The European Troika

The triumvirate in the eurozone

When one speaks about a Troika in Europe, one is referring to a triumvirate of three entities whose powers and influence are such that they hold the fate of the eurozone in the palm of their hands. These entities are: the European Commission; the European Central Bank; the International Monetary Fund.

The European Commission is the 'government' of Europe, or so to speak, and it can be equated to the federal government of the United States of America. The Commission is, however, void of one important factor: people who sit on it are not democratically elected but appointed. These people, in derogatory terms called commissioners, come from a variety of countries that make up part of the European Union, and congregate every Wednesday, in Brussels, to discuss policy issues at weekly cabinet meetings. In other terms, the European Commission is the executive body of the European Union.

The European Central Bank (ECB) is commissioned with its main task to maintain the euro's purchasing power and price stability in the euro area. This is done through the implementation of monetary policy which entails controlling the money supply, either by inflating it (quantitative easing) or deflating it (purchasing securities), coupled with maintaining inflation at set targets by controlling credit and liquidity via interest rates. Contrary to common perception, the ECB does not print any banknotes, as that task is undertaken by a private firm, at present called De La Rue.

The International Monetary Fund (IMF) is an international organization, comprised of 188 countries, that was originally laid out as a part of the Bretton Woods system. The participating member countries may draw out loans from the IMF's pool of resources in return for the finance that they each provide for their membership. The IMF is led by a managing director, who is traditionally European, whereas a similar organization, the World Bank, is fronted by a U.S. citizen by consensus. Voting power in the IMF is based on a quota system that is proportional to the finance that a country pays for its membership. Hence, the more money a country pays to the IMF, the more influence it has in the boardroom.

It was in a meeting room at the European Council in Brussels, in May of 2010, where the Troika first came to prominence in Europe, with finance ministers of the then 16 members of the eurozone area meeting during an emergency session to agree to a 110 billion euro bailout for Greece's faltering economy. There, the austerity measures and conditions were imposed following a thorough review after going through the books, budgets and balance sheets.

Greece's bailout package to furnish its budget deficit came with strings attached, and sparked widespread riots, leading some rioters to vent their anger and frustration onto the streets in protest at the rising social costs. The Greek government could no longer afford to maintain as large a workforce in the public sector as it previously had done. Reforms in state pension reductions, and raising the retirement age threshold, acted as accumulative factors for these disruptions. Rather than the Troika being heralded as a saviour to Greece's economic woes, it was demonized.

Following Greece's collapse, more nations in the eurozone have since followed suit, with Cyprus, Portugal, Spain, Italy, and, Ireland, all going insolvent. The failure of the single currency may lie with the notion that it is inherently flawed and ill conceived, it being a monetary union without a fiscal union. In order to fix things, Europe may well be faced with little choice other than to adopt a system similar to that set forth by the U.S. dollar, i.e. incorporating a central authority with powers, not only to issue money but, to tax and spend as well. Whilst such a proposition could be the solution to ensure the survival of the euro, its viability may be at odds with a European continent whose nation-states differ from one another and share little in common, in terms of language, culture and ancient history. A federal Europe modelled on a federal America could be met with resistance, as it would render nations subservient to a supranational system.

The scope of the sums mobilised thus far to prevent countries from defaulting on their loans is staggeringly high—over 400 billion euros. There are sound arguments to be made as to whether or not Europe was not better off with the way things were, before the inception of the euro on the 1st of January, 1999, with Greece the drachma, Cyprus the Cypriot pound, Portugal the escudo, Spain the peseta, Italy the Italian lira, Ireland the Irish pound. People living and paying taxes in the better placed economies of the euro area, such as Germany, complain about the unfairness and imbalance that comes with being integrated, together with such faltering economies, and having to provide a larger share of the finance for these bailouts as a result of their hard-earned prosperity.

But on one issue, Europe does appear to be united: the Troika's perceived absence of accountability and transparency. There is nothing enshrined in law for its existence as a consortium, neither does it have any democratic legitimacy. The Troika is a de facto triumvirate of three powerful entities acting together in the best interests of the grand European project; a single currency tailored for an expanding, increasingly integrated Europe, by design, whose history has been blighted by division, fascism, and, warfare.