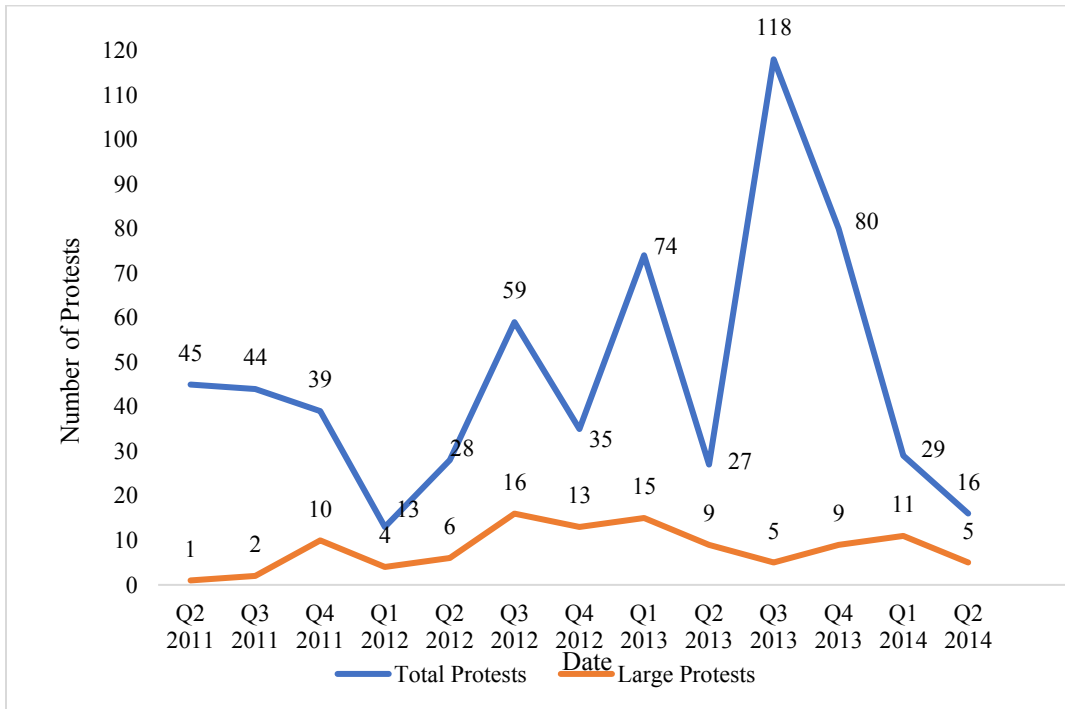


Figure 5: Portuguese Strikes



to the program in important ways, but the Portuguese government not only found ways to work around its institutional constraints much more than did its Greece counterpart, but was adamant that it would do whatever was necessary to fulfill the program and exit the bailout on time. Nor does a compelling explanation appear to strongly reflect economic ideas held by the public as the Portuguese are not overwhelmingly in favor of free markets. While it is true that some in the PSD/CDS coalition strongly adhered to the “neoliberal” economic ideas³ contained in the MOU, survey data indicate that the majority of the public do not share these views.⁴ Also, the Portuguese political spectrum still retains some elements of the quasi-communist Carnation Revolution as it is shifted left relative to most other European countries.

This chapter will show that the trajectory of the Portuguese social and political response to its Troika Program was influenced by Portuguese national identity. In post-revolution Portugal a new national identity developed that was driven by the goal of Portugal becoming a stable, modern, Western European democracy similar to its European neighbors, and away from being a poor, imperialist, dictatorship. The majority of Portuguese believed the best way to achieve these goals and fulfill the aspirations of its new national identity was to turn towards Europe and further Portugal’s European integration. The European turn manifested itself with Portugal internalizing the identity of the “good student” of Europe. This should not be taken as Portugal blindly followed dictates from Europe, but rather that Portugal acted in ways that were consistent with

³ The 2011-14 PSD/CDS coalition is considered by many to be the most economically liberal government since the Revolution.

⁴ European Commission, “Standard Eurobarometer 66, Autumn, 2006,” September 2007, https://ec.europa.eu/commfrontoffice/publicopinion/archives/eb/eb66/eb66_en.pdf.

what it saw as appropriate actions for a ‘core’ European country and as a means of reinforcing its “good student” identity.

This chapter shows that the “good student” identity influenced Portugal’s response to its Troika program in three ways. First, there were many references to the “good student” narrative, or to ideas and phrases related to it throughout the program. The far-left and other critics of the program often criticized the government directly for being the “good student” or more Troika than the Troika, but there were also references to the “good student” from those who were in power. The references from those in power often made references to the content of the “good student” identity and very rarely came in a direct admission that they were acting as the “good student,” as this is a somewhat insulting label. These allusions were made from inside and outside of Portugal, illustrating that not only did the Portuguese view themselves through this lens and wish to maintain this identity, but that this identity was acknowledged from the outside as well. Second, responses from government leaders as well as societal actors indicate that a strong rejection of the program as a whole seemed to be off the table. The criticism from mainstream parties and organizations (CIP, PS, and UGT) was also not a rejection of the program overall but specific objections about particular policies or the ways the program was being administered. Criticism from these groups might have called for the renegotiation of certain policies, such as asking for more money from the Troika, the lengthening of maturities, lowering interest rates, and softening deficit targets, but it always stopped short of abandoning the program. Despite disagreements about specific policies, taking action that would directly threaten Portugal’s standing in Europe as the “good student” were off the table for the mainstream parties and most of the public. This

is further revealed in interviews with political and social elites, where many felt that fulfilling the program was necessary to live up to the aspirations Portugal has for itself as a modern, Western European democracy. In other words, fulfilling the mandates of the program was seen by many as what was necessary to sustain the “good student” element of Portugal’s national identity and help move Portugal towards its democratic and modernization goals.

Also, major increases in protest and strike activity did not occur until a major policy error by the government concerning social security contributions, which created an opportunity for more generalized criticism of the Troika and the government. Lastly, Portuguese elites worked constantly to differentiate themselves from Greece and to show they were much more like Ireland. There was a concerted effort to distinguish themselves from the “bad student” of Greece in terms of their economic situation, but more importantly as a responsible, mature, European democracy.

The rest of the chapter proceeds as follows. Next is an account of the Portuguese crisis from beginning to end. This account is organized by first describing the Portuguese program. Then the history of the Portuguese program from June 2011 through May 2014 is documented. This section is organized in three to six month sub-sections with each sub-section broken down further into one section on the political responses to external pressures, such as bond markets and external pressures from other governments or the Troika, and another section describing the social responses from the Portuguese. Following the account of the Portuguese crisis is the analysis of the Portuguese case, which emphasizes that in a very complicated debt crisis, only an explanation that emphasizes national identity can account for these features of the Portuguese response.

The Portuguese Economic Adjustment Program

Like the Irish and Greek programs, the Portuguese economic adjustment program included many of the same elements of previous adjustment programs that were administered by the IMF. These included spending cuts, tax increases, and structural reforms to help Portuguese exports be more competitive and to loosen labor restrictions. As in all three cases, Portugal could not devalue its currency to increase their international competitiveness through cheaper exports because of its membership in the euro. The inability to devalue its currency meant Portugal could only achieve increased competitiveness through an internal devaluation, meaning Portuguese wages and prices would need to be forced lower. The overarching objective of Portugal's program was to "underpin economic growth and macro-financial stability and to restore financial market confidence."⁵ This was to be implemented on three fronts. First, to put fiscal policy on a sustainable footing; second, stabilize the financial sector; and third to implement significant structural reforms to ensure an orderly unwinding of internal and external imbalances as well as raising the growth potential of the economy.

Similar to Greece, Portugal's economic adjustment program included a large macroeconomic adjustment in the public sector with spending cuts to comprise two-thirds of the adjustment and tax increases the other third. Portugal would make expenditure cuts equivalent to 7.4 percent of its GDP and revenue increases of 3.4 percent of GDP over the period 2011-2014.⁶ To meet these deficit targets and put Portugal's fiscal policy on a

⁵ European Commission, "The Economic Adjustment Programme for Portugal," *Europa.eu*, June 28, 2011, https://ec.europa.eu/economy_finance/publications/occasional_paper/2011/op79_en.htm.

⁶ *Ibid.*

sustainable footing, Portugal would implement a front-loaded fiscal consolidation program. This program called for implementing the 2011 budget, which had already been passed in parliament. This included an average cut of 5 percent in government wages, reducing the government payroll lists, cuts to social transfers like unemployment benefits and family allowances, and freezing all other social outlays. The government would also curb spending in the health sector, state owned enterprises (SOEs) or public investment.⁷ After 2011, Portugal would continue its fiscal consolidation by “improving the working of the central administration, eliminating redundancies, increasing efficiency, redefining the functions carried out by the public sector and reducing and eliminating services that do not represent a cost-effective use of public money, as well as streamlining the education system.”⁸ Portugal would also freeze promotions in the public sector and gradually reduce its staff, lower social transfers by suspending the application of pension indexation rules, freeze pensions, and levy a special contribution on pensions above €1500. Portugal would also strengthen its means-testing of social benefits and tighten the cost control of health care expenditures. Finally, there would be a reduction in the duration and generosity of unemployment benefits, limits on transfers to local and regional governments, and lower transfers to SOEs while cutting capital spending.⁹

Portugal would also implement measures to increase revenue such as increasing property tax revenues by subjecting more properties to be taxed, increasing excise taxes

⁷ European Commission, “The Economic Adjustment Programme for Portugal,” *Europa.eu*, June 28, 2011, https://ec.europa.eu/economy_finance/publications/occasional_paper/2011/op79_en.htm.

⁸ *Ibid.*

⁹ European Commission, “The Economic Adjustment Programme for Portugal,” *Europa.eu*, June 28, 2011, https://ec.europa.eu/economy_finance/publications/occasional_paper/2011/op79_en.htm.

and the VAT base, as well as limiting the amount autonomous regions can reduce tax rates. Revenues would also be increased by broadening the base of income and corporate taxes and freezing deductions for items such as mortgages, rents, education, and private health care expenditures.

The program also called for Portugal to implement a number of fiscal structural measures. These included implementing a new budgetary framework aimed at improved budget management and rationalizing the public sector to remove inefficiencies, which would lead to rearranging, merging, or closing redundant agencies. Also, the local governments would be more strictly monitored and reorganized or reduced to improve efficiency and reduce costs. The government would also reduce expenditure by reforming aspects of the health care sector by lowering costs in areas such as pharmaceutical prices and fees. Portugal would also review all existing public-private partnerships (PPPs) to assess any financial risks to the state and all new PPPs were put on hold until existing PPPs were reviewed. Finally, Portugal was to raise €5bn through privatization of SOEs in the transport, energy, communications, and insurance sectors.¹⁰

Portugal was also to make numerous structural reforms with the goal of raising its potential GDP growth through a more flexible labor force and increased productivity. These reforms were much more numerous and detailed than the structural reforms in the first Greek program. To increase labor flexibility, Portugal was to lower the maximum duration of unemployment benefits to 18 months along with reduced benefits while unemployed. Additionally, the net benefit cap would be tightened, but the minimum

¹⁰ European Commission, “The Economic Adjustment Programme for Portugal,” *Europa.eu*, June 28, 2011, https://ec.europa.eu/economy_finance/publications/occasional_paper/2011/op79_en.htm.

contributory period to receive unemployment benefits would be lowered to allow many people that were cut off from unemployment benefits to have access. Portugal also agreed to lower severance payments to bring them in line with European averages and with the goal of aligning severance payments between open-ended and fixed term contracts. The definition of fair dismissal for open-ended contracts would be altered to be less restrictive and severance payments would be made portable between jobs by creating a fund that financed notional individual accounts, which was intended to ease job-to-job mobility. Another measure aimed at increasing productivity and firm competitiveness was to make working time arrangements more flexible and to reduce the costs of overtime. There would also be spending cuts to the education system and other improvements to increase educational attainment. Other structural reforms included changes to the housing market, liberalizing and improving the functioning of sectors such as energy, transportation, services and telecommunications, reform of an inefficient judicial system, stronger enforcement of competition rules, and reducing the regulatory burden on businesses.

External Pressures and Government Responses Summer 2011

The Social Democratic Party (PSD) and its coalition partner the People's Party (CDS-PP) were ambitious about implementing the program from the time they took office in June. Pedro Passos Coelho became the next prime minister and following the PSD's election victory he stated that Portugal would "go beyond the Troika" regarding the implementation of the structural reforms demanded by the program in order to distinguish Portugal from Greece and regain market confidence in the Portuguese

economy.¹¹ Portugal also formed a new unit called Estrutura de Acompanhamento dos Memorandos (Memorandum Tracking Structure or ESAME), which was headed by Carlos Moedas, the Secretary of State to the Prime Minister. This new body was tasked with implementing the economic adjustment program and would liaise with the Ministry of Finance, Bank of Portugal, and other government agencies to accomplish this task.

However, almost immediately upon entering office, the ambitious goals for implementing the program came under threat as Portugal faced many difficulties getting the program off the ground. Portuguese two-year bonds jumped 70 basis points to 14.39 percent in late June and 10-year bonds also began trading above 10 percent in the late spring and would remain above 10 percent until mid-2012. Moody's downgraded Portuguese debt four notches to "junk" status in early July on fears it would fail to meet the program's deficit reduction targets and remain shut out of financial markets. This led to speculation that Portugal could need a second bailout¹² and as much as a 30 percent haircut on its government debt.¹³ The downgrade was rebuffed by the Portuguese government and debt agency as well as European Commission officials and European politicians. Portuguese Finance Minister Vítor Gaspar argued it did not reflect the dedication and unequivocal support of the government and the main opposition Socialist

¹¹ Cardiff Garcia, "PM-elect aims to implement Portugal bail-out," *Financial Times*, June 6, 2011, <https://ftalphaville.ft.com/2011/06/07/586591/pm-elect-aims-to-implement-portugal-bail-out/>; Peter Wise, "New leader determined to implement bail-out terms," *Financial Times*, June 7, 2011, Asia Edition, World News.

¹² Jennifer Hughes, Ralph Atkins, and Michael MacKenzie, "Moody's warns of second rescue for Portugal," *Financial Times*, July 5, 2011, <https://www.ft.com/content/16ac353a-a735-11e0-b6d4-00144feabdc0>.

¹³ Neil Hume, "Does Portugal's downgrade matter," *Financial Times*, July 6, 2011, <https://ftalphaville.ft.com/2011/07/06/614221/does-portugals-downgrade-matter/>.

Party (PS) to implementing the program.¹⁴ There were also some revenue and expenditure cut slippages at the beginning of the program, but the government responded with offsetting measures intended to cover these shortfalls. For example, a special one-off tax was issued in late June that required Portuguese workers to forgo half of their December bonus, which normally amounted to the equivalent to an extra month's salary.¹⁵

There was some good news for Portugal over the summer. In July, the newly negotiated second Greek bailout also extended benefits to Portugal and Ireland. Portuguese debt maturities on its bailout loans from EU countries would be extended for up to 30 years and interest rates on those loans would be cut to an average of about 3.5 percent.¹⁶ However, the second Greek bailout wouldn't be finalized until 2012. Also, in August, the Troika mission to Portugal finished its first review of the program and said Portugal was on track to comply with its commitments under the program. Portugal's government was praised for taking ownership of the program and its dedication to meeting fiscal targets. Yet, this was only after additional austerity measures were announced deal with the budgetary shortfall. These measures increased the VAT on electricity and natural gas and froze promotions in the police and military.¹⁷

¹⁴ Peter Wise, "Portugal hits back at Moody's downgrade," *Financial Times*, July 6, 2011, <https://www.ft.com/content/86e26194-a7a3-11e0-a312-00144feabdc0>.

¹⁵ Jennifer Hughes, Ralph Atkins, and Michael MacKenzie, "Moody's warns of second rescue for Portugal," *Financial Times*, July 5, 2011, <https://www.ft.com/content/16ac353a-a735-11e0-b6d4-00144feabdc0>.

¹⁶ Peter Spiegel et al., "EU leaders agree €109bn Greek bail-out," *Financial Times*, July 21, 2011, <https://www.ft.com/content/952e0326-b3af-11e0-855b-00144feabdc0>.

¹⁷ Peter Wise, "Troika boosts eurozone bail-out support," *Financial Times*, August 12, 2011, <https://www.ft.com/content/78ab958c-c4db-11e0-9c4d-00144feabdc0>.

Social Responses From Troika Agreement Through the Summer of 2011

Immediately after the signing of the MOU with the Troika there were a number of social actions that were threatened by unions and workers, but from the signing of the MOU through the summer, social action was relatively quiet with small and sporadic protests that caused minimal disruption to society. Yet, the signing of the MOU and the election of the PSD/CDS-PP coalition revealed divisions within society as employers and business owners who agreed with the program were at odds with the unions, workers, and youth who opposed labor reforms and impending austerity.¹⁸

There was a general strike called for by the Federation of Civil Servants Union (Federação dos Sindicatos da Função Pública) on May 6 and the union reported a 60 percent adherence to the strike. However, the Ministry of Finance estimated that only 5,451 workers out of the more than 390,000 participated in the strike and only 27 of the 10,554 services were closed.¹⁹ At the end of May rail workers for Comboios de Portugal (CP) resumed overtime strikes aimed at temporarily shutting down train service during overtime and public holiday shifts.²⁰ Rail workers also launched a 24-hour strike on May 30, which saw an estimated 90-95 participation rate from workers and shut down rail

¹⁸ Economist, “A grim inheritance; Portugal’s election,” *Economist*, June 9, 2011, https://www.economist.com/europe/2011/06/09/a-grim-inheritance_

¹⁹ Lusa, “Governo fala em adesão “muitíssimo reduzida,”” *Público*, May 6, 2011, https://www.publico.pt/2011/05/06/economia/noticia/governo-fala-em-adesao-muitissimo-reduzida-1493010_

²⁰ Pedro Crisóstomo, “Greve afecta circulação de comboios durante mais de um mês,” *Público*, May 27, 2011, https://www.publico.pt/2011/05/27/economia/noticia/greve-afecta-circulacao-de-comboios-durante-mais-de-um-mes-1496260_

lines across the country.²¹ There were other small protests in May such as a couple hundred police officers marching at the Portuguese/Spanish border with Spanish police officers and a small protest of a few dozen people at a José Sócrates rally in Faro, where the protesters were upset with increased tolls and job layoffs.²²

An increase in social actions was planned for the month of June, but these actions were either cancelled or small in number. Workers at the Portuguese airline TAP approved ten days of strikes in June and July over disputes about workload and rest times for crew members and rail workers planned to continue their rolling strikes over pay and overtime. However, there was little that truly happened. The rail workers continued their strike action and on June 3 nearly 60 percent of rail services stopped across the country.²³ The planned strikes in June and July by TAP workers over were cancelled after an agreement was reached between National Civil Aviation Flight Personnel Union (Sindicato Nacional do Pessoal de Voo da Aviação Civil) and TAP with the Minister of Labor mediating the talks. The wave of ongoing strikes by rail workers at CP was cancelled after negotiations between rail workers and CP, which resulted with an agreement to implement new corporate agreements for CP and CP Cargo. This agreement

²¹ Lusa, “Sindicato contabiliza em 95 por cento a adesão à greve na CP,” *Público*, May 30, 2011, <https://www.publico.pt/2011/05/30/economia/noticia/sindicato-contabiliza-em-95-por-cento-a-adesao-a-greve-na-cp-1496582>.

²² Público, “Confusão no final do comício do PS em Faro,” *Publico*, May 27, 2011, <https://www.publico.pt/2011/05/27/jornal/confusao-no-final-do-comicio-do-ps-em-faro-22154210>.

²³ Pedro Crisóstomo, “Comboios pararam de norte a sul num dia com efeitos próximos de uma greve de 24 horas,” *Publico*, June 4, 2011, <https://www.publico.pt/2011/06/04/jornal/comboios-pararam-de-norte-a-sul-num-dia-com-efeitos-proximos-de-uma-greve-de-24-horas-22208918>.

was approved by the Inspector-General of Finance.²⁴ In mid-June, roughly 100 protesters belonging to “True Democracy Now!” laid down at Rossio in Lisbon protesting the lack of “social justice” and demanding a more democratic government.²⁵

July and August were pretty quiet months as Portugal saw some small protests but nothing that really disrupted normal day-to-day life. In July there were minor protests led by CGTP, the communist labor union in mid-July and a nurse strike at Braga Hospital over non-payment of overtime. At the end of July, CGTP (General Confederation of the Portuguese Workers) called for a demonstration outside the Assembly of the Republic (Portuguese Parliament) to protest reductions in severance pay but no statistics were given on the size of the protest, implying it was not very large.²⁶ Protests against the reintroduction of tolls on the 25th of April Bridge were called for but the form of protest was for motorists to honk their horns as they drove across.²⁷ Small protests in Lisbon and Porto were held to voice displeasure with rising public transportation fares and the reintroduction of tolls on the 25th of April Bridge. The demonstration in Lisbon saw

²⁴ Raquel Almeida Correia and Raquel Martins, “Negociações de última hora travam paralisações agendadas na CP e TAP,” *Público*, July 10, 2011, <https://www.publico.pt/2011/06/10/jornal/negociacoes-de-ultima-hora-travam-paralisacoes-agendadas-na-cp-e-tap-22253338>.

²⁵ João d’Espiney, “Cem pessoas deitaram-se no Rossio por uma “democracia verdadeira,”” *Público*, July 12, 2011, <https://www.publico.pt/2011/06/12/politica/noticia/cem-pessoas-deitaramse-no-rossio-por-uma-democracia-verdadeira-1498476>.

²⁶ Público, “CGTP promove uma concentração em Lisboa, junto à Assembleia da República, em protesto contra a redução das indemnizações por cessação do contrato de trabalho,” *Público*, July 28, 2011, <https://www.publico.pt/2011/07/28/economia/noticia/cgtp-promove-uma-concentracao-em-lisboa-junto-a-assembleia-da-republica-em-protesto-contra-a-reducao-das-indemnizacoes-por-cessacao-do-contrato-de-trabalho-1504762>.

²⁷ Lusa, “Presidente da Câmara do Barreiro apoia “buziño” contra portagens na ponte 25 de Abril,” *Público*, July 29, 2011, <https://www.publico.pt/2011/07/29/local/noticia/presidente-da-camara-do-barreiro-apoia-buzinao-contra-portagens-na-ponte-25-de-abril-1505376>.

roughly 30 people delay buses for about five minutes, but the protests in Porto had around 100 people and disrupted traffic in front of the São Bento station in the evening.²⁸ In mid-August, the Portuguese Communist Party (PCP) led a demonstration of about 60 people outside the headquarters of the bank BPN to oppose privatization and layoffs and at the end of August, a group of retirees and pensioners setup a “holiday camp” on the doorstep of the Prime Minister’s official residence to protest pension cuts and price hikes in medicine and transportation.²⁹

The social actions in the summer immediately following the signing of the memorandum and the election of the PSD and CDS-PP coalition were very small in size and number as societal disruptions were virtually nonexistent. However, there were signs of increasing social tension starting to build as the cuts and tax increases were beginning to have an effect on people’s wallets and a number of protests and strikes were being discussed for the autumn as the budget for 2101 was beginning to be discussed as summer ended.

External Pressure and Government Responses Autumn 2011

The last quarter of 2011 presented many challenges for the new Passos Coelho government and the government responded to meet these challenges while largely adhering to its economic adjustment program. The government faced an upward revision of its deficit for 2010 and budgetary slippages in expenditure and tax revenues for 2011,

²⁸ Aníbal Rodrigues and Marisa Soares, “Protestos tímidos em Lisboa e no Porto, preços voltam a subir em Janeiro,” *Público*, August 2, 2011, https://www.publico.pt/2011/08/02/jornal/protestos-timidos-em--lisboa-e-no-porto-precos-voltam-a-subir-em-janeiro-22614481_

²⁹ Rita Brandão Guerra, “Reformados improvisam praia à porta de Passos Coelho,” *Público*, August 25, 2011, https://www.publico.pt/2011/08/25/sociedade/noticia/reformados-improvisam-praia-a-porta-de-passos-coelho-1509188_

which resulted in further measures to cover the budgetary shortfall. The government also passed a tough austerity budget for 2012 that included significant spending cuts, tax increases, and structural reforms.

Despite the challenges facing the Portuguese economy and the implementation of its austerity program, the Portuguese government attempted to stick to its ambitious plans of “going beyond the Troika.” In early September the Portuguese government revealed plans to cut the deficit to zero percent within the next five years with the goal of reducing public spending by 7 percent of GDP to 43.5 percent by 2015. The government also introduced new measures to address a budgetary shortfall, which included the largest government spending cuts in more than fifty years as well as a number of tax increases. The specific measures were a “solidarity tax” on the highest family and corporate incomes (similar to a wealth tax), an extension of the public sector wage freeze through 2013, reducing welfare payments by 0.6 percent of GDP, and more quickly reducing the number of state workers.³⁰ Later in September, the autonomous region of Madeira revealed that it had accumulated an additional €1.1bn in hidden debt. This revelation by Madeira added 0.3 percent of GDP to the 2011 deficit but also forced the 2010 deficit up from 9.1 to 9.8 percent of GDP, making the 5.9 percent deficit target for 2011 more difficult to meet. This not only put a wrench in the government’s ambitious budgetary plans but made it more difficult for Portugal to separate themselves reputationally from Greece, which the government was explicitly trying to do.³¹

³⁰ Peter Wise, “Portugal promises biggest cuts in decades,” *Financial Times*, August 31, 2011, <https://www.ft.com/content/d8c5147a-d3bd-11e0-bc6b-00144feab49a>.

³¹ Peter Wise, Portugal dealt blow over budget deal’, *Financial Times*, October 4, 2011, <https://www.ft.com/content/6a2eda84-eea0-11e0-9a9a-00144feab49a>.

Economic and fiscal conditions continued to deteriorate in early October as the Bank of Portugal issued a report stating that Portugal was at risk of not meeting its deficit targets for 2011 as the new measures revealed in the beginning of September would not be enough to meet the 2011 deficit target and Portugal would need extra measures and/or significant structural reforms to meet future deficit targets.³² The report also projected the Portuguese economy to shrink 2.2 percent in 2012 as opposed to previous estimates of 1.8 percent. In mid-October Prime Minister Passos Coelho made a televised address to unveil a new package of austerity measures. These measures included increasing working hours in the private sector by 30 minutes per day, the loss of some bank holidays, large cuts in health and education, the loss of more than a month's wages by suspending summer and Christmas bonuses for employees making more than €1,000 per month, and further reductions for most other workers for a period of two years.³³ Some tax benefits would also be discarded and Portugal would increase the value added tax.³⁴ Portugal also transferred some bank pension funds from their separate account to the state social security system as part of its 'extraordinary measures' to shore up its 2011 deficit.³⁵

³² Peter Wise, "Portugal risks missing fiscal targets," *Financial Times*, October 6, 2011, <https://www.ft.com/content/a3a144b4-f021-11e0-bc9d-00144feab49a>.

³³ IMF, "Portugal: Second Review Under the Extended Arrangement," *IMF*, December 2011, <https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Portugal-Second-Review-Under-the-Extended-Arrangement-25448>.

³⁴ Peter Wise, "Portugal announces more austerity measures," *Financial Times*, October 13, 2011, <https://www.ft.com/content/d66e3552-f5dd-11e0-bcc2-00144feab49a>.

³⁵ European Commission, "The Economic Adjustment Programme for Portugal," Second Review, *Europa.eu*, December 2011, https://ec.europa.eu/economy_finance/publications/occasional_paper/2011/op89_en.htm.

After roughly a month of negotiating and amendment proposals in parliament, the austerity package was approved in principle in mid-November and final approval was given at the end of November, with minimal changes to the budget proposed in mid-October. The budget passed with all members of PSD (108 votes) and CDS (24 votes) voting in favor, while PS (74 votes) abstained, and the Communist Party (16 votes) and Block of the Left (8 votes) voted against. As the budget was being debated Fitch downgraded Portugal's sovereign debt rating to junk status citing Portugal's difficult economic outlook, "large fiscal imbalances," and "high indebtedness across all sectors."³⁶

While the negotiations over the budget were ongoing, the Troika also completed its second review of the Portuguese program in mid-November. The review was positive about the efforts of the government to implement the program and the progress it had made as it met targets for the fiscal deficit, general government debt, and external arrears, as well as meeting the structural reform benchmarks.³⁷ However, both the IMF and Commission reviews noted serious risks to the program and challenges moving into 2012 as the economy was forecast to contract by 3 percent and the outlook for Europe was revised down 1.25 percent from the spring forecast from the IMF, likely harming Portugal's export potential. The IMF review also noted that fiscal targets were met with additional one-off measures, which implied a smaller underlying adjustment but still forecast Portugal to have made a 3.5 percent adjustment in the fiscal balance for 2011.³⁸

³⁶ Antonia Matthews, "Fitch Downgrades Portugal Rating to Junk Status," *CNBC*, November 24, 2011, <https://www.cnbc.com/id/45427198>.

³⁷ IMF, "Portugal: Second Review Under the Extended Arrangement," *IMF*, December 2011, <https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Portugal-Second-Review-Under-the-Extended-Arrangement-25448>.

³⁸ *Ibid.*

Despite the number of challenges facing Portugal in the autumn of 2011, the government passed a difficult set of measures and adjusted the existing program in order to keep its adjustment program on track. Passing the measures was never really in doubt as the government held a firm majority and the PS had agreed to implementing the measures as a condition of bailout.

Social Responses Autumn 2011

Even though the additional measures implemented by the government kept the adjustment program on track, they provoked the first real social responses as austerity was beginning to be felt in Portuguese pocketbooks. Social action tended to follow legislation, especially the 2012 budget, but also took many different forms. Small protests, where less than 500 people participated, were very common as were partial strikes that lasted for a few hours in a day. Large protests occurred a few different times with one general strike in late November. Despite the increase in social action, participation in strikes and protests was still relatively modest. Many of the protests drew only a few dozen to a few hundred people while the general strike saw low participation from the private sector and less than expected participation from the civil servants.

As September of 2011 began, social action was virtually non-existent as Passos Coelho announced the new austerity measures to fill the budgetary shortfall in early September. Even with the announcement of the largest spending cuts in 50 years, the social response remained mostly calm. There were a number of small protests by various groups, such as teachers and students protesting changes to education policy and the cuts to education and a group of elderly people protesting the lack of doctors in Portugal. These types of protests would be common throughout the autumn, but there were no

large-scale events until the beginning of October. In early October, CGTP, the communist trade union, led a protest opposing the Troika's policies that drew an estimated 130,000 participants in Lisbon (according to CGTP) and between 25,000 and 60,000 in Porto.³⁹ Inspired by the "Occupy Wall Street" movement in the US, the October 15 protests united many countries around the world to protest growing inequality and corporate influence in politics. While the protests in Portugal were more directly related to the Troika it took a major international protest event to bring large numbers of Portuguese to the streets. Protests occurred in cities across Portugal but at much lower rates than in other countries. Organizers of the protest in Lisbon estimated 100,000 people but the newspaper El Pais estimated only 30,000.⁴⁰ Estimates of protesters for Porto were between 10,000 and 12,000⁴¹ according to the police, and Coimbra had an estimated 300-700 protesters.⁴²

October also saw the Portuguese manifestation of the "indignados" that included two or three dozen people camping outside the Portuguese parliament, which was far less

³⁹ David Santiago and Ana Cristina Pereira, "CGTP convoca trabalhadores para semana de greves e luta," *Público*, October 2, 2011, <https://www.publico.pt/2011/10/02/jornal/cgtp-convoca-trabalhadores-para-semana-de-greves-e-luta-23105386>; Estimates varied depending on the source. CGTP estimated 50,000 to 60,000 protesters in Porto but the Spanish newspaper El Pais put the number around 25,000.

⁴⁰ Catarina Gomes, "Próximo protesto marcado para dia de votação do orçamento," *Público*, October 17, 2011, <https://www.publico.pt/2011/10/17/politica/noticia/proximo-protesto-marcado-para-dia-de-votacao-do-orcamento-1516902>.

⁴¹ Miguel Gaspar and Dulce Furtado, "O protesto contra a crise falou a milhares de vozes, de Lisboa a Seul," *Público*, October 16, 2011, <https://www.publico.pt/2011/10/16/jornal/o-protesto-contr-a-cri-se-falou-a-milhares-de-vozes-de-lisboa-a-seul-23206278>.

⁴² Graça Barbosa Ribeiro, "Mais manifestantes do que os da "geração à rasca,"" *Público*, October 16, 2011, <https://www.publico.pt/2011/10/16/jornal/mas-manifestantes-do-que-os-da-geracao-a-rasca-23213160>.

than was witnessed in Greece or even Spain's "indignados" movement.⁴³ CGTP also organized many small actions throughout October, such as protests of a few hundred people and many partial strikes of a couple of hours across various sectors of the economy that were repeated for multiple days.⁴⁴ The teachers continued their protests, but participation was low. For example, in late October, about three dozen higher education faculty and researchers protested outside the Ministry of Education against the wage and funding cuts in education.⁴⁵

November was the most contentious month of social action as the 2012 budget was set to be voted on in Parliament. The rhetoric from many social actors was strongly against the budget, but actions only partly supported the rhetoric. There were numerous strikes, but most were partial and did not cause much disruption to everyday life around the country. However, some partial transportation strikes affected upwards of 90 percent of trains during the strike,⁴⁶ but other partial strikes had as low as 20 percent participation rates⁴⁷ and others closed as few as 23 percent of rail lines.⁴⁸

⁴³ Maria José Oliveira, "Protesto volta hoje a S. Bento e Bolsa de Valores está na mira dos "indignados,"" *Público*, October 17, 2011, available <https://www.publico.pt/2011/10/17/politica/noticia/bolsa-de-valores-de-lisboa-na-mira-dos-indignados--1516906>.

⁴⁴ Rita Oliveira, "Acções de protesto da CGTP multiplicam-se," *Público*, October 25, 2011, <https://www.publico.pt/2011/10/25/economia/noticia/cgtp-accoes-de-protesto-multiplicamse-1518114>.

⁴⁵ Lusa, "Professores protestam contra cortes no financiamento do ensino superior," *Público*, October 29, 2011, <https://www.publico.pt/2011/10/29/portugal/noticia/professores-protestam-contracortes-no-financiamento-no-ensino-superior-1518799>.

⁴⁶ Público, "Principais impactos da greve de ontem," *Público*, November 9, 2011, <https://www.publico.pt/2011/11/09/jornal/principais-impactos-da-greve-de-ontem-23380367>.

⁴⁷ Ibid.

⁴⁸ Paulo Miguel Madeira, "Greve na CP parou 23% dos comboios até às 10h," *Público*, November 9, 2011, <https://www.publico.pt/2011/11/09/economia/noticia/greve-na-cp-parou-23-dos-comboios-ate-as-10h-1520137>.

Small protests, such as the 100 people protesting the 2012 budget in front of parliament on November 10, continued throughout the month, but two major protests occurred in November. On November 12, the civil servants held a protest against the 2012 budget in which the organizers estimated 180,000 civil servants, police, military, and prison guards marched in Lisbon.⁴⁹ Less than two weeks later, the two major trade unions held a joint general strike, which was scheduled for the beginning of voting on the 2012 budget. The strike, which was the largest in 30 years, closed factories, schools, universities, courts, public services, and stopped buses and trains. Most flights in and out of Portugal were cancelled and hospitals were limited to emergency services.⁵⁰

Even with the large disruption, there were disputes about participation in the strike. The government estimated that only 10.48 percent of central government workers (43,592 out of 414,987) participated,⁵¹ but the trade unions claimed (without releasing official numbers) the strike was a success⁵² as there was more participation in this strike than the general strike a year before when unions claimed more than 3 million people

⁴⁹ Paula Torres de Carvalho, “Milhares marcharam em Lisboa contra "orçamento de agressão,”” *Público*, November 12, 2011, <https://www.publico.pt/2011/11/12/politica/noticia/milhares-marcham-em-lisboa-contra-medidas-do-governo-1520634>.

⁵⁰ Peter Wise, “Unions strike as Fitch downgrades Portugal,” *Financial Times*, November 24, 2011, <https://www.ft.com/content/9c5b7456-1694-11e1-be1d-00144feabdc0>.

⁵¹ Ana Rita Faria, “Adesão à greve na Administração Central é de 10,48%, diz Governo,” *Público*, November 24, 2011, <https://www.publico.pt/2011/11/24/economia/noticia/adesao-a-greve-na-administracao-central-e-de-1048-diz-governo-1522428>.

⁵² João d’Espiney, “CGTP e UGT desafiam Governo: querem diálogo ou conflitualidade social?,” *Público*, November 25, 2011, <https://www.publico.pt/2011/11/25/jornal/cgtp-e-ugt-desafiamgoverno-querem-dialogo-ou-conflitualidade-social-23492502>.

took part in the strike.⁵³ Despite the disputes over the numbers participating in the strike, the strike was the largest in 30 years in Portugal and caused some major disruptions while remaining overwhelmingly peaceful⁵⁴ as the goal of the strike was to bring the government to the negotiating table with the social partners, according to the Secretary General of UGT, João Proença.⁵⁵

Following the general strike, social action continued the previous pattern of small protests and partial strikes happening regularly. Some transportation services were shut down sporadically for a few hours and protests involving a few dozen to a few hundred people occurred in various spots around the country. Local government workers protested the reduction of the number of local parishes outside the Assembly of the Republic in Lisbon as there were “several dozen” protesters in the morning but the local workers union, Sindicato dos Trabalhadores da Administração Local (STAL), expected more than a thousand protesters.⁵⁶ Students marched to protest the changes to education and a couple dozen teachers protested outside the Prime Minister’s official residence and told

⁵³ This figure was disputed as it represented an estimate of an 80 percent participation rate by unions. The government’s figures put participation around 20 percent. Giles Tremlett, “Unions bring Portugal to a grinding halt as Irish-style bailout looms,” *The Guardian*, November 24, 2010, <https://www.theguardian.com/world/2010/nov/24/general-strike-in-portugal>.

⁵⁴ There were reports that “vandals had smashed the windows of three tax offices in Lisbon.” Andrei Khalip and Daniel Alvarenga, “Portuguese strike against bailout austerity,” *Reuters*, November 24, 2011, <https://www.reuters.com/article/uk-portugal/portuguese-strike-against-bailout-austerity-idUSLNE7AN02S20111124>.

⁵⁵ João d’Espiney, “CGTP e UGT desafiam Governo: querem diálogo ou conflitualidade social?,” *Público*, November 25, 2011, <https://www.publico.pt/2011/11/25/jornal/cgtp-e-ugt-desafiamgoverno-querem-dialogo-ou-conflitualidade-social-23492502>.

⁵⁶ Lusa, “Trabalhadores protestam contra reforma do poder local em frente ao Parlamento,” *Público*, December 12, 2011, <https://www.publico.pt/2011/12/12/politica/noticia/trabalhadores-protestam-contra-reforma-do-poder-local-em-frente-ao-parlamento-1524720>.

him to emigrate in response to him telling teachers that could not find jobs in Portugal to do the same.⁵⁷

In summarizing social actions in this time period, the Portuguese began to increase the frequency of actions such as strikes and protests but did not see consistency in the numbers of people protesting that was witnessed in other countries such as Greece or Spain. The general strike in late November was deemed a success by the unions and would succeed in bringing the government to the bargaining table the following year, but it was downplayed by the government and government numbers for participation in the strike were drastically different from what the unions estimated. Yet, as 2011 ended there was an increasing sense that things were only going to get worse before they could get better as austerity was beginning to be felt by the population.

External Pressures and Government Responses Q1 and Q2 2012

Throughout the first half of 2012 the Portuguese government would face a number of challenges in its attempts to comply with the terms of its bailout program. There would be continuous talk of the possibility of default and the need for a second program as many worried about contagion from Greece and interest rates on Portuguese bond yields shot up dramatically. Portuguese debt was downgraded further, Europe was experiencing a continent-wide recession, and unemployment was beginning to rise beyond program projections. Yet, in the face of this adversity the government continued to stick to the program and secured a deal with trade unions, saw exports begin to rise, and had two successful short-term bond auctions.

⁵⁷ Lusa, “Uma dezena de professores gritou “Emigra Tu” a Passos Coelho,” *Público*, December 21, 2011, <https://www.publico.pt/2011/12/21/politica/noticia/uma-dezena-de-professores-gritou-emigra-tu-a-passos-coelho--1526051>.

As 2012 began, the implementation of the new budget and the austerity measures that accompanied it was off to a rocky start after Standard and Poor's downgraded Portuguese debt two notches from triple B minus to double B, making it the third ratings agency to downgrade Portugal's debt to junk status.⁵⁸ The downgrade prompted a selloff and led to fears that the government could be entering default territory. These events sent Portuguese borrowing costs soaring with 10-year bonds reaching euro-era highs of 14.4 percent in mid-January.⁵⁹ There was a small snippet of good news as the Bank of Portugal released a report in January projecting a smaller contraction for the economy in 2011, from 1.9 percent to 1.6 percent of GDP. However, the bank also forecasted that growth would shrink by 3.1 percent of GDP in 2012.⁶⁰

Portugal also faced contagion from Greece as the Greeks were in ongoing debt restructuring talks to lower their debt burden and secure a second bailout package. Investors worried Portugal might be the next to default and markets put this probability at about a 70 percent chance. António Saraiva, head of the Confederation of Portuguese Industry (CIP), argued that Portugal needed about additional money of €30bn but Pedro Passos Coelho was adamantly against any renegotiation of the program or asking for more money.⁶¹ Talk of a potential default and similarities to Greece's situation nine

⁵⁸ Peter Wise, "Portugal hits out at S&P downgrade," *Financial Times*, January 14, 2012, <https://www.ft.com/content/8a57023e-3edf-11e1-a665-00144feab49a>.

⁵⁹ David Oakley and Robin Wigglesworth, "Portugal slips into default territory," *Financial Times*, January 18, 2012, <https://www.ft.com/content/486cf342-411e-11e1-b521-00144feab49a>.

⁶⁰ Peter Wise, "Portugal hits out at S&P downgrade," *Financial Times*, January 14, 2012, <https://www.ft.com/content/8a57023e-3edf-11e1-a665-00144feab49a>.

⁶¹ David Oakley and Peter Wise, "Portuguese bonds hit as traders fear default," *Financial Times*, January 25, 2012, <https://www.ft.com/content/49916f7a-468a-11e1-89a8-00144feabdc0>.

months earlier sent Portuguese 10-year bond yields to a new euro-era record of 17.26 percent in late January⁶² and unemployment rose to 13.6 percent with youth unemployment reaching more than 30 percent.⁶³ The rise in Portuguese debt yields prompted the ECB to intervene in its sovereign debt markets to ease the pressure and calm fears of default.

In early 2012 Portugal was also negotiating with social partners over changes to the country's labor law, which was part of the terms of the international bailout. The two largest unions, the CGTP and the UGT, were split over whether to agree to reform the labour law and UGT, the more moderate of the two unions, reached an agreement with the government on January 18. The agreement with UGT increased workdays by reducing the number of holidays and vacation days, made it easier to fire employees, cut overtime pay, reduced severance pay, and reduced the duration and maximum allowance of unemployment benefits, but made it easier to gain access to unemployment.⁶⁴ Those on the far-left, such as BE, PCP, and CGTP criticized the law while the government, the Troika, business, and even Nobel laureate Joseph Stiglitz praised the law as a big step to helping the Portuguese economy.⁶⁵

⁶² Mary Watkins, "Portugal yields jump on default fears," *Financial Times*, January 30, 2012, <https://www.ft.com/content/0e7a4bf4-4b27-11e1-88a3-00144feabdc0>.

⁶³ Tony Barber, "Portuguese debt looms over Europe," *Financial Times*, January 31, 2012, <https://www.ft.com/content/d2ab9c9a-4bfd-11e1-98dd-00144feabdc0>.

⁶⁴ João Ramos de Almeida and Raquel Martins, "Concertação social: os pontos-chave do acordo," *Público*, January 18, 2012, <https://www.publico.pt/2012/01/18/politica/noticia/concertacao-social-os-pontoschave-do-acordo-1529607>.

⁶⁵ Ana Rita Faria, "Stiglitz diz que acordo de concertação social é "uma política no bom sentido,"" *Público*, January 18, 2012, <https://www.publico.pt/2012/01/18/economia/noticia/stiglitz-diz-que-acordo-de-concertacao-social-e-uma-politica-no-bom-sentido-1529630>.

Despite an increasingly difficult economic situation and fears of a Portuguese default, the Portuguese government remained committed to implementing its adjustment program in early 2012 regardless of how difficult it might be.⁶⁶ Portugal produced some positive news in February as it had two successful bond auctions, raising €1.5bn in three-month bonds at a rate of 4.068 percent in early February⁶⁷ and raising an additional €3bn in short term bonds in mid-February. The Troika also performed its third review of the program and, while acknowledging the economic difficulties and future risks facing the country, both the European Commission and IMF applauded Portugal's progress with fiscal and structural reform measures. The IMF also noted that, despite recent success in lengthening T-bill maturities, Portugal's return to bond markets could be delayed, and if market access is delayed, "it may become necessary to call upon the pledges by European leaders to continue to provide adequate support to Portugal as long as the programme is on track."⁶⁸ The Troika added that euro member states "stand ready to support Portugal until market access is regained" as long as Portugal maintains "strict program implementation."⁶⁹ Therefore, despite the Troika acknowledging the large efforts of

⁶⁶ Robin Wigglesworth and Peter Wise, "Portugal borrowing costs fall after ECB action," *Financial Times*, February 1, 2012, <https://www.ft.com/content/47482298-4cf4-11e1-bdd1-00144feabdc0>.

⁶⁷ Paulo Miguel Madeira, "Portugal endividou-se a curto prazo com juros em queda," *Público*, February 1, 2012, <https://www.publico.pt/2012/02/01/economia/noticia/portugal-endividouse-a-curto-prazo-com-juros-em-queda-1531731>.

⁶⁸ IMF, "Portugal: Third Review Under the Extended Arrangement," *IMF*, April 5, 2012, <https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Portugal-Third-Review-Under-the-Extended-Arrangement-and-Request-for-Waiver-of-Applicability-25826>.

⁶⁹ Peter Wise, "Portugal on right track, say lenders," *Financial Times*, February 28, 2012, <https://www.ft.com/content/806528e0-6235-11e1-872e-00144feabdc0>.

Portugal to implement its program, the Troika itself had its doubts about Portugal's ability to return to bond markets on the prescribed timeline.

Although the review from the Troika was mainly positive, many observers heeded the IMF's warning and continued to doubt Portugal's ability to fulfill the terms of its program and return to bond markets by September 2013.⁷⁰ Opposition politicians as well as business and union leaders urged the government to ask for more money from the Troika in order to alleviate some of the social pain caused by the austerity measures. Unemployment, which had hit 14 percent, was forecast to rise into 2013 and the Portuguese economy was expected to shrink by 3.3 percent in 2012.⁷¹ António Seguro, then leader of the PS, said that Portugal would need at least another year to meet the fiscal targets and wanted the government to renegotiate the interest rate and extend maturities on the loans. Labor unions and some industrial organizations had already come forth to urge the government to seek a renegotiation of the bailout, but this was the first time one of the three main parties spoke out publicly against the bailout package.⁷²

Even after receiving a generally positive third review from the Troika and continued efforts to comply with its international bailout, the beginning of spring failed to bring relief from media speculation that Portugal would need a second bailout.

International media continued to question the viability of the Portuguese program and its

⁷⁰ Peter Wise, "Portugal faces slow journey out of recession," *Financial Times*, February 28, 2012, <https://www.ft.com/content/cbf0deb8-6207-11e1-807f-00144feabdc0>.

⁷¹ Peter Wise, "Portugal on right track, say lenders," *Financial Times*, February 28, 2012, <https://www.ft.com/content/806528e0-6235-11e1-872e-00144feabdc0>.

⁷² Peter Wise, "Lisbon under pressure on bail-out terms," *Financial Times*, February 21, 2012, <https://www.ft.com/content/2f0449c8-5c9e-11e1-8f1f-00144feabdc0>.

ability to return to markets in late 2013, which prompted Prime Minister Pedro Passos Coelho to write an op-ed in the *Financial Times* making the case that Portugal would continue to do everything it could to meet its obligations under its bailout agreement. Despite the skepticism, the program was largely on track and privatization proceeds had exceeded expectations while the current account deficit was narrowing.⁷³ There were also some positive signs for the economy as the government reported that exports grew 13.5 percent in 2011 and the government released figures that the 2011 deficit was 4.2 percent of GDP, well below the 5.9 percent target. However, this was only possible with extraordinary measures, such as the transferring of bank pensions to the social security fund, which amounted to €5.993bn and without these measures the deficit would have been 7.8 percent of GDP.⁷⁴

Throughout the first half of 2012 there were many challenges that the Portuguese government faced as it fought to adhere to the policies agreed to in its international bailout. During this time, the first signs of exactly how dedicated to fulfilling the program this government was started to come to fruition. And, as spring ended, Portugal continued to struggle as there were worries about contagion from Greece making its way to Portugal. Stories about Portugal's need for a second bailout and/or debt restructuring remained commonplace in the international media. Portugal's 10-year bond yields, while lower than the previous highs of more than 17 percent, were still above 10 percent and unemployment was rising, but the second half of 2012 would present more challenges for

⁷³ Joseph Cotterill, "Normalising subordination, in Portugal," *Financial Times*, April 20, 2012, <https://ftalphaville.ft.com/2012/04/20/967011/normalising-subordination-in-portugal/>.

⁷⁴ Público, "Défice de 4,2%," *Público*, March 31, 2012, <https://www.publico.pt/2012/03/31/jornal/defice-de-42-24288680>.

a government desperately trying to differentiate itself from Greece and diligently implement its adjustment program.

Social Responses Q1 and Q2 2012

Social responses in early 2012 largely continued many of the patterns from 2011. There was a constant low-level of protest with demonstrations ranging from a few dozen people up to a few thousand, an occasional large protest in the tens of thousands, and one very large demonstration with around 100,000 participants. Unions and workers also threatened to call a number of strikes and did call many partial strikes. One general strike was called in March by CGTP but was considered disappointing by many commentators. Participation was also down as UGT did not participate in the strike due to its signing of the social concertation agreement in January.

Early 2012 was relatively calm for protests and strikes. Most protests were small groups of workers protesting wage cuts, especially the holiday and Christmas bonuses but others protested austerity more generally. For example, in late January about 300 maintenance workers for the Portuguese airline TAP gathered outside the company building to protest the holiday and Christmas bonus cuts.⁷⁵ A similar situation happened a couple days earlier with Caixa Geral de Depositos Group, with 500 workers gathered after work to protest the same wage cuts.⁷⁶ Transportation costs were also an issue as 50 students gathered at the University of Lisbon in late January to protest the end of a

⁷⁵ Lusa, "Trabalhadores da TAP protestam no Aeroporto de Lisboa contra a austeridade," *Público*, January 27, 2012, <https://www.publico.pt/2012/01/27/economia/noticia/trabalhadores-da-tap-protestam-no-aeroporto-de-lisboa-contra-a-austeridade--1531044>.

⁷⁶ Lusa, "Mais de 500 trabalhadores da CGD em protesto em Lisboa," *Público*, January 25, 2012, <https://www.publico.pt/2012/01/25/economia/noticia/mais-de-500-trabalhadores-da-cgd-em-protesto-em-lisboa-1530696>.

transportation pass giving students under the age of 23 a 50 percent discount on public transportation⁷⁷ and in early February there was a march of about 300 people in Lisbon protesting rising transportation costs.⁷⁸

The transportation sector also staged periodic strikes. Some were partial and for only a few hours while others were for the entire day. These strikes included many of the public transportation companies and even some airline workers, which would participate in strikes to varying degrees and with varying frequency. The Federation of Transport and Communications Unions called a strike in early February because the transportation sector was being restructured without the input of the workers. Trains, buses, ferries, and metro systems all participated but to less of a degree than expected, with Reuters reporting that the strike was a flop as trains and buses continued running and only Lisbon's metro and ferries were shut down.⁷⁹

CGTP held the largest rally in early 2012 at Praça do Comércio in mid-February to protest austerity, unemployment, precariousness. CGTP was also protesting the social concertation agreement signed by UGT, the government, and employers in January. CGTP claimed that more than 300,000 people attended but other observers estimated the

⁷⁷ Lusa, "Universitários protestam em Lisboa contra corte no passe sub-23," *Público*, January 25, 2012, <https://www.publico.pt/2012/01/25/portugal/noticia/universitarios-protestam-em-lisboa-contr-a-corte-no-passe-sub23--1530732>.

⁷⁸ Lusa, "Centenas de pessoas marcham em Lisboa contra o aumento dos transportes," *Público*, February 1, 2012, <https://www.publico.pt/2012/02/01/economia/noticia/centenas-de-pessoas-marcham-em-lisboa-contr-a-o-aumento-dos-transportes-1531818>.

⁷⁹ Alex Bugge, "Portuguese strike flops, workers fear for jobs," February 2, 2012, *Reuters*, <https://www.reuters.com/article/us-portugal-strike/portuguese-strike-flops-workers-fear-for-jobs-idUSTRE8111HG20120202>.

crowd was closer to 100,000.⁸⁰ There were few other protests or strikes in February as the air traffic controllers called off a five-day strike and small protests against price hikes for boats and against the new urban lease law drew no more than 100 people.

February also saw CP workers stage strikes around the holiday of Carnavale. The day before Carnavale, 97 percent of trains not considered as “minimum service” were cancelled before 10:00 AM. This started a forty-day period of partial stoppages which would last until March 31. Lisbon Metro also went on a 24-hour strike on March 21 to protest overtime pay, which they claimed was less than the negotiated amount.⁸¹

March began with small austerity protests all over Europe, and in places such as Lisbon “dozens” gathered to protest austerity.⁸² There was also a threatened strike from TAP workers to protest pay cuts. Workers asked for an exemption and in early March the government granted the exception to keep wages intact through 2012. They were exempt from pay cuts but did have to comply with the elimination of holiday and Christmas allowances for workers making more than €600 per month.⁸³

⁸⁰ Andrei Khalip, “Over 100,000 rally in Lisbon against austerity,” *Reuters*, February 11, 2012, <https://www.reuters.com/article/us-portugal-protest/over-100000-rally-in-lisbon-against-austerity-idUSTRE81A0K820120211>.

⁸¹ Pedro Crisostomo, “Carnaval com menos autocarros e greve no Metro de Lisboa e na CP”, *Público*, February 20, 2012, <https://www.publico.pt/2012/02/20/economia/noticia/carnaval-com-menos-autocarros-e-greve-no-metro-de-lisboa-e-na-cp-1534631>.

⁸² Público, “Sindicalistas unidos contra a austeridade em protestos pela Europa,” *Público*, March 1, 2012, <https://www.publico.pt/2012/03/01/jornal/sindicalistas-unidos-contra-a-austeridade-em-protestos-pela-europa-24091415>.

⁸³ Raquel Almeida Correia, “Governo abre excepção para a TAP e autoriza empresa a manter salários,” *Público*, March 7, 2012, <https://www.publico.pt/2012/03/07/jornal/governo-abre-excepcao-para-a-tap-e-autoriza-empresa-a-manter-salarios-24132410>.

The largest form of resistance to the austerity program was the general strike on March 22. The general strike caused widespread disruptions in public transportation, hospitals, ports, courts, and schools. Public transportation was gridlocked in Lisbon and Porto as participation from the public transportation sector was greater than in November.⁸⁴ However, overall strike participation was down significantly from what was expected as the two major unions were split on the strike. CGTP led the strike and UGT refused to participate after having signed the social concertation agreement in January. Reuters reported the numbers of protesters in Lisbon as well below the 100,000 that gathered in Lisbon in mid-February.⁸⁵ The overall membership in the transport sector was estimated by the Federation of Transport and Communications Unions (FECTRANS) at between 70% and 100% and the postal services saw participation at 65.8 percent.⁸⁶ The government did not release figures on strike participation. The private sector largely operated as usual, and businesses and commerce functioned normally for the most part.

What made this general strike different was the lack of enthusiasm for it.

Editorials asked whether it made sense to protest⁸⁷ and whether general strikes would

⁸⁴ Economist, "General indifference," *The Economist*, March 22, 2012, <https://www.economist.com/newsbook/2012/03/22/general-indifference>.

⁸⁵ Alex Bugge and Andrei Khalip, "Portuguese strike against austerity snarls transport," *Reuters*, March 22, 2012, <https://www.reuters.com/article/us-portugal-strike/portuguese-strike-against-austerity-snarls-transport-idUSBRE82L0Y120120323>.

⁸⁶ Público and Lusa, "Greve condiciona transportes, CGTP admite mobilização "difícil,"" *Público*, March 22, 2012, <https://www.publico.pt/2012/03/22/economia/noticia/armenio-carlos-admite-que-fazer-greve-e-difícil--1538928>.

⁸⁷ Manuel Joaquim Sousa, "Em dia de greve geral faz sentido protestar?," *Público*, March 22, 2012, <https://www.publico.pt/2012/03/22/p3/cronica/em-dia-de-greve-geral-faz-sentido-protestar-1830950>.

actually lead to answers to the difficult situation in Portugal.⁸⁸ Even labor union leaders acknowledged that participation in the strike was much lower than expected and that it was difficult to mobilize workers.⁸⁹ For Autoeuropa's Palmela plant as well as TAP Airlines and the Lisbon Airport it was a normal workday. Antonio Costa Pinto, a prominent professor at the University of Lisbon, was quoted in Reuters as saying, "If you compare this strike to the previous general strikes⁹⁰ in Portugal's democracy, this one clearly is in the low end."⁹¹

At the end of March, the National Association of Parishes (Anafre) organized a rally in Lisbon to protest the consolidation of parishes, which was one of the reforms agreed to in the Troika MOU and would help to rationalize local governments and reduce administrative costs of the state. The government had recently passed a bill to merge parishes, which would reduce the number of parishes by 25 percent and would lead to job losses in many local parishes.⁹² Protest organizers claimed that 200,000 people participated in the protest while the police estimate was around 60,000, continuing the

⁸⁸ Público, "11 de Fevereiro, 22 de Março e depois o quê?," *Público*, March 22, 2012, <https://www.publico.pt/2012/03/22/jornal/11-de-fevereiro-22-de-marco-e-depois-o-que-24224261>.

⁸⁹ Público and Lusa, "Greve condiciona transportes, CGTP admite mobilização "difícil,"" *Público*, March 22, 2012, <https://www.publico.pt/2012/03/22/economia/noticia/armenio-carlos-admite-que-fazer-greve-e-difícil--1538928>.

⁹⁰ Such as the 1988 general strike that had an estimated 2 million workers participate. Associated Press, "General Strike Ties Up Portugal," *Los Angeles Times*, March 28, 1988, <https://www.latimes.com/archives/la-xpm-1988-03-28-mn-249-story.html>.

⁹¹ Alex Bugge, "Portuguese strike against austerity snarls transport," *Reuters*, March 22, 2012, <https://www.reuters.com/article/us-portugal-strike/portuguese-strike-against-austerity-snarls-transport-idUSBRE82L0Y120120323>.

⁹² European Commission, "The Economic Adjustment Programme for Portugal Fourth review – Spring 2012," *Europa.eu*, July 2011, https://ec.europa.eu/economy_finance/publications/occasional_paper/2012/op111_en.htm.

trend of vastly different participation estimates in protests. Parish consolidation protests would continue to varying degrees into June, with the largest reported demonstration was 3,000 people in Lisbon.⁹³

Throughout the spring there were also many partial strikes, especially in the transportation sector. Air traffic controllers began a partial strike in mid-April against a cut in operating costs and wage cuts that would last into early May when another five-day partial strike was announced. This would last from May 11 until May 25 and affect numerous flights. Another strike was threatened in June but called off at the last minute as the Ministry of Finance decided to come back to the negotiating table. Many were worried about how it would affect the tourism industry and the jobs in that industry given the tough economic conditions and the total losses for the airline TAP including the two previous strikes were estimated to be upwards of €19.7 million.⁹⁴ Other strikes included a partial strike by public bus company Carris in which buses ran on the school holiday schedule from May 7-13 for 30 percent of normal routes.⁹⁵ Partial strikes also affected CP train routes as workers stopped various lines roughly once a week throughout May and June. The workers protested overtime payments, rest, and holidays. Transtejo Group workers shut down ferries on the Tagus River around Lisbon, once in May and again in

⁹³ Lusa, “Mais de três mil trabalhadores protestaram em Lisboa contra medidas de austeridade,” *Público*, June 6, 2012, <https://www.publico.pt/2012/06/06/economia/noticia/mais-de-tres-mil-trabalhadores-protestaram-em-lisboa-contra-medidas-de-austeridade-1549211>.

⁹⁴ Raquel Almeida Correia, “Trabalhadores da NAV cancelaram greve, mas TAP perdeu 6,2 milhões,” *Público*, June 29, 2012, <https://www.publico.pt/2012/06/29/jornal/trabalhadores-da-nav-cancelaram-greve-mas-tap-perdeu-62-milhoes-24813837>.

⁹⁵ Lusa, “Greve parcial na Carris a partir desta segunda-feira,” *Público*, May 7, 2012, <https://www.publico.pt/2012/05/07/economia/noticia/greve-parcial-na-carris-a-partir-desta-segunda-feira-1545002>.

June, over wage grievances and management's refusal to negotiate the company agreement. The city of Lisbon also witnessed partial strikes from waste collection workers and metro workers over wage and overtime disputes.

Small protests also continued through the spring, usually averaging between dozens and hundreds of protesters, and remaining largely peaceful. Hundreds of people protested the closing of the country's largest maternity ward in Lisbon in mid-April while other small protests against changes to the National Health Services also surfaced. May Day rallies organized by UGT and CGTP gathered a few thousand protesters against austerity and the Troika.⁹⁶ In early May hundreds of farmers protested the government, the lack of places to sell their goods, and low prices of national production while also criticizing the tax increases and agriculture policies.⁹⁷ Other small protests were organized against austerity policies, the creation of larger school clusters, highway tolls in the Algarve, the new urban lease law that would give landlords more rights via their tenants, and cuts to the "thirteenth month" of wages. One June protest, led by CGTP and PCP (the Communist Party) drew the largest crowd since the March 31 protest against parish consolidation. A crowd of around 20,000 was estimated to attend a protest against the government, the Troika, and the degradation of living standards. Despite the crowd, the protest was peaceful and rather low key.⁹⁸

⁹⁶ Carlos Pessoa, "UGT acusa o Governo de só se preocupar com a austeridade e exige cumprimento do acordo," *Público*, May 2, 2012, <https://www.publico.pt/2012/05/02/jornal/ugt-acusa-o-governo-de-so-se-preocupar-com-a-austeridade-e-exige-cumprimento-do-acordo-24471193>.

⁹⁷ Público, "Agricultores em protesto," *Público*, May 5, 2012, <https://www.publico.pt/2012/05/05/jornal/agricultores-em-protesto-24489194>.

⁹⁸ José Bento Amaro, "CGTP acusa a troika de fazer "agiotagem pura e dura" com Portugal," *Público*, June 17, 2012, available <https://www.publico.pt/2012/06/17/jornal/cgtp-acusa-a-troika-de-fazer-agiotagem-pura-e-dura-com-portugal-24734890>.

Portuguese social responses to the economic adjustment program during the first half of 2012 can be seen as continuing many of the same trends from 2011 from the signing of the MOU, which was characterized by a pattern of constant low-level protest and partial strikes with the occasional large, peaceful demonstration. However, the larger demonstrations, especially the general strike in March, were not embraced with the enthusiasm of the general strike in November 2011. With the exception of the June CGTP/PCP protest against austerity and the Troika, large demonstrations in Portugal were difficult to find after the general strike in March and the protests against parish restructuring.

External Pressures and Governmental Responses Q3 and Q4 2012

Even after a positive review from the Troika in June, economic pressure on the Portuguese government continued through the summer as Portugal was enduring a deeper than expected recession throughout the summer months and into the autumn. Despite deteriorating economic conditions, the government continued to move forward, trying to meet the terms of its Troika program. However, the second half of 2012 would see increased external pressures from a continued recession, increased unemployment, and bleak growth prospects. There would also be increased pressures from inside Portugal as the Constitutional Court ruled that some wage and pension cuts were unconstitutional, and the 2013 budget proved to be the most controversial budget since the revolution in 1974.

In early July, the unemployment rate reached 15.2 percent and 36.6 percent for those under 25. This prompted the Prime Minister to encourage unemployed youth to emigrate to Brazil, Angola or elsewhere, which drew significant criticism. Estimates put

emigration between 120,000 – 150,000 in 2011, most of which are well-educated university graduates. In response to the growing youth unemployment problem the government announced a €344bn initiative to address youth unemployment by offering hiring incentives for small and medium sized companies as well as internships and financial support to boost entrepreneurship.⁹⁹ Also in early July the Constitutional Court ruled that the suspension of holiday and Christmas bonuses from only public servants, pensioners and retirees was unconstitutional as it placed additional sacrifice on those in the public sector and those receiving public pensions. The suspension of holiday and Christmas bonuses, which was included in the 2012 budget, was already being implemented so the court ruling would only apply to holiday and Christmas bonuses after 2012.¹⁰⁰ This damaged the government's fiscal consolidation plan and new measures would need to be implemented for the 2013 budget later in the year.

The summer months were increasingly tough for Portugal even though the Troika and other commentators believed that Portugal was doing everything it could to implement its program.¹⁰¹ In late July, the OECD released a report warning that Portugal was in danger of failing to meet its fiscal targets. The report cited tight credit conditions because of bank deleveraging, weak international growth that would hit exports, and Portugal's ambitious fiscal targets for 2012, which were expected to depress demand

⁹⁹ Peter Wise, "Portugal PM tells unemployed to look abroad," *Financial Times*, July 3, 2012, <https://www.ft.com/content/67d4921a-beb6-11e1-b24b-00144feabdc0>.

¹⁰⁰ Público, "Comunicado do Tribunal Constitucional sobre os subsídios," *Público*, July 5, 2012, <https://www.publico.pt/2012/07/05/economia/noticia/acordao-do-tribunal-constitucional-sobre-a-suspensao-dos-subsidios-1553624>.

¹⁰¹ Robin Wigglesworth and Peter Wise, "Portugal makes fiscal progress in the shadows," *Financial Times*, August 28, 2012, <https://www.ft.com/content/2521d588-f109-11e1-89b2-00144feabdc0>.

further. All of these factors were expected to lead to a deeper than expected recession and add to existing economic problems.¹⁰² The Portuguese government confirmed that it would miss its deficit target of 4.5 percent of GDP in August after tax revenue for the first seven months of the year fell short by €2.85bn.¹⁰³ With the worsening economic conditions and the constitutional court ruling, interest rates on Portuguese 10-year bond yields remained elevated. Where yields were nearly 14 percent in January, they remained around 12 percent throughout the third quarter, indicating that while Portugal appeared to be dedicated to the program, Portugal had “yet to convince international investors, indicating the need for a rigorous Programme implementation.”¹⁰⁴

The first of two major crises for the Portuguese program occurred in September 2012 as the government unveiled new austerity measures in its 2013 budget, which was released days before the Troika’s fifth quarterly review of the program. The most controversial measure involved the social security tax, which required workers’ contributions to social security to increase from 11 percent to 18 percent, while employers would see their contributions fall from 23.5 percent to 18 percent. These new austerity measures were hailed by the IMF and others but received massive backlash within Portugal as hundreds of thousands took to the streets in protest (to be discussed in the next section). Instead of abstaining from voting, which the PS had done with all

¹⁰² OECD, “OECD Economic Surveys Portugal: July 2012,” *oecd.org*, July 2012, http://www.oecd.org/economy/surveys/PORTUGAL_2012_Overview.pdf

¹⁰³ Peter Wise, “Lisbon announces harsher austerity plans,” *Financial Times*, September 7, 2012, <https://www.ft.com/content/69a022d4-f8e6-11e1-b4ba-00144feabdc0>

¹⁰⁴ European Commission, “The Economic Adjustment Programme for Portugal. Second review - Autumn 2011,” *europa.eu*, December 2011, https://ec.europa.eu/economy_finance/publications/occasional_paper/2011/pdf/ocp89_en.pdf

austerity measures up to this point, the PS threatened to vote against the 2013 budget when it was presented to parliament in October. Yet, some of the harshest criticism came from those in the PSD as well as Paulo Portas of CDS-PP. The measures were also opposed by trade unions, some economists, the Catholic Church, and some employers even vowed to raise wages to make up the difference in pay.¹⁰⁵ In response to the criticism and public protests, the following week Passos Coelho retreated from further cuts and met with trade unions and employers to come up with alternative ways to cut the deficit and ended with what was known as the “huge tax increase.”¹⁰⁶ Ultimately, the government’s reversal of the social security measure and further wage cuts marked the end of the fiscal devaluation strategy in favor of replacing cuts in pay and rises in contributions to social security with tax increases elsewhere.

Despite the criticism from many in society as well as the withdrawal of the social security measures and pay cuts in the 2013 budget, the Troika’s fifth review noted that implementation of the program was solid, but also cautioned against too much optimism because of economic challenges Portugal was likely to face in the next couple of years. And, while acknowledging large revenue shortfalls and a “subdued growth outlook,” the Troika rewarded Portugal’s effort in fulfilling its economic adjustment program by easing deficit targets for 2012 from 4.5 percent of GDP to 5 percent and the 2013 target from 3 percent to 4.5 percent. This essentially extended the timeline to meet the deficit target of

¹⁰⁵ Peter Wise, “Portugal swaps pay cuts for tax rises,” *Financial Times*, September 24, 2012, https://www.ft.com/content/971588f4-0664-11e2-bd29-00144feabdc0_

¹⁰⁶ This was referenced in many interviews with former MPs and Ministers from PSD and CDS as well as those who worked under Carlos Moedas at ESAME.

3 percent by one year.¹⁰⁷ The Troika also acknowledged that given the difficulties in the Portuguese economy there would need to be “additional consolidation efforts” to meet the revised targets, indicating there would be difficult times ahead.¹⁰⁸

October brought continued pressure on Portugal’s government but also saw one bright spot. Portugal exchanged €3.75bn worth of government bonds that were due in 2013 for longer-term debt. This exchange reduced a €9.7bn bond redemption due in September 2013 by about 39 percent to €5.98bn and pushed back some of the payment until October 2015. However, external and internal pressures were continuing to mount as the economy was expected to contract by 3 percent in 2012 and an additional 1 percent in 2013. Finance Minister Vítor Gaspar acknowledged that meeting the revised deficit target of 5 percent would be very difficult without additional measures. The details of the 2013 budget were revealed by Vítor Gaspar in early October as he announced that more than 80 percent of the budget reduction plan would be achieved through increased revenue. There would be an additional tax of 4 percent on earnings in 2013 to replace the pay cuts that were overruled by the Constitutional Court, sending average tax rates from 9.8 percent to 13.2 percent, and corporate taxes would also be raised.¹⁰⁹

The reversals on the 2013 budget by the Passos Coelho government led to warnings from Moody’s and Fitch ratings agencies as well as the IMF in its quarterly

¹⁰⁷ European Commission, “The Economic Adjustment Programme for Portugal. Fifth review – Summer 2012,” *europa.eu*, October 2012, https://ec.europa.eu/economy_finance/publications/occasional_paper/2012/op117_en.htm

¹⁰⁸ Peter Wise and Peter Spiegel, “Lenders relax Portugal’s fiscal targets,” *Financial Times*, September 11, 2012, <https://www.ft.com/content/84360020-fc31-11e1-ac0f-00144feabdc0>

¹⁰⁹ Peter Wise, “Portugal imposes 4% levy on incomes,” *Financial Times*, October 16, 2012, USA Edition, World News, Page 4.

review. Moody's noted that Portugal might need to extend its current program beyond 2014 as the backlash against austerity and a weak economy could delay Portugal's re-entry into bond markets. Fitch also issued a statement saying it expected Portugal to need another Troika program before it could return to bond markets. Both argued that the additional measures Portugal would need to meet its revised targets were much larger than previously thought and Moody's worried that backing down in the face of protests would only embolden opponents of reform. Despite these warnings, Vítor Gaspar was emphatic in his disagreement, telling parliament that Portugal would exit the program in 2014.¹¹⁰ At the end of October, the IMF also warned that Portugal would face tough choices to strike a balance between closing the fiscal gap while "minimizing strains on employment and output" as "social and political resistance to adjustment has heightened."¹¹¹

The tax hike and continuous austerity began to show cracks in the political fabric as Portugal's President, Anibal Cavaco Silva (PSD) and former President, Jorge Sampaio (PS) both spoke out against the social costs of continuing such harsh austerity measures. Cavaco Silva posted on his official Facebook page that Portugal should not meet its deficit targets "at any cost," and during an interview on Portuguese television, Sampaio urged for political consensus to renegotiate the bailout agreement.¹¹²

¹¹⁰ Peter Wise, "Moody's warns on Portugal's bailout plan," *Financial Times*, October 5, 2012, <https://www.ft.com/content/1509d138-0ef9-11e2-9343-00144feabdc0>

¹¹¹ IMF, "Portugal: Fifth Review Under the Extended Arrangement," *imf.org*, October 24, 2012, <https://www.imf.org/external/pubs/ft/scr/2012/cr12292.pdf>

¹¹² Peter Wise, "Portugal imposes 4% levy on incomes," *Financial Times*, October 16, 2012, USA Edition, World News, Page 4.

In mid-November, before passing the 2013 budget, Angela Merkel visited Lisbon to offer support for the government, the budget, and the new austerity measures that were designed to help Portugal meet its obligations under the agreement. Passos Coelho was under increased pressure from domestic groups and opposition parties to renegotiate the agreement as critics argued excessive austerity was strangling growth prospects. Resistance to the 2013 budget led to protests of Merkel on her visit to Lisbon.¹¹³ There was also another general strike on November 14 to voice opposition to the 2013 budget. The general strike was led by CGTP and the details will be discussed in the next section. The 2013 budget received parliamentary approval at the end of November, but without the support of opposition parties. Despite the objections from the opposition, Prime Minister Pedro Passos Coelho continued to support the austerity measures while disagreeing with those who opposed such harsh measures and wanted Portugal's conditions eased. In an interview with the *Financial Times*, Passos Coelho explained that he believed the implementation of austerity and bringing the country's finances back into order was what would save the welfare state as he expressed his belief that excessive debt is the welfare state's true threat. He also denied that the waves of social protest and strikes that had occurred since the bailout were a signal that society was opposed to more austerity, citing a poll from the Portuguese pollsters Pitagórica, that claimed 63.5 percent of respondents thought Portugal should remain in the European-IMF program.¹¹⁴

¹¹³ Peter Wise, "Merkel visits Lisbon to bolster austerity," *Financial Times*, November 12, 2012, <https://www.ft.com/content/fedad66a-2ca2-11e2-9211-00144feabdc0>.

¹¹⁴ Tony Barber and Peter Wise, "Portuguese PM keeps faith with austerity," *Financial Times*, November 28, 2012, <https://www.ft.com/content/6730cae4-3973-11e2-8881-00144feabdc0>.

With the passage of the 2013 budget and increasing social unrest, the end of 2012 continued to be rocky for Portugal as the sixth review from the European Commission warned that low growth and political divisions had put Portugal at risk of missing their deficit target, which was adjusted in October by the EU and IMF to be more lenient. Having to switch from the increased social security contributions from employees to tax increases has resulted in less revenue as taxes are more sensitive to downturns in the economy.¹¹⁵ Additionally, the effectiveness of the tax increases that were supposed to increase revenue was questioned by economists, tax professionals, and the opposition party as tax revenue had fallen significantly below its targets for 2012.¹¹⁶ With Portugal entering its third year of austerity, a deepening recession, increasing social unrest, and unemployment rates of nearly 16 percent, Portugal was entering 2013 with significant uncertainty about its ability to adhere to its adjustment program.

Social Responses Q3 and Q4 2012

The beginning of the summer in Portugal continued many on the same trends from the Troika period that began a little over a year before, with constant low-levels of protest, with an occasional larger protest. However, September 2012 would mark a big shift in social resistance to the Troika and the government as the announcement of new austerity measures in the 2013 budget proposal led to a significant movement in Portugal's experience with its Troika program. The austerity measures included raising worker contributions to social security while simultaneously lowering social security

¹¹⁵ Peter Spiegel, "Lisbon rescue programme at critical point," *Financial Times*, December 27, 2012, <https://www.ft.com/content/2eef19ea-5036-11e2-a231-00144feab49a>.

¹¹⁶ Peter Wise, "Portugal braced for 'fiscal earthquake,'" *Financial Times*, December 30, 2012, <https://www.ft.com/content/39985d42-50d7-11e2-b287-00144feab49a>.

contributions from employers. This move was seen by many as the biggest mistake of the government during the Troika program, led to the largest protests during the Troika program (2011-14), and forced the government to withdraw the measures. Further, this moment would be marked by many as the time when the government lost its credibility with the public. The Portuguese were no longer willing to give the government the benefit of the doubt regarding the program and political as well as social divisions started to become more apparent.

As the summer began, Portugal saw many of the same trends described above, such as partial public transportation strikes, small protests against the Prime Minister and the Troika, as well as some new protests concerning the liberalization of professions. Public transportation workers continued to protest the new labor law that slashed their overtime and holiday pay in half by staging partial strikes with an occasional 24-hour strike. Many of these strikes had a middling level of participation, while some of the 24-hour strikes, which were usually staged around holidays, had participation upwards of 90 percent. In early July, about one thousand taxi-drivers came to Lisbon from all over Portugal to protest the liberalization of the taxi profession. The main complaint was the government changing the law that had given taxis and ambulances the exclusive rights to transport non-emergency patients, which could now be done by private individuals.¹¹⁷ In mid-July doctors staged a strike that had 95% participation – roughly 2000 participants - from doctors in various medical unions across the country. Most doctors did not work and protested in white coats outside the Ministry of Health. Doctors were protesting

¹¹⁷ Marta Portocarrero, “Taxistas não querem privados a transportar doentes,” *Público*, July 3, 2012, <https://www.publico.pt/2012/07/03/jornal/taxistas-nao-querem-privados-a-transportar-doentes-24837640>.

changes to the ministry of health. They argued that changes to the National Health Service would erode the structure and symbolic status of their professions. The government wanted to hire 2000 more doctors, which would diminish the earnings of current doctors and increase the competition that doctors face.¹¹⁸ This two-day protest sent the doctors unions and the health ministry back to the negotiating table throughout the summer months.

The remainder of July and August were relatively quiet for protests and strikes throughout Portugal. There were still occasional public transportation strikes and the dock workers at ports around Portugal started intermittent strikes against a change in the labor law affecting dockers. In Porto, 150 workers (40 percent of workers) from the Porto Society of Public Transport (STCP) held a strike at the end of July to protest the government's strategic transport plan, which they said would result in private carriers, disregards the labor rights in the company agreement, and reduces the supply of transport to the population.¹¹⁹ Dock workers around Portugal held a 24-hour strike that paralyzed many of the ports around the country. The strike was criticized by the Portuguese Council of Shippers. This began what would be one of many periodic strikes the dock workers

¹¹⁸ Andrea Cunha Freitas and Mariana Oliveira, "Adesão à greve dos médicos reforçada no segundo dia, dizem sindicatos," *Público*, July 12, 2012, <https://www.publico.pt/2012/07/12/sociedade/noticia/adesao-a-greve-dos-medicos-reforcada-no-segundo-dia-dizem-sindicatos-1554585>; Andrea Cunha Freita, "Médicos defenderam SNS com "a maior greve de sempre,"" *Público*, July 12, 2012, https://www.publico.pt/2012/07/12/jornal/medicos-defenderam-sns-com-a-maior-greve-de-sempre-24886247_

¹¹⁹ Público and Lusa, "Trabalhadores da STCP cumprem dia de greve contra "morte lenta" da empresa," *Público*, July 27, 2012, <https://www.publico.pt/2012/07/27/economia/noticia/trabalhadores-da-stcp-cumprem-dia-de-greve-contra-morte-lenta-da-empresa-1556555>; Marisa Soares, "Sindicatos dizem que adesão à greve nos STCP ultrapassa os 40%," *Público*, July 27, 2012, https://www.publico.pt/2012/07/27/local/noticia/sindicatos-dizem-que-adesao-a-greve-nos-stcp-ultrapassa-os-40-1556588_

would hold until the end of December, when they withdrew their strikes in order to come back to the negotiating table.¹²⁰

Social responses to austerity in Portugal would experience a watershed moment in September of 2012. As discussed in the previous section, 2012 had been a difficult year for Portugal's ability to meet its deficit targets, leading to the Troika relaxing the targets Portugal had to meet. In order to make up some of the ground lost because of a decrease in tax receipts, a recession in Europe, and a deeper than expected recession in Portugal, the Prime Minister included new austerity measures in early September. The most controversial was the changes to the Social Security Contributions (TSU). Raising the contributions from workers and lowering contributions for employers led to an instant backlash on Facebook and other social media platforms as it was seen as directly taking from workers to benefit business owners. This led to the "Fuck the Troika" movement (Que se lixe a Troika! Queremos as nossas vidas! – Fuck the Troika! We want our lives!), which had no affiliation with traditional unions. This movement organized a protest on September 15 and hundreds of thousands of Portuguese took to the streets in over 40 cities to protest the 2013 budget and the proposed changes to TSU contributions. Over one hundred thousand in Porto and more than that in Lisbon. Despite no official numbers,

¹²⁰ Inês Sequeira, "Sindicatos ameaçam bloquear mercadorias em portos estrangeiros," *Público*, August 15, 2012, <https://www.publico.pt/2012/08/15/jornal/sindicatos-ameacam-bloquear-mercadorias-em-portos-estrangeiros-25080314>; Paulo Miguel Madeira, "Greve nos portos desviou cinco barcos de Lisboa, espanhóis admitem juntar-se à luta," *Público*, August 14, 2012, <https://www.publico.pt/2012/08/14/economia/noticia/greve-desviou-cinco-barcos-de-porto-de-lisboa-ate-as-7h00-1558981>.

there were estimates that 500,000 people took to the streets.¹²¹ Público claimed it was the largest protest ever in Portugal's democracy as television described the demonstrations as the largest since April 25, 1974 – the Carnation Revolution that started the transition of Portugal from dictatorship to democracy.¹²²

The public pressure put on the government regarding changes to TSU contributions was so significant at this point that the government recognized it needed to change and ultimately led to the government withdrawing the proposed measures. This was the only time outside of Constitutional Court rulings that the government changed its policies because of societal pressure. As one former minister from the CDS put it, “As a government we understood that that manifestation (protests against changing the TSU) was not a regular strike from CGTP. It was something completely different. So, we were able to understand it and pull back the measure.”¹²³

Throughout the rest of September there continued to be various strikes and protests, but these largely adhered to previous patterns of relatively low participation and short or partial strikes, with a few exceptions. However, there was an important change in the tone of the protests following the September 15 mass demonstration. While many of the protests the first year of the program were against specific legislation or precariousness of work, following the September 15 protests, there was much more

¹²¹ The Telegraph, “Thousands of Portuguese protest against cuts,” *The Telegraph*, September 29, 2012, <https://www.telegraph.co.uk/finance/financialcrisis/9576516/Thousands-of-Portuguese-protest-against-cuts.html>.

¹²² Clara Viana and São José Almeida, “Três gerações saíram à rua e deixaram Passos mais isolado,” *Público*, September 16, 2012, <https://www.publico.pt/2012/09/16/jornal/tres-geracoes-sairam-a-rua-e-deixaram-passos-mais-isolado-25252174>.

¹²³ Interview with former Portuguese Minister, Lisbon, Portugal, May 9, 2018.

pronounced call for not only a change in policy, but for the government to resign. This was seen in events organized by the “Fuck the Troika” movement as well as CGTP.

Galp Energia held a three-day strike to protest workers only receiving a 1 percent pay increase while management received more than 30 percent.¹²⁴ The unions claimed that over 90 percent of workers participated, but the participation rate according to the company was 8.6 percent.¹²⁵ Port workers began a five-week strike period because of changes to the labor law. The strikes were planned to occur intermittently despite a new agreement between UGT and the government. Critics say the UGT agreement was negotiated by unions representing less than 20 percent of the port workers. Those affiliated with the Fuck the Troika movement also continued to organize protests through social media, but they tended to be very small. For example, on September 21 there were a number of protests around the country but estimates put participation at between 12 and 200 people in roughly seven places around the country.¹²⁶ Lisbon Metro workers held a two-day partial strike in late September that had 100 percent adherence and lasted from 5am until 10am on both days.¹²⁷

¹²⁴ Lusa, “Adesão à greve dos trabalhadores da Galp é superior a 90%,” *Público*, September 17, 2012, <https://www.publico.pt/2012/09/17/economia/noticia/adesao-a-greve-dos-trabalhadores-da-galp-e-superior-a-90-1563384>.

¹²⁵ Felix Ribeiro, “Sindicatos e Galp em guerra de números sobre a greve,” *Público*, September 18, 2012, <https://www.publico.pt/2012/09/18/economia/noticia/sindicatos-e-galp-em-guerra-de-numeros-sobre-a-greve-1563578>.

¹²⁶ Lusa and Público, “Protestos em vários pontos do país,” *Público*, September 21, 2012, <https://www.publico.pt/2012/09/21/politica/noticia/protestos-em-varios-pontos-do-pais-1564051>.

¹²⁷ Marisa Soares, “Metro de Lisboa retoma circulação depois da greve parcial,” *Público*, September 27, 2012, <https://www.publico.pt/2012/09/27/local/noticia/metro-de-lisboa-retoma-circulacao-depois-da-greve-parcial-1564777>.

There were two protests that attracted more significant numbers of participants. First, a protest outside Belem Palace during the Council of State meeting drew anywhere from a few thousand to 20,000 (organizer's estimate). The goal of the protest was the resignation of the government and for the MOU to be discarded.¹²⁸ CGTP held a rally at the end of September that just under 100,000 people attended. This rally was specifically to protest austerity and the Troika and to continue protests in the run up to the presentation of the 2013 budget in mid-October.¹²⁹

October continued many of the same trends as before with partial strikes and small protests, but there were more moderately sized protests that included a few thousand protesters, but not reaching into the tens or hundreds of thousands as witnessed in September. Transportation strikes were carried out in the beginning of the month as workers continued to oppose cuts in holiday and overtime pay. The urban services of Comboios de Portugal in Lisbon and Porto held a four-day strike from October 1 – 4 where workers would strike for the first two hours of their shifts.¹³⁰ On October 4, Lisbon Metro held a strike from 5am until 10am with 100 percent adherence, while bus drivers in

¹²⁸ Catarina Fernandes Martins et al., ““Basta”, gritaram os manifestantes durante as oito horas do Conselho de Estado,” *Público*, September 21, 2012, <https://www.publico.pt/2012/09/21/politica/noticia/concentracao-em-frente-ao-palacio-de-belem-quer-demissao-do-governo--1564022>.

¹²⁹ The Telegraph, “Thousands of Portuguese protest against cuts,” *The Telegraph*, September 29, 2012, <https://www.telegraph.co.uk/finance/financialcrisis/9576516/Thousands-of-Portuguese-protest-against-cuts.html>.

¹³⁰ Público, “Greve da CP parou dois terços das ligações,” *Público*, October 2, 2012, <https://www.publico.pt/2012/10/02/economia/noticia/greve-da-cp-continua-a-afectar-mais-os-comboios-urbanos--1565473>.

Lisbon held a 24-hour strike.¹³¹ Later in the month there was a partial strike of drivers for Metro Sul do Tejo for four days. Strikes were also beginning to happen in other sectors as Lusa News Agency began a 4-day strike in mid-October to protest 30 percent budget cuts for 2013 and Público workers went on strike against the collective dismissal of 48 workers.¹³²

The most contentious strike continued to be dock and port workers, who began a five-week period of stoppages in September to protest changes in the labor contracts for dock workers. This included working only from 5pm until midnight. By the end of the month the strike was beginning to have a significant and negative effect on exports, leading the Minister of the Economy, Álvaro Santos Pereira to comment that the situation at the ports was unsustainable.¹³³

There were a number of protests in October that garnered media attention. Yet, despite a rising level of anger and frustration among the Portuguese, October protests continued the trend of many small to medium size protests as the size of protests ranged between a few dozen to a few thousand people. Large protests, such as those seen in September did not occur and violence remained minimal. Examples of October protests include a few hundred protesters gathering outside parliament to protest the government's

¹³¹ Público, "CP, Metropolitano e Rodoviária de Lisboa cumprem hoje períodos de greve," *Público*, October 4, 2012, <https://www.publico.pt/2012/10/04/jornal/cp-metropolitano-e-rodoviaria-de-lisboa-cumprem-hoje-periodos-de-greve-25358979>.

¹³² Público, "Greve da Lusa suspende serviço de distribuição de notícias," *Público*, October 18, 2012, <https://www.publico.pt/2012/10/18/portugal/noticia/lusa-suspendeu-servico-de-distribuicao-de-noticias--1567890>.

¹³³ Lusa, "Álvaro Santos Pereira considera situação dos portos "insustentável,"" *Público*, October 24, 2012, <https://www.publico.pt/2012/10/24/economia/noticia/alvaro-santos-pereira-considera-situacao-dos-portos-insustentavel-1568629>.

austerity policies in early October and dozens of students meeting in Lisbon to demand the government reinstate their school passes for reduced fees on public transportation in mid-October.¹³⁴ 3,500 pharmacists also marched through the streets angry that drug prices had been lowered, forcing many to close up their shops.¹³⁵ On October 13, CGTP organized a march against unemployment as part of a day of protests across Portugal. The biggest event was a cultural festival featuring music and artists which was organized by “Fuck the Troika” and held in Lisbon. No official numbers were given, but *Público* noted that thousands attended. Attendees had disparate motivations for going, ranging from protests against austerity, the Troika, and “runaway capitalism” to those wanting to protect culture and the arts.¹³⁶

Protests against the government and the 2013 budget continued in the second half of October. In mid-October “thousands” protested outside parliament and demanded the government resign.¹³⁷ Another protest saw roughly 2,000 military personnel protest the

¹³⁴ Abel Coentrão, “Protesto contra cortes nos passes escolares,” *Público*, October 18, 2012, <https://www.publico.pt/2012/10/18/jornal/protesto-contra-cortes-nos-passes-escolares-25438009>.

¹³⁵ *Publico*, “Farmacêuticos em luto marcham hoje em Lisboa perante “colapso” do sector,” *Público*, October 13, 2012, <https://www.publico.pt/2012/10/13/jornal/farmaceuticos-em-luto-marcham-hoje-em-lisboa-perante-colapso-do-sector-25410174>.

¹³⁶ Catarina Fernandes Martins et al., “Milhares em protesto: “Matar a Cultura é matar a alma de um povo,”” *Público*, October 13, 2012, <https://www.publico.pt/2012/10/13/politica/noticia/centenas-de-pessoas-marcham-contr-o-desemprego-em-lisboa-1567216>; Vítor Belanciano, “Ontem cantou-se por novas políticas para a cultura e para a austeridade,” *Público* October 14, 2012, <https://www.publico.pt/2012/10/14/jornal/ontem-cantouse-por-novas-politicas-para-a-cultura-e-para-a-austeridade-25416439>.

¹³⁷ Fabíola Maciel, “Tensão no Parlamento surpreendeu PSP,” *Público*, October 16, 2012, <https://www.publico.pt/2012/10/16/jornal/tensao-no-parlamento-surpreendeu-pp-25427453>.

budget and delays in promotion¹³⁸ and CGTP-led rally outside parliament that attracted “thousands” as the 2013 budget was being voted on. Protesters attempted to surround parliament, but there were not enough protesters.¹³⁹ The movement to protect parishes continued as there were several small protests around Portugal to protest the extinction of parishes. Several dozen to a few hundred protesters participated and voiced their opposition to the extinction of parishes.¹⁴⁰

As October gave way to November, strike and protest activity increased in frequency and many of the strikes continued the previous trends of regularized actions with a low-level of intensity. Examples of strike activity that adhered to previous patterns included: a partial strike by Comboios de Portugal on November 1 in their continuing protest against the government’s reduction in overtime and holiday pay;¹⁴¹ an afternoon “general strike” by employees of Caixa Geral Depósitos group workers;¹⁴² a partial

¹³⁸ Vanessa Batista, “Cerca de dois mil militares da GNR gritaram: “Polícia motivada, segurança reforçada,”” *Público*, October 25, 2012, <https://www.publico.pt/2012/10/25/jornal/cerca-de-dois-mil-militares-da-gnr-gritaram-policia-motivada-seguranca-reforcada-25475222>.

¹³⁹ Fabíola Maciel, “CGTP e movimentos de cidadãos pediram chumbo do OE frente ao Parlamento,” *Público*, November 1, 2012, <https://www.publico.pt/2012/11/01/jornal/cgtp-e-movimentos-de-cidadaos-pediram-chumbo-do-oe-frente-ao-parlamento-25515069>.

¹⁴⁰ Lusa “Freguesias manifestam-se em sete cidades contra a reforma administrativa,” *Público*, October 27, 2012, <https://www.publico.pt/2012/10/27/local/noticia/freguesias-manifestamse-em-sete-cidades-contra-a-reforma-administrativa-1569036>.

¹⁴¹ Pedro Crisóstomo, “Perturbações nos comboios ainda deverão durar até ao início da tarde,” *Público*, November 2, 2012, <https://www.publico.pt/2012/11/02/economia/noticia/perturbacoes-nos-comboios-ainda-deverao-durar-ate-ao-inicio-da-tarde-1569760>.

¹⁴² Cristina Ferreira, “Greve na CGD está a ser “uma das maiores de sempre,”” *Público*, November 2, 2012, <https://www.publico.pt/2012/11/02/economia/noticia/greve-na-cgd-obrigou-muitas-dependencias-a-fechar-diz-o-sindicato-1569800>.

shutdown of Portugal's central and southern ports;¹⁴³ dock workers extending their partial strike;¹⁴⁴ and an indefinite partial strike (striking from 5 pm to 9 am on all working days and for 24 hours on weekends and holidays) of the Foreign and Border Service Research and Inspection Career Union.¹⁴⁵ There was also a threatened strike from the air traffic controllers, but after government concessions regarding pay cuts, holiday pay, and overtime pay, the strike was called off.¹⁴⁶

There were also several smaller protests throughout the month following earlier trends. These included a protest against the Troika and the government at the inauguration of a statue in Barcelos;¹⁴⁷ Students at the University of Coimbra padlocked the door to the library in protest of budget cuts to universities;¹⁴⁸ Hundreds of students gathered outside parliament to protest cuts to education;¹⁴⁹ roughly 50 workers of the

¹⁴³ Felix Ribeiro, "Greves nos portos vão prolongar-se até dia 27," *Público*, November 7, 2012, <https://www.publico.pt/2012/11/07/economia/noticia/greves-nos-portos-vaio-prolongarse-ate-dia-27-de-novembro--1570396>.

¹⁴⁴ Público, "Estivadores estão em greve desde Setembro," *Público*, November 10, 2012, <https://www.publico.pt/2012/11/10/jornal/estivadores-estao-em-greve-desde-setembro-25564905>.

¹⁴⁵ Lusa, "Inspectores do SEF em greve às horas extraordinárias," *Público*, November 13, 2012, <https://www.publico.pt/2012/11/13/sociedade/noticia/inspectores-do-sef-em-greve-as-horas-extraordinarias-1572254>.

¹⁴⁶ Raquel Almeida Correia, "Controladores aéreos serão os únicos a receber subsídio de férias em 2013," *Público*, November 29, 2012, <https://www.publico.pt/2012/11/29/economia/noticia/controladores-aereos-serao-os-unicos-a-receber-subsidio-de-ferias-em-2013-1575475>.

¹⁴⁷ Lusa, "Protestos contra a troika marcam inauguração de estátua em Barcelos," *Público*, November 3, 2012, <https://www.publico.pt/2012/11/03/local/noticia/protestos-contra-a-troika-marcam-inauguracao-de-estatua-em-barcelos-1569936>.

¹⁴⁸ Lusa, "Estudantes da Universidade de Coimbra fecham Porta Férrea a cadeado," *Público*, November 14, 2012, <https://www.publico.pt/2012/11/14/portugal/noticia/estudantes-da-universidade-de-coimbra-fecham-porta-ferrea-a-cadeado-1572445>.

¹⁴⁹ Lusa, "Centenas de estudantes marcham para o parlamento contra o orçamento," *Público*, November 22, 2012, <https://www.publico.pt/2012/11/22/p3/noticia/centenas-de-estudantes-marcham-para-o-parlamento-contra-o-orcamento-1814978>.

Lusa News Agency protested outside Passos Coelho's official residence against budget cuts to the news agency,¹⁵⁰ 200 winegrowers protested outside parliament for more government support;¹⁵¹ and Portuguese dock workers were joined by dock workers from eight other European countries to protest Portugal's new port labor law, which the PSD, PS, and CDS-PP all voted for.¹⁵² There were also protests against German Chancellor Angela Merkel, as she came to Lisbon prior to the parliamentary vote on the 2013 budget. Most of these protests were carried out by the far-left parties and "Fuck the Troika" but the protests were not that big.¹⁵³ The "Fuck the Troika" movement put black cloths over major memorials and statues to protest the Troika's policies and to indicate that Merkel doesn't rule Portugal.¹⁵⁴ There were also protests from about a thousand firefighters demanding higher pay¹⁵⁵ and about 5,000 police officers from around

¹⁵⁰ Fabíola Maciel and Maria Lopes, "Trabalhadores da Lusa em vigília à porta de Passos." *Público*, November 24, 2012, <https://www.publico.pt/2012/11/24/jornal/trabalhadores-da-lusa-em-vigilia-a-porta-de-passos-25642393>.

¹⁵¹ Fabíola Maciel, "Agricultores foram os primeiros a chegar ao protesto ao Parlamento," *Público*, November 27, 2012, <https://www.publico.pt/2012/11/27/politica/noticia/agricultores-foram-os-primeiros-a-chegar-ao-protesto-ao-parlamento-1575129>.

¹⁵² Fabíola Maciel and Félix Ribeiro, "PS vai votar a favor da nova lei dos portos," *Público*, November 29, 2012, <https://www.publico.pt/2012/11/29/economia/noticia/estivadores-rebentaram-petardos-junto-ao-parlamento-1575498>.

¹⁵³ Fabíola Maciel, "Ela não viu protestos mas havia pouco para ver," *Público*, November 13, 2012, <https://www.publico.pt/2012/11/13/jornal/ela-nao-viu-protestos-mas-havia-pouco-para-ver-25579875>.

¹⁵⁴ Queselixeatroika, "Comunicado de Imprensa," *queselixeatroika*, November 11, 2012, <http://queselixeatroika15setembro.blogspot.com/2012/11/comunicado-de-imprensa.html>; Panos negros para Merkel, "Panos negros para Merkel," *Público*, November 12, 2012, <https://www.publico.pt/2012/11/12/p3/noticia/panos-negros-para-merkel-1814923>.

¹⁵⁵ Fabíola Maciel, "Bombeiros criam sátira de protesto com dois burros e seis coelhos," *Público*, November 21, 2012, <https://www.publico.pt/2012/11/21/jornal/bombeiros-criam-satira-de-protesto-com-dois-burros-e-seis-coelhos-25622927>.

Portugal requesting changes to the 2013 budget.¹⁵⁶

Even with the strikes and protests mentioned above, the most significant event in November was a CGTP-led general strike. CGTP called for the general strike back in October, but UGT did not endorse the strike or officially participate. However, 23 of the 49 unions in the UGT organization declared their intention to participate in the strike.¹⁵⁷ Despite UGT not formally participating, the general strike was large and caused major disruptions. Buses, trains, and airplanes were largely shut down, over 200 schools were closed, and nurses also went on strike. Many small businesses and shopkeepers also went on strike and even some major business leaders close to the government were urging Passos Coelho to ease the burden of austerity and get the targets relaxed. The Financial Times noted that the diversity of participants differentiated this strike from others and also indicated that the previous consensus in favor of Portugal fulfilling the program was becoming fragile.¹⁵⁸

As the end of 2012 approached, the social responses to the government and its policies were more in line with social action prior to September. There were a number of transportation sector strikes with workers continuing to protest cuts in holiday and

¹⁵⁶ Fabíola Maciel, “Polícias saem à rua em luta contra o Orçamento do Estado,” *Público*, November 7, 2012, <https://www.publico.pt/2012/11/07/jornal/policias-saem-a-rua-em-luta-contra-o-orcamento-do-estado-25544776>.

¹⁵⁷ André Jesus and Raquel Martins, “23 sindicatos da UGT emitem pré-avisos de greve,” *Público*, November 13, 2012, <https://www.publico.pt/2012/11/13/economia/noticia/23-sindicatos-da-ugt-emitem-preavisos-de-greve--1572243>.

¹⁵⁸ Peter Wise et al., “Anti-austerity protests sweep Europe,” *Financial Times*, November 14, 2012, <https://www.ft.com/content/67ffbe2-2e3e-11e2-8bb3-00144feabdc0>.

overtime pay. These included a 24-hour strike on December 1,¹⁵⁹ another on December 8,¹⁶⁰ and a third on Christmas Day.¹⁶¹ The dock workers continued their ongoing strike by extending their strike period twice during December. They extended their strike through January 7 and then again through January 14. Towards the end of December, the dock workers agreed to call off their strike in order to focus on reaching a collective bargaining agreement, ending their months-long series of partial strikes that affected imports and exports around Portugal.¹⁶² There were also small demonstrations similar to previous periods, such as a CGTP-led protest asking the Portuguese President, Cavaco Silva to veto the 2013 budget¹⁶³ and 400 art students marched in Porto to protest the rule changes to access higher education.¹⁶⁴ The National Platform against the Extinction of Parishes (PNCEF) continued to voice their objections to the extinction of parishes by presenting

¹⁵⁹ Lusa, “Greve na CP parou comboios,” *Público*, December 1, 2012, <https://www.publico.pt/2012/12/01/economia/noticia/greve-na-cp-parou-comboios-1575730>.

¹⁶⁰ Lusa, “Greve na CP paralisa quase todos os comboios,” *Público*, December 8, 2012, <https://www.publico.pt/2012/12/08/economia/noticia/greve-na-cp-paralisa-circulacao-de-comboios-1576636>.

¹⁶¹ Público, “Greve nos transportes paralisa Grande Lisboa,” *Público*, December 25, 2012, <https://www.publico.pt/2012/12/25/local/noticia/natal-paralisado-pela-greve-dos-transportes-1578541>.

¹⁶² Félix Ribeiro, “Estivadores encaram paragem de greves como “manifestação de boa vontade,”” *Público*, December 27, 2012, <https://www.publico.pt/2012/12/27/economia/noticia/estivadores-encaram-paragem-de-greves-como-manifestacao-de-boavontade-1578773>.

¹⁶³ Fábíola Maciel, “CGTP pede ao Presidente que “ouça o povo e cumpra a Constituição Portuguesa,”” *Público*, December 16, 2012, <https://www.publico.pt/2012/12/16/jornal/cgtp-pede-ao-presidente-que-ouca-o-povo-e-cumpra-a-constituicao-portuguesa-25763741>.

¹⁶⁴ Lusa, “Alunos da Soares dos Reis manifestam-se contra novas regras de acesso ao superior,” *Público*, December 6, 2012, <https://www.publico.pt/2012/12/06/sociedade/noticia/alunos-da-soares-dos-reis-manifestamse-contras-novas-regras-de-acesso-ao-superior-1576382>.

an alternative bill to parliament,¹⁶⁵ asking Cavaco Silva to veto the parish restructuring/extinction bill, and holding small demonstrations against the planned parish extinctions.¹⁶⁶

To summarize the social responses in the second half of 2012, it was one of the most important periods when examining responses to Portugal's Troika program and especially its austerity policies. While previous trends of a constant low-level of protests and strikes continued, the September 15 protests were different from any prior protests and dealt the government a huge blow in terms of public confidence in the Troika program and the government itself. As one former advisor to the Prime Minister said, "That (the social security tax debacle) is when people began to think, (the Troika program) doesn't make sense...that was the biggest policy blunder of them all."¹⁶⁷ After this point, the public was less willing to go along with the new measures the government would need to enact to continue to hit the program targets.

External Pressures and Governmental Responses Q1 2013

There continued to be little good news at the beginning of 2013 as the legality of the 2013 budget came into question once again, economic reforms were not producing results, the government's credibility continued to be in doubt, and questions about a possible second bailout continued. Despite earning praise for its dedication to the Troika

¹⁶⁵ Nuno Ferreira Santos and Margarida Gomes, "Reforma das freguesias aquece AR mas "esta história não acaba aqui,"" *Público*, December 7, 2012, <https://www.publico.pt/2012/12/07/jornal/reforma-das-freguesias-aquece-ar-mas-esta-historia-nao-acaba-aqui-25713266>.

¹⁶⁶ Lusa, "Freguesias apelam a Cavaco para chumbar reforma administrativa," *Público*, December 22, 2012, <https://www.publico.pt/2012/12/22/politica/noticia/freguesias-apelam-a-cavaco-para-chumbar-reforma-administrativa-1578404>.

¹⁶⁷ Interview with a former advisor to Prime Minister Pedro Passos Coelho, Lisbon, Portugal, May 3, 2018.

program, Portugal continued to face difficult economic conditions that furthered the political stalemate between the government and the opposition parties. Even with the challenges facing the Portuguese government, bond yields continued to decrease as Portugal returned to long-term debt markets and Portugal had made some progress with its current account deficit.

In January, President Cavaco Silva asked the constitutional court to review the constitutionality of specific austerity measures passed in November of the previous year. Cavaco Silva was concerned about whether cuts to public sector pay and state pensions, and the “solidarity tax” on pensions above €1,350 per month were constitutional.¹⁶⁸ This move was supported by UGT and the Confederation of Portuguese Industry (CIP). Unions were worried that the burdens of austerity were not being shared in a fair way across society and CIP was concerned that austerity was depressing demand.¹⁶⁹ Despite this potential blow to the government, Portugal was again praised by the IMF in the sixth quarterly review by the Troika, stating that Portugal’s “policy and reform effort has been impressive” and that the program was making considerable progress, leading to bond yields falling, which was a positive step for Portugal regaining market access later in the

¹⁶⁸ Peter Wise, “Lisbon’s budget cuts face legal scrutiny,” *Financial Times*, January 2, 2013, <https://www.ft.com/content/3d6b8056-5501-11e2-a628-00144feab49a>.

¹⁶⁹ Ana Rute Silva, “CIP pede rapidez ao TC no esclarecimento das dúvidas de Cavaco,” *Público*, January 2, 2013, <https://www.publico.pt/2013/01/02/economia/noticia/cip-pede-rapidez-ao-tc-no-esclarecimento-das-duvidas-de-cavaco-1579248>; Rita Brandão Guerra, “UGT considera que Cavaco respondeu às preocupações dos portugueses, CGTP acusa-o de cumplicidade,” *Público*, January 2, 2013, <https://www.publico.pt/2013/01/02/politica/noticia/ugt-considera-que-cavaco-respondeu-as-preocupacoes-dos-portugueses-cgtp-acusao-de-cumplicidade-com-governo-1579268>.

year.¹⁷⁰ Although the Troika praised the Portuguese government's effort they continued to note that there were risks in the short and medium term. Portugal needed to continue its structural reforms to ensure the competitiveness of its tradable sector, prevent backsliding with the labor and judicial reforms already passed, and ensure the burden of further fiscal adjustments were shared across society.¹⁷¹ Later in January, Portugal raised and extra €2.5bn in the bond market in a "syndicated tap," which added to an existing €6bn bond maturing in 2017.¹⁷² This also sent Portugal's 10-year bond yields down to just over six percent, their lowest levels since 2010.¹⁷³

Portugal received some more positive news moving into February as it posted an increase in exports and its current account deficit continued to fall. After a decrease in exports towards the end of 2012, Portugal's exports grew at 5.8 percent in 2012, with more than a 20 percent increase of exports outside of Europe. While the fall in its current account deficit from 10.9 percent of GDP in 2009 to a projected 2.5 percent in 2012 was welcome news,¹⁷⁴ the IMF could not firmly answer whether the drop was because of real, structural changes to the Portuguese economy or whether it was cyclical. Exports were

¹⁷⁰ IMF, "Press Release: IMF Completes Sixth Review Under an EFF Arrangement with Portugal, Approves €838.8 Million Disbursement," *imf.org*, January 16, 2013, <https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr1314>.

¹⁷¹ IMF, "Press Release: IMF Completes Sixth Review Under an EFF Arrangement with Portugal, Approves €838.8 Million Disbursement," *imf.org*, January 16, 2013, <https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr1314>.

¹⁷² Peter Wise, Ralph Atkins, and Robin Wigglesworth, "Portugal returns to long-term debt market," *Financial Times*, January 23, 2013, <https://www.ft.com/content/d0257ab6-6549-11e2-a3db-00144feab49a>.

¹⁷³ OECD, "Long-Term Interest Rates", *oecd.org*, <https://data.oecd.org/interest/long-term-interest-rates.htm>.

¹⁷⁴ Peter Wise, "Portuguese exports surge outside Europe," *Financial Times*, February 11, 2013, <https://www.ft.com/content/5dd8fde0-745b-11e2-a27c-00144feabdc0>.

increasing and imports decreasing, but the IMF tempered some of the optimism by warning that some of the decrease in imports was due to a decrease in domestic demand in Portugal.¹⁷⁵

While there was some good news at the beginning of 2013, it could not be denied that austerity continued to take a heavy toll on the economy, society, and the political climate. The EU forecast estimates for 2013 revealed that Portuguese real GDP was expected to decrease by 1.9 percent, as opposed to the previously projected 1 percent, and unemployment was to peak at 17.3 percent in 2013.¹⁷⁶ The government was even more pessimistic in its assessment of the economy. In March, the government released projections that the economy would shrink by 2.3 percent in 2013 and unemployment would reach 19 percent by the end of the year.¹⁷⁷ The opposition, including the PS also began to voice its displeasure more forcefully. In mid-February, the PS opposition leader António José Seguro (PS) sent a letter to the Troika arguing that Portugal (and the PS) wanted to meet their obligations under the MOU, but not at the expense of ripping society apart. He argued for more time to consolidate public accounts and debt repayment, lower interest rates, and a postponement of interest payments. Without some easing of the conditions, Seguro argued, the program would fail as it would be rejected by Portuguese

¹⁷⁵ IMF, "Portugal: 2012 Article IV Consultation and Sixth Review Under the Extended Arrangement and Request for Waivers of Applicability of End-December Performance Criteria," *imf.org*, January 16, 2013, <https://www.imf.org/external/pubs/ft/scr/2013/cr1318.pdf>.

¹⁷⁶ European Commission, "European Economic Forecast: Winter 2013," *europa.eu*, February 2013, https://ec.europa.eu/economy_finance/publications/european_economy/2013/ee1_en.htm.

¹⁷⁷ Peter Wise, "Portugal sharply cuts economic forecasts," *Financial Times*, March 15, 2013, <https://www.ft.com/content/09f081b0-8d58-11e2-a0fd-00144feabdc0>.

voters.¹⁷⁸ While this was a sharp criticism, it was not a full rejection of the program and its objectives as was witnessed in Greece. Seguro did not disagree with the goals of the program, as he maintained that there must be fiscal discipline and structural reform in Portugal, but a rethinking of the program's design would be needed.

Portugal's economic situation continued to worsen as spring approached, but the conclusions from the Troika's seventh review of the Portuguese program were mixed. The bad news was that the government announced that it expected the Portuguese economy to fall deeper into recession in 2013 as it released projections that the economy would shrink by 2.3 percent in 2013, which is more than twice the previous estimate. Slowing exports were partly to blame for the deeper than expected slowdown, as export growth had slowed to 0.8 percent. Adding to Portugal's economic problems, the projections for unemployment were increased to 19 percent by the end of 2013 and were expected to be above 17 percent through 2017.

On the positive side, the Troika released a statement saying Portugal's program implementation was broadly on track, despite the background of difficult economic conditions. Portugal had met its 2012 deficit targets, the financial sector had been safeguarded, and there was progress with structural reforms. The Troika also noted that Portugal was continuing to exceed expectations with its external adjustment. And, because of Portugal's commitment to implementing the program and a deeper than

¹⁷⁸ Negócios, "Carta de Seguro aos líderes da troika," *Jornal de Negócios*, February 18, 2013, <https://www.jornaldenegocios.pt/economia/ajuda-externa/detalhe/carta-de-seguro-aos-lideres-da-troika>.

expected recession,¹⁷⁹ the Troika granted Portugal's request to adjust fiscal deficit targets again. Portugal's fiscal target for 2013 were revised from 4.5 to 5.5 percent of GDP, 2014 from 2.5 to 4 percent of GDP, and 2015 from 2.5 to 3 percent of GDP.¹⁸⁰

The announcement from the government and Troika that the targets needed adjusted, unemployment would be higher, and the recession would be deeper led to increased criticism from opposition parties, trade unions, small business owners, and employer groups. The PS argued the need for an extension was evidence that the government had failed while the Confederation of Portuguese Industry would have preferred for the extension of deficit targets to have been two years instead of one. CGTP was frank in stating that, "Another year will not solve the problem."¹⁸¹

Portugal's situation in the first quarter of 2013 was complicated as the government remained steadfast in its application of the MOU despite a worsening economy, very high unemployment, and increasing criticism from the opposition in parliament as well as unions and the business confederations. There were also concerns that some of the austerity measures passed in November were unconstitutional, leading to a challenge in the Constitutional Court. Despite these difficulties Portuguese bond yields remained just over 6 percent throughout the first quarter. Even with the continued recession, pessimistic forecasts, revised deficit targets, and increasing resistance to the

¹⁷⁹ Finance minister, Vítor Gaspar noted that the relaxation of the fiscal targets was only because of Portugal's determination and commitment to its Troika program. Peter Wise, "Portugal sharply cuts economic forecasts," *Financial Times*, March 15, 2013, <https://www.ft.com/content/09f081b0-8d58-11e2-a0fd-00144feabdc0>.

¹⁸⁰ IMF, "Press Release: Statement by the EC, ECB, and IMF on the Seventh Review Mission to Portugal," *imf.org*, March 15, 2013, available <https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr1378>.

¹⁸¹ Peter Wise, "Lisbon set to win deficit target extension," *Financial Times*, March 13, 2013, <https://www.ft.com/content/6a29cae8-8bdf-11e2-8fcf-00144feabdc0>.

program, the Troika remained positive about Portugal's dedication to the program.

Social Responses Q1 2013

The first quarter of 2013 continued the second phase of the Portuguese response, which began in September 2012 and included increased protest and strike activity. The first quarter of 2013 saw the most protests of any quarter during Portugal's Troika program up to that point. There was a total of 74 protests in the first quarter with 15 protests with more than 500 participants, including a protest in mid-February with tens of thousands of participants involving 24 cities and another in March involving hundreds of thousands and taking place in 20 cities. Labor unrest also remained elevated as partial strikes occurred with regular frequency and transportation disruptions were more frequent, continuing the trends from 2012. While there are no quarterly statistics given on Portuguese labor disputes, there were two notably large strikes in the first quarter of 2013, one being a 24-hour transportation strike in Porto and the other being a five-day transportation strike taking place all over Portugal.

While there were 15 large protests in Q1 2013, three protests stand out as significant. First, there was a teacher protest in late-January due to potential cuts and changes to schools, including potentially dismissing 50,000 teachers. This demonstration brought an estimated 40,000 teachers to the streets in protest.¹⁸² The increased protest activity continued in February there was a 24-city protest against the government and its austerity policies that was promoted by CGTP. While exact numbers were not given,

¹⁸² Público, "Milhares de professores regressaram à rua com "medo do amanhã,"" *Publico*, January 27, 2013, <https://www.publico.pt/2013/01/27/portugal/noticia/revista-de-imprensa-destaques-do-publico-1582243>.

there were about 10,000 protesters in Porto and “thousands” more in Lisbon and across Portugal.¹⁸³ The largest protests in the first quarter occurred in early March on the heels of a huge tax increase and when the Troika was in Lisbon for its quarterly review. Hundreds of thousands of people turned out in Lisbon and across many cities in Portugal to voice their anger at the government, austerity, and the Troika. By this point the trust of the government had been lost by many as austerity was really taking a toll on the economic and social life of the Portuguese.¹⁸⁴

Labor disputes and strikes continued their trends from 2012 with many partial strikes, especially in the transportation sector, and many smaller strikes by workers in industries such as health care and shipyard workers. However, there were two notable strike actions that were beyond the smaller and partial strikes witnessed quite regularly. The first was a 24-hour strike by Society of Transport Collective of Porto (STCP), which had 100 percent adherence by workers and led to all buses being stopped for the day. The strike was called to protest the government not honoring the contract that workers from STCP had negotiated with the company.¹⁸⁵ The second major industrial action that took place in Q1 of 2013 also involved the transportation sector but took place in multiple cities in Portugal and across five days in early March. The primary companies

¹⁸³ Lusa, “Manifestações em várias cidades do país pedem demissão do Governo,” *Publico*, February 16, 2013, <https://www.publico.pt/2013/02/16/politica/noticia/manifestacoes-em-varias-cidades-do-pais-pedem-demissao-do-governo-1584747>.

¹⁸⁴ Andrei Khalip, “Portuguese march against austerity, want government out,” *Reuters*, March 2, 2013, <https://www.reuters.com/article/us-portugal-protests/portuguese-march-against-austerity-want-government-out-idUSBRE92109J20130302>; Público, “O descontentamento português,” *Publico*, March 3, 2013, <https://www.publico.pt/2013/03/03/jornal/o-descontentamento-portugues-26150182>.

¹⁸⁵ Lusa, “Sindicato diz que há adesão total à greve da STCP,” *Publico*, February 1, 2013, <https://www.publico.pt/2013/02/01/economia/noticia/sindicato-diz-que-ha-adesao-total-a-greve-da-step-1582919>.

responsible for the strike were CP and STCP and worker participation in the strike was high. Workers were continuing their protests of low wages, reduction of overtime payments, privatization, and complaints that the agreements and collective contracts had not been adhered to. The strike led to many bus and train routes being cancelled around the country and disrupted travel in cities.¹⁸⁶ Ultimately the week of strikes culminated with about 1,000 people marching to parliament in Lisbon.¹⁸⁷

The first quarter of 2013 saw the continuation of increased social mobilizations that began in September 2012 as the number of protests increased and strike activity remained higher than in previous quarters. Portugal was in the middle of the second phase of its social response to the Troika program, which was marked by increased protest and strike activity. The increase in protest activity was primarily due to the two large, nation-wide protests that saw many thousands in the streets across Portugal. These two events alone accounted for 44 of the 74 protests and had the highest numbers of participation. There was also the continuation of frequent partial and smaller strikes as well as two larger strike events by the transportation sector that caused significant disruptions.

External Pressures and Governmental Responses Q2 2013

During the second quarter of 2013 pressure on the Passos Coelho government continued to build as the opposition in parliament grew bolder, the Constitutional Court struck down austerity measures for the second year in a row, and a high level minister

¹⁸⁶ Público, “Forte adesão à greve na CP reduziu comboios a mínimos,” *Publico*, March 7, 2013, https://www.publico.pt/2013/03/07/jornal/forte-adesao-a-greve-na-cp-reduziu-comboios-a-minimos-26178158_

¹⁸⁷ Público, “Protesto nos transportes contra privatizações,” *Publico*, March 10, 2013, https://www.publico.pt/2013/03/10/jornal/protesto-nos-transportes-contra-privatizacoes-26195671_

resigned due to scandal. These pressures increased throughout the second quarter and brought back speculation that Portugal could need a second bailout.

The second quarter of 2013 began with a no confidence motion led by the PS, which was defeated by a vote of 131 to 97. Despite its easy defeat, it signaled an increasingly confrontational period with the main opposition party.¹⁸⁸ The following day Miguel Relvas, the Deputy Minister and Parliamentary Affairs, resigned from his position due to a scandal about fraudulently receiving an academic degree. The next day the Constitutional Court ruled that four parts of the government's austerity package from the 2013 budget were unconstitutional. This was the second consecutive year that parts of the budget had been ruled unconstitutional and prompted the opposition to call for Prime Minister Passos Coelho's resignation once again. The four measures that were rejected amounted to about 20 percent of the austerity measures planned for 2013 and included cuts to state pensions and public sector pay as well as cuts to sickness and unemployment benefits. They also included a "solidarity" tax surcharge and a cut of 50 percent in overtime rates for public sector workers.¹⁸⁹ The court's rejection of the austerity measures forced Prime Minister Passos Coelho to announce that he would make further cuts to the state spending to keep Portugal on course with its bailout program. At the end of April Passos Coelho announced cuts totaling €6bn over the next four years, including further cuts to health, education, and social security.¹⁹⁰

¹⁸⁸ Peter Wise, "Portugal market jitters over instability," *Financial Times*, April 3, 2013, <https://www.ft.com/content/87fed8c6-9c4f-11e2-ba3c-00144feabdc0>.

¹⁸⁹ Peter Wise, "Portugal court rules against austerity," *Financial Times*, April 5, 2013, <https://www.ft.com/content/3a4aaed2-9e36-11e2-9ccc-00144feabdc0>.

¹⁹⁰ Peter Wise, "Portugal announces plan to prolong austerity beyond bailout," *Financial Times*, April 30, 2013, <https://www.ft.com/content/ecbe7c0c-b1c7-11e2-b324-00144feabdc0>.

Portugal had also been in talks with the Troika for some time to extend the maturities on its bailout loans from the EU, which, in mid-April, was granted to both Portugal and Ireland. Both countries received an extension of seven years on loans from the EU. This was a big win for both countries, but especially for Portugal. The day before the decision to extend the maturities was agreed to, a paper from the Troika leaked that cast serious doubt on Portugal's ability to avoid a second bailout as even with the extension financing needs in the years following its program were expected to be much higher than before the crisis.¹⁹¹ The doubts about Portugal extended beyond the Troika as even former Prime Minister Mario Soares said that Portugal would not be able to pay its debts and the only solution was not to pay.¹⁹² These doubts would continue to plague Portugal throughout the second quarter of 2013 as bond yields would reach 6.6 percent in mid-June.¹⁹³

On the heels of Passos Coelho's announcement of new austerity measures Portugal had a positive development as it issued new bonds for the first time since taking the bailout in 2011. The issue was for €3bn of ten-year bonds yields at 5.7 percent, which saw demand of more than three times the offer.¹⁹⁴ Meanwhile there was an impending

¹⁹¹ Peter Spiegel, "Leaked Eurogroup paper: trouble ahead for Portugal?," *Financial Times*, April 11, 2013, <https://www.ft.com/content/638902a8-aaa5-395d-be71-2defa3e07b1a>; Peter Spiegel, Quentin Peel, and Jamie Smyth, "Lisbon struggles to avoid second bailout", *Financial Times*, April 11, 2013, <https://www.ft.com/content/d7fec044-a2bb-11e2-bd45-00144feabdc0>.

¹⁹² Peter Wise, "Troika to assess Portugal's austerity plans," *Financial Times*, April 14, 2013, <https://www.ft.com/content/620f604a-a4fb-11e2-8777-00144feabdc0>.

¹⁹³ Peter Wise and Jamie Smyth, "Fears rise over how Portugal and Ireland exit bailout schemes," *Financial Times*, June 19, 2013, <https://www.ft.com/content/183b0b36-d8ea-11e2-a6cf-00144feab7de>.

¹⁹⁴ Peter Wise and Ralph Atkins, "Lisbon enjoys strong investor demand for bond issue," *Financial Times*, May 7, 2013, <https://www.ft.com/content/886d4624-b6f5-11e2-a249-00144feabdc0>.

lawsuit from JP Morgan and Banco Santander against Portuguese state-owned companies after two months of failed talks to renegotiate derivative contracts.¹⁹⁵ The Portuguese banking sector was also running low on capital, putting in doubt their ability to meet their capital requirements.¹⁹⁶

While the second quarter of 2013 saw Portugal's first bond auction since entering its Troika program and an extension of maturities on EU loans, it was a very difficult period for the government. Friction between the government and the opposition increased, the Constitutional Court struck down more austerity measures, bond yields continued to rise, and a high-level minister resigned due to scandal. Yet, the government remained dedicated to the program in the face of mounting external and internal pressure.

Social Responses Q2 2013

The second quarter of 2013 brought Portugal to the cusp of the second phase of resistance to the Troika program as the government had lost most of its credibility, austerity was not producing economic growth, and many wanted change. In Q2 of 2013 there were a total of 94 protests with 11 protests of 500 or more participants. This is an increase from the first quarter in total protests, but not in large protests. Many of the previous trends continued with a good number of smaller protests and a significant number of protests against the government, austerity, or the Troika. Of the 94 total protests, 77 fell in this category as frustration with the program continued to increase and calls for the government to resign were close to reaching their peak. Of these 77 protests,

¹⁹⁵ Peter Wise, "Banks sue Lisbon over 'toxic' asset allegations," *Financial Times*, May 15, 2013, <https://www.ft.com/content/8c7ac706-bd84-11e2-890a-00144feab7de>.

¹⁹⁶ Patrick Jenkins and Peter Wise, "Portuguese banking sector seeks cure for capital woes," *Financial Times*, May 19, 2013, <https://www.ft.com/content/12c98842-be20-11e2-9b27-00144feab7de>.

58 occurred on two days in June. Outside of protests against the government, austerity, or the Troika, workers' rights was the next most common reason to protest. There were six protests of this type, including larger protests on May Day. There was also a notable protest in April by farmers against budget cuts and tax increases that drew 3000 participants. Strike activity began rather slowly during this quarter as transportation unions in Lisbon and Porto both attempted to work out deals with their respective companies. Prison guards held strikes in April and May and there was a major dispute between teachers and the government in June. The largest event concerning labor was undoubtedly the general strike at the end of June, which both UGT and CGTP both participated.

The most notable events in Q2 2013 all happened in June. On June 1, there were anti-austerity protests all over Europe and 18 cities in Portugal held protests. While there were many cities that held demonstrations, the numbers were disappointing for *Fuck the Troika!*, which organized the protests. Newspapers reported that the protests brought a few thousand people together across the country¹⁹⁷ and there were only 1000 protesters in Porto.¹⁹⁸ However, a poll was released at the same time showing that 57 percent of Portuguese wanted the government to resign.¹⁹⁹ The second major event involved a

¹⁹⁷ Público, "A maioria que chumba o Governo nas sondagens optou por não sair à rua," *Publico*, June 2, 2013, <https://www.publico.pt/2013/06/02/jornal/a-maioria-que-chumba-o-governo-nas-sondagens-optou-por-nao-sair-a-rua-26625898>.

¹⁹⁸ Clara Viana, Filipa Dias Mendes, and Pedro Sales Dias, "'FMI fora daqui", gritou-se em Lisboa e no Porto," *Publico*, June 1, 2013, <https://www.publico.pt/2013/06/01/politica/noticia/fmi-fora-daqui-gritam-manifestantes-em-lisboa-1596150>.

¹⁹⁹ Público, "A maioria que chumba o Governo nas sondagens optou por não sair à rua," *Publico*, June 2, 2013, <https://www.publico.pt/2013/06/02/jornal/a-maioria-que-chumba-o-governo-nas-sondagens-optou-por-nao-sair-a-rua-26625898>.

significant dispute between the government and Ministry of Education with the teachers that divided Portugal, the political parties, teachers, parents, and students. The dispute was over pay cuts, increased hours, and a new “mobility regime” that would force teachers to take positions in other districts or resign if school districts were merged.²⁰⁰ Teachers went on strike on the day of national 12th grade exams, leading to more than one-fifth of 12th graders missing their exams.²⁰¹ The last major event was the general strike, which was not only called by the two main labor unions, but the four main Portuguese industrial associations said they understood why the strike was happening and were critical of the government for Portugal’s high unemployment as well as large falls in investment and production.²⁰² The numbers for participation were not officially released, but UGT said adherence to the strike was over 50 percent.²⁰³ In addition to workers striking, there were more than 50 separate demonstrations held on the day of the strike.

Altogether, the end of June (and into the first week of July) represented the last major push of social resistance to the government, Troika, and austerity measures. Unions, public employees, and business confederations were largely united in their opposition to many of austerity policies endured over the past two years, wanted change,

²⁰⁰ Reuters Staff, “Portuguese teachers boycott exams in anti-austerity strike,” *Reuters*, June 17, 2013, <https://www.reuters.com/article/us-portugal-teachers-strike/portuguese-teachers-boycott-exams-in-anti-austerity-strike-idUSBRE95G0OG20130617>.

²⁰¹ Público, “Regras foram suspensas ontem, acusam professores,” *Publico*, June 18, 2013, <https://www.publico.pt/2013/06/18/jornal/regras-foram-suspensas-ontem-acusam-professores-26701924>.

²⁰² Público, “A greve que os patrões até compreendem,” *Publico*, June 27, 2013, <https://www.publico.pt/2013/06/27/jornal/a-greve-que-os-patroes-ate-compreendem-26747825>; Peter Wise, “‘Social tragedy’ fuels Portuguese general strike,” *Financial Times*, June 27, 2013, <https://www.ft.com/content/dbadde00-df1a-11e2-881f-00144feab7de>.

²⁰³ Miguel Gaspar, “Greve mobilizou mais de 50% dos trabalhadores,” *Publico*, June 27, 2013, <https://www.publico.pt/2013/06/27/economia/noticia/greve-mobilizou-mais-de-50-dos-trabalhadores-1598589>.

and saw that the government had lost much of its credibility. The main factor differentiating these groups was that the political opposition and labor union CGTP were pushing hard for the government to resign while the business groups and UGT wanted a change in policy away from austerity and towards growth-oriented policies.

External Pressures and Governmental Responses Q3 2013

The third quarter of 2013 was the most contentious for the PSD/CDS coalition and a time where the Portuguese Troika program nearly fell apart. Numerous events came together to produce significant doubts about the viability of the government and Portugal's ability to fulfill the terms of its Troika agreement, leading investors and ratings agencies to speculate Portugal would need a second bailout.

The beginning of July would be a defining moment for the PSD/CDS coalition, and Portugal's Troika program. Vitor Gaspar, Portugal's Finance Minister, resigned on July 1 citing a loss of public support for the austerity program, which was due to a greater fall in domestic demand and lower tax revenues than he had expected as well as Portugal's failure to hit its fiscal deficit targets.²⁰⁴ Gaspar's resignation was a huge blow to the government, but the next day, the foreign minister Paulo Portas, the leader of CDS, also resigned due to a disagreement with the prime minister over Vitor Gaspar's replacement, Maria Luis Albuquerque. These resignations had many believing that it was the end of the government and that Portugal might need a second bailout. The financial damage amounted quickly as Portugal's stock market fell sharply and its 10-year bond

²⁰⁴ Kate Mackenzie, "Portuguese turmoil", *Financial Times*, July 3, 2013, <https://ftalphaville.ft.com/2013/07/03/1554872/portuguese-turmoil/>.

yields rose from 6.4 percent on July 1 to touching 8 percent briefly on July 3.²⁰⁵

However, Prime Minister Passos Coelho refused to resign despite many calls for him to do so, and he also refused to accept the resignation of Paulo Portas. Instead, Passos Coelho met with his coalition partners and reshuffled his cabinet. Maria Luis Albuquerque remained on as the finance minister, but Paulo Portas was promoted to Deputy Prime Minister, specifically tasked with managing the €78bn bailout program. Passos Coelho also promoted António Pires de Lima, a senior CDS politician, to Minister of the Economy, replacing Álvaro Santos Pereira. The reshuffling of the cabinet did not alter the goal of meeting Portugal's fiscal targets and exiting the austerity program but led to a change in rhetoric from Passos Coelho. He stated that this would start a new phase of the program focused on increased economic growth and lowering unemployment, which departed from his earlier promises of 'going beyond' the Troika.²⁰⁶

Less than a week later the president, Anibal Cavaco Silva called for a deal between the ruling coalition the Socialist Party that would hold new elections at the time Portugal was scheduled to exit the bailout program, sparking fears from investors that they did not intend to continue making the changes mandated by the bailout program.²⁰⁷ The comments by the president prompted further talks between the PSD, PS, and CDS in search of a grand bargain over finding ways to renegotiate the terms of the bailout to make the austerity measures less harsh. However, these talks broke down with most of

²⁰⁵ Ibid.

²⁰⁶ Peter Wise, "Portugal PM promotes coalition partner to heal divisions", *Financial Times*, July 7, 2013, <https://www.ft.com/content/9a1d4a06-e6eb-11e2-aa48-00144feabdc0>.

²⁰⁷ Peter Wise, "Portugal president's call for national unity backfires," *Financial Times*, July 11, 2013, <https://www.ft.com/content/0e518e10-e9fc-11e2-913c-00144feabdc0>.

the Socialists proposals being rejected. The end result was an agreement from the three main political parties where they guaranteed to finish the bailout program and keep deficits in check for the medium term.²⁰⁸

August didn't offer much relief for the Portuguese government as political turmoil and uncertainty continued despite Portugal's first quarter of economic growth in more than two years. Portugal signaled that it would go to their international lenders to get permission to lighten the austerity measures in order to prevent more political chaos.²⁰⁹ The new treasury chief, Joaquim Pais Jorge, resigned over allegations that he attempted to sell derivative contracts to the Portuguese government that would have taken public debt off the official books in 2005.²¹⁰ The one piece of positive news occurred in mid-August as it was revealed that for the first time in ten quarters, the Portuguese economy grew, at a rate of 1.1 percent. This marked the emergence from the deepest recession in over forty years.²¹¹ August ended as Portugal's Constitutional Court struck down a measure that would have allowed employers to fire workers who could not be retrained or placed in a new job within twelve months, citing it violates the guarantee of secure

²⁰⁸ Peter Wise, "Portugal's coalition seeks to soldier on after unity talks fail," *Financial Times*, July 21, 2013, <https://www.ft.com/content/a618e750-f246-11e2-8e04-00144feabdc0>.

²⁰⁹ Peter Wise, "Portugal to ask lenders for leniency over austerity," *Financial Times*, July 31, 2013, <https://www.ft.com/content/dd51b564-f9f6-11e2-98e0-00144feabdc0>.

²¹⁰ Peter Wise, "Portuguese treasury secretary quits over 2005 derivatives claims," *Financial Times*, August 7, 2013, <https://www.ft.com/content/868c6cf8-ff85-11e2-b990-00144feab7de>.

²¹¹ Peter Wise, "Portugal emerges from its deepest recession in more than 40 years," *Financial Times*, August 14, 2013, <https://www.ft.com/content/58975e76-04d9-11e3-9e71-00144feab7de>.

employment.²¹²

In September Portugal entered a new round of talks with the Troika to try and ease their fiscal targets but faced strong opposition from EU officials. This was one of the sticking points earlier in the year when the Troika agreed to relax Portugal's fiscal targets. Portugal still wanted their target for 2014 to be 4.5 percent, but the Troika held firm at 4 percent with José Manuel Barroso, the European Commission President, among others suggesting that trying to renegotiate the rates again would send a negative signal to markets about Portugal's commitment to its bailout program.²¹³ Portuguese bond yields also took a hit with the government wanting to revise its deficit targets. Although Portuguese 10-year bond yields had fallen from their peak of just over 8 percent, they were still hovering over 7 percent, and S&P issued a warning that Portugal's debt rating could be downgraded because of the possibility Portugal fails to hit its fiscal targets. At this point in the program there were not only serious doubts that Portugal would hit its deficit targets, but a lot of speculation that it would need a second bailout.²¹⁴ September ended with Portuguese voters punishing the Social Democrats and CDS in local elections for their harsh austerity budgets over the previous two years as the PS notched its largest local election victory ever. Despite the election setback and the many events of Q3 2013 that cast doubt on Portugal's government and its commitment to its Troika Program,

²¹² Carla Canivete, "Court Deals Portugal Government Setback on Austerity Measure," *The Wall Street Journal*, August 29, 2013, <https://www.wsj.com/articles/court-deals-portugal-government-setback-on-austerity-measure-1377807338?tesla=y>.

²¹³ Peter Wise, "Lisbon faces EU resistance over push to ease fiscal targets," *Financial Times*, September 15, 2013, <https://www.ft.com/content/62814d66-1e06-11e3-85e0-00144feab7de>.

²¹⁴ Peter Wise, "S&P warns of Portugal rating cut over second bailout threat," *Financial Times*, September 18, 2013, <https://www.ft.com/content/f5109d4c-20a1-11e3-b8c6-00144feab7de>.

Passos Coelho promised to move forward with the planned austerity measures to ensure Portugal complied with the terms of its Troika bailout.²¹⁵

Social Responses Q3 2013

After a very contentious and protest filled second quarter of 2013 that culminated with a general strike, the third quarter was very quiet in comparison. There were only 26 total protests with zero large protests. Strike activity also largely disappeared, with few exceptions, such as nurses and prison guards. Whereas the second quarter gave many opponents of the government hope that its end may be near, the survival of the government coalition following the resignations of Vitor Gaspar and Paulo Portas appeared to temporarily subdue those calling for the government to resign.

External Pressures and Governmental Responses Q4 2013

On the heels of the Portuguese government surviving its summer crisis and avoiding a potential catastrophe, some of the external pressures on Portugal began to ease in Q4 of 2013 as bond yields and unemployment both fell, and Portugal successfully issued a bond swap. Yet, doubts remained about Portugal's ability to exit the program as well as continued speculation it would need a second bailout. Lisbon's fiscal position required it to pass another harsh austerity budget, the Troika rejected a request to ease deficit targets, the IMF warned Portugal that it was far from out of the woods, and the Constitutional Court again ruled against some of the government's austerity measures. In the face of these challenges, and with some good news to work with, the Portuguese government moved forward to exit its Troika program in May of 2014.

²¹⁵ Peter Wise, "Portugal voters likely to punish ruling coalition in regional polls," *Financial Times*, September 27, 2013, <https://www.ft.com/content/9c030800-277e-11e3-8feb-00144feab7de>.

In early October, as the Troika returned to Lisbon for its quarterly review, Portugal attempted to have its deficit target for 2014 revised from 4 percent to 4.5 percent, but this request was rejected by the Troika out of fear it would signal a lack of commitment to the program. However, other than this rejection, the combined eighth/ninth review of Portugal's program was mostly positive. The Troika noted that the program was still on track and the deficit target of 5.5 percent for 2013 was within reach. It was also noted that unemployment had fallen from a high of 17.6 percent in Q1 2013 to 16.5 percent in August and its projections for economic growth were revised upward from a contraction of 2.3 percent in 2014 to a contraction of 1.8 percent and expected growth of 0.8 percent in 2015. The review did warn that further rulings against austerity from the Constitutional Court could make accessing the bond market at the end of Portugal's Troika program more difficult.²¹⁶ The government also revealed its budget for 2014 in mid-October and passed it in late November. This was one of the toughest austerity budgets to date as it included cuts to civil servants' pay, pensions over €600 per month, raising the retirement age to 66, and the loss of three holidays. There were also tax increases on things like diesel vehicles, alcohol, and tobacco as the government was expected to reduce the budget deficit from 5.5% to 4%.²¹⁷

²¹⁶ IMF, "Portugal: Eighth and Ninth Reviews Under the Extended Arrangement and Request for Waivers of Applicability of End-September Performance Criteria," *IMF*, November 13, 2013, <https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Portugal-Eighth-and-Ninth-Reviews-Under-the-Extended-Arrangement-and-Request-for-Waivers-of-41050>.

²¹⁷ BBC, "Portugal passes latest austerity budget," *BBC*, November 26, 2013, <https://www.bbc.com/news/business-25112393>; Joao Lima and Henrique Almeida, "Portugal Plans \$4.3 Billion of Spending Cuts in 2014," *Bloomberg*, October 15, 2013, <https://www.bloomberg.com/news/articles/2013-10-15/portugal-plans-3-2-billion-euros-of-spending-cuts-for-next-year>.

The Portuguese Constitutional Court ruled twice on austerity measures during Q4 2013. The first ruling, in late November, said that extending the work week from 35 to 40 hours per week was legal, upholding one of the key reforms from the government.²¹⁸ The second ruling, in mid-December, ruled that the planned cuts of ten percent from pensions over €600 per month was unconstitutional. This ruling was hailed by the opposition and left the government scrambling to find an additional €388 million in savings. Despite this setback, both the government and the Troika were confident about Portugal's ability to find savings elsewhere.²¹⁹

In December, Portugal successfully swapped €6.6bn in government bonds for debt that matured three years later. This successful swap indicated to many that Portugal was moving closer to being able to leave its bailout program even as the IMF warned of years of slow growth and structural changes that could take as long as ten to fifteen years to complete.²²⁰ Despite the IMF's warning and questions throughout the end of 2013 about whether Portugal would need a second bailout, 2013 ended on a positive note with the bond swap and falling bond yields. There was still pressure on Portugal, but it was edging closer to exiting the program and economic data were beginning turn around.

Social Responses Q4 2013

After a very quiet third quarter of 2013 for protests and strikes, the fourth quarter would see a marked increase in activity as there were a total of 80 protests with ten of

²¹⁸ Dan McCrum, "Who runs Portugal?," *Financial Times*, November 27, 2013, <https://ftalphaville.ft.com/2013/11/27/1707242/who-runs-portugal/>

²¹⁹ Peter Wise, "Court ruling threatens to delay Portugal's bailout exit," *Financial Times*, December 20, 2013, <https://www.ft.com/content/64dc859c-694e-11e3-89ce-00144feabdc0>

²²⁰ Peter Wise, "IMF warns Portugal of tough years ahead," *Financial Times*, December 19, 2013, <https://www.ft.com/content/40053b50-68af-11e3-bb3e-00144feabdc0>

them having more than 500 participants. 25 of the protests were against the government/Troika/Austerity while 22 protests were related to education and the ongoing conflict between the government and teachers as well as students. There were also 14 protests directly related to the budget including one protests of more than 50,000 people. Strike activity also increase significantly, especially in the transportation sector. For the third year in a row, there was also a civil servant strike in November, which affected health care, education, courts, and municipalities. As the last budget while in the Troika program was to be introduced and passed in Q4, this was the last opportunity for groups opposed to the government and the Troika to try and effect change. Given these dynamics it is not surprising that the number of protests and strikes was elevated during this time.

One of the most significant protests occurred in Porto in mid-October as 50,000 people held a slow-moving parade across the Infante Bridge demanding the resignation of the government and early elections. Protesters were bused in from all over Portugal for the event, which was led by CGTP.²²¹ The second very large protest was organized by Fuck the Troika! to protest the 2014 budget. These protests were planned in 14 cities around Portugal, but the turnout was disappointing as only 20,000 protesters participated in Lisbon with only 2,000 participants in Porto and 50 in Viseu.²²² The final truly large-

²²¹ Público, “Mais de 50 mil pessoas no Porto exigiram a demissão do Governo,” *Publico*, October 20, 2013, <https://www.publico.pt/2013/10/20/jornal/mais-de-50-mil-pessoas-no-porto-exigiram-a-demissao-do-governo-27267964>.

²²² Teresa Camarão, Pedro Sales Dias, and Sandra Rodrigues, “Milhares de pessoas marcharam contra a troika,” *Publico*, October 26, 2013, <https://www.publico.pt/2013/10/26/sociedade/noticia/centenas-de-pessoas-marcham-contr-a-troika-1610422>; Público, “Pouca mobilização, pouco entusiasmo e pouca força nas ruas de Lisboa,” *Publico*, October 27, 2013, <https://www.publico.pt/2013/10/27/jornal/pouca-mobilizacao-pouco-entusiasmo-e-pouca-forca-nas-ruas-de-lisboa-27307472>; Público, “Pouca participação nas manifestações é um desafio ao sistema político,” *Publico*, October 28, 2013, <https://www.publico.pt/2013/10/28/jornal/pouca-participacao-nas-manifestacoes-e-um-desafio-ao-sistema-politico-27310862>.

scale protest was held by police and security workers outside parliament in late-November to protest the 2014 budget, which was set to cut many of their wages. It was estimated that 12,000 police and security professionals participated in the protest, which was the sector's largest ever.²²³ While there were other protests that involved 500 or more participants, they never reached the scale of these three protests. For example, around 2,000 people gathered in Celorico da Beira in mid-October and sang a popular protest song to object to the closure of public services around Portugal.²²⁴

Strike activity was also increased from the previous quarter as many workers were upset with the 2014 budget and some with existing working conditions. The transportation sector held the most strikes (19), with an additional seven partial strikes. Nurses, garbage collectors, and Foreign & Border Service agents also staged multi-day strikes, protesting working conditions and/or the 2014 budget. For the third year in a row, civil servants held a strike in November. The strike had participation from CGTP and UGT unions and affected many sectors including education, social security, finance offices, health care, courts, and municipalities.²²⁵ While unions reported that participation in the strike was over 50 percent, with between 70 and 100 percent for garbage collectors

²²³ Maria João Lopes, "Polícias invadem escadaria da Assembleia da República," *Publico*, November 21, 2013, <https://www.publico.pt/2013/11/21/sociedade/noticia/policias-juntos-em-lisboa-contra-cortes-1613444>.

²²⁴ Lusa, "Dois mil protestam em Celorico da Beira contra fecho de serviços públicos," *Publico*, October 20, 2013, <https://www.publico.pt/2013/10/20/local/noticia/dois-mil-protestam-em-celorico-da-beira-contra-fecho-de-servicos-publicos-1609782>.

²²⁵ Raquel Martins et al., "Frente Comum diz que adesão à greve mostra que previsões do Governo "não valem nada,"" *Publico*, November 8, 2013, <https://www.publico.pt/2013/11/07/economia/noticia/cortes-na-funcao-publica-voltam-a-juntar-cgtp-e-ugt- numa-greve-1611757>.

and between 50 and 100 percent in hospitals and schools,²²⁶ the government figures showed only a 23 percent participation rate.²²⁷

Q4 of 2013 saw an increase in the number of protests and strikes as compared to Q3, but major disruptions as seen since September 2012 were largely avoided. The large protests targeted either the Troika/government/austerity or the 2014 budget, but the hype of the protests did not match the participation (i.e. “Fuck the Troika” protests in late-October). The fact that the end of 2013 was when parliament voted on the 2014 budget gave many who were upset or opposed to the government and its austerity plans an opportunity to voice their displeasure, as was seen with a number of protests and strikes specifically aimed at measures from the budget. However, once the budget was passed, there was little recourse outside of Constitutional Court rulings that could have much impact.

External Pressures and Governmental Responses Q1 2014

On the heels of Ireland’s successful exit from their Troika program in December, external pressures on Portugal began to recede considerably as positive economic news sent interest rates on bond yields down, economic growth had returned in the latter part of 2013, and increased exports helped Portugal post its first current account surplus in twenty years.²²⁸ Unemployment was still high, but beginning to decline and Q1 of 2014

²²⁶ Rita Brandão Guerra, “Greve da função pública deixa o país a meio gás,” *Publico*, November 8, 2013, <https://www.publico.pt/2013/11/08/economia/noticia/greve-da-funcao-publica--deixa-o-pais--a-meio-gas-1611901>.

²²⁷ José Manuel Rocha, “Governo diz que a greve da função pública teve adesão de 23%,” *Publico*, November 22, 2013, <https://www.publico.pt/2013/11/22/economia/noticia/governo-diz-que-a-greve-da-funcao-publica-teve-adesao-de-23-1613597>.

²²⁸ Peter Wise, “Portugal the surprise hero of eurozone growth as exports and tourism prosper,” *Financial Times*, February 16, 2014, <https://www.ft.com/content/440e4c36-9713-11e3-809f-00144feab7de>.

would be much less stressful for the government than the previous three years as there was even talk of a ‘clean exit’ from the program.

Investors were beginning to look more favorably towards the Eurozone periphery in January as Portugal issued €3.2bn in five-year debt at 4.657 percent and orders exceeded €11bn. This was another syndicated tap of an existing bond set to mature in 2019 and covered nearly half of Portugal’s financing needs of €7.1bn for 2014. This successful bond auction led many who worried Portugal might need a second bailout to believe Portugal would exit the program, but with a precautionary line of credit that Ireland rejected.²²⁹ After the successful debt auction in January and looking to take advantage of falling bond yields, Portugal followed Ireland’s lead by announcing it would build up a cash cushion for 2015 as the end of its Troika bailout approached.²³⁰

The economic situation continued to improve as S&P praised the government’s dedication to the program and removed Portugal from “CreditWatch,” which specifies that a country has a higher probability of a downgrade. However, the PS’s rejection of the prime minister’s “memorandum of confidence,” which was a proposal for a new fiscal pact that would have entailed more cuts through 2015 and limits on public expenditure through 2017 led to some speculation that a future PS government could reverse some of the reforms made during the Troika era.²³¹ Portugal’s bonds continued to be in demand

²²⁹ Peter Wise, “Portugal enjoys strong demand in debt sale,” *Financial Times*, January 9, 2014, <https://www.ft.com/content/9b47af68-791a-11e3-b381-00144feabdc0>.

²³⁰ Ralph Atkins, “Portugal plans post-bailout cash cushion,” *Financial Times*, January 13, 2014, <https://www.ft.com/content/2765052a-7c38-11e3-9179-00144feabdc0>.

²³¹ Peter Wise, “Portuguese opposition rejects Coelho pact,” *Financial Times*, January 19, 2014, <https://www.ft.com/content/4e61a5f8-8114-11e3-b3d5-00144feab7de>.

despite government debt over 120% and the failure to reach agreement on the “memorandum of confidence” as bond yields dropped below five percent in January and Portugal recorded a current account surplus for the first time in over twenty years.²³² With the fall in bond yields, Portuguese officials began to openly discuss a clean exit from its program, with no precautionary credit line. Markets had begun to warm to Portugal as it had strong export growth over the past four years and the finance ministry announced in late January that it would reduce its fiscal deficit for 2013 to at least 5 percent of GDP.²³³

Positive economic news continued to appear throughout Q1 of 2014 as Portugal successfully issued €3bn in 10-year bonds at 5.112 percent, with demand reaching €9.8bn. It was also reported that exports accounted for 41 percent of GDP (as opposed to 28 percent in 2008) as Portugal was climbing up the value chain in sectors such as luxury footwear, electronics, and car manufacturing. Portugal was also seeing the beginning of a boom in tourism.²³⁴ These positive economic developments contributed to falling interest rates on Portuguese bonds as 10-year bonds fell below four percent in late-March.²³⁵ The positive developments in the economy regarding exports, trade, fiscal deficits, and tourism all helped to lower Portuguese bond yields and create a newfound confidence in

²³² Peter Wise, “Portugal the surprise hero of eurozone growth as exports and tourism prosper,” *Financial Times*, February 16, 2014, <https://www.ft.com/content/440e4c36-9713-11e3-809f-00144feab7de>.

²³³ Peter Wise, “Portugal sets course for ‘clean’ bailout exit,” *Financial Times*, January 28, 2014, <https://www.ft.com/content/f4f5641c-8750-11e3-9c5c-00144feab7de>.

²³⁴ Peter Wise, “Portugal the surprise hero of eurozone growth as exports and tourism prosper,” *Financial Times*, February 16, 2014, <https://www.ft.com/content/440e4c36-9713-11e3-809f-00144feab7de>.

²³⁵ Robin Wigglesworth and Andrew Bolger, “Portugal bond yield falls below 4% for first time in four years,” *Financial Times*, March 28, 2014, <https://www.ft.com/content/e91c6172-b658-11e3-905b-00144feabdc0>.

the country's recovery as its exit from its Troika program approached.

Social Responses Q1 2014

Social responses in Q1 of 2014 were more subdued in terms of protest activity, but strike activity accelerated from the previous quarter. Protests were still largely organized by CGTP and there were no massive protests with the numbers seen in previous quarters. There was a total of 32 protests in the first quarter of 2014 and 12 protests had 500 or more participants, with the largest protest involving 20,000 security services officers in early March. The main targets of the protests were the government/Troika, working conditions/pay, and education policies. These three targets of protest accounted for 28 of the 32 total protests with 13 targeting the government/Troika. While strike activity increased from Q4 2013, most of the strikes were partial strikes with very few 24-hour strikes that were truly disruptive to daily life. The government was far from popular with a significant portion of the population, but at this point in the program many felt that there was little that could be accomplished by protesting and many of the Portuguese abstained.

The major protests during Q1 2014 targeted either the Troika/government or working conditions and pay. The largest single protest involved around 20,000 security personnel ranging from police officers and prison guards to those in the military. The reasons for protest were also specific to each job and varied from cuts in pay to lack of personnel and difficult working conditions.²³⁶ These protests were also some of the tensest at any time during Portugal's Troika program because it put security personnel

²³⁶ Pedro Sales Dias, "400 polícias aguentaram protesto de colegas e oposição exige soluções," *Publico*, March 7, 2014, <https://www.publico.pt/2014/03/07/sociedade/noticia/corpo-de-intervencao-teve-400-agentes-na-ar-e-ordem-para-usar-caes-chegou-a-ser-dada-1627411>.

against security personnel and nearly erupted into violence. One former advisor to Pedro Passos Coelho noted in an interview that this was the worst demonstration during the Troika program because there were police defending parliament against other police officers and the radical unions were trying to convince the protesting police to invade parliament. Fortunately, there was only pushing and shoving between the two sides and major violence was avoided.

The other two significant protests were led by CGTP, one on “national fight day” in early February that brought “thousands” to the streets of Lisbon, Coimbra, Porto, and Funchal.²³⁷ The other significant protests occurred when the Troika was in Lisbon for its quarterly review at the end of February. CGTP led marches in Lisbon, Porto, and Leiria with “thousands” of people participating in Lisbon and Porto.²³⁸ Both of these protests had multiple cities participate and the message was to fight austerity, fight for workers’ rights, demand the government resign, and kick the Troika out of Portugal for good.²³⁹

Strikes came in many shapes, sizes, and durations as activity intensified from the fourth quarter of 2013. In a similar pattern to previous quarters with many strikes, transportation strikes were the most common, despite nearly all of the strikes being

²³⁷ Público and Lusa, “Europeias devem ser “cartão vermelho” ao Governo, diz Arménio Carlos,” *Público*, February 1, 2014, <https://www.publico.pt/2014/02/01/politica/noticia/lider-da-cgtp-pede-mais-apoio-para-desempregados-1621998>.

²³⁸ Ana Cristina Pereira and Melissa Lopes, “Um protesto de trabalhadores que já é quase uma oração,” *Público*, February 27, 2014, <https://www.publico.pt/2014/02/27/sociedade/noticia/um-protesto-que-ja-e-quase-uma-oraca-1626522>.

²³⁹ Público, “CGTP desfila em Lisboa e apela aos portugueses para que lutem contra a austeridade”, *Público*, February 27, 2014, <https://www.publico.pt/2014/02/27/economia/noticia/cgtp-desfila-em-lisboa-e-apela-aos-portugueses-para-que-lutem-contra-a-austeridade-1626509>; Público and Lusa, “Europeias devem ser “cartão vermelho” ao Governo, diz Arménio Carlos,” *Público*, February 1, 2014, <https://www.publico.pt/2014/02/01/politica/noticia/lider-da-cgtp-pede-mais-apoio-para-desempregados-1621998>.

partial or only involving overtime. Of the 60 strike actions taken by the transportation sector, only one held by CP, CP-Carga, and Refer, lasted for 24-hours.²⁴⁰ In total, there were six strikes that were not partial throughout the entire first quarter of 2014.²⁴¹ Many sectors participated in partial strikes that lasted multiple days, including nurses working the 24-hour health lines, garbage collectors, air traffic controllers, and dockers.

In the first quarter of 2014 there was a significant decrease in protest activity and the size of the major protests, but an increase in strike activity. However, the overwhelming majority of the strikes were partial and not very disruptive to daily life in Portugal. Even with the decrease in protests, the Troika and government were the favorite targets of the protesters as their austerity policies continued to be unpopular with significant portions of the population. A number of other protests targeted working conditions and pay cuts that were passed in the 2014 budget, but as stated above, there was a big drop-off in both the number of protests and the size of the larger protests.

External Pressures and Governmental Responses Q2 2014

As the end of Portugal's Troika program approached, the pressures on the government continued to wane. Similar to Ireland, the biggest question was whether or not Portugal would access a precautionary line of credit in case of a change in circumstances. However, as bond yields fell, Portugal had another successful bond offering and marched its way to an early exit from its program without the precautionary line of credit.

²⁴⁰ Lusa, "Sindicato diz que adesão à greve é elevada, CP garante que 95% dos comboios circularam," *Publico*, March 13, 2014, available <https://www.publico.pt/2014/03/13/economia/noticia/sindicato-diz-que-adesao-a-greve-e-elevada-cp-garante-que-95-dos-comboios-circularam-1628132>.

²⁴¹ These include two strikes by journalists, one by nurses working the 24-hour phone lines, one by garbage collectors, one by CP, CP-Carga, and Refer, and one by the Food and Economic Security Authority.

In a similar fashion to Ireland, bond yields continued to fall as Portugal came closer to exiting its program and in April, Portugal raised €750m in an auction of 10-year bonds at the rate of 3.57 percent. The fall in bond yields indicates how far Portugal had come as it was much lower than the 7.5 percent bond yields seen only nine months earlier and significantly lower than its highest bond yield of 17.39 percent in 2012.²⁴² Even with the positive market sentiment, many wondered whether Portugal would opt for a precautionary credit line, which would protect against a change in circumstances and allow Portugal to access the ECB's OMT program.

At the end of April, Pedro Passos Coelho announced that Portugal would follow Ireland and make a clean exit from its Troika program. Opinions from European leaders were mixed as the Troika urged Portugal to consider taking the line of credit, but others such as the German government, were pushing Portugal to opt for a clean exit.²⁴³ Aiding in the decision of a clean exit was the fact that Portugal had built up a cash buffer of €15.6bn, which could cover its deficit for the remainder of 2014 and all of 2015. This allowed Portugal to not only make a clean exit from its program, but to exit the program early and without accessing the last €2.5bn tranche of program financing,²⁴⁴ which was quite a feat given that many were predicting a second program at the end of 2013.

²⁴² Robin Wigglesworth and Lindsay Whipp, "Lisbon debt sale lifts eurozone spirits," *Financial Times*, April 23, 2014, <https://www.ft.com/content/09395972-cafb-11e3-ba9d-00144feabdc0>.

²⁴³ Peter Spiegel and Peter Wise, "Portugal to exit €78bn bailout without emergency backstop," *Financial Times*, April 30, 2014, <https://www.ft.com/content/b897fb1e-d07b-11e3-8b90-00144feabdc0>.

²⁴⁴ European Commission, "Ex Post Evaluation of the Economic Adjustment Programme Portugal, 2011-2014," *Europa.eu*, November 2016, <https://op.europa.eu/en/publication-detail/-/publication/0dbd15b3-dd4b-11e6-ad7c-01aa75ed71a1/language-en>.

Portugal made a clean exit from its Troika program in mid-May 2014 after three difficult years and significant social strife. However, the dedication to the program, reforms implemented and some positive economic news toward the end of the program swayed market sentiment towards Portugal as they had re-entered debt markets, made a clean exit from the program, and had enough cash on hand to not have to access the final €2.5bn tranche of program financing. Many considered Ireland to be the first success story of Europe's bailed out countries and the Troika could now add Portugal to that list.

Social Responses Q2 2014

As Portugal's Troika program neared its end there were more protests than the first quarter of 2014 as significant holidays approached on the calendar. The majority (40) of the protests occurred on May 1 to celebrate Labor Day which pushed the official numbers of protests higher than Q1 2014. Overall, there were 54 protests from the beginning of April until mid-May, when Portugal exited its program. There were a total of five protests with more than 500 participants. Strike activity decreased significantly from the first quarter with the exception of an ongoing prison guard strike on all weekends and holidays. Some waste collection services held multi-day strikes and there was one 24-hour transportation strike that had very poor adherence.

The largest of the protests during Q2 of 2014 occurred on April 25 during the celebration of the Carnation Revolution in 1974. The largest of the demonstrations in Portugal occurred in Lisbon as roughly 50,000 people participated in the traditional parade through downtown. While this is usually a celebration, April 25 had been used as a protest against the government and the Troika since 2012 and in 2014 many used it as

an opportunity to call on the government to resign.²⁴⁵ Labor Day (May 1) was also a day of significant protest as 40 cities held demonstrations.²⁴⁶ Many of the demonstrations were used to protest the government, its austerity policies, and to fight for workers' rights. The two largest demonstrations occurred in Lisbon and Porto, but Lisbon's demonstration was significantly larger as this is where CGTP held its parade.²⁴⁷

Other significant protests during Q2 2014 included 5,000 farmers protesting in front of Parliament in early April and 10,000 pensioners in Lisbon with another 5,000 in several cities around Portugal protesting cuts to pensions. The farmers were protesting against a new tax law that required all farmers with commercial activity to register with the state, invoice all commercial activity, and pay into social security.²⁴⁸ Pensioners, meanwhile protested in mid-April against cuts to their pensions, while also demanding better access to health care and a voice in social concertation.²⁴⁹ Outside of the protests documented above, protests were smaller ranging from a few dozen to a few hundred and included protests against the government, cuts to education, and urbanization of rural

²⁴⁵ Maria João Lopes, "O descontentamento, a revolta e a alegria saíram à rua em Lisboa," *Publico*, April 25, 2014, <https://www.publico.pt/2014/04/25/politica/noticia/o-descontentamento-a-revolta-e-a-alegria-sairam-a-rua-em-lisboa-1633640>.

²⁴⁶ PCP, "May Day in Portugal," *PCP.pt*, May 9, 2014, <http://www.pcp.pt/en/may-day-portugal>.

²⁴⁷ Paulo Pena, Diana Ferreira Santos, and Telma Alves, "Centrais sindicais fazem apelo ao voto nas europeias," *Publico*, May 2, 2014, <https://www.publico.pt/2014/05/02/politica/noticia/centrais-sindicais-fazem-apelo-ao-voto-nas-europeias-1634320>.

²⁴⁸ Lusa and Público, "Manifestação de agricultores "excedeu expectativas" com cinco mil pessoas," *Publico*, April 3, 2014, <https://www.publico.pt/2014/04/03/politica/noticia/agricultores-rumam-em-protesto-ate-ao-parlamento-1630910>.

²⁴⁹ Maria Lopes, "15 mil pensionistas e reformados saíram à rua contra cortes," *Publico*, April 12, 2014, <https://www.publico.pt/2014/04/12/politica/noticia/15-mil-pensionistas-e-reformados-sairam-a-rua-contras-cortes-1632081>.

areas.

Unlike the protest activity during Q2 2014, strike activity saw a significant decline with most strikes being partial and only three 24-hour strikes, one of which had very poor participation. The most significant strike was the ongoing strike of prison guards, who were holding overnight strikes on all weekends and holidays. This resulted in 21 days of strikes through early May. Prison guards were demanding the entire Directorate-General for Reintegration and Prison Services (DGRSP) resign due to a lack of trust between the organization and the prison guard unions.²⁵⁰ Garbage collectors held multiple strikes. First, they held a four-day strike in Sintra in early April to protest the company's integration into another municipality-owned business. These were partial strikes that lasted from 11:00pm through 6:00am.²⁵¹ Garbage collectors in the nine municipalities on the Setúbal peninsula went on strike twice in late April and early May for 24-hours to protest the privatization of their company.²⁵² The 24-hour transportation strike called by CP and Refer had very poor participation as 88 percent of daytime routes were completed. A total of 25 trains were cancelled in the overnight hours while no intercity trains and only three of 114 planned suburban routes were cancelled.²⁵³

²⁵⁰ Pedro Sales Dias, "Sindicatos garantem que adesão à greve dos guardas prisionais ultrapassa os 90%," *Publico*, May 8, 2014, <https://www.publico.pt/2014/05/08/sociedade/noticia/sindicatos-garantem-que-adesao-a-greve-dos-guardas-prisionais-ultrapassa-os-90-1635197>.

²⁵¹ Lusa, "Sindicato diz que greve paralisa empresa de recolha de lixo em Sintra," *Publico*, April 8, 2014, <https://www.publico.pt/2014/04/08/local/noticia/sindicato-diz-que-greve-paralisa-empresa-de-recolha-de-lixo-em-sintra-1631472>.

²⁵² Marisa Soares, "Greve na Amarsul condiciona recolha de lixo nos municípios da península de Setúbal," *Publico*, April 29, 2014, <https://www.publico.pt/2014/04/29/local/noticia/greve-na-amarsul-condiciona-recolha-de-lixo-nos-municipios-da-peninsula-de-setubal-1634038>.

²⁵³ Público and Lusa, "Seis comboios suprimidos no Norte e em Lisboa devido à greve," *Publico*, May 8, 2014, <https://www.publico.pt/2014/05/08/economia/noticia/seis-comboios-suprimidos-no-norte-e-em>

As the end of the Troika program approached, there was an increase in the number of protests in Portugal, which can largely be attributed to the anniversary of the Carnation Revolution and May Day occurring in Q2 of 2014. Strike activity was significantly less than in Q1 of 2014 with most strikes occurring on a partial basis and addressing sector specific concerns as opposed to a general protest against the government or austerity. Despite some good economic news and increased confidence from markets in the first half of 2014 the government had lost its credibility with many in Portugal and opponents of the government and Troika used traditional holidays to continue to voice their displeasure.

Conclusion

This section traced responses to the Portuguese Troika program from June 2011 through its conclusion in May of 2014. It has shown that the responses to the Portuguese program developed in roughly three phases after May 2011. During all three phases, the government remained committed to implementing the program and hitting their fiscal and structural reform targets, despite increasing tension within Portugal. The initial phase, from May 2011 through mid-September 2012, was characterized by very low levels of political and social resistance to the program. This included no real political opposition, many low-level protests, and a few strikes, including two general strikes with disappointing participation. The second phase, from mid-September 2012 through early July 2013, saw a major escalation of resistance from the public and elites as there was the largest public demonstrations since the Carnation Revolution in 1974. However, the

lisboa-devido-a-greve-1635077; Salomé Ferreira, “Greve levou ao cancelamento de 130 comboios,” *Publico*, May 8, 2014, <https://www.publico.pt/2014/05/08/economia/noticia/greve-levou-ao-cancelamento-de-130-comboios-1635177>.

escalation was provoked not by general rising opposition to austerity, but by a very specific and catastrophic mistake by the government; a change to social security tax contributions that would have required workers to contribute more and businesses to contribute less. This not only led to more demonstrations and strikes, but more opposition from the PS, and the government nearly collapsed in the summer of 2013. The third and final phase began shortly after the government nearly collapsed as protest and strike activity remained elevated above levels in the initial phase, but below the intensity and frequency of the second phase. Protests and strikes continued, but attendance was usually disappointing, and the frequency of these events diminished as Portugal came closer to exiting the program. The PS also continued to argue for a renegotiation and adjustment of the program but not its full rejection, and Portugal exited the program without a backstop and without receiving their final €2.5bn tranche from the Troika.

The following section is the analysis of the Portuguese response. The evidence suggests that Portugal's national identity as the "good student" best explains the response from Portuguese leaders and the public. This is most evident in three ways. First, there were constant references to the "good student" narrative or to ideas and phrases associated with it. These references came from across the political spectrum, with those on the far-left using the "good student" as a criticism and others referring to the content of the identity as opposed to direct references. Second and similar to Ireland, a strong rejection of the program by political and social actors appeared to be off the table. Third, Portuguese elites worked diligently to try and differentiate themselves from the "bad student" in Greece and show that Portugal was actually much more like Ireland.

Analysis of the Portuguese Case

Three major features of Portugal's response to the crisis comprise the evidence for the importance of identity. First, there were constant references to the "good student" narrative, or to ideas and phrases related to it. It was common for the far-left opposition to criticize the government directly for being the good student, more Troika than the Troika, or to accuse them of implementing authoritarian or neoliberal economic measures. For those in power, these references came in the form of references to the content of the identity, and not a straight-forward admission that they were acting as a "good student" (as it is a somewhat insulting label, implying one is a "goody-goody").

Second, both in terms of responses from societal actors and those of party and government leaders, options relating to a strong rejection of the program overall seemed to be off the table. Protest was slow to develop and when it did flare up, it was either because it connected with other international events or grievances (not just Portuguese reactions to austerity), or due to objections to specific policies or the particular way in which the program was administered. While there was criticism from mainstream parties and organizations, such as the PS, UGT, and CIP, the criticism was specific, the groups remained committed to fulfilling the MOU, and they always stopped short of rejecting the program in its entirety. Third, Portuguese elites consistently worked to differentiate themselves from Greece and connect Portugal to Ireland. They made a concerted effort to distinguish themselves from the "bad students" in Athens not only in terms of their economic situation, but more importantly as a country that is a responsible, mature, European democracy. This account shows that in a very complicated debt crisis, only an

explanation that emphasizes national identity can account for these features of the Portuguese response.

This doesn't mean that national identity is the only factor at work, but the comparative timing, focus, and severity of the Portuguese response to its Troika program can only be explained by recognizing the role of national identity. Other factors certainly played roles as well. Pressure from bond markets was very real, and there was significant concern from those interviewed about regaining access to bond markets. The Portuguese were desperate to regain the confidence of bond markets and the disaster in Greece certainly created incentives for Portugal to behave differently, which it did. Nonetheless, it makes little sense to see bond market pressure as determinate, since the Greeks faced the same set of incentives from the bond market and did not change their behavior. If Portugal was only responding to bond market pressure, the incentives to be the "good student" and implement the program of austerity and neoliberal structural reforms would be strong. However, Portugal, like Greece, does not have a strong liberal economic tradition, and the general expectation is that societies lacking a strong liberal tradition would strongly resist the types of reforms the Troika was asking Portugal to implement. Therefore, for Portugal not to revolt, the Portuguese would have to be willing or eager to be the "good student" to implement harsh austerity and neoliberal structural reforms imposed on them from external institutions.

Additionally, institutional barriers allowed resistance to its Troika program to manifest. This was most notable in the four Constitutional Court rulings against various austerity measures. However, the role of institutions is secondary in terms of resistance to the program because institutions themselves cannot actively resist policies. Yet,

institutions can determine whether specific policies are legally available and which policies cannot be implemented. For example, the government could not cut the 13th and 14th month bonuses from only public sector workers as it would create an unfair burden on the public sector. The government ended up massively raising taxes to meet its targets because these measures were allowed by the Portuguese Constitution. This instance helps illustrate the role of institutions as they played a role in determining which specific measures could be pursued but were not serving as active resistance to the program in the same way as those choosing to protest or strike.

The economic ideas held by those in government must also be acknowledged, but this explanation has trouble explaining some aspects of Portugal's response. It has been noted²⁵⁴ that Portugal had a pro-liberalization and relatively pro-austerity government during its Troika program. They argue that the motivations of some of those in government to implement the Troika program with such eagerness reflected their pre-established desire to reform the Portuguese economy in a more liberal direction. While this is accurate and should not be ignored, it is also important to note that Portuguese voters voted for this openly pro-liberalization and pro-austerity government during a crisis and to lead them through the Troika program. The fact that they were working to implement an externally-imposed mandate did not appear to delegitimize them. And, given the lack of outright opposition to the program overall, especially during the first 16 months of the program, it appears that for Portugal, the external imposition legitimized the neoliberal reforms that those in the liberal wing of the PSD had wanted before. While some of the evidence in this analysis can be read as dedicated neoliberals pushing an

²⁵⁴ Most notably by Moury & Standing, "Going beyond the Troika," among others.

agenda, there is also ample evidence that the “good student” was very prevalent throughout Portugal’s Troika program.

Portuguese National Identity – From Atlanticist Empire to the Good Student

The Portuguese identity cultivated by the *Estado Novo* defined Portugal as an independent maritime power with an Atlantic destiny, combined with an emphasis on Portugal’s colonies and former empire. This identity was anti-European, anti-modern, and conservative in nature. Portugal under Antonio de Oliveira Salazar’s rule²⁵⁵ was a traditional, conservative regime where the state dominated most aspects of society and was checked only by groups such as the Catholic Church and the army.²⁵⁶ Many Portuguese scholars agree that Salazar’s vision for Portugal was one that looked to the past, not the future, and the belief that Portugal should not be contaminated by the progress of the modern world was central.²⁵⁷

The ‘backwardness’ of the *Estado Novo* was also evident in Portugal’s foreign policy as Salazar refused to decolonize and hesitated to embrace new international institutions such as the United Nations (UN), which they did not join until 1955. According to Costa Pinto and Teixeira (2004) Salazar was particularly skeptical of any European projects for economic or political integration. Salazar was quoted as saying

²⁵⁵ The *Estado Novo* was in power from 1932 until 1974.

²⁵⁶ Howard J. Wiarda and Margaret MacLeish Mott, *Catholic Roots and Democratic Flowers: Political Systems in Spain and Portugal*, (Westport, CT: Praeger Publishers, 2001).

²⁵⁷ Hatton, *The Portuguese: A Modern History*, (Northampton, MA: Interlink Books, 2011); António Costa Pinto, *Contemporary Portugal*, (New York: Columbia University Press, 2011); Wiarda and MacLeish Mott, *Catholic Roots and Democratic Flowers*.

(Other than NATO²⁵⁸) “nothing else in Europe has any real political importance for us: we are more interested in Angola and Mozambique, and even Brazil...Our Atlantic character imposes limits on our collaboration with Europe.”²⁵⁹

Portugal joined the European Free Trade Association (EFTA), which had some economic advantages as it gave Portugal access to some European markets. This move was purely economic as Salazar was extremely skeptical that it would lead to further political integration.²⁶⁰ This economic move towards Europe had positive effects on Portugal’s economy but the timing coincided with Portugal’s colonial war, which started in 1961, consuming many state resources. Despite the vast use of resources, the colonial war effort was redoubled under Marcelo Caetano, who took over for Salazar in 1968. Increased trade led to an increase in economic growth, resulting in more available money for the regime to prolong the war.

However, as the colonial war continued and deeper economic ties with Europe were forged, two factions formed within the regime, one a liberal, pro-European group and the other referred to as the ‘Africanists,’ which disagreed on the direction Portugal should take.²⁶¹ As Salazar’s vision for Portugal began to be challenged, and Portugal started to move closer to Europe through trade, how the Portuguese saw their place in the world became increasingly contested and eventually fractured. This fracture helped lead to the military coup in 1974 as a group of mid-level military officials overthrew the

²⁵⁸ Portugal was a founding member of NATO.

²⁵⁹ Costa Pinto and Teixeira, "From Atlantic Past to European Destiny: Portugal," 115.

²⁶⁰ Costa Pinto and Teixeira, "From Atlantic Past to European Destiny: Portugal."

²⁶¹ Ibid.

existing regime and opening the door for Portugal to embrace democracy.

Following the Carnation Revolution in April of 1974 Portugal experienced two years of increased political volatility and uncertainty as the direction of the post-*Estado Novo* regime was still in doubt. In the wake of a failed takeover by elements on the far left including the Communist Party (PCP) and parts of the Armed Forces Movement (MFA), Portugal's leaders moved toward democracy and deeper integration with Europe. Portugal's integration with Europe was purposeful and goal-oriented as the new political elites envisioned a Portugal that was completely divorced from the previous regime and more closely tied to Europe. The goals at the heart of what would become Portugal's "good student" identity included providing domestic stability and consolidating Portuguese democracy as well as modernizing the country to be more like its European neighbors. Europe was considered by many Portuguese to be wealthier and more modern in comparison to Portugal, and the new political leaders aspired to be seen in the same light as other European countries, as a modern, Western, European democracy.²⁶² Thus, the goals attached to the "good student" identity informed the preferences of the political leaders following the revolutionary period.

As mentioned above, two of the main objectives of the turn toward Europe were to help to consolidate the new Portuguese democracy and to receive assistance from the EC that would help Portugal modernize.²⁶³ Both of these were accomplished and the

²⁶² Ferreira-Pereira and Groom, "Conclusion."

²⁶³ Baum and Glatzer, "Incomplete Modernity or Typically Modern? Portuguese National Identity in an Era of Rapid Transition," in *Portugal in the Twenty-First Century: Politics, Society, and Economics*, ed. Sebastián Royo (Lanham, MD: Lexington Books, 2012), 93-119. This assertion is widely agreed upon in

consolidation of democracy also acted as an insurance policy against a reversion to authoritarianism or a move toward Soviet style-socialism.²⁶⁴ Mário Soares, the first Prime Minister of Portugal following the revolution, is quoted, saying, “the application for membership that now follows...represents the realization of an ambition deeply felt by the Portuguese people. An ambition we have to realize with determination and by working hard, with reference to the essential democratic principles and values...European integration is a great national project, beaconing and giving meaning to our revolutionary experience.”²⁶⁵ Freitas do Amaral, who was deputy for the CDS-party, also said, “from the Portuguese point of view, we think it is Europe — democratic Europe — in which our country can and should find the institutional, geographical and cultural framework, in which our new historical destiny has to strike root and develop.”²⁶⁶ The role that the goals of domestic stability and consolidating democracy had on Portuguese national identity is well summarized by Schukkink and Niemann, saying, “dominant discursive patterns explicitly linked a new Portuguese national identity

the literature. For further references see António Costa Pinto and Nuno Severiano Teixeira "From Africa to Europe: Portugal and European Integration," in *Southern Europe and the Making of the European Union*, eds. Antonio Costa Pinto and Nuno Severiano Teixeira (Boulder, CO: Social Science Monographs, 2002), 1-40; José Magone "Attitudes of Southern European Citizens towards European Integration: Before and After Accession, 1974-2000," in *Southern Europe and the Making of the European Union* (Boulder, CO: Social Science Monographs, 2002), 209-236; Marina Costa Lobo, "Portuguese Attitudes Towards EU Membership: Social and Political Perspectives." In *Spain and Portugal in the European Union: The First Fifteen Years*, eds. Paul C. Manuel and Sebastian Royo (London: Frank Cass, 2003), 97-118; and Diogo Moreira et al., "Attitudes of the Portuguese Elite Towards the European Union." *South European Society and Politics* 15, no.1 (2010): 57-77.

²⁶⁴ Jorge Braga De Macedo, "Portugal's European Integration: The Good Student with a Bad Fiscal Constitution." *South European Society and Politics* 8, no. 1-2 (2003): 169-194.

²⁶⁵ Schukkink and Niemann, "Portugal and the EU's Eastern Enlargement: A logic of identity endorsement." 21.

²⁶⁶ *Ibid.*

to the European project, which, in its turn, is equated with openness and democratic values.”²⁶⁷ In other words, Portuguese national identity was inextricably linked to Europe and the vision of Portugal as a modern, Western, European country.

The consolidation of Portugal’s democracy gained momentum after talks to join the European Economic Community began in 1979, as all main political parties with the exception of the Communist Party favored European integration. In the mid-1970s the CDS branded themselves as “convinced pro-European” and the PSD favored integration but proceeded more cautiously than the other two parties. One of the slogans of the PS during the 1976 campaign was “*A Europa Connosco*” or Europe with us, indicating the party’s commitment to the European turn.²⁶⁸ While there was some disagreement on the specifics of EU integration, the consensus among political elites persisted and strengthened throughout the 1980s. The more cautious pro-European PSD became one of the biggest proponents of EU integration in 1985 with the election of Aníbal Cavaco Silva, who gained an overall majority in parliament and strengthened the leadership of the PSD.²⁶⁹ Also, the PCP, which had always been against further integration with the EU, stopped calling for Portugal to withdraw from the EEC.²⁷⁰

The modernization of the country was the other core goal of the new democratic leaders. Portugal was considerably behind other European countries in terms of its economic development when initially joining the EEC, which was one of the primary

²⁶⁷ Ibid.

²⁶⁸ Costa Pinto and Teixeira, "From Atlantic Past to European Destiny: Portugal," 123.

²⁶⁹ Magone, *Politics in Contemporary Portugal*, (Boulder: Lynne Rienner Publishers Inc., 2014).

²⁷⁰ Moreira et al., "Attitudes of the Portuguese Elite Towards the European Union."

barriers to their accession into the EEC. In fact, Portugal held the following undesirable positions in comparison to the other EEC countries: lowest income, lowest industrial productivity, highest percentage of people earning a living from agriculture, highest illiteracy rate, lowest welfare coverage, highest infant mortality, and lowest life expectancy.²⁷¹ Joining the EEC meant substantial funds would come to Portugal to close this gap. Portugal made significant progress in catching up in the 1980s and most of the 1990s, as its economy grew rapidly, with much of the credit due to the funds it received from the EU. This progress led to Portugal losing the label of an 'under-developed country' in 1990.²⁷²

The economic boom Portugal experienced in the 1990s brought a new feeling to Portugal as people experienced the marvels of modernization. EC aid had led to investment in infrastructure and public works projects that helped move the country from practically third-world status to a developed country. The citizens of Portugal associated the progress made during this time with being a part of the EU and Eurobarometer polls demonstrate the positive feelings felt toward Brussels. Support for the EU topped out in 1992 with the signing of the Maastricht Treaty and with the exception of an economic downturn in 1992-93 support remained roughly over 60 percent²⁷³ throughout the 1990s and into the 2000s.²⁷⁴ Also, the Portuguese experienced a significant jump in national

²⁷¹ Hatton, *The Portuguese: A Modern History*, 171.

²⁷² Costa Pinto and Teixeira, "From Atlantic Past to European Destiny: Portugal."

²⁷³ Support for the EU tends to lag behind the economic situation so the downturn in 1992-93 led to a drop in support through 1995 before attitudes for support increased and settled around the 60 percent range.

²⁷⁴ Baum and Glatzer, "Incomplete Modernity or Typically Modern? Portuguese National Identity in an Era of Rapid Transition."

pride (+37%) between 1990 -1999 as the economy boomed, inflation was low, Aníbal Cavaco Silva became the President of the EC in 1992, Portugal qualified as one of the first eleven countries to meet the convergence criteria for the Eurozone, and Portugal hosted the 1998 World Expo.²⁷⁵ Furthermore, opposition to EU integration in the 1990s was difficult to find except on the fringes of the political right and left as “such broad political consensus had not been witnessed since the establishment of the constitutional monarchy in the 1820s.”²⁷⁶

The 1990s was also the period when Portugal made reforms to meet the Maastricht Treaty criteria, the Amsterdam Treaty, and the convergence criteria for the adoption of the euro. In order to meet the Maastricht and Amsterdam Treaty requirements, Portugal revised its constitution twice.²⁷⁷ This is a difficult task as it requires a two-thirds majority vote in parliament. Portugal successfully revised its constitution to accommodate both the Maastricht and Amsterdam treaties. It was also in the first half of the 1990s, when Jacques Delors first made the comment about Portugal being the “good student.” Aníbal Cavaco Silva (PSD), Portuguese Prime Minister from 1986-1995, was extremely proud of this label and it has become part of his legacy as Prime Minister. In 2010, Silva, who was also the President of Portugal from 2006 until 2016, gave a speech recalling the 1990s when Portugal was considered the “good student” of the EU, and how others in the EU did not currently view Portugal in the same

²⁷⁵ Ibid.

²⁷⁶ Hatton, *The Portuguese: A Modern History*, 172.

²⁷⁷ The Portuguese Constitution has been revised seven total times with three of the revisions specifically to meet EU treaties and rules. See Parliament of Portugal, “Constitutional Revisions,” *Assembleia Da Republica*, April 27, 2015, <http://www.en.parlamento.pt/ConstitutionalRevisions/>.

positive light. He argued Portugal needed change course to show that they still were the “good student.”²⁷⁸

Throughout the 2000s Portuguese continued to support deeper European integration and attitudes remained generally favorable towards Europe. However, the good feelings with the EU and the prosperity of the 1990s would not last. Despite cultivating the “good student” image since their accession in the EU and meeting the convergence criteria for the single currency, much of the economic growth and transformation of Portugal had been cosmetic. Many of the funds were used for fancy projects that made politicians and political parties look good electorally but did not help Portugal make many of the needed adjustments to labor, education, productivity and competitiveness that would be needed to keep the economy growing.²⁷⁹ Unlike the other countries that have been hit hard by the European Debt Crisis, there was no boom period for Portugal directly prior the onset of the crisis. The “lost decade” that preceded their debt crisis was characterized by very low rates of economic growth as macroeconomic performance was miserable in the 2000s.²⁸⁰ GDP per capita averaged 0.6% growth per year from 2000-2007 resulting in total growth throughout this period of 4.3 percent.²⁸¹

²⁷⁸ Hugo Filipe Coelho, “Cavaco lembra que foi o “bom aluno,” *Diário de Notícias*, June 13, 2010, <https://www.dn.pt/portugal/cavaco-lembra-que-foi-o-bom-aluno-1591925.html>

²⁷⁹ Hatton, *The Portuguese: A Modern History*.

²⁸⁰ Glatzer, "Welfare State Growth and the Current Crisis in Portugal: Social Spending and its Challenges," *Institute of European Studies: University of California Berkeley*, March 18, 2012, <http://escholarship.org/uc/item/4702x2jm>.; Lourtie, “Understanding Portugal in the Context of the Euro Crisis.” *Peterson Institute for International Economics and Bruegel*, Chantilly, France, 2011; Ricardo Reis, "The Portuguese Slump and Crash and the Euro Crisis." *Brookings Papers on Economic Activity*, Spring 2013: 143-193.

²⁸¹ Reis, "The Portuguese Slump and Crash and the Euro Crisis."

The growth rate of GDP in Portugal was less than half of that of its primary trading partners during the 2000s and unemployment also rose to 8.9 percent in 2007 from a low of around four percent in the late 1990s. This increase in unemployment occurred as most of Europe was experiencing increasing unemployment.²⁸²

Despite its enthusiasm for enlargement and further integration, the stagnation of the 2000s led many in Portugal to believe that the modernization project had stalled, and big changes would be needed if Portugal was going to live up to its goal of becoming a fully modern, Western European democracy on par with its neighbors. Some of these changes had begun under Socrates leadership, but they were moving slowly and not producing the desired results. Thus, when the crisis hit and the Troika was called for help, many Portuguese saw this as an opportunity to implement many of the reforms already being discussed. However, the need for a bailout was seen as a national shame as all of Portugal's efforts to be a 'core' EU country seemed to vanish in an instant as this placed Portugal squarely in the PIIGS category.²⁸³ The remainder of this chapter will detail the ways in which the "good student" aspect of Portuguese national identity can be seen influencing Portuguese responses to its Troika program.

The Good Student

As discussed above, Portugal's embrace of democracy and Europe and its rejection of dictatorship and empire after April of 1974 were historic moments for the country, but many Portuguese still felt that they had not done enough to truly live up to the standards of being a modern, Western, European democracy. Their Troika program

²⁸² Ibid

²⁸³ Neill Lochery, *Out of the Shadows* (London: Bloomsbury Publishing Plc, 2017).

was an opportunity to move Portugal in that direction. The “good student” mentality has been regularly evoked in Portugal since joining the EEC in 1986 and its influence on Portuguese decision making can be seen in the Portuguese response to its Troika program. Throughout the program there were many references to the “good student” identity, especially from the opposition, who frequently accused the government of behaving as if they needed to be a “good student”, but there were also references from the majority itself. For those who traditionally opposed Portugal being in the EU and the euro, and who opposed the Troika program, criticizing the government for being the “good student” or being “more Troika than the Troika” was common. While those on the far-left were more inclined to directly refer to the “good student” by name, some of the criticism was also couched in terms of “neoliberal” or authoritarian economic measures. Because the “good student” metaphor is generally seen as somewhat insulting (someone who is a goody-two-shoes and always following the rules), the government itself was reluctant to use this somewhat pejorative language. However, one can still see the same theme in many of their remarks.

The opposition’s references to the “good student” identity were more explicit than many references from those in the government. The three main parties (PS, PSD, and CDS) had been criticized for many years of being the “good student” and doing what Europe wanted them to do as opposed to what they felt was a better path for Portugal. This included some opposition politicians as well as trade unionists and economists that took issue with the program. For example, when asked about the government going further than the Troika, one former MP from the Left Bloc (BE) said:

The government accepted, and they would, they had the logic, you know, the neoliberal logic of these authoritarian choices is to prove that we are very

competent and that we really want to apply what you are imposing, so we are a good student and very, very good.²⁸⁴

One economist who was critical of the Troika program discussed the good student directly:

The good student mentality has been very pervasive in Portugal until recently. Until the crisis, the EU was seen as the source of good. Only a source of good for Portugal. And the need to impress, the need to comply with the rules is something that is very much Portuguese. And it was very present in...the need to comply with rules if you know that people are watching. For instance, in Italy you don't have this. Not even in Spain. Spain and Italy are totally different. They have a high level of disregard in their relation with the power structure. They challenge the power structure. In Portugal, maybe because of 48 year of dictatorship and the lack of any recent civil war, there is a general sense of compliance.²⁸⁵

The references from those in the government generally came in the form of the content of the identity, and not a straight-forward admission that they were acting as a good student. However, there were some direct references to the “good student” from those who were in the government, indicating its prevalence in the minds of policy makers. Other references from the government about the “good student” included how the program would help Portugal achieve its ambition of being more like its European neighbors as a fully modern, Western European democracy. There were also individuals saying things like the program is very difficult, but it was what we had to do for our own good, along with some element of self-blame and being a burden on Europe.²⁸⁶ Many also felt there was a responsibility to the European project to act as a responsible member of the European Union. The reasons differed, with some discussing how Portugal's

²⁸⁴ Interview with former Portuguese MP, Lisbon, Portugal, April 26, 2018.

²⁸⁵ Interview with Portuguese economist, Lisbon, Portugal, April 20, 2018.

²⁸⁶ There was a sense of self-blame, but it was not total. While many acknowledged the past mistakes of Portugal there was also an understanding of the role of the euro and an incomplete monetary union as well as events such as the eastern enlargement of the EU and China joining the WTO, which decreased Portugal's international competitiveness.

economic future and the future of the euro would be threatened if Portugal failed to deliver, while others recalled Europe's role in helping Portugal consolidate its democracy, but most who were interviewed agreed that they felt some sense of responsibility to Europe and the European Union.

With the negative connotations of the “good student,” there were few direct references to Portugal acting as the “good student” by leaders from the government. However, there were still references to the identity, indicating that it was well-known and deeply engrained. For example, when asked if there was pressure to impress the rest of Europe or signal that Portugal was fully on board with its Troika program, one former Secretary of State responded:

The good pupil. Yes, to be pointed example, sometimes, I believe that after the second quarterly of 2013, even the German minister of finance pointed us as a good example, you know....The bad example, Greece and the good example, it was Portugal.²⁸⁷

Other references dismissed the notion that Portugal was being the “good student.” For example, when asked about whether there was a sense of responsibility to the EU and the euro, one member of the ESAME team discussed their surprise at the lack of anti-EU sentiment in Portugal and how the economic problems were the fault of both Portugal and the structure of the euro. However, they finished by saying:

But we didn't get the sense that we were doing this to be good members of the European Union. I don't think it was that. To be like the good student of the EU.²⁸⁸

²⁸⁷ Interview with former Portuguese Secretary of State, Lisbon, Portugal, March 12, 2018.

²⁸⁸ Interview with former ESAME team member, Lisbon, Portugal, April 20, 2018.

What makes this quote noteworthy is that the interviewee is well-aware of Portugal's reputation as the "good student," and in a follow-up interview, the interviewee makes a comparison to a bad student earning a good grade that surprises their teachers and parents, saying:

So, imagine that you are a very bad student in high school, and you suddenly come up with an A. I mean, you are surprising positively your parents, and you are showing that you are more mature, that you didn't blame the teacher, you didn't blame the high school. You understood why you had a bad mark in the beginning of the trimester but now you improved.²⁸⁹

Even after denying they were acting as the "good student" they referenced transforming from a bad student to a good student that surprises its teachers and parents (Europe and the IMF). This not only suggests the presence of the "good student" identity but also includes an element of self-blame and maturing to become more like their European peers. Both of these themes were discussed by other interviewees and are explored in depth below.

The notion that Portugal had not lived up to the standards of being a modern, Western European democracy was also prevalent in many interviews. As one former minister who was interviewed said, "We joined the euro, but we didn't fulfill, not the nominal, but the real, the substantial criteria."²⁹⁰ After winning the election, Passos Coelho told Portuguese television, "We know that we are something of a burden on our Europe partners from a financial point of view and we don't want to be a burden a day or

²⁸⁹ Interview with former ESAME team member, Lisbon, Portugal, May 15, 2018. The full quote is in the following section.

²⁹⁰ Interview with former Portuguese Minister, Lisbon, Portugal, May 21, 2018.

second longer than is necessary.”²⁹¹ This not only illustrates failing to live up to the standards Portugal envisioned for itself as a Europe country, but included an element of self-blame as Passos Coelho felt Portugal was a burden on the other countries in Europe. Many interviewees expressed similar sentiments, where the program was a chance for Portugal to become more like its Europe neighbors in being a fully modern, democratic, Western Europe country.

One former advisor to Pedro Passos Coelho commented on the speech the former Prime Minister gave upon leaving the Troika program in May of 2014:

In 1974 we had a revolution here in Portugal to have a democracy. It was difficult but we got it. And what is that democracy for the Portuguese people? To live in a European society, that’s what we want. A regime of freedom, of equality, living next to our neighbors with the levels of prosperity of Europe. A NATO partner and all that. A Western country. That was why we did the program. There was no other reason. The stakes were as high as that.²⁹²

When asked about what it would mean for Portugal to successfully implement the Troika program, they highlighted how Portugal had the goals quoted above, but also how Portugal needed Europe to make them happen:

So, I see Portugal keeping the promise it has made to itself in the revolution. We do not want to have a communist dictatorship here. We don’t want to have an empire, a conservative authoritarian regime here. We want to be like the other Europeans. And probably we are not strong enough to do that on our own terms. We need to be anchored here with these guys. And that’s what we have to do.²⁹³

They continued, in one of the most revealing quotes of all the interviews:

²⁹¹ Euronews, “Portugal’s PM-in-waiting vows to honour IMF deal,” *Euronews*, June 6, 2011, <https://www.euronews.com/2011/06/06/portugal-s-pm-in-waiting-vows-to-honour-imf-deal>; Alex Bugge and Sergio Goncalves, “Exclusive – Portugal PM-elect fully committed to bailout,” Reuters, June 6, 2011, <https://www.reuters.com/article/uk-portugal-pm-elect-idUKTRE75520C20110606>.

²⁹² Interview with a former advisor to Pedro Passos Coelho, Lisbon, Portugal, May 3, 2018.

²⁹³ Interview with a former advisor to Pedro Passos Coelho, Lisbon, Portugal, May 3, 2018.

*That we are doing what we have to do to be what we want to be. Not a failed country. What we want to be, 85 percent of the population wants to be a European country. So, we have to do certain things to be that European country. In the extreme circumstances this is what we have to do. Do we still want it? Yes or no? Yeah, alright so let's do it. It was something we did in the name of an idea of society that we want to be.*²⁹⁴

When asked the former Prime Minister's speech exiting the program and about Portugal's vision of being a modern, Western European democracy, one former member of ESAME said:

I think in those few years where we were disciplined, where we did what needed to be done, where we showed that we were able to restore somehow our credibility by a very kind of compliant kind of attitude. And the fact that the Portuguese citizen did not go to the streets like they did in Spain and in Greece and destroy things. Where there wasn't a lot of violence. Where, you know, we talked about that, where social unrest was actually very limited and where you actually are able to graduate and leave the program after three years when everyone said it would be impossible in the beginning. I think that is a demonstration of a modern country, and kind of a moderate country, and a country that actually shows to investors that, ok you might have doubts about our country, but you now have an historical data point where you actually saw that the expectations, and we talked about that, were that we would go the way of Greece and actually we surprised, in a positive sense, we surprised everyone. So, imagine that you are a very bad student in high school and you suddenly come up with an A. I mean, you are surprising positively your parents, and you are showing that you are more mature, that you didn't blame the teacher, you didn't blame the high school. You understood why you had a bad mark in the beginning of the trimester but now you improved. So, I'm being a bit simplistic, but I think that's probably what was behind his speech, at least that's my opinion. I think that the fact that Portugal was able to maintain a level of support and that owned up to its own problems and not just gave into the basic instinct of the knee-jerk reaction of just blaming Brussels and was able to in three years graduate from the program and have a clean exit, I think yes, that's the show of democratic maturity.²⁹⁵

When asked about the former Prime Minister's speech and his references to this crisis being an opportunity for Portugal to become a fully modern and European country, one

²⁹⁴ Interview with a former advisor to Pedro Passos Coelho, Lisbon, Portugal, May 3, 2018.

²⁹⁵ Interview with former ESAME team member, Lisbon, Portugal, May 15, 2018.

former minister remarked, “No, clearly not up to the standard. We’ve always felt European. Something that we have insisted a lot was that we are European. We’ve always been.”²⁹⁶ They continued, discussing Portugal’s role and value in the EU as well as its place in the larger, globalized world, which emphasizes another key aspect of Portuguese identity, respect for its maritime past and its positive relationships with its former colonies:

We also made some mistakes when deciding to join the European Union because we have neglected all of the other relationships that we had. We are an Atlantic nation and we have very old and established relationships with basically all continents. For years we have sort of turned our back on all of those other relationships and focused merely on Europe. And in Europe we are not only among the poorest but also, we are in the periphery of where the decision-making takes place. But if you look at the world in a global perspective, we are not peripheral at all. Actually, geographically, we are quite in the middle and diplomatically and economically we could benefit from that position, so that was also something that we insisted a lot. Let’s continue to be Europeans because that’s what we feel. That’s what we are. Let’s be very committed to this participation in the European Union but let’s add value to ourselves and also to the European Union by also cherishing these other relationships. And making Europe realize that it is a benefit for the 28 of them, it is an advantage that some within the club has these privileged relationships.²⁹⁷

An emphasis on being a good member of the European community was also a major component of the “good student” identity and this was something that was ever-present on the minds of those interviewed, cutting across party lines, except the far-left. This also came out when asked about whether there was a sense of responsibility to the euro and the European project to successfully implement the program. Almost all interviewees acknowledged, often with pride, the overwhelmingly pro-Europe attitude among the Portuguese and agreed that there was a sense of responsibility to Europe to

²⁹⁶ Interview with former Portuguese Minister, Lisbon, Portugal, April 18, 2018.

²⁹⁷ Interview with former Portuguese Minister, Lisbon, Portugal, April 18, 2018.

ensure the program was done successfully. However, their reasoning differed. Some argued the sense of responsibility was to ensure that Portugal's economic future, the future of the euro, and the European project were not threatened while others recalled Europe's role in helping Portugal consolidate its democracy. When asked about a sense of responsibility to the European project, one former minister said:

Sure, sure. If the Portuguese program wasn't successful, maybe it would be difficult to present a third package for Greece for instance. We are able to deal with Greece mainly because most part of the people are convinced that Greece is a unique case, a single case. No one believes the possibility to deal successfully with Greece, but maybe because of the union it is affordable to deal with Greece. But if Greece is not a unique case. If the standard is people that don't fit in the euro, then you start to think if it is possible to redefine the perimeter of the euro. And maybe the old conversation to return to the beginning of the process and to have two speeds or three speeds for Europe can be manageable, politically speaking.²⁹⁸

Others agreed that there was a sense of responsibility but referenced Portugal's past and the importance of Europe in helping Portugal consolidate its democracy after the revolution, how Portugal is a very pro-Europe country, or both. One representative from the Bank of Portugal said:

I think it is impossible to say what role it played, but I think it played a strong role, yeah. So, this idea that we are engaged in the European project is very much rooted in everyone's minds, not only the politicians. In everyone's minds in society. So, we are clearly a pro-Europe country. Have always been. Even in the trough of the adjustment program we continued to be completely pro, not only Europe but also the Europe area projects. So, the monetary union. We have a strong pro, let's say, further integration. All of the debates that you see are on a deepening of the monetary union, a deepening of European integration. So, we are this, our tradition, our history points us towards, let's say, being open to the other, being open to foreigners, and that's our culture. So, I think that part of the success of the program was indeed this idea that we are all working together. So, we did not have this discourse or this interpretation that we were being led to the dungeons by foreigners which wanted the worst for us. No, we always thought that this was, let's say, a shared, a shared program. And of course, the strong ownership that the government gave to the program also helped in this sense. It

²⁹⁸ Interview with former Portuguese Minister, Lisbon, Portugal, May 21, 2018.

was part of it. But, part of it was also a reflection of the feeling of society. So, society really felt that it was important not only for let's say, Portuguese reasons, unrelated, but also taking into account thinking that this was the way to proceed in the rules, within the rules of function of the European Union. So, I think that was a very strong part of it.²⁹⁹

When asked about whether there was a sense of responsibility to Europe, a former economic advisor to the PS Sócrates government also recalled the role of Europe helping Portugal consolidate its democracy as well as the large support the EU has in Portugal, saying:

Yes, there was because the currency was in trouble back then. Because it was in trouble... And I think some of the, yeah, no, to the European project, yes but at the same time if you see, for instance, the Portuguese people, we are very enthusiastic about the euro. We still are... In all the polls that we have now about Europe, the Portuguese are always in front in terms of acceptance and enthusiasm about European process... Last week we had the latest poll from them, from the European, it's a European institution that does this and we were again in the front, in the first place of the euro acceptance... Beginning of last week or so. I saw it in the paper. And there we were again, sixty something percent of Portuguese accept Europe and you know they are; they favor further integration and everything.³⁰⁰

One former Secretary of State discussed the economic difficulties Portugal would face if forced out of the euro along with the importance of Europe for Portuguese democracy, saying:

I think there was always a clear consciousness that if Portugal would be put out of the euro and European Union it would be rather difficult for the country. Because in the end, our history since the revolution has been mostly determined by this closeness to Europe. I mean, in the end, we started stabilizing the political situation in Portugal with that proximity to Europe. Even before entering into the European Union, but mostly when Mario Soares started imposing a break in the Communists attempts to take over. It was mostly under the objective of becoming a part of the European Union.³⁰¹

²⁹⁹ Interview with Bank of Portugal representative, Lisbon, Portugal, April 17, 2018.

³⁰⁰ Interview with a former economic advisor to José Sócrates, Lisbon, Portugal, May 30, 2018.

³⁰¹ Interview with former Portuguese Secretary of State, Lisbon, Portugal, April 26, 2018.

They continued:

So, it was clear that we had mostly that responsibility to avoid that. You can also say that if you didn't, so, it would be also the European project that could be put in question because with some countries getting out, but I don't think that was so important. I mean, from the Portuguese point of view, staying within was really critical.³⁰²

Portugal's role in the EU and as a European nation was even expressed by a former official from UGT, although they acknowledged some disagreement with European policies. They said:

I think that for the Portuguese people, we accept the European Union without barriers, without frontiers. And for that reason, we are in European Union. All the policies are directly linked to the European policies. That is normal for people. For example, the free situation of workers, the free situation of people, free movement of people, this thing that we don't want protectionist measures in the European Union, but we want, we need to question policies because we had a (inaudible) country with some social problems, namely in education and training and so on. But, really, we are a European people, a European country.³⁰³

This section has demonstrated that the “good student” was very prominent on the minds of many people in Portugal during its Troika program as the way the crisis was viewed passed through this lens and references to various aspects of the “good student” identity.

Off the Table

Another kind of evidence of the “good student” identity shaping the Portuguese response can be seen in the kinds of options that societal and political actors considered over time. This is very notable when examining the response from the public, government and its opposition, and actions by labor unions. The result was a delayed public response characterized by fewer and smaller protests and strikes in the first 16

³⁰² Interview with former Portuguese Secretary of State, Lisbon, Portugal, April 26, 2018.

³⁰³ Interview with former Irish labor union official, Lisbon, Portugal, April 4, 2018.

months of the program, delayed and ineffective resistance from opposition parties, and a government that was extremely dedicated to implementing and in some cases exceeding the programs requirements.

The most striking of the responses to the Troika program, indicating the presence of the “good student,” was the initial lack of resistance to the program from the public. Unlike Greece, where there were large protests, riots, and violence immediately after the government signed the MOU, and Ireland where 50,000 people almost immediately took to the streets of Dublin in Protest, Portugal was nearly silent in the immediate aftermath of the signing of its MOU. There were threats of social action from CGTP and others, such as civil servants, but most protests were small and sporadic until October, a full five months after signing the MOU. When there were large protests and strikes, they were largely aimed at specific policies and not at rejecting the entire Troika program, or they were led by far-left organizations making the protests or strikes appear to be more political than an expression of the true feelings of the Portuguese public.

The fact that many of the protests were led by CGTP is important because of the attitude many in the mainstream political parties and public take towards CGTP. CGTP is affiliated with PCP and BE, which were the two political parties on the far-left that rejected the Troika program and only received 13.1 percent of the popular vote in the election in May of 2011. Not only is CGTP closely aligned with the far-left parties, but they have *never* agreed to any social concertation agreements. Because of their lack of engagement in the social concertation process, actions taken by CGTP and its affiliate unions carried less weight than those taken by UGT, which regularly participates in social concertation, and protests that developed more organically from society. While the

protests and strikes from CGTP could not be ignored, many interviewees played down CGTP's influence. One former minister from CDS summarizes this view well:

With very tough measures we knew that we were going to have, we had, the number of strikes that we had was very amazing. But at the same time, I think that we were always able to try to feel what those were. Some of them were very political. We know there is a very strong liaison between the Communist Party and CGTP, so lots of them were political...we knew that we were going to have strikes from CGTP. They are democratic, I'm not questioning that. But we know they were politically orientated. It's completely different with what happened with the manifestation regarding the TSU, the social contributions.³⁰⁴

Another former Secretary of State highlighted the difference between the two labor unions:

As UGT used to say, we made strikes with all governments, but we also make agreements with all governments. That's the main difference between the two trade unions. One has communist inspirations, so the fight of classes is their main goal. The other, they made strikes, but in order to agree. So, that's the difference between UGT and CGTP.³⁰⁵

In the fourth quarter of 2011 there were two large days of protest in October, a large civil servants' protest in mid-November, and a general strike in November involving both CGTP and UGT. The October 1 protest and November 12 civil servants' strike/protests were large, but again led by CGTP and far-left groups, raising questions about how the majority of the Portuguese public viewed its crisis.

When protests were large in the beginning of the program, it was because they went beyond anger about the domestic economic situation to mobilize people about international events and protests. The large protests on October 15 were part of a worldwide protest inspired by the "Occupy Wall Street" movement. Nearly 1,000 cities around the world participated in protesting inequality and corporate power. The

³⁰⁴ Interview with former Portuguese Minister, Lisbon, Portugal, May 9, 2018.

³⁰⁵ Interview with former Portuguese Secretary of State, Lisbon, Portugal, March 12, 2018.

organizers in Portugal claimed there were 100,000 protesters in Lisbon and 25,000 in Porto. However, the Spanish Newspaper, El País, estimated only 30,000 participants in Lisbon and in Porto, and the police estimated that there were between 10,000 and 12,000 protesters. While there were large numbers of protesters, the estimates by the organizers appear to be grossly exaggerated, indicating less resistance than the organizers claimed. Another point worth making is that the Portuguese protests were not happening for purely national reasons. There was a mixture of national and international motivations as some spoke out against the austerity measures specifically in Portugal while others viewed the protests as “the emergence of a global movement.”³⁰⁶ The fact that large numbers of protesters would come out for an international initiative while protests against more specific austerity measures in Portugal were far smaller also points to a general acceptance of the Troika program at this time.

Even when there appeared to be widespread support for social actions, the actual events were disappointing for their leaders. The general strike on November 24 had the participation of CGTP and UGT, which has only happened periodically in Portuguese history since the revolution. Despite the joint effort, there were questions about its effectiveness as *Público* commented that it felt more like a civil service strike than a general strike.³⁰⁷ Yet, even if this had been solely a civil service strike, the government revealed that only 10.48 percent of the 43,592 workers in the Central Administration took

³⁰⁶ Miguel Gaspar and Dulce Furtado, “O protesto contra a crise falou a milhares de vozes, de Lisboa a Seul,” *Público*, October 16, 2011, <https://www.publico.pt/2011/10/16/jornal/o-protesto-contr-a-cri-se-falou-a-milhares-de-vozes-de-lisboa-a-seul-23206278>.

³⁰⁷ João d’Espiney, “CGTP e UGT desafiam Governo: querem diálogo ou conflitualidade social?,” *Público*, November 25, 2011, <https://www.publico.pt/2011/11/25/jornal/cgtp-e-ugt-desafiamgoverno-querem-dialogo-ou-conflitualidade-social-23492502>.

part in the strike,³⁰⁸ revealing that overwhelming numbers of government workers still showed up to work that day.

Even with the cooperation between trade unions, there was disagreement on the purpose and goals of the general strike, indicating that many did not reject the entirety of the Troika program. CGTP used this as an opportunity to further protest the government and the Troika, but UGT was more strategic as the strike was used bring the government to the negotiating table and not an outright rejection of the whole Troika program. As one former UGT official said:

UGT is the trade union of social dialogue with tripartite agreement. When we make strikes, it is to force the agreements, not strike to demonstrate we are against, no.³⁰⁹

UGT's motivation for participating in the general strike was not to reject all of the measures, but to force an agreement, which would happen in February 2012 and many interviewees credited this agreement with helping to keep the social peace. By keeping social peace, UGT, the Confederation of Portuguese Industry (CIP), and the government felt it could help the country fulfill its Troika program obligations. One former Secretary of State familiar with the Social Agreement discussed the role of UGT in signing the agreement:

But, UGT said the country has signed an MOU in order to have the bailout, otherwise we came to bankruptcy. So, we have to respect the MOU, so we are doing our share, our part of the, so we are, when we have an agreement and it is a win-win situation. So, we have to lose something in order to reach the agreement and that's historical from the part of, because the severance payments was more high in Portugal than they are, before than they are now. But nevertheless, UGT

³⁰⁸ Ana Rita Faria, "Adesão à greve na Administração Central é de 10,48%, diz Governo," *Público*, November 24, 2011, <https://www.publico.pt/2011/11/24/economia/noticia/adesao-a-greve-na-administracao-central-e-de-1048-diz-governo-1522428>.

³⁰⁹ Interview with former Portuguese labor union official, Lisbon, Portugal, April 4, 2018.

signed it. So, from the workers perspective, they gave up something, they lost something, but nevertheless they do that in order to the country can fulfill their commitments. It was important.³¹⁰

Following the general strike in November the number and size of protests and strikes dropped dramatically. There were still some large events in the first 8 months of 2012,³¹¹ but they were largely led by CGTP or other unions, and not occurring outside of trade union or political channels. CGTP attempted another general strike in March without UGT, but participation was weak, the private sector largely operated as normal, and the media branded it a failure.³¹²

Social responses to the Troika program continued to be rather subdued throughout much of 2012, even as the economic situation in Portugal continued to deteriorate. There were only 41 total protests in the first six months of 2012 and 47 up to September 15, when protest activity increased dramatically because of a monumental policy blunder by the government. Roughly one million Portuguese took to the streets to protest the government's change to the social security tax contributions (TSU). Due to a Constitutional Court ruling in July 2012 that the three-year suspension of holiday and Christmas bonuses for public sector employees was unconstitutional, the government needed additional measures to meet its 4.5 percent deficit target with the Troika for 2012. The government proposed a change in Social Security contributions that would have lowered employers' contributions from 23.75 percent to 18 percent and raised workers'

³¹⁰ Interview with former Portuguese Secretary of State, Lisbon, Portugal, March 12, 2018.

³¹¹ There were 14 protests in the first 8 months of 2012 with 500 or more participants according to articles in Público.

³¹² Alex Bugge and Andrei Khalip, "Portuguese strike against austerity snarls transport," *Reuters*, March 22, 2012, https://www.reuters.com/article/us-portugal-strike/portuguese-strike-against-austerity-snarls-transport-idUSBRE82L0Y120120323_

contributions from 11 percent to 18 percent. Views about the proposed change to the Social Security contributions varied from those who thought it was a good policy that was communicated poorly to the public to others who viewed it as political suicide. One member of ESAME said:

We presented, what in retrospect was a very foolish measure. It was called the 18/18 measure which was a way of reducing the contribution of the employer to social security and increasing the contribution of the employee. We botched it completely in terms of communication. Other countries have done it and it makes sense theoretically. It was easy to present it as we were taking money from the employee to give it to the employer.³¹³

A former minister from CDS was much more critical, saying:

In CDS, we referred to the TSU measure as the Nottingham Sheriff Measure. It was Robin Hood the other way around.³¹⁴

An economist from the Bank of Portugal referred to the measure as “political suicide.”

They said:

It was a way to respond to these pressures, in particular by the Germans to comply somehow with the program. And they came up with this crazy, this political suicide. It doesn't make economic sense, doesn't make any political sense. It was just crazy.³¹⁵

And the measure led to the largest protests since the Carnation Revolution in 1974 as it was interpreted as ‘kicking workers while they were down.’ This not only led to the government walking the measure back, but it marked a tipping point in resistance to the Portuguese Troika program. As a former adviser to the Prime Minister said:

That is when people began to think, this doesn't make sense. And people made the big argument against it, was an argument about unfairness...I told them this is going to be interpreted as a sheer, a pure transfer of income from labor to capital.

³¹³ Interview with former ESAME team member, Lisbon, Portugal, April 20, 2018.

³¹⁴ Interview with former Portuguese Minister, Lisbon, Portugal, May 9, 2018.

³¹⁵ Interview with Bank of Portugal economist, Lisbon, Portugal, May 23, 2018.

People are not going to take this well. It's going to be bad. In the end it was useless. In the end it was interpreted that way. Workers could argue they were losing their jobs and wage cuts and then on top of that this was seen as giving more money to the owners. It didn't make sense. I had to persuade the Prime Minister to pull back, and he did.³¹⁶

What the TSU debacle illustrates is that resistance to the Troika program generally was rather weak until the botched change to Social Security contributions. It wasn't until the government made an egregious policy mistake that resistance to the program as a whole became more widespread and extended beyond the far left. The TSU debacle opened the door to more general opposition to the government, austerity, and the Troika, which can be seen in the increase of protests directly against the government, the Troika, and austerity beginning in the third quarter of 2012. In the first two quarters of 2012 there were a total of seven protests that were specifically against the government, austerity, and the Troika, while there were 51 in the third quarter. These numbers would spike again in 2013 as there were 53 protests against the government, austerity, and the Troika in the first quarter and 77 in the second quarter. The government nearly collapsed in mid-2013, but after surviving the July crisis protests never reached the numbers seen from late 2012 through mid-2013. Additionally, many of the protests reverted to addressing specific measures or grievances and not an overall rejection of the government or the Troika.

The next way that the “good student” manifested during Portugal's Troika program came in the responses from the mainstream political parties (PSD, CDS, and PS), where a rejection of the program was “off the table.” For the mainstream opposition (PS), public criticism of the program didn't occur until February 2012, a full nine months

³¹⁶ Interview with a former advisor to Pedro Passos Coelho, Lisbon, Portugal, May 3, 2018.

after entering the program. When the PS ramped up its criticism of the government and the program after the botched TSU measure in the fall of 2012, it still would not go as far as an outright rejection of the program, noting that they sought to fulfill its obligations to the Troika. The criticisms from the PS were specific to renegotiating aspects of the deal, especially the deficit targets and interest rates. This pattern was also similar for other mainstream institutions and organizations, such as CIP, which sought changes to the program as it progressed, but did not reject the program.

While there were disagreements about some of the specifics, the strong consensus among PS, PSD, and CDS to implement the measures in the MOU separates Portugal from the other two bailout countries. In Greece, there was constant fighting amongst the political parties, with calls from politicians to kick the Troika out of Greece. In Ireland, despite a similar pledge to implement the MOU from the mainstream parties, both Fine Gael and Labour vowed to renegotiate parts of the agreement before and after taking office. One interviewee from the Portuguese Central Bank put it this way:

I would say that there was a very broad-based agreement on the importance of the program being successfully implemented. Broad based agreement in terms of society. You can clearly see that even in the trough of the crisis, I still believe that there was, let's say, a global ownership in terms of society on the importance of the program. So, I think the resistance was clearly, let's say, ideologically guided.³¹⁷

The Portuguese consensus lasted until the botched effort to change the TSU in September of 2012. As one economic advisor to former Prime Minister José Sócrates said:

In Portugal, it was, the thing was, you said that PSD and CDS accept because everybody was ready to do it. The Socialist Party went to elections to implement the program. We want to implement this program. We may discuss one or two measures, but basically the goals and the path, everybody was agreeing, and the general mood was accepting. And this was true from 2011 to 2013...Until that

³¹⁷ Interview with Bank of Portugal representative, Lisbon, Portugal, April 17, 2018.

moment, all public opinion, okay left guys, very far, they were always against. But they're against everything...But the general public, Socialist Party, major opinion makers, they all agreed on the way. Again, maybe a bit to the left. Maybe a bit to the right, but the way was clearly, but that actually was clear for everybody. And it was with the TSU measure that this consensus about the program broke down.³¹⁸

Not until February 2012, nine months into the crisis, did any actors outside of the far left show any real signs of truly questioning the Troika program. Still, these criticisms had to do with specific elements or approaches the government was taking and were not a rejection of the overall program. These criticisms were also very carefully worded to indicate that Portugal should still meet its international obligations and fulfill the requirements of the MOU. Starting in early 2012, both the PS and CIP, among others, became more critical of the approach that the PSD-CDS government was taking. The focus of their criticism was on the fast pace of the fiscal consolidation, the quick deleveraging of the financial sector, and lack of attention to creating growth and jobs in the economy. António Seguro, the leader of PS, was quoted in February 2012 as saying that Portugal needed “at least another year” to meet fiscal targets and argued that the recession and record unemployment were straining Portugal’s social cohesion.³¹⁹ In early 2012 CIP argued that Portugal needed an extra €30bn to prevent economic collapse as the pace of deleveraging of banks was resulting in a lack of capital for Portuguese companies.³²⁰ These kinds of criticisms from mainstream sources were common through most of the program, but the tone changed after the September 2012 TSU debacle

³¹⁸ Interview with a former economic advisor to José Sócrates, Lisbon, Portugal, May 14, 2018.

³¹⁹ Peter Wise, “Lisbon under pressure on bail-out terms,” *Financial Times*, February 21, 2012, <https://www.ft.com/content/2f0449c8-5c9e-11e1-8f1f-00144feabdc0>.

³²⁰ Ibid.

damaged some of the credibility of the government and the Troika Program.

The change in tone was evident as the PS began to use its criticism of the government and the Troika program to position itself for the next elections. In February 2013, António Seguro sent a letter to the Troika arguing for more time to pay back loans, lower interest rates, and postponing interest rates. Yet, despite the harsh criticisms in the letter, Seguro maintained that he agreed with the goals of the program, including the structural reforms and fiscal discipline, but that the program could be designed differently.³²¹ When Portugal had its deficit targets revised downward in early 2013 there were more criticisms from the PS, CIP, and the far-left, however the same pattern of renegotiating the program but remaining committed to the program persisted. The PS used the deficit target revision as a chance to argue the PSD/CDS government failed. Instead of abstaining from the vote on the 2013 budget, the PS voted against it. While not consequential it was a signal to voters that there were disagreements with the program. There was even a symbolic vote of no confidence put forth by the PS in April of 2013, but because the government had a comfortable majority it had no chance of passing. Considering the worsening economic situation in Portugal, the increased criticism was not entirely unexpected for an opposition party. As one interviewee from the European Commission to Portugal put it:

We met (Seguro) at each of the reviews and I was also in those meetings and one could observe that they still had a strong ownership of the program because they had signed the program, but as the program proceeded, he was creating space between him and the program and becoming increasingly vocal that the program was not right, and something needed to change. He was creating more and more

³²¹ Negócios, “Carta de Seguro aos líderes da troika,” *Jornal de Negócios*, February 18, 2013, <https://www.jornaldenegocios.pt/economia/ajuda-externa/detalhe/carta-de-seguro-aos-lideres-da-troika>.

distance between him and the program, which I find very logical for an opposition party to be honest with you.³²²

CIP was pleased to get the revision in early 2013, but also voiced its concerns. They wanted a two-year extension of the timeline to get the deficit under three percent of GDP instead of one, which moved the three percent target to 2015. Again, the push from CIP was not to reject the program, but to revise it so Portugal could meet its obligations and create economic growth. As one representative from CIP said when asked about CIP supporting the fiscal consolidation and other concerns with the program:

Well, it was part of the program. What we have criticized was the excessively violent pace of the reduction. Especially, well not in the beginning when the program was conceived, but it tended to be gradually more violent.³²³

They continued:

So, there were those two aspects: the pace of the consolidation and also the deleveraging that was too, combined those two elements created a deeper recession than was foreseen and asked for even more violent pace of consolidation.³²⁴

The final manifestation of the “good student” as displayed through certain things being “off the table” was most visible by the government itself. Understanding that failing to implement the program would not just endanger the Portuguese and European economies but would add reputational costs that further damaged the “good student” image, the PSD/CDS government wanted to ensure that its European partners and financial markets knew they were fully committed to the program. This led to an intense dedication to the program that manifested in the government taking full ownership of the

³²² Interview with representative from the European Commission, Lisbon, Portugal, April 24, 2018.

³²³ Interview with representative from CIP, Lisbon, Portugal, May 10, 2018.

³²⁴ Interview with representative from CIP, Lisbon, Portugal, May 10, 2018.

program, the government's desire to "go beyond the Troika" in terms of structural reforms, and the government putting the implementation of the Troika program ahead of electoral concerns.

The Portuguese government had a strong consensus about its dedication to the Troika program from the start. As in all coalition governments there were disagreements about specific policies but whether Portugal would comply was not in question. Some interviewees stressed that from the beginning it was crucial for the government to take full ownership of the program. They noted how the Prime Minister emphasized that the program was theirs and not the Troika's. As one member of ESAME³²⁵ said:

The Prime Minister immediately decided from day zero that he would have full ownership of the program. This meant that at the first council of ministers he forbade the ministers from blaming the Troika.³²⁶

This same sentiment was reiterated by another member of ESAME when asked if the Prime Minister forbade blaming the Troika. They said:

Yeah, he said it a few times. Like, look this is our, and he said it to the Troika. He said it, look this is not your program. It's our program. We are happy to count with your help moving forward. We count on you to help us with the experience you guys had, but it's our program.³²⁷

One interviewee from the Bank of Portugal discussed the government's ownership of the program:

There was consensus and ownership of the program, in particular by the government, and that is important. The government really made the program, let's say, it's program. So, there was a strong ownership of the thing. It was not dictated by the Troika. It was owned by the government and the government

³²⁵ This was the Estrutura de Acompanhamento dos Memorandos or the Memorandum Tracking Structure, which was in the Prime Minister's office and handled all of the structural reforms for the Troika program and interfaced with the Troika on all non-budgetary aspects of the program.

³²⁶ Interview with ESAME team member, Lisbon, Portugal, April 20, 2018.

³²⁷ Interview with ESAME team member, Lisbon, Portugal, May 25, 2018.

defended the measures that were being implemented, so there was no scapegoat.³²⁸

The talk of taking ownership of the program was also closely related to one of the most controversial elements of the Portuguese program, which was the notion that the government exceeded its mandate by “going beyond the Troika.” This all started when the Prime Minister said, “Portugal needs to return to creating a wave of confidence in the markets...I think we can surprise and go beyond the (bailout) agreement.”³²⁹ The next day Passos Coelho said, “We must be more ambitious in terms of privatisations, in public media for example. We need new rules for social security, education, and justice. We are very ambitious about these structural reforms, much more than what is laid out in the (bailout) agreement.”³³⁰ As one advisor to the Prime Minister revealed, this was an off the cuff statement and had been discussed beforehand. When asked about discussing “going beyond the Troika” before the Passos Coelho said it, the former advisor said, “Before the elections, yeah... I said, I understood his point. I said it was true. A lot of stuff that was not included in the program, the Troika program, was very, very important for reforming the country.”³³¹ While the Prime Minister’s quotes were used against the government for political purposes, with the far-left and others claiming the government was “more Troika than the Troika,” this statement by the Prime Minister was revealing

³²⁸ Interview with representative from Bank of Portugal, Lisbon, Portugal, April 17, 2018.

³²⁹ Alex Bugg and Sergio Goncalves, “Exclusive - Portugal PM-elect fully committed to bailout,” *Reuters*, June 6, 2011, <https://de.reuters.com/article/uk-portugal-pm-elect-idUKTRE75520C20110606>.

³³⁰ Reuters Staff, “Portugal PM-elect eyes media privatisation -paper,” *Reuters*, June 7, 2011, <https://www.reuters.com/article/portugal-pm/portugal-pm-elect-eyes-media-privatisation-paper-idUSLDE75606P20110607>.

³³¹ Interview with former Portuguese Minister, Lisbon, Portugal, May 3, 2018.

for the ownership and dedication that the government displayed during Portugal's Troika program.

When asked about this notion of "going beyond" the Troika, members of the government were very consistent in their responses. Most interviewees noted that they wanted to be ambitious and do more than just "tick the box" of the Troika's requirements for structural reforms and do meaningful reforms for Portugal that would transform its economy, positioning it to be more competitive and further integrated into the European and global markets. When asked about the former Prime Minister's statements, one former minister said:

In the sense that this is not just complying with the targets. We want to be ambitious. We want to make sure that we actually reform the country. So, it's not just doing what they requested us to do, we wanted to do more than this because we are ambitious, we want to put the country in a different place so that we will not have this in the future... We really wanted to do more for our own sake, not just to have the box checked and the money flowing in. Going beyond meant being ambitious and that we are doing this for us, not the Troika. Not for them but for our own sake. We want to be in a better position. We want to sort of use this crisis, and being difficult as it is, to get at a place where the next crisis will not hit us as hard.³³²

When asked about why there was the desire to "go beyond the Troika," another former minister said:

To do something more in structural terms. We launched more privatizations than was initially designed. In several domains we adopted new policies in structural terms that wasn't presented by the Troika or the previous government. We thought it was important to give more room for the structural change.³³³

They continued discussing the motivation for the government's dedication to the program:

³³² Interview with former Portuguese Minister, Lisbon, Portugal, April 18, 2018.

³³³ Interview with former Portuguese Minister, Lisbon, Portugal, May 21, 2018.

To put the country on a safe road with no holes and no easy escapes for the structural change. That was the purpose, the meaning of the political willingness to accomplish the program and to face the opposition legacy and opposition stress coming from the financial stress, or the microeconomic entrepreneurs.³³⁴

One former Secretary of State had a similar view, saying:

It was really about, this is a difficult position, a difficult situation the country is in. We need to be brave and bold and not simply engage in a tick the box exercise. We really want to implement things properly so the country can finally get out of the hole it was in and start growing again. I think that was a really clear message that was supported by actions. It was not just words and vague statements. It was really about moving forward, even if that amounted to important costs in the present.³³⁵

Another former Secretary of State added:

Because there was some sentence said by the prime minister. It was we must go further than the Troika and sometimes the people remember that he said that we need to go further. Because Troika and MOU represented sacrifices. And we said that we must go further. You want to say that we don't need that in, that represents us an opportunity to change our economy on a different direction. But people understand that we must make more sacrifices than those that are imposed to us.³³⁶

Knowing the kinds of policies that were going to be implemented would be difficult and were not likely to be rewarded at the ballot box did not deter many in the government from remaining dedicated to the program. They saw, especially the structural reforms, as more important than winning the next election, which they technically did in 2015 but could only form a minority government. As one former member of ESAME said:

There was a famous quote of the PM that was very mis-comprehended that said I couldn't give a damn to elections. What he was saying was, I'm doing what needs to be done even though I may have an electoral cost. People called him

³³⁴ Interview with former Portuguese Minister, Lisbon, Portugal, May 21, 2018.

³³⁵ Interview with former Portuguese Secretary of State, Lisbon, Portugal, May 4, 2018.

³³⁶ Interview with former Portuguese Secretary of State, Lisbon, Portugal, March 12, 2018.

undemocratic, but that was not the point. He knew and we all knew that we wouldn't be re-elected.³³⁷

Another former minister remarked:

We never really thought we would win the next election after implementing the program, regardless of the rhetoric. When the former PM once said what would be translated into American like 'fuck the elections.' Basically, he said it and I think that most of the people thought he was saying it for electoral purposes and didn't realize how honest he was being. He really meant it because he thought I'm not going to win an election after doing this. I have to do it right.³³⁸

Another Minister remarked:

Political costs were not important then. The most important thing was to reach the targets and complete the program. Regain access to the markets and go on. If possible, to winning the election, if not never mind... If you put the electoral results above all you cannot go further. You are always coming back, returning to the previous position.³³⁹

A former CDS minister commented on entering government and implementing the MOU:

To be honest we knew what they were getting into and we knew it would be very, very difficult times... But to be honest, we really understood that we had to go into government to do these very tough measures. That also happened in our history. In the 80's as well. CDS had to go into a government as well with the IMF at the time, to really try to solve the problems that Portugal had. So, to be honest, probably, people (from the CDS) said it would be preferable if we stayed in parliament and just sign an agreement with PSD, but we stay out and we are in parliament. But to be honest, that would not give the depth, the real solid solution to Portugal and we understood that.³⁴⁰

The dedication to the program was also noticed by those at the European Commission, with one interviewee saying:

³³⁷ Interview with former ESAME team member, Lisbon, Portugal, April 20, 2018.

³³⁸ Interview with former Portuguese Minister, Lisbon, Portugal, April 18, 2018.

³³⁹ Interview with former Portuguese Minister, Lisbon, Portugal, May 21, 2018.

³⁴⁰ Interview with former Portuguese Minister, Lisbon, Portugal, May 9, 2018.

I think there was a strong commitment from the Portuguese authorities to implement the program according to the agreed lines, yes. This was a bit of a thing. If it was a bit more Troika than the Troika... In some areas, there was some fine-tuning, some new issues that were added because the government themselves, they asked for it. I think it's more in this sense that some say that yes, we were more ambitious, we want to do more than that. But I think they were very conscious about the challenge. They wanted to do it in the right period. They don't, I think this was a very key objective for the previous government. To do that in the period. Not to have any subsequent program, to really have a clean exit. In that sense they were very committed to implementing.³⁴¹

Another interviewee from the European Commission added:

Basically, there was political will and capacity to actually undertake these reforms. So, there was a bit, perhaps of over-enthusiasm in applying... all those measures. I mean there's a famous sentence from the former Portuguese Prime Minister where he said, 'we need to go beyond the Troika.' But I think at the time, it's true, you know, that the country, you know, needed to recover credibility. So, I don't pass judgements actually.³⁴²

Individuals from the Mission to Portugal from the European Commission noted

Portugal's commitment to the program, although they commented that it appeared to wane towards the end, saying:

My view is that it was probably correct at the very beginning of the program. That the government was very committed to structural reforms. Also, to fiscal consolidation. But as we discussed before, ownership eroded a bit over time. In the beginning we kind of ran into open doors with all of the reforms. The Portuguese government said that's great, let's do it. Whereas later on in the program there was much more resistance.³⁴³

The fact that the government put up more resistance over time does not mean that the government did not want or try to meet its commitments in the MOU. After the TSU debacle in late 2012, the government switched its strategy from implementing cuts to

³⁴¹ Interview with representative from the European Commission, Lisbon, Portugal, May 4, 2018.

³⁴² Interview with representative from the European Commission, Lisbon, Portugal, April 5, 2018.

³⁴³ Interview with representative from the Mission to Portugal from the European Commission, Lisbon, Portugal, April 24, 2018.

reach deficit targets to increasing taxes. This was not preferred by the government or the Troika but was the best option the government felt it had after some measures had been struck down by the Constitutional Court and the large protests against the proposed changes to the TSU. Despite this change, the Troika was still demanding Portugal make cuts the government was unwilling to make, which is where much of the aforementioned resistance came from.

The commitment to the Troika program was also evident when the Constitutional Court would strike down legislation. The government did not necessarily agree with the decisions but respected them and would go back to the drawing board to find alternative measures to meet the Troika's targets. As one member of ESAME said:

The Prime Minister said he fully respects the decision, but he immediately gave the sign that was important to our creditors. That he was not going to use that as an excuse.³⁴⁴

They continued:

I think it was unsustainable to spend three years saying the Troika made me do it, the Troika made me do it. It's kind of childish right? There were many people around (Passos Coelho) saying you are completely stupid. You should be blaming the Troika. When the Constitutional Court would strike down, he would say ok, this is a setback but rest assured that we will find an alternative measure and that would be proposed to the PM and the core team and it would go to the council of ministers, then it would go to the parliament.³⁴⁵

Another minister added that the Constitutional Court rulings prevented them from going beyond the Troika to the extent they wished, but alternative measures had to be found, saying:

³⁴⁴ Interview with former ESAME team member, Lisbon, Portugal, April 20, 2018.

³⁴⁵ Interview with former ESAME team member, Lisbon, Portugal, April 20, 2018.

(We did not go) far enough because we had a relatively high number of setbacks. Namely, the rulings of the constitutional court. Those had forced us to try alternative solutions always ending up in increasing taxes because that's apparently the only thing that doesn't go against the constitution, oddly enough.³⁴⁶

The dedication to the fiscal consolidation agreed to in the program was one of the reasons for the political crisis in 2013 where Paulo Portas initially resigned, and the government needed to be reshuffled to keep the coalition together. The CDS disagreed with replacing Vitor Gaspar with Maria Luis Albuquerque because they thought that it would continue the government's focus on making cuts and the fiscal consolidation. CDS wanted to have more focus on economic growth and recovery after two difficult years.

One former CDS minister said:

We really felt that we should have two phases. One phase was delivering and doing what we had to do. And the second phase, rebuilding trust. Rebuilding economic growth, having more to distribute to people. And the June crisis was linked to something that we felt was not going from stage one to stage two, from phase one to phase two. When Vitor Gaspar decided to leave, the feeling was that Maria Luis, or who was going to be the substitute, would do the same that he did. Just being completely focused on fiscal aspects, not economic growth. And for us it would be crucial to get economic growth.³⁴⁷

They added:

The June (2013) crisis did not have to do with the Troika. It had to do with a political, internal option. Are we going to now really focus on the economy or just still focus on fiscal consolidation?³⁴⁸

There were many chances for the government to avoid taking ownership or blame others such as the Constitutional Court or the Troika for the difficulty of the program, but each time the government avoided excuses, remained committed to the program, and

³⁴⁶ Interview with former Portuguese Minister, Lisbon, Portugal, April 18, 2018.

³⁴⁷ Interview with former Portuguese Minister, Lisbon, Portugal, May 9, 2018.

³⁴⁸ Interview with former Portuguese Minister, Lisbon, Portugal, May 9, 2018.

pushed forward. On top of the government, the mainstream opposition and institutions that disagreed with parts of the program voiced their opinions and opposed certain measures but never to the extent that would derail the program as a whole. This broad-based agreement across the political spectrum (excluding the far-left) and the delayed response in the public's opposition displays the "good student" in action and helps separate Portugal from Ireland and Greece.

Portugal is not Greece

The final way the "good student" manifested itself during the Troika period was the insistence from many that Portugal was not Greece and that they needed to do whatever they could to show that this was the case. The way the Greeks responded to their Troika program violated almost every principle of the "good student" identity and clearly set Greece as the "other," and the model not to emulate. On the other hand, Ireland was a model to follow in the minds of the Portuguese. Ireland complied with its targets and reforms and maintained social peace as it made its way through its program. With Portugal being the third country to enter a bailout program, Portuguese policymakers used these two countries as choices that Portugal had to follow and outside of the far-left parties and the Communist affiliated labor union, CGTP, the Portuguese agreed that they were not Greece, and that Ireland was the model emulate. The theme of Portugal not being Greece and having to differentiate itself from Greece was very pronounced in the interviews conducted in Portugal. This theme was present whether talking to Ministers, Secretaries of State, advisors, economists, and even officials from the trade unions. One former minister said very bluntly, "That (differentiating Portugal

from Greece) was *the most important thing*.”³⁴⁹

Even before the Troika bailout was negotiated and agreed to, there were attempts to distance Portugal from Greece. The minority PS government made appeals to identity as Prime Minister José Sócrates said many times that Portugal was not Greece in an attempt to avoid a program altogether. This was not only in reference to the economic problems, but also in the type of country Portugal was. One former advisor to José Sócrates stated that the Sócrates government resisted requesting a program because, “it would be a situation where Portugal would suffer big reputational costs. Look at Argentina. They are still suffering the costs.”³⁵⁰ Not only were the Portuguese worried about being compared to Greece, but to the “serial defaulter” Argentina. These explicit comparisons to Greece would continue as the new government took office.

From the beginning of the PSD/CDS coalition, an effort was made to differentiate Portugal from Greece and to follow the Irish path. As one former PSD minister put it:

I would say they are the two extreme examples. We made a very, very, very big effort to get closer to Ireland and get separate and apart from Greece. For the international community, Ireland had sort of a hiccup, but they’re good. Their reputation wasn’t really that affected. It was not a reputational issue for them. They had a problem they solved it. Greece was the one that no one believed in, that was going to be a complete disaster. And Portugal was placed with Greece. You know, the southern countries, the lazy ones. All that prejudice comes up when these problems happen. So, we wanted to be perceived by others as closer to Ireland in the sense we had a problem, but we will recover. We’ll do what’s needed.³⁵¹

Another former PSD minister said:

³⁴⁹ Interview with former Portuguese Minister, Lisbon, Portugal, May 21, 2018.

³⁵⁰ Interview with former advisor to José Sócrates, Lisbon, Portugal, May 14, 2018.

³⁵¹ Interview with former Portuguese Minister, Lisbon, Portugal, April 18, 2018.

We had one bad example and we all know which country it is. I don't need to tell you. And people here were not liking it. (The Portuguese) were saying what's going on. I don't understand that country. They say they paid, and they say they would pay, and they don't pay, then. So, it was a kind of pride. Let's do it. Let's get over it. Let's get it over with. I would say so. I'd say people were thinking like that³⁵²

The same minister continued:

“It was very clear for us and we had very clear instructions that we cannot be associated with failing programs. So, we have to be associated with Ireland. So, that was very clear. This was coming from everybody. I can't recall the prime minister saying it explicitly but everybody, it was very clear. We had discussions of it on the council of ministers and we have to associate us with Ireland, we have to associate us with Ireland. And I think we succeeded.”³⁵³

One former CDS minister added:

We felt, at the beginning we felt a little bit like humpty dumpty. To which side of the wall are we going to fall. Outside of Portugal, when people look at us, will we be closer to Greece or will we be closer to Ireland? We had that question for ourselves... We always said, 'we will have to be the next Ireland.' We will have to follow Ireland. People will have to look at us, and being a humpty dumpty, we will have to fall to the Irish side of the wall, not to the Greek side of the wall.³⁵⁴

The effort to create distance between Portugal and Greece was made not only in rhetoric, but in concrete action. With the disorganization of the program response in Greece, Portugal made a conscious effort to be as organized and prepared as possible. Once elected, the new Prime Minister, Pedro Passos Coelho, immediately created a new department in the Prime Minister's office, called ESAME (Estrutura de Acompanhamento dos Memorandos or the Memorandum Tracking Structure), headed by Carlos Moedas. This is similar to the Department of Expenditure and Reform (DPER)

³⁵² Interview with former Portuguese Minister, Lisbon, Portugal, May 16, 2018.

³⁵³ Interview with former Portuguese Minister, Lisbon, Portugal, May 16, 2018.

³⁵⁴ Interview with former Portuguese Minister, Lisbon, May 9, 2018.

created for similar purposes in Ireland. No such department was created in Greece or had been by mid-2018, which was emphasized by one of ESAME's team members.³⁵⁵

ESAME handled all of the structural reforms for the Troika program and interfaced with the Troika on all non-budgetary aspects of the program while the budgetary adjustment side of its program was handled by the Finance Minister, Vitor Gaspar, and his team.

Portugal also took specific policy actions in an attempt to emphasize the contrast to Greece to the Troika and its European partners. When asked whether there were conversations within ESAME about differentiating Portugal from Greece, one member of Carlos Moedas' team said:

From the start. We always said we were not Greece and that was the key message that we wanted to show everybody. So, some of the measures that we took very early in the program, like the measure to cut public holidays. That was a measure to show we are not Greece. There we actually went beyond the Troika. Nobody asked us to cut public holidays.³⁵⁶

Not only was this measure believed to be beneficial economically, but it was an explicitly political measure to signal Portugal's commitment to its program. The same interviewee noted,

It would be a wonderful measure to explain to our bailout partners, to the EU institutions, to the EU governments, that we mean business. So, it was a political measure in that sense.³⁵⁷

He continued:

Yeah, we're serious. Whereas you had the Greeks saying 'we're not going to do this. You have to give us more money. You have to give us more time.' Here you go, you've got the Portuguese saying 'well you know what, it's not in the program, but we will take seven days of extra work. And then you get the Prime

³⁵⁵ Interview with former ESAME team member, Lisbon, Portugal, April 20, 2018.

³⁵⁶ Interview with former ESAME team member, Lisbon, Portugal, May 25, 2018.

³⁵⁷ Interview with former ESAME team member, Lisbon, Portugal, May 25, 2018.

Minister saying we are going beyond the Troika. This is our program. We need to start with that.³⁵⁸

However, creating space between Portugal and Greece was not easy or accomplished immediately. As another member of ESAME remarked:

Carlos (Moedas) and Antonio (Vicente) went to London and New York to talk to investors and were practically laughed out of the room. They had zero credibility in the beginning, and everyone lumped them together with Greece. Some people in New York even confused cities in the two countries.³⁵⁹

Knowing that the two countries were linked in the minds of investors as well as their European partners, Portugal developed a wholistic plan to create more separation between themselves and Greece. This involved regaining trust from its European partners and the Troika as well as regaining credibility with the market by presenting results. An advisor to Pedro Passos Coelho noted again that separating Portugal from Greece was crucial and part of the plan for doing this was to stay informed about what was happening in Greece. To do this, he had to scrutinize what was going on in Greece every day.

I would go to all of the English language sources of information. I requested studies from Greek scholars on what was happening and then I would write a summary to the Prime Minister.³⁶⁰

Another minister in the government explained the strategy in great detail.

We had all the information about the Greek process of adjustment, and we know that it was failing. Before the disaster, the Greek disaster, had each review we could show to the officials and to the external markets that all the structural issues on the Portuguese program were not only on track but reachable. Before every review of the Greek government and the Greek program, it was important for Portugal to anticipate the results. So, when Greek slippage or deviation from the targets was recognized, the Portuguese could show its program was attaining its targets early. We decided to anticipate some of the structural targets in the

³⁵⁸ Interview with former ESAME team member, Lisbon, Portugal, May 25, 2018.

³⁵⁹ Interview with former ESAME team member, Lisbon, Portugal, April 20, 2018.

³⁶⁰ Interview with a former advisor to Pedro Passos Coelho, Lisbon, Portugal, May 3, 2018.

structural dimension of the program. Yes. We reached them faster and with more impact. For instance, the privatization programs that failed totally in Greece was a success in Portugal. Bringing almost double what was forecasted to public means. Privatizations and concessions in Portugal were estimated to be almost €5bn at the beginning of the program. They ended up being almost €10bn.³⁶¹

As indicated from the strategy above, not only did the Portuguese wish to separate Greece from themselves, but the government actively used the failures of the Greek government to comply with its Troika program to create this separation. However, Portugal not only complied with its agreed to targets, but *exceeded* some of the structural reforms. When asked about the mentality of going beyond the Troika, one former secretary of state immediately made the contrast with Greece, saying:

Portugal did not want to go the path of Greece disputing the memorandum and trying to go back. It was really about, this is a difficult position, a difficult situation the country is in. We need to be brave and bold and not simply engage in a tick the box exercise. We really want to implement things properly so the country can finally get out of the hole it was in and start growing again. I think that was a really clear message that was supported by actions. It was not just words and vague statements.³⁶²

Interviews also suggested that differentiating Portugal from Greece extended into areas of the program that were seen as needing adjusted and renegotiated. In the lead up to the 2012 budget both Portugal and the Troika knew that the fiscal targets were unreachable and needed adjusted. However, Portugal did not pressure the Troika to adjust the targets out of fear that asking for adjustments at the beginning of the program would be seen as similar to the Greek approach to their program. As a former PSD minister said:

If we decided to put more pressure on the Troika, mainly in public terms. The consequence would be negative. That would be perceived by the markets like something near the Greek approach. We start. You are starting the program and

³⁶¹ Interview with former Portuguese Minister, Lisbon, Portugal, May 21, 2018.

³⁶² Interview with former Portuguese Secretary of State, Lisbon, Portugal, May 4, 2018.

you begin to say, ‘well this is not possible.’ It is not accomplished by our best effort. So, please before we start the program, design another. Design another one. And please, don’t forget €78bn is not enough. Put in €20bn more on the envelope.’ So, what would you guess would happen if this approach was taken as the Portuguese official approach? It would have been a disaster.³⁶³

The worries about being compared to Greece were confirmed in interviews with individuals in the European Commission’s mission to Portugal. Private Sector Involvement (PSI) was very popular with the far-left (CGTP, BE, PCP) as it was seen as an easy way to reduce the debt. However, the government knew it would not be as simple as many on the far-left argued. As one member of the European Commission’s mission to Portugal said:

The government was very much aware that (PSI) is not as easy as people thought because (PSI) could jeopardize a swifter return to markets. The government was always very much aware of not wanting to be in the same boat as Greece.³⁶⁴

Debt restructuring and PSI were always viewed as unacceptable by the government as it would not only lead others to perceive them as much more like Greece but to some it drew comparisons to Argentina. When asked if some of the debt should have been forgiven, one former minister remarked,

If you don’t intend to borrow again, that’s fine. Look at Argentina. They never recovered from that debt restructuring. The Argentinian economy never really recovered.³⁶⁵

The appeals being made, and framing, included comparisons to economic reality but also to identity and reputation. The argument was that if we want to be like them (Greece or Argentina) then debt restructuring is fine. But this was clearly not the aspiration of the

³⁶³ Interview with former Portuguese Minister, Lisbon, Portugal, May 21, 2018.

³⁶⁴ Interview with representative from the European Commission, Lisbon, Portugal, April 24, 2018.

³⁶⁵ Interview with former Portuguese Minister, Lisbon, Portugal, April 18, 2018.

Portuguese and would have taken them dramatically away from their real aspiration of being a modern, developed, European democracy similar to its European neighbors.

Avoiding comparisons to Greece even bled into the decision making of the labor unions, especially UGT. UGT was one of the two main labor unions in Portugal, but the only one to participate and reach agreements with the other social partners. Even after taking part in a general strike in late 2011, UGT still felt it was very important to have a continuous social dialogue in order to influence measures in the MOU and future measures. This ultimately led to a social partnership agreement in early 2012. A former UGT official said:

What we think, mainly in comparison with Greece. The Portuguese workers, they will lose if we have a confrontational policy and not a social dialogue policy. And we know very well what is the situation in Greece and the social confrontation, and the political confrontation in Greece. That is a reality. And for that reason, yes, we need to negotiate. We need to make an agreement to influence the labor law. We need to influence the political measures.³⁶⁶

While the official was concerned about the material well-being of the union's workers, Greece was again used as an example of what Portugal was not, and part of the motivation for participating in social dialogue as UGT followed the situation in Greece.

Finally, when Portugal was approaching the end of its program there was a strong desire to follow the path of Ireland and be seen in a similar fashion to the Irish. As a member of the European Commission's mission to Portugal said:

At the end of the program, the term 'clean exit' was created in Ireland. So, they were always looking at Dublin rather than at Athens to see the next steps and Greece was not really kind of a role model for them. But rather, showing, it was rather Dublin. They never wanted to be tied to Greece in what they're doing.³⁶⁷

³⁶⁶ Interview with former Portuguese labor union official, Lisbon, Portugal, April 4, 2018.

³⁶⁷ Interview with representative from the European Commission, Lisbon, Portugal, April 24, 2018.

That Portugal wanted to emulate Ireland in the way it exited its program was no secret, but many believed that Portugal would still need a precautionary line of credit to protect against market uncertainty. Because Ireland had exited their program before Portugal and without a backstop, this became a goal of the Portuguese as early as January 2014. Not only did Portugal not need a backstop, but it followed Ireland's lead by building up enough cash reserves that it did not need the final €2.5bn tranche of funding from the program.

Conclusion

This chapter has argued that only national identity can explain the specific features of the Portuguese response to its Troika program. Portugal faced many of the same external pressures of the other Troika countries, but the government and society responded differently than both Greece and Ireland. Whereas Greece broadly rebelled against their program and Ireland offered some initial political and social resistance before its situation calmed down, Portugal took a different track, influenced by its “good student” identity. They had a government that was extremely dedicated to implementing the MOU despite a very difficult program, a deeper recession than anticipated, and a number of setbacks from the Constitutional Court. Social and political responses developed in three phases, with the initial phase from May 2011 until September 2012 being characterized by low levels of resistance. The second phase, from September 2012 until early July 2013, saw much more resistance as protests, strikes, and political criticism all greatly increased. The third phase was from July 2013 through Portugal's exit from its program and saw resistance from society and opposing political parties elevated above the first phase, but much less than the second phase of the program. The

evidence in this chapter illustrated three main ways the “good student” manifested during Portugal’s Troika program. First, there were constant references to the “good student” narrative as well as the content of that identity. Second, options relating to a strong rejection of the overall Troika program seemed to be off the table for many societal actors and the government. Despite increased criticism from the mainstream opposition (PS) about specific policies, it never veered from its commitment to the program. Even when societal resistance increased in the second phase of the program, it was initiated by a catastrophic policy blunder that was widely viewed as a major mistake. Finally, Portuguese elites were very deliberate in their attempts to distinguish themselves from the “bad student” in Athens both in terms of their economic situation and as a country that is a responsible, mature, European democracy.

CHAPTER V

CONCLUSION

The euro crisis period from 2010-2014, which was covered in this dissertation, was an extremely traumatic time for all of Europe but especially for Greece, Ireland, and Portugal. All three countries needed external assistance to ensure their governments continued functioning and avoided default. All three were required to implement very difficult programs of austerity and structural reforms in return for financing from the Troika. Despite the similarities of their situations, they all responded differently: Greece experienced significant political and social resistance to its program as politicians failed to take ownership of the program, constantly fought with each other, and engaged in brinksmanship with the Troika. The Greeks also held huge protests and multiple strikes that frequently involved violence and property damage. Ultimately, Greece would need a second program. Irish voters ousted the government that agreed to the Troika program and notwithstanding some pre-election bluster, the new coalition executed Ireland's program. There was minimal social and political resistance in Ireland and the Irish also exited their Troika program on time. The Portuguese elected strong advocates of the Troika program who were dedicated to implementing the Troika's policies and even exceeded their requirements for structural reform. The social response increased after sixteen months of relatively low levels of protests and strikes, but the government maintained its commitment to the program and exited on schedule.

The core of the argument in this dissertation is that national identity is crucial for understanding the variation in responses of each country to its Troika program. More specifically, I have argued that each country's responses were shaped and influenced by

specific aspects of each country's national identity, especially as each relates to Europe and the European Union. As was documented throughout, the national identities of Greece, Ireland, and Portugal vary widely due to different histories and experiences, especially with European countries and the EU. Therefore, each country's interpretation of its Troika program was structured by these shared experiences.

Since the establishment of the modern Greek state in 1832 and continuing through their accession into the EEC and later the EU, Greece has sought to become a modern country at the core of Europe. However, many Greeks and some European countries have been hesitant about Greece's inclusion in Europe. Greece's journey to join Europe has been questioned by the Greeks themselves and at times hindered by other powerful countries, including some in Europe.¹ However, outside interference created obstacles for these goals as foreigners meddled in domestic Greek affairs much more than the other two countries. Foreign countries meddling in Greek affairs was not uncommon since the founding of modern Greece.² There are many examples of powerful European countries meddling in Greek politics since the modern state was formed in the early 19th century and this trend would continue throughout the 20th century. The Nazi occupation of Greece during WWII further solidified Greek skepticism of Western European countries and imprinted a deep anti-German sentiment onto Greek national identity. Further interventions by the US, UK, and USSR during the Greek Civil War only added to this suspicion of powerful foreign countries controlling Greece's fate while the support from

¹ Gallant, *Modern Greece*; Clogg, *A Concise History of Greece*; Kalyvas, *Modern Greece: What Everyone Needs to Know*.

² Gallant, *Modern Greece*; Clogg, *A Concise History of Greece*.

the US for the military junta engrained anti-Americanism further into the Greek character.³ After the collapse of the military junta, many Greeks viewed their failures as caused by foreign meddling, as any progress made appeared to be quelled by outside forces. Even as Greece sought closer ties with Europe starting in the 1970s the country was divided whether to pursue this course as some thought Greece would be left permanently on the periphery of Europe. Despite some excitement for European integration, there was always a sense of hesitation and even distrust towards the EU as well as the US.⁴ When Greece went to the Troika in early 2010, their unpopular policy recommendations were viewed as a threat to Greece as they were being imposed by the very countries that had previously held Greece back, especially Germany. These interpretations led many Greeks to reject the program and rebel against the Troika and its own government, who was implementing the policies.

Ireland made economic growth and modernization a nation building project in the 1950s. Its leaders looked to leave poor, anti-materialistic Ireland behind⁵ and this goal structured many of its policies throughout the second half of the 20th century. After periods of growth, severe recession, and reform, the dedication to economic growth began to payoff and the result was the Celtic Tiger in the 1990s and into the 2000s. The success and wealth generated by Ireland's Celtic Tiger economy imprinted onto Irish national identity a faith in markets and in its foreign direct investment based economic

³ Kalyvas, *Modern Greece: What Everyone Needs to Know*.

⁴ Featherstone and Papadimitriou, *Prime Ministers in Greece*.

⁵ Fanning, *The Modern Quest for Ireland: The Battle of Ideas 1912-1986*; Fanning, *Irish Adventures in Nation Building*; Lee, *Ireland 1912-1985*.

model. Ireland became one of the richest countries in the world on a per capita basis and also finally felt as if it finally belonged with its ‘core’ European partners.⁶ With the success of the Celtic Tiger economy, the faith in markets and Ireland’s economic model became a lens through which the Irish made sense of their economic and social conditions. Therefore, when Ireland asked for help from the Troika in late 2010, the faith they had in markets and their economic model led many to view their crisis as more of a storm to be weathered as they attempted to revive the Celtic Tiger.

Post-revolution Portugal developed a new national identity that was driven by the goal of Portugal becoming a stable, modern, Western European democracy similar to its European neighbors. This was in contrast to the poor, imperialist, dictatorship it had been for the past 40 years. Most Portuguese agreed that the best way to be more like their European neighbors was to make a full turn towards Europe and pursue deeper European integration.⁷ The European turn manifested itself with Portugal internalizing the identity of the “good student” of Europe. Here, Portugal acted in ways that were consistent with what it viewed as behaviors appropriate for a ‘core’ European country and as a means of modernizing its country, consolidating its democracy, and reinforcing its “good student” identity.⁸ However, the Portuguese had never truly lived up to these aspirations as they lagged behind their European neighbors into the 2000s. Therefore, the Troika program in Portugal was viewed as an opportunity to continue to make changes to further integrate

⁶ Nietzsche, "From Periphery to Core (and Back)? Political, Journalistic, and Academic Perceptions of Celtic Tiger- and post-Celtic Tiger-Ireland."

⁷ Schukink and Niemann, "Portugal and the EU's Eastern Enlargement: A logic of identity endorsement"; Ferreira-Pereira and Groom, "Conclusion."

⁸ Costa Pinto and Teixeira, "From Atlantic Past to European Destiny: Portugal."

with Europe and become more like other European countries by strictly adhering to the Troika's policies and even *exceeding* its demands for structural reforms.

These interpretations structured the responses of each country, which aligned with the content of its national identity. And, instead of room for new ideas to influence policy, each country reverted to and reproduced central elements of these identities. Another key observation is that the identities interacted in real time, with Ireland and Portugal highlighting their differences from Greece, and Portugal actively striving to be more like Ireland. The interaction between identities further reinforced each country's responses to their respective Troika programs.

While this is a new interpretation of the responses from Greece, Ireland, and Portugal to their respective Troika programs, it also provides an explanation that can account for the variation in responses in all three countries. Whereas many of the existing explanations that focus on the difficulty of each program, domestic institutions, or economic ideas are limited to explaining only one or two of the cases, national identity succeeds in explaining all three cases. This dissertation has also highlighted how national identities can interact in a crisis situation, and how the interaction of identities helped support each country's responses. Additionally, and on a broader level, this dissertation offers a novel contribution to the literature because few studies have illustrated how national level identities have influenced large, sharply contested political processes. My work also suggests the plausibility of using national identity to explain outcomes in political economy and politics more generally.

Finally, this dissertation has documented how historical interactions and relationships as well as the collective experiences of nations and nation-states can have a

profound impact on the economic goals, strategies, and decisions that countries set for themselves as well as the impact of these experiences and aspirations on decision making during a crisis. However, as documented throughout this dissertation, national identities are not static and the traumatic experiences of the Troika programs in Greece, Ireland, and Portugal are bound to reverberate through each society in different ways. Ireland and Portugal both emerged from their Troika programs stronger and experienced periods of economic growth until the onset of the Covid-19 pandemic. Greece needed a total of three Troika programs before they could fully regain bond market access and rid themselves of the Troika. While it is unknown how the experience with the Troika will affect Greek, Irish, and Portuguese perceptions of themselves and their European neighbors moving forward, their different experiences may already be having an effect on perceptions of the EU in each country. In the most recent Eurobarometer survey, the Portuguese and Irish have the most favorable images of the EU with 76 percent (PT) and 75 percent (IE) of their populations viewing the EU positively. On the other hand, only 34 percent of Greeks view the EU positively.⁹ One can only guess, but if history is any indicator, the national identities of Greece, Ireland, and Portugal will continue exert considerable weight on their economic and political decisions moving forward.

⁹ European Commission, “Standard Eurobarometer 94 – Winter 2020-2021 – Public Opinion in the European Union,” *europa.eu*, April 2021, <https://europa.eu/eurobarometer/surveys/detail/2355>.

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