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C. Randall Henning. 2017. *Tangled Governance: International Regime Complexity, the Troika, and the Euro Crisis* (New York: Oxford University Press)

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The performance of global economic governance structures after the 2008 financial crisis has prompted vigorous scholarly debates. One of the rare areas of consensus, however, has been that the welter of institutions that managed the eurozone crisis underperformed spectacularly. Most of the global economy suffered only a modest downturn after 2008; in contrast, the eurozone economies grew less during the Great Recession than during the Great Depression. There have been excellent analyses of state of the eurozone economies, but less about why the key actors in eurozone governance behaved the way they did.

With *Tangled Governance*, C. Randall Henning addresses the regime complex that tried to assist Greece, Ireland, Portugal, and other afflicted economies. At its root, *Tangled Governance* poses a basic puzzle: if the regime complex that governed the eurozone crisis was radically suboptimal in its policy outputs, why did it come to be?

Tangled Governance focuses on the emergence and operation of the "troika" of the European Commission, European Central Bank (ECB), and the International Monetary Fund (IMF) – "perhaps the most unloved institutional arrangement in international finance," in Henning's words (p. 179). These three institutions did not always see eye to eye on the best way to rescue the afflicted countries. The participation of one of these institutions was far from assured. Henning notes that at the outset of the crisis, European officials were adamant that the IMF did not need to be involved. By the time the third Greek rescue was being negotiated, the disagreements between the IMF and European institutions were quite public. Furthermore, there were other international financial institutions that could have played a constructive role but did not.

Why did the troika emerge? *Tangled Governance*'s answer cuts against the functionalist narrative of regime complexity that many institutionalist scholars have advanced over the past decade or so. According to Henning, the troika emerged primarily due to the domestic interests of creditor states, particularly Germany. Bailing out debtor

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countries was fraught with political landmines for governments in the wake of the 2008 financial crisis. The creditor governments viewed the European Commission as a suspect actor because it represented both debtor and creditor states, and was slow to recognize the crisis early on. The Merkel government feared the policy drift of the Commission. It therefore needed IMF participation to placate its domestic right wing. Furthermore, Germany was unique among the creditor countries due to its economic size and its explicit domestic constraints. Both the Federal Constitutional Court and the Bundestag imposed significant constraints on the German government's autonomy of action. The Court mandated that the Bundestag be consulted for every rescue package involving the European Stability Mechanism (ESM).

Even though the troika's divergent preferences created tensions over time, Germany was able to exploit its inherent complexity. Because of its powerful voice in multiple institutions, Germany could formally and informally guide the troika toward its preferred policies. Henning shows how Germany selectively interceded to negotiate specific aspects of the rescue packages for Spain and Greece in ways that hewed closely to German preferences. In the case of Spain, for example, Merkel felt more comfortable negotiating bilaterally with a conservative government than a social democratic one. The regime complex to handle the eurozone crisis—which also included the Eurogroup, European Council, and eventually the ESM—was, in Henning's words, "tangled by design" (p. 33).

Most of *Tangled Governance* is devoted to empirical narratives of the different rescue packages and new facilities that were created between 2009 and 2015. For anyone not well-versed in the complex architecture of EU and eurozone institutions, Henning's book will be a welcome primer. The book does an excellent job of focusing on some of the more neglected aspects of the crisis. This includes a discussion of the successful IMF rescue packages for Hungary and Latvia, as well as an entire chapter devoted to the U.S. role in crisis management. Henning also tackles important counterfactual questions, such as why the World Bank played no role in the Greek bailout: the Bank did not provide the domestic political protection that the Fund did for creditor nations. Henning is also unafraid of making normative assessments. He makes it clear that Merkel and French president Nicolas Sarkozy's October 2010 Deauville statement on private-sector "haircuts" had disastrous policy implications.

There are a few empirical gaps and omissions in *Tangled Governance*. Any discussion of the United States role in the eurozone crisis, for example, needs to incorporate the reputational hit U.S. authorities took from the subprime mortgage bubble. Fair or not, some European finance ministers scoffed at early advice from the U.S. Treasury Secretary. Since the federal government failed to detect incipient signs of its own financial meltdown, European officials had little difficulty discounting American advice in 2009 and 2010. This made it difficult for the United States to exercise any leadership in late 2009 and early 2010.

German domestic politics is a big driver in Henning's narrative, but there is surprisingly little detail provided to explain Merkel's policy preferences. For example, *Tangled Governance* does not mention one reason the European Union was slow to move on Greece in 2010: Merkel did not want to take action prior to regional elections in North Rhine Westphalia in May of that year. Ironically, the delay cost her party seats in that election. More generally, Henning stresses Merkel's need to placate her right wing. What is not discussed is the fact that German banks were heavily exposed to turbulence in the affected countries. If Greece or Portugal or Spain had defaulted, then banks in creditor countries would have faced the prospect of solvency crises. The need for creditor state governments to assist their financial sector, however, merits nary a mention in *Tangled Governance*.

Indeed, the role of central banks more generally gets short shrift in Henning's book. The comparative advantage of *Tangled Governance* is the explanation of what motivated the IMF, European Commission, and German government during the euro crisis. There is less discussion of the European Central Bank's motivations or constraints (or, for that matter, the role of the Federal Reserve in reopening swap lines to the ECB). In devoting chapters to each of the rescue packages, *Tangled Governance* fails to drive home how ECB decisions affected the entire arc of the crisis. The ECB played a crucial role in worsening the euro crisis when Jean-Claude Trichet decided to prematurely raise interest rates in the Spring on 2011. The ECB also played a pivotal role in alleviating an acute phase of the crisis in the summer of 2012, when Trichet's successor Mario Draghi pledged to do "whatever it takes" to defend the euro and announced the prospect of Outright Monetary Transactions. The role of informal governance here is key, as Draghi lobbied Merkel for months to persuade her of the necessity of the announcements. Draghi's personal diplomacy does not get mentioned in Henning's text.

Henning wants to use *Tangled Governance* to address the debates within the global governance literature on international regime complexity. As someone with a stake in that debate, I came away with some answers but more questions. In a little more than 250 pages, Henning cogently and coherently explains the mélange of international institutions that played a role in the eurozone. His emphasis on the role that domestic politics plays in the interactions between different international institutions is persuasive. *Tangled Governance* fits well with an open economy politics explanation of the management of the eurozone crisis.

There are larger theoretical questions that remain unanswered, however. The most obvious challenge is whether the *sui generis* case of the eurozone limits the utility of any generalizations that can be derived from this case study. It is highly unlikely that either the European Commission or the European Central Bank will ever be replicated in other regions or issue areas—in no small part because of the eurozone fiasco. It could be argued that the creditor preference for complexity was exclusively a function of the supranational institutions in the mix. In other regime complexes that consist only of conventional international organizations, the drive for complexity may be different. This does explain Henning's prediction that the IMF will continue to play a pivotal role in Europe. The domestic politics logic has not changed for the creditor nations, even though the European Union's institutional capabilities have been bolstered during the crisis.

The deeper challenge is whether events like the crisis itself will change the motivating ideas behind both national governments and international institutions. What is striking is the degree to which European advocates of "expansionary austerity" remain unbowed despite its abject failure to work in the eurozone economies. In contrast, the International Monetary Fund's approach shifted considerably from its position a generation ago. From a normative perspective, the depressing conclusion after reading *Tangled Governance* is that despite the disastrous management of the eurozone crisis, no one has changed their mind about anything.