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ABBREVIATIONS

AD	<i>Alleanza Democratica (Democratic Alliance)</i>
AGS	<i>Annual Growth Survey</i>
AMR	<i>Alert Mechanism Report</i>
AN	<i>Alleanza Nazionale (National Alliance)</i>
APL	<i>Alleanza per l'Italia (Alliance for Italy)</i>
CAP	<i>Comparative Agendas Project</i>
CIRCaP	<i>Center for the Study of Political Change</i>
CLT	<i>Central Limit Theorem</i>
CDF	<i>Cumulative Density Function</i>
CN	<i>Coesione Nazionale (National Cohesion)</i>
COFOG	<i>Classification of the Functions of Government</i>
CPR	<i>Common-Pool Resource</i>
CSR	<i>Countries-Specific Recommendation</i>
DBP	<i>Draft Budgetary Plan</i>
DC	<i>Democrazia Cristiana (Christian Democratic party)</i>
DEF	<i>Documento di Economia e Finanza (Document of Economy and Finance)</i>
DEM	<i>I Democratici (Democrats)</i>
DPF	<i>Public Finance Decision (Decisione di Finanza Pubblica)</i>
DMCPP	<i>Dynamic Model of Choice for Public Policy</i>

DPEF	<i>Documento di Programmazione Economica e Finanziaria (Document for the Economic and Financial Planning)</i>
DS	<i>Democratici di Sinistra (Democrats of the Left)</i>
EAR	<i>Euro-Areas Recommendation</i>
EDP	<i>Excessive Deficit Procedure</i>
EMS	<i>European Monetary System</i>
EMU	<i>European Monetary Union</i>
ES	<i>European Semester</i>
FDV	<i>Federazione dei Verdi (Federation of the Greens)</i>
FI	<i>Forza Italia</i>
FLI	<i>Futuro e Libertà per l'Italia (Future and Freedom for Italy)</i>
K-S	<i>Kolmogorov-Smirnov</i>
IDV	<i>Italia dei Valori (Italy of Values)</i>
LN	<i>Lega Nord (Northern League)</i>
MAIE	<i>Movimento Associativo Italiani all'Estero (Associative Movement Italians Abroad)</i>
MEF	<i>Ministry of Economy and Finance</i>
MIP	<i>Macroeconomic Imbalance Procedure</i>
MoE	<i>Minister of the Economy</i>
MoF	<i>Minister of Finance</i>
MPA	<i>Movimento per le Autonomie (Movement for the Autonomies)</i>
MPs	<i>Members of Parliament</i>
MTO	<i>Medium-Term budgetary Objective</i>

M5S	<i>Five Stars Movement (Movimento 5 Stelle)</i>
NaDEF	<i>Nota di Aggiornamento al Documento di Economia e Finanza (Update Note to the Document of Economy and Finance)</i>
NCD	<i>New Center-Right (Nuovo Centro Destra)</i>
NPSI	<i>Nuovo Partito Socialista Italiano (New Italian Socialist Party)</i>
NRP	<i>National Reform Program</i>
IQR	<i>Interquartile Range</i>
OLS	<i>Ordinary Least Square</i>
PDCI	<i>Partito dei Comunisti Italiani (Party of Italian Communists)</i>
PET	<i>Punctuated Equilibrium Theory</i>
PD	<i>Partito Democratico (Democratic Party)</i>
PDF	<i>Probability Density Function</i>
PDL	<i>Popolo della Libertà (People of Freedom)</i>
PDS	<i>Partito Democratico della Sinistra (Democratic Party of the Left)</i>
PLI	<i>Partito Liberale Italiano (Italian Liberal Party)</i>
PPI	<i>Partito Popolare Italiano (Italian People's Party)</i>
PPP	<i>Popolari per Prodi (Populars for Prodi)</i>
PRC	<i>Partito della Rifondazione Comunista (Communist Refoundation Party)</i>
PRI	<i>Partito Repubblicano Italiano (Italian Republican Party)</i>
PSDI	<i>Partito Socialista Democratico Italiano (Italian Democratic Socialist Party)</i>
PSI	<i>Partito Socialista Italiano (Italian Socialist Party)</i>
R	<i>Radicali (Radicals)</i>

RGS	<i>Ragioneria Generale dello Stato</i>
RI	<i>Rinnovamento Italiano (Italian Renewal)</i>
RQMV	<i>Reversed Qualified Majority Voting</i>
S-W	<i>Shapiro-Wilk</i>
SC	<i>Scelta Civica (Civic Choice)</i>
SCP	<i>Stability and Convergence Program</i>
SGP	<i>Stability and Growth Pact</i>
TFEU	<i>Treaty on the Functioning of the European Union</i>
TSCG	<i>Treaty on Stability, Coordination and Governance</i>
UC	<i>Unione di Centro (Union of the Center)</i>
UDC	<i>Unione dei Democratici Cristiani e Democratici di Centro (Union of Christian and Center Democrats)</i>
UDEUR	<i>Unione Democratici per l'Europa (Union of Democrats for Europe)</i>
ULIVO	<i>Olive-Tree</i>
UPB	<i>Ufficio parlamentare di bilancio (Parliamentary Budget Office)</i>
ZBB	<i>Zero-Based Budgeting (Bilancio a Base Zero)</i>

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ABSTRACT

The annual appointment with the drawing and issuing of the budget is always one of the most discussed and contentious moments of the year and of the government's life. No one government comes out from the budgetary process perfectly untouched, and implementing policy preferences through the annual allocation of resources is increasingly challenging. This is because the budget conceals within itself a crucial contradiction: while it is intended to contribute to continuity and change, flexibility and rigidity, it is impossible that it can actually succeed in all these mutually exclusive aspects. Some of them prevail on the others. Understanding and uncovering which purpose(s) the government prefers sheds light on the meaning and the role the budget takes on and about its over time modifications. This thesis aims precisely to explain the evolution of the Italian budget policy during the last three decades, looking at the many and varied mechanisms it is subject to and its outcomes. Specifically, I study the budget as a *policy* container and instrument in the executive's hands to carry out its mandate implementing single favorite policies; the budgetary *process* that leads to the final approval of the annual document and the rules of procedure that regulate its management; the *politics* of the budget and the balance of power between the several actors that contribute to its implementation and the role of the multilevel economic governance. Weaving together all these aspects, the mixed-method analysis conducted in the thesis shows at first that governments are able to ideologically alter the budget only when discretionary spending functions are concerned, especially when there is a sudden necessity to retrench. The reason of the weak role of partisan ideology on spending adjustments lies in the extreme complexity of the budget itself and on its incremental nature, as proved throughout the study. Sudden moments of budget punctuations interrupt rarely a long-lasting pattern of marginal changes, stabilized by systemic frictions. In the tension caused by the opposite purposes of a twofold reforming process at domestic and supranational level – the former aims to soften institutional frictions by centralizing the decision-making process and the latter increases the surveillance adding constraints – the high density of the budgetary process reins the magnitude of spending adjustments in. However, the internalized external constraint affects merely the long-term sustainability of macro-economic parameters. Ultimately, the European Union plays the part of a watchdog rather than that of a policy maker. At the same time, the domestic process of reform and even more the continuous normative stretching that happens during the discussion and approval phases of the budget have caused the alienation of the parliament – with substantial political implications for the functioning of the representative democracy itself – which in many occasions is not able anymore neither to read the (alleged) most important document of the year that contains its economic policy objectives, nor to protect the oppositions against any potential shove of the majority.

INTRODUCTION

“Because economic choices are most of the time the fundamental ones for the people’s life [...] it is not reckless to affirm that the essence of democracy lies in public budgeting” (Vegas 2010: 12, own translation). While this claim may sound quite bold somehow, it actually supports what has been argued for a long time about the role of the economic policy, and more specifically of the budget policy, for a country’s democratic life. A few decades ago, Wildavsky wrote that the budget represents the “life-blood of the government” (1992: 595), being covered by a notable political role which substantially diverges from other policy decisions (Dente 2014). Since it is an extremely complex “policy container” (Rubin 2017), it does not necessarily give rise to innovative single policies. Yet, public finance objectives fulfill not simply *a* priority, but *the* priority of many governments, particularly in recent times after the financial crises (Verzichelli 1999: 13). Many issues interweave in respect to the budget, pertaining to different aspects which range from the study of the decision-making process to the analysis of public policies and policy changes, going through the procedural rules that frame the final outcome and the economic context in which political actors do operate.

To begin with, the budget serves the government to implement its policy preferences through the allocation of funds. Intuitively, it is almost impossible to do that if the country lacks tidy public accounts. It stands out clearly that these two aspects cannot be crisply divided, since the government would inevitably fail to keep its electoral promises and pursuing its policy goals in case of imbalanced public finance. The ultimate objective of the government when dealing with the budget policy is to achieve the sustainability of the public finance in order to implement its policy intentions (Verzichelli and Russo, forthcoming). Essentially, the budget is a quantification of collective political decisions which result from the adaptation of political actors’ choices to the domestic institutional setting, incoming information, and the external environment. In this regard, the budget can be read adopting a threefold perspective (De Ioanna 2019).

Primarily, as just mentioned, the budget systematizes policy priorities, that is, spending choices of the government which clearly has the leading role in setting its policy agenda. This aspect is strictly linked and consequently affected by the actual power of the national parliament,

which stands out particularly during the phases of discussion and approval of the budget. The parliament must organize and manage the executive's choices taking into account the divergent stances of other social and economic forces. To allow an adequate budgetary process, the government must frame possible innovative contents within a rather stable and controllable framework, to ensure the parliament's function of supervision. From this point of view, the budget is the most impartial complex of rules, because it entails, or better, it requires a high degree of stability and a strict respect of the constitutional norms. In fact, it is at the same time the least impartial one because it must consider also the transformations of the economic context (Bin 2019). This is what Wildavsky recognized as the as the "clue to the perennial dissatisfaction with budgeting", that is, the impossibility to reconcile its opposed purposes "*to continuity (for planning), to change (for policy evaluation), to flexibility (for the economy), and to provide rigidity (for limiting spending)*" (1978: 501). In this respect, coming to the third perspective, the budget depicts the incessant historical and social struggle that tries to divest representative institutions of its decisional powers in favor of the market. This is the reason why some said that the economy and even more the market have become the "place of confirm-falsification of the government practice" (Foucault 2005). All of this has moved during the past decades and it is currently fragmented between the national and supranational level, with a growing number of regulations trying to reconcile and harmonize them. Ultimately, all of these tensions need to balance each other within a broader context respectful of the representative democracy (De Ioanna 2019: 20).

At this stage, all the key points pertaining to the study of public budgeting have been already uncovered. The purpose of this thesis is to reconcile all these critical issues and to clarify the meaning of *politics* in the framework of the budget *policy*, singling out the most relevant aspects concerning: 1) the budget as a policy instrument of the government to carry out its favorite policies; 2) the transformations of regulations at domestic and supranational level that frame the budgetary and decision-making process, shaping the final outcome thereof; 3) the role of the parliament in assuring the implementation of a credible budget plan, while assuring the respect of the norms in order to safeguard the rights of the opposition; 4) the tensions triggered by the economic context, particularly after the 2008 financial and economic crisis and its impact on domestic policy decisions; 5) the incessant struggle between responsiveness and responsibility, for which the budget policy constitutes probably the most fertile breeding ground. Evidently, as the heart of the matter needs to be analyzed from various angles, the argument of this thesis is developed through several chapters, each of them addresses specific cognitive questions through different methodological tools.

Part I is formed by two chapters, which specify the theoretical framework of this work and the reasoning behind the choice to develop a case-study in order to deal with the above-mentioned questions. Specifically, Chapter 1 reviews the main strands of literature on policy changes and especially on budget changes. Underscoring the relevance of the topic, it also describes the usefulness of studying the budget policy as an instrument to analyze both a country's public policies and its decision-making process. Because "policy proposals are [...] unpredictable in their consequences" (Lindblom 1959: 85), exposing the characteristics taken on by policy changes helps to understand how decisions are made and whether the decision-making is and erratic or a scrupulous process. The final part of the chapter presents the main hypotheses, referred to the Italian case: the core of this work. These concern the role of institutional frictions (among which I distinguish the parliamentary fragmentation, government ideological polarization, European constraint) and the impact of external shocks, mostly the outburst of the economic crisis. In this regard, Italy was caught in the grips of the European Commission's monitor and forced to implement severe austerity measure because of the high indebtedness threatened by the prospect of seeing the infraction procedure opened by the EU. However, this appears to be not a recent situation due to particular and momentary fiscal conditions. It is since the beginning of the 1990s that governments have been pressured to curb public deficits and to implement retrenchment policies through cutting expenditure on health sector, social policies, unemployment and retirement benefits (Rotte and Zimmermann 1998). Because of this reason, it is crucial to highlight whether the multilevel governance and particularly its gradual development has modified the characteristics of the budgetary process and, as consequence, the final shape of the budget policy.

Chapter 2 provides a comparative assessment of the evolution of European countries' budget and their changes over the last two decades and half, highlighting the most relevant cross-country differences. This serves to pull out the Italian case, whose characteristics are preliminary illustrated, and to justify its choice as a pertinent case-study. Apparently, Italy perfectly matches the Punctuated Equilibrium model (Jones and Baumgartner 2005b), which is one of the main theoretical backgrounds described and applied in this work. Looking at the pattern of changes, tiny adjustments that leave the status quo unaltered are the norm but this pace is seldom suddenly shattered by extreme changes. Which are the reasons behind this tendency in Italy? Additionally, what are the driving forces of the evolution of the Italian budget policy and are modifications actual turning points? The chapter ends explaining the value of studying the Italian case, underlining at first the policy cycles in the management of national public accounts. Focusing on the national level, I clarify the main transformations which set the pace of the transition from

the *First* to the *Second Republic*, and progressively towards the establishment of the *Third Republic*.¹ In general terms, until the beginning of the Nineties the budget policy lacked a leading actor able to carry out the process without succumbing to the distributive drift of the parliament despite the numerous attempts to eradicate this habit through a series of reforms. The analysis of that period tells a story of a very slack control over spending, caused by the absence of the necessary monitoring tools and even more by the resort to “creative accounting” gimmickries implemented by the “guardians of public expenditure” (Verzichelli 1999). More precisely, the overrunning of spending targets planned in budget documents made always necessary to resort to corrective measures. Surprisingly, after the establishment of the *Second Republic* a new period of fiscal responsibility began, with governments being able to pursue also primary surplus (when revenues foreseen in the budget, net of public debt’s cost, exceed the expenditure). Since then, with the growing complexity of the multilevel governance, the budgetary process at the core of policy decisions is increasingly pre-determined and bounded at supranational level. A situation that, according to some scholars, calls out the relevance of the democratic choice and the representative democracy itself (see, among others, De Ioanna 2019: 15). Because of all these reasons, Italy represents an extremely interesting and promising case-study that can substantially advance the knowledge on the budget policy as a tool used by the majority to unfold the electoral mandate, enlightening at the same time on mechanisms and challenges of contemporary representative democracies.

Before moving to test the hypotheses, Part II is dedicated to explain the research puzzle. Specifically, Chapter 3 informs about the research design, illustrating the choice of focusing on a single case and the goals of the thesis, which moves between – and tries to pursue – both a hypothesis-testing and an interpretative purpose. Later, I focus on the methodological innovations of this work. On the one hand, I collect brand-new data about public expenditure in Italy since 1992, which have the value to focus on spending intentions cleansed from mandatory spending commitments. This is probably not the most relevant merit of the dataset. In fact, I gather data not only on the budget law, the document issued at the end of each year by the parliament, but also on the budget bill, the first draft of the budget drawn independently by the government. Thanks to this twin dataset perfectly overlapping, a multifaceted analysis that

¹ Traditionally, the Italian republican history has been divided into three main periods: the *First* (1948–1991), the *Second* (1992–2012), and the *Third Republic* (2013–ongoing). This distinction is based mainly on the different characteristics of the party system which has been substantially shattered by political turmoil at the beginning of the 1990s and of the 2010s. However, while the label is already abundantly used, the main features of the *Third Republic* are not well-defined yet and sometimes a little controversial. Nevertheless, I choose to refer to this division throughout the thesis because these periods are also related to important innovations of the budgetary process, which are obviously linked to the rearrangement occurred during that turning points.

compares yearly budget laws over time, and also bills and laws is easily doable. On the other hand, I develop new measures to assess the impact of domestic and supranational factors on budget changes. Beside the commonly used variables about institutional and political characteristics, I operationalize the budgetary regime centralization (including both reforms and parliamentary practices) and the European external constraint (taking also into account when Italy internalized new regulations). Having for the first time these fully comprehensive measurements allows to fill a relevant gap in the literature, which has not properly addressed these factors yet, as well as a void about the Italian budget policy.

Chapter 4 and Chapter 5 describe data at length. First and foremost, I analyze the behavior of the dependent variable, that is, yearly changes of the budget law, singling out spending upheavals in order to understand whether they might be actual policy changes or not. This preliminary assessment is needed to point out some extreme variations in the Italian budget worth noticing. Intuitively, changes obey to different logic and, most of all, are the consequence of different dynamics. Looking at the characteristics of outstanding adjustments and clarifying whether they might be meaningful or not to study the overall pattern of budget changes allows to disregard misleading observations (consequence of a different classification of the expenditure or meaningless upheavals occurred because of the cancellation and reimplementing of the program in two consecutive years), thus to avoid jeopardizing the comprehension of the Italian budget policy. In this respect, a sub-section (4.2) investigates in-depth the pattern of modification of each budget domain in the last twenty-seven years. This serves a twofold purpose. On one side, adopting a Policy-Determines-Politics perspective (Lowi 1964, 1972), it allows to sketch out which are the most important budget functions in Italy and whether they behave differently from one another. On the other side, it gives the chance to study the ideological budgeting, meaning to figure out whether spending choices of political parties are driven by ideological preferences or, as contrast, whether the budget is an ideologically unmovable mass.

Then, I conclude this part presenting the operationalization of the independent variables, with a focus on the two brand-new measurements about the budget regime centralization and the European external constraint. These two sketch out the main features of the decision-making context in which the budget develops, therefore I also traces the reforming path of the Italian budgetary process and the enhancement of the supranational economic governance. Briefly, since the establishment of the financial bill and even more starting from the 1988 (when a general reconsideration of the entire structure of the budget session occurred), the stepwise reforming process of the procedure governing the budget policy has tried and managed to centralize the decisions into the government's hands and to make the budget session slender, in line with the attempted

implementation of a majoritarian model distinctive of the *Second Republic*. These modifications interweave with the strengthened European economic governance (especially after the economic crisis) and its wider power of surveillance over member states' budget policy. This renewed framework marked by the louder requests for fiscal austerity and structural reforms has exerted a strong pressure on member states, affecting both institutions, policies, and politics (Börzel and Risse 2003). Presenting the main actors of the decision-making process is just a first step towards a full comprehension of the budget policy.

Part III is the core of the thesis and serves the purpose of explaining and interpreting the pattern of budget changes and the general role of the budget as policy instrument. I develop the analysis in two chapters, each of them conducts the inquiry focusing on a specific feature. In Chapter 6, I estimate two different models that predict the magnitude of modifications of the budget. A first model uses as dependent variable the value taken on by spending adjustments, both through absolute values and through actual values. Whereas the equation model is the same, the two strategies shed light on different aspects. On the one hand, I merely study the effect of predictors on the magnitude of adjustments, regardless the direction they assume. On the other hand, I consider whether we are dealing with large budget cuts, large increases, or tiny changes in order to predict the effect of the previously identified variables on the occurrence of different types of modifications. As matter of fact, the tails of a probability distribution of budget changes behave differently, thereby suggesting that the independent variables do not affect positive and negative modifications equally. The second model uses as dependent variable a dichotomous variable, distinguish between a punctuated change or a minor one. Estimating a simple logistic regression and a rare-event logistic regression, this analysis helps to corroborate results of the previous model.

Finally, Chapter 7 moves the focus of the analysis on the variance between the budget bill and the budget law, instead of yearly changes of the law. The rationale for this part goes totally beyond the logic behind the previous analysis, despite being obviously strictly linked to it. Here, the purpose is to study the balance of power between the legislative and the executive in a strong parliamentary democracy as Italy when dealing with the annual budgetary process. Aiming to understand who is really in charge of the budget policy and which is the actual role of the many actors involved, I primarily model the hypothesis for this specific analysis, then I estimate a statistical model using two different dependent variables: the percentage change of the total expenditure between the budget bill and the budget law, and the degree of transformativeness (which looks at the reallocation of funds across budget authorizations). Later, I dig into a few yearly *manovre* to further advance results of the previous parts. More precisely, using a “diverse case method” (Seawright and Gerring 2008), I selected those budgets that allow to have the full range of values taken on by the dependent variable.

Then, I conduct a qualitative analysis adopting a neo-institutionalist perspective in order to figure out which are the main drivers of the budget policy and whether they have changed over time. The study of this last chapter further advances the knowledge about strategies and dynamics behind the budget that explain how it eventually arises.

Altogether, the mix-method strategy of Chapter 6 and Chapter 7 allows not only to explain which factors trigger the occurrence of punctuations or rather hinder budget changes, but also to interpret policy decisions, therefore, to uncover the use that governments make of the budget. As judged by the Constitutional Court in a sentence of 2012, the purport of the budget is extremely complex and goes beyond a mere accounting function and the sole respect of the balanced budget (Luciani 2019). Evidently, it is a redistributive instrument to fulfill the citizens' demands and needs to realize the government's preferred public policies, which will be later submitted to the judgement of voters on the responsiveness to electoral pledges. Ultimately, *"it is an essential element of the representative relationship, because it is primarily on the budget choices that the voters' consensus joins or dissolves"* (see Luciani 2019: 48, own translation). At the same time, it needs to embrace a dynamic perspective of changing frameworks and conditions, and to adapt and coherently absorb the European obligations. In this multilevel context, the budget policy inevitably "falls within the political space of constrained choice" (Laffan 2014: 283), which however does not deprive the government of the entitlement to decide. The multifaceted analysis carried out in the thesis provides an overarching interpretation of the key points mentioned at the beginning of this introduction which, broadly speaking, encompass all the possible twines between *politics* and *policy*.

PART I
THE BUDGET POLICY AND
THE ITALIAN CASE

CHAPTER 1

POLICY AND BUDGET CHANGES

Scholars studying public spending have produced a huge amount of works which explain the pattern stability and change of national budgets. Adopting a number of different perspectives, the literature on public budgeting is currently very extended and varied, both theoretically and methodologically. Integrating the incremental model and policy windows, and also the tenets of the bounded rationality, the Punctuated Equilibrium Theory – further developed into the Dynamic Model of Choice for Public Policy, where both cognitive and institutional factors are considered – is nowadays the most well-known and serious attempt to explain policy and budget modifications. Specifically, it predicts that the pattern of budget adjustments is characterized by hyper-incrementalism (tiny modifications which make the trend of changes almost unaltered) and punctuations (dramatic upheavals happening after a huge boost that set up a new temporary equilibrium). An increasing number of researches have confirmed the general punctuation hypothesis, stating that any complex human decision-making process begets a punctuated equilibrium, where rival forces – those that keep the inertia within the system and those that shake the equilibrium – countervail each other. Factors that determine this outcome are many and varied, ranging from domestic political-institutional characteristics to exogenous variables and external pressure. The role of these variables, in particular the idea that the institutional design highly affects the likelihood and magnitude of major changes, is widely-known among public policy scholars and rests on the famous veto point theory. However, despite the overlap between this and the Punctuated Equilibrium Model, we still lack a synthetic model which integrates the pillars and explanations of both theories.

How all the factors sorted out by the different threads of research fit into the real world and the current international and domestic context of countries? It goes without saying that a deep comprehension of a country's budget policy needs to consider the environment where it sets in and transformations potentially occurring. As is known, several changes modified the domestic and supranational context in the past decades, which ostensibly have shaped the decision-making framework and modified the shape taken on by budget policies. Trying to assess the many aspects that might impact on the occurrence and magnitude of budget changes, this

chapter firstly reviews several lines of scholarship that aim to explain policy and budget changes. From these, I derive some hypotheses based on the case-study under analysis, namely Italy, considering the impact of national institutional variables – the parliamentary fragmentation, the government ideological polarization, the budgetary process centralization, the European Union external constraint – and of external shocks, as the outbreak of the economic crisis. While the former act as institutional frictions which theoretically hinder the departure from hyper-incrementalism, the last variable could be instead the trigger for a substantial swing from the status quo. More precisely, I expect that a higher number of veto players in parliament, higher ideological distance within the governing coalition and more rigid external surveillance from the EU decrease the magnitude of budget changes, in contrast to a more centralized budgetary process, which it is likely to empower the government and foster more substantial modifications. Concurrently, when a crisis such as the one started in 2008 happens, I envisage an increase of the size of budget changes. Overall, the purpose of the first chapter is to elucidate on the theoretical framework which this thesis rests on and to present the main hypotheses concerning the Italian case that are going to be tested throughout the work.

1.1 The Importance of Studying Public Budgeting

Public budgeting is a crucial aspect of a country's life and, most of all, it is a political act in a number of aspects. Being considered the “life-blood of the government” (Wildavsky 1992: 595), the budgetary cycle is appointed with a key role in putting together a number of various interests through the annual allocation of resources, which reflects also the delicateness and complexity of the policy-making process with which it is tightly intertwined.

As first, the budget defines what the government aims to do by listing revenues and expenses for certain items and targets, covering a specific time period. It conveys purposes, thus “*those who make a budget intend that there will be a direct connection between what is written in it and future events*” (Wildavsky 1964: 1). Indeed, the budget constitutes a very insightful instrument to investigate government's policy preferences and priorities, meaning what type of services the government would like to provide to its citizens and what citizens are entitled to have specific services and to what extent. The core of the budget is that political actors must allocate limited resources to policy fields, hence making decisions and choosing those to prioritize among all possible options in a context of scarce resources.

Second, public budgeting gives important information about the decision-making process leading to its approval. It depicts the relative power of actors involved in the decision and

implementation of the budget, as the branches of the government, the legislative and also the power of citizens in shaping and being the bearer of specific interests. Ultimately, it constitutes a mechanism through which policy makers “*bargain over conflicting goals, make side-payments, and try to motivate one another to accomplish their objectives*” (Wildavsky 1975: 4). In this sense, the budgetary process is an important touchstone illustrating the balance of power within the government and, as a result, the degree to which it is a technical or a political document.

Third, it is also an important arena of politics and of course it has political implications. Actors involved in the decision-making process about the budget usually represent different points of views and various collective interests they want to protect. In this sense, it is fundamental to bear in mind that the executive is not the only actor with a strategic and political interest in the arena, in fact sometimes it is neither the most important one. For instance, individual ministries – especially the Ministry of Finance (MoF) – may have a crucial role in shaping the budget policy and may act even at odds with the Prime Minister itself. Intuitively, because of the sectoral nature of certain measures included in the budget, local or specialized concerns, interest groups, lobbies and individual Members of Parliament (MPs) do play a role trying to include in the budget law regulations in support of their territory or constituency. Simultaneously, political actors in public budgeting fiddle with public money. This is crucial since the allocation of expenditure could have important implications for the electorate, who may vote politicians out of office in response to unpopular policy decisions. Accountability is therefore a fundamental part of public budgeting (Wildavsky 1978; Rubin 2017), which appears to be a vantage point to study the interweaving between *politics* and *policy*.

Moreover, the budget requires balance both for the year ongoing and for the future ones. Evidently, it impacts also on national economy having consequences on the level of employment, on the amount of social provisions for targeted social groups and, because of its role as driver of specific policy reforms, it also gives credibility to a country’s performance both domestically and internationally. Evidently, public budgeting has increased its own importance throughout the last decades, growing also in complexity. Several statutory requirements demand an incremental allocation of funds which need to be implemented before spending decisions are made and cannot be neglected by the legislator. Also, it has become more urgent because it is the most important source of income for a lot of households (OECD 2019). It is straightforward that currently national public budgeting is deeply connected – if not enveloped – in a constantly changing and rather challenging international context. Two main factors stand out in this sense: the heavy economic crisis started in 2008 from the US that reached European countries shortly after, and the European Union strengthened role in many of national affairs.

It seems more than evident from this brief introduction that public budgeting takes on a crucial role in the life of a country and has a deep political value. Because of its central position, several threads of research address the budgetary policy focusing on many different aspects. As a quantification of collective political decisions, the budget is the result of government priorities and their adjustment to the external environment and incoming information, shaped by the domestic institutional setting and, more recently, by the supranational one: both of them, mutually, structure the decision-making process. Budget changes reflect this set of conditions. The crucial role of budgeting and the relevance of understanding budget modifications can be ascertained from about six decades of attempts to develop a satisfactory model of budget changes (Davis, Dempster, and Wildavsky 1966, 1974; Jones et al. 2009; Jones and Baumgartner 2005b, 2005a; Jones, Zalányi, and Érdi 2014; Padgett 1980; Robinson et al. 2007; Robinson, Flink, and King 2014).

Nowadays, the literature on this topic is extremely vast in its theoretical, methodological and empirical scope (Jacoby and Schneider 2001). Recently, four main scholarships have been identified, which concentrate on different aspects (Breunig, Lipsmeyer, and Whitten 2017). A first one addresses the distribution of changes in budgetary commitments, through the lens of the Punctuated Equilibrium Theory (PET) which studies moments of stability and changes in policy dynamics. A second perspective adds the impact of fiscal rules on government's behavior, investigating the role of domestic and external constraints (Doray-Demers and Foucault 2017; Gandrud and Hallerberg 2017; Hallerberg, Strauch, and von Hagen 2007). Another focus is on how governments trade-off resources among multiple policy areas and how they decide to which sectors allocate funds (recently, Busemeyer and Garritzmann 2017; Lipsmeyer, Philips, and Whitten 2017). The last approach involves more a methodological aspect and it brings to the table the importance of time-varying effects (Loftis and Mortensen 2017). Other strands of literature take into consideration the role of public opinion and partisan preferences on public budgets focusing on policy areas (Breunig and Koski 2006, 2012; Garand and Hendrick 1991).

Each of these lines of inquiry shares the budget policy as core, although aims to explain different mechanisms and outcomes. Reviewing all of them is beyond the scope and purpose of this work, rather some of those will be analyzed in the following sections in order to answer the research questions that will be addressed gradually in the next chapters. Because of the relevant role of public budgeting and since the budget policy can be conceived as the container where all public policies take shape, it is firstly worth explaining how policy changes occur. Then, I will focus in-depth on the characteristics and mechanisms of budget modifications, highlighting the main drivers leading to different budget outcomes.

1.2 The Evolution of Studies on Policy Changes

In order to understand how budget changes happen and which dynamics they obey to, one should firstly wonder how policy changes take place. Which are the main forces driving the course of public policies? Is public governance an erratic process or a meticulous and deliberate one? An increasing consensus in political science supports the idea that public governance resembles an erratic-process model. These lines of scholarship initially started in the US with few relevant case-studies. One of the first evidences that policy processes are characterized by major changes that shake a rather stable pattern of small modifications comes from the book *Agendas, Alternatives, and Public Policies* by Kingdon (1984), who theorized the presence of “policy windows”. According to the Multiple Stream Model² he developed recasting the Garbage Can Organizational Choice Theory (Cohen, March, and Olsen 1972; March and Olsen 1979), the opening up of these rare and brief moments brings about major policy transformations. From his seminal work, scholars have developed several threads of research giving to these political momentum different names: “issue-attention cycle”, “positive-feedback loops”, “policy cascades”, “waves”, “slippery slopes” (Arthur 1989; Bikhchandani, Hirshleifer, and Welch 1992; Downs 1972; Pierson 2000).

In order to understand what happens when a policy windows opens up, we need to take a step back to another fundamental thread of research, born with the seminal study by Charles Lindblom on Incrementalism. He theorized that, because of several factors that constrain policy makers – related to institutional characteristics and to the availability of resources – the result of a decision-making process is usually a decision which departs slightly from the status quo, that he called “incremental”. Policy makers are far from being fully rational and their myopic behavior, along with the unavoidable “partisan interdependence” (the social interactions typical of a decision-making process) (Lindblom 1965), lead actors to make the choice on which the largest number of actors agree upon. Usually, it is the closest one to the status quo. The recognition of the existence of policy windows added further information about how policy changes happen and suggested that the incremental model was incomplete.

The short-lived opportunity to modify the status quo when a policy window is open allows to overcome the resistance of negative feedbacks that typically act in the system. In details,

² Aiming to answer the question of “*what makes people in and around government attend, at any given time, to some subject and not to others?*” (Kingdon 2011: 1), he proposed a model of agenda-setting based on the conjoining of three independent but interconnected “streams” of events and actors: the *problem* stream, which identifies the renewed actors’ perception of an issue as problem requiring the government intervention; the *policy* stream, namely the group of experts in a policy community who are in charge of finding a solution to the problem; the *political* stream, made by those factors as the legislative turnover and the occurrence of elections which affect the policy-making process and political actors behaviors (Kingdon 1984).

negative feedbacks are typical features of political processes which maintain the equilibrium within the system, where any deviation from the status quo is reined back in by forces reacting against transformations (Jones and Baumgartner 2005b). Therefore, radical modifications mostly occur in conjunction with a “crisis”. Not by chance, the Greek word crisis means decision, choice. Basically, when we are facing a sudden and unexpected event – most of the time caused by an external shock – we need to decide how to act in order to face the new condition. In this particular context, major changes triggered by a crisis usually happen as consequence of a redefinition of the problem, which enters the scope of work of the public administration, or thanks to a newly shared consensus over the tools to solve a problem. However, notwithstanding evidences about the existence of sudden moments of disruption of long-lasting patterns of stability, scholars lacked for a long time the proper explanation of the underlying mechanism that would elucidate on the presence of policy windows and their infrequency.

In this vacuum, Jones and Baumgartner (Baumgartner and Jones 1993; Jones and Baumgartner 2005b; Jones, Baumgartner, and True 1998; Jones, Sulkin, and Larsen 2003) placed their theory of Disproportionate Information Processing, on the basis of the tenets of the Bounded Rationality Model elaborated long time before by the Nobel Prize Herbert Simon (1947, 1983, 1991). In his works, he criticized the commonly-held assumption in economic studies that actors are fully rational and can make the best choice relying on perfect information, being able to determine exactly which is the best option that maximizes the benefits while minimizing the costs. According to the grounds of this theoretical model, the best choice is the one good enough on the basis of the (limited) information actors have. Departing from the key point brought to light by Simon, Jones and Baumgartner studied how the bounded rationality impacts on government agenda setting. They found out that cognitive limits of the decision makers do not allow them to process information fully rationally, rather intermittently, which explains the occurrence of both periods of incrementalism and windows of opportunity with major disruptions. From this starting point, they developed the general punctuation hypothesis according to which any complex human decision-making process results in a punctuated equilibrium. The authors depict the policy-making as an incessant struggle between those forces that keep the equilibrium within the system (negative feedbacks) and opposite forces that destabilize the system (positive feedbacks) (Baumgartner and Jones 2002). The difference between the two lays in the fact that the former is a thermostatic-type process, where there are forces that counteract triggering factors while, in the latter, the disturbance is able to generate a

change which in turn begets another change, carrying along the risk of contagion (Jones and Baumgartner 2012).

The reason explaining these outcomes has to be found in what they call “frictions”. More precisely, frictions are those processes impeding the transformation of inputs into policy change, namely those institutional and cognitive obstacles that constrain the ability of politicians to process information rationally and simultaneously, thus leading to incremental outcomes. These limits result in the already mentioned pattern of minor changes shaken by sudden moments of dramatic modification, called “punctuations”. These concepts are not born with the policy-making theories though, rather they arose from scholarships on natural sciences. Precisely, the term punctuated equilibrium comes from the paleontologists (Gould and Eldredge 1977) who uncovered that the most usual path of evolution is made by periods of stasis interrupted by sporadic moments of punctuations.³ The same pattern is applicable to policy process, as Jones and Baumgartner firstly unveiled.

To sum up, we know that because of their bounded rationality decision makers tend to focus on few programs, usually the same that received attention during the previous time period, without any drastic shift. Basically, a way to reconcile cognitive boundaries is to develop and use heuristics, so new decisions can be built on habits (Margolis 1987). These heuristics help actors to keep out a lot of unnecessary and redundant information. The other side of the coin is that this sort of cognitive shortcuts leaves behind a relevant amount of useful information that would simplify the comprehension of the problem. In fact, they are never actively taken into account (Jones 1994, 1999, 2001, 199; Simon 1947). This is the reason why this scholarship uses to talk about Disproportionate Information Processing. By integrating the classic model of incrementalism (Davis et al. 1966, 1974) and the Punctuated Equilibrium Theory (Baumgartner and Jones 1993), the Dynamic Model of Choice for Public Policy (DMCPP) that Jones and Baumgartner (2005a, b) developed later is currently the most well-known and serious attempt to explain policy changes.

³ Species spend most of the time in stasis, where small genetic differences exist without affecting the structural features of the organism. Genetic variations in these periods are always present but not sufficiently forceful to override natural barriers to major transformations. However, when pressures from the external environment match the internal genetic pressure for change, we observe a moment of transformation. This theory has gained growing consensus in paleontology research despite the initial controversies, thanks to the consistency of predictions derived from the existing fossil record, namely, again, sporadic but large changes (Gould 2002). Another blatant example of frictions we can find in natural world is represented by earthquakes. The process that begets earthquakes is a typical stick-slip dynamic, where the tectonic plates are subject to forces that hold them, meanwhile the earth’s core pushes on the plates. When there is too much pressure, the plates can’t no longer manage to slide and adjust marginally, but they slip explosively generating earthquakes. This configuration of stability and radical upheavals is present across different fields as natural, organizational, technological and social sciences (Gersick 1991).

Is it relevant whether public policies follow an incremental trend or, as contrast, if they show punctuations? It does matter, of course. As reminded by Lindblom, “policy proposals are [...] unpredictable in their consequences” (Lindblom 1959: 85). The occurrence of punctuations thus suggests a bad capacity of policy makers to be responsive to an ever-changing context. An incremental pattern, instead, seems to have positive implications for the decision-making process because actors, by repeating and adjusting the status quo little by little can avoid – or, at least, reduce – the likelihood of falling into major mistakes. According to the Punctuated Equilibrium tenets, an incremental outcome mirrors a rather comprehensive information processing, while disruptions are symptomatic of cognitively bounded and inefficient decision processes. To give an example, studying public budgets Davis, Dempster, and Wildavsky (1966) learnt that incremental budgeting is extremely helpful for agencies which can easily and better plan future course of actions. In this respect, another useful insight is provided by Andersen and Mortensen (2010), who found out that school budgets have an impact on students’ performance in schools. More in depth, controlling for socio-economic variables, students attending schools with more volatile budgets have lower scores in standardized test.

Broadly speaking, policy instability matters also because of the underlying political and governmental processes. Following Padgett (1981), who noticed that different information processing models can bring about different paths of policy change, the observation of a specific pattern of policy modification allows to make inference about the institutional process leading to it. Institutions are the second pillar of the PET, representing the second type of frictions, along with cognitive limits. Evidently, institutions establish the procedural rules within the policy-making process takes place, defining and shaping the possibilities of cooperation between the executive and legislative branches and the transaction and information costs (Buchanan and Tullock 1962; Coase 1937; Jones, Sulkin, and Larsen 2003; North 1990). Moreover, the institutional design clearly affects the system’s capability to prioritize issues and problems. Institutions do not only stabilize patterns, but they mostly erect a threshold that needs to be overcome to produce policy change (Breunig 2011). Intuitively, the ability of government as information processor is not constant. That implies that instability varies according to the ability of public institutions to process new information. In this regard, the PET predicts both hyper-incrementalism and punctuations. The former is the norm for most programs and most of the time, then policies lurch forward after a huge boost that creates a new temporary equilibrium (Jones and Baumgartner 2005b). The inertia and the disproportionate information processing do not allow moderate changes (either increases or reductions). This leads to a basic prediction, that is, institutions that allocate attention more evenly across issues and adapt to new information

more smoothly and rationally should produce more moderate changes, not only tiny or extreme modifications.

There are a lot of evidences supporting the punctuation hypothesis, which demonstrate that while cognitive limits are ever-present, the level of institutional frictions varies according to the institutional design, although pattern of change are punctuated in all kinds of setting. As reminded by Baumgartner and colleagues “no institutional design can do away with human cognitive limits” (2009: 615). Thus, it seems that policy instability has a sort of lower boundary and that more efficient systems could mitigate disruptions, although they occur anyway sooner or later. Findings of several studies demonstrated that the level of friction is higher as we move from inputs (congressional hearings and bill introduction) to outputs (as budgets: see Bevan and Jennings 2014; Jones, Sulkin, and Larsen 2003), where the degree of punctuation is higher (Jones and Baumgartner 2005b; Baumgartner et al. 2009). In the policy process, the most visible and fundamental outcome is precisely the budget.

1.3 The Development of Studies on Budget Changes

1.3.1 The Shape of Budget Changes

Several studies focusing on economic and budget policy explained why public finance has been slowly but almost continuously expanded, departing mainly from the famous “law of increasing state activity” theorized by the German political economist Adolph (Wagner 1890). Basically, early researches aimed to understand the general pattern of the budget policy, namely moments of stasis and changes. These works looked at different explanatory factors concerning the role of the institutional setting, political actors and exogenous variables. The Incremental model applied to the analysis of budget had a first demonstration with the contribution of Wildavsky and colleagues (Davis, Dempster, and Wildavsky 1966; Wildavsky 1964) who stated that “*the largest determining factors of the size and content of this year’s budget is the last year’s budget*” (Wildavsky 1984: 13). This means that the legislator decides how to allocate financial resources by simply adjusting expenditure of the previous year, either slightly increasing or reducing funds.

The departure from the incremental model and a first demonstration of the existence of policy windows in budget studies comes from the contribution by Padgett (1980, 1981), who linked the model of agenda setting with the distribution of changes in public policy. Applying a

stochastic process to budget dynamics for the first time,⁴ he showed that government spending is not normally distributed as instead assumed by the incremental model. Rather it has excessive kurtosis, with glutted tails and high central peak. In fact, a budget distribution behaving according to the incremental model should produce a gaussian (a normally distributed curve, which is the basis for comparison of other curves). The stochastic process method has been revitalized, then further developed, in recent years thanks to the additional availability of data about long budget time series encompassing many policy domains across several countries. The fact that radical modifications are present in almost every policy domain demonstrates that policy makers do not allocate attention evenly across issues, meaning that the empirical analysis proves the meticulous-planner model of public policy wrong.

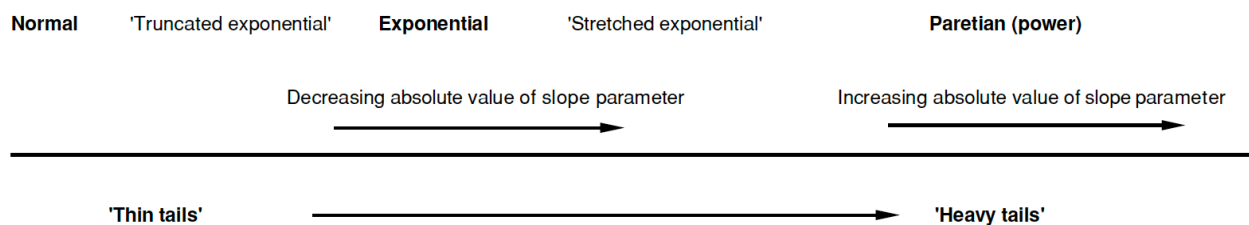
The overarching theory equipped with the analysis of distribution of changes appeared in *The Politics of Attention* (Jones and Baumgartner 2005b) and paved the way to distributional analysis in public policy literature. Building-in disproportionate information processing to the incremental theory, the authors demonstrated that the frequency distribution of changes is indeed punctuated, thereby providing a comprehensive theory of information processing into decision-making that matches the incremental budgeting. Compared to a gaussian (which has the highest number of cases in the shoulders, representing a small departure from the status quo) the distribution of budget adjustments has a slender peak depicting small or no changes, weaker shoulders of moderate changes and fatter tails with upheavals. Statistically speaking, the “peakedness” of a distribution is called kurtosis, so this non-normal distribution with an excess of cases in the center and a lot of outliers is indeed called leptokurtic. This proves that incremental modifications are the norm for most programs and for most of the time. As matter of fact, a smooth adaptation to new incoming information and a rational decision-making process would give rise to normally distributed policy outputs, that is, to also medium adjustments. The explanation of this particular shape of the frequency distribution is again related to the Disproportionate Information Processing model.

This pattern holds even when comparing different types of system (parliamentary or presidential), governmental regimes (Baumgartner et al. 2017; Lam and Chan 2015), levels of government (subnational, national, and supranational, see Citi 2013) and policy venues (parliamentary questions, government speeches, laws, see Baumgartner et al. 2009; Jones et al. 2009; Jones, Sulkin, and Larsen 2003), despite a few differences across policy domains (Breunig

⁴ Until that moment, studies on budget employed mainly regression-based models because of the limited availability of data, which allowed scholars to analyze only a few years and policy domains (Davis, Dempster, and Wildavsky 1966, 1974).

and Koski 2006, 2012; Breunig, Koski, and Mortensen 2010; Jensen 2009). This ever-present evidence allowed to formulate a strong empirical generalization, namely that the distribution of changes in government budget is a power function. Theoretically, it is possible to place distributions along a continuum from thin to heavy tails (Figure 1.1) – or from “mild” to “wild” randomness in Mandelbrot’s words (1997, 1999) – where the normal distribution has the thinnest tails (fewer punctuations) and the Paretian has the heaviest ones (more punctuations) (Jones, Sulkin, and Larsen 2003). Each cluster of probability distributions has its own identifying parameters. While in the family of normal distributions skew and kurtosis do not vary, they actually do in other types of family. The two most important probability density functions (PDFs) are the Paretian and the exponential one. For what it concerns the former, the distribution becomes wilder as the absolute value of the exponent increases, thus enlarging the tails of the distribution and flattening out the shoulders. In a similar fashion, the slope parameter of exponential distributions tells us about the heaviness of the tails, that is, the more shallow is the slope the more punctuated are the tails (Jones, Sulkin, and Larsen 2003). The figure below shows where the different types of distribution are arrayed along the continuum.

FIGURE 1.1 Types of tails of probability distributions



Source: Jones, Sulkin, and Larsen (2003: 159).

For a better understanding, let’s take a step back. The Central Limit Theorem (CLT) maintains that when decision makers rely on several sources of information and take a decision combining all of them, the limit of the distribution of those information is a gaussian. This assumption is true as long as none of the streams of information is disproportionately weighted and the streams are not highly correlated (Jones and Baumgartner 2005a). When politicians adjust this year’s budget departing only incrementally from the previous year’s one, the frequency of annual changes is normally distributed. However, the incremental model is an exceptional case in which the outcome is proportionate to the strength of input signals (Jones and Baumgartner 2005a). The assumption of the CLT is derived from the fact that we are supposed to deal with a large

number of independent processes. Resting on this, if actors are able to consider incoming signals and to react proportionally to them, then also the budget distribution would approach a normal distribution. Nevertheless, contrastingly with this model, there are real-world situations in which decision makers process information disjointedly and select only some issue to prioritize, inevitably causing deviations from the gaussian that results in fat-tailed distributions (Jones and Baumgartner 2005a).

1.3.2 Frictions to Budget Changes

Ultimately, stating that “*political processes are generally characterized by stability and incrementalism, but occasionally they produce large-scale departures from the past*” (True, Jones, and Baumgartner 2006: 155), the DMCPP empirically demonstrated that even large revisions, certainly not the norm, are still possible and likely when specific conditions happen. Many studies point out the role of both cognitive and institutional frictions in obstructing policy changes and highlighted the common shape of frequency distributions when those processes are at stake. Attention at individual and organizational level and the institutional setting, which determines the transaction costs and creates the frame of operating rules for the decision-making process, are the two most important factors affecting the budget outcome.

Attention-shifting has a crucial role in bringing forward policy change (Jones 2001: 84-107). More precisely, attention-shifting helps to surmount barriers erected by institutional frictions. It was initially Padgett (1980) that linked a meticulous policy-making process with uniform attention across policy issues, affirming that topics gain higher attention in proportion to their seriousness. Incremental outcomes hence mirror a rather efficient system in which policies are carefully updated resting on a proportional information processing. The ability of political actors as information processors is therefore judged according to their capacity of paying attention to a widespread set of issues or to a smaller number. Basically, the more the attention is concentrated in very few topics, the more likely it is to have a punctuated pattern, sign of disproportionate information processing and inefficient system (Padgett 1980).

Looking at the entropy is rather helpful to understand which are the main policy intentions of the government in charge and whether it puts sizeable efforts on specific issues while neglecting others. Applying this to the budget, we can deduce that “*when a program receives more money [...] we can infer that policy makers thought that the problems the program is intended to solve are important*” (Epp 2018: 64). At the same time, however, previous studies on budget showed that the budget venue is almost non-responsive at all to shifting of attention (Bevan and Jennings

2014). Additionally, changes in attention are necessary but not sufficient conditions to lead to policy punctuations (Baumgartner and Jones 2002, 2015).

Institutional factors and variations in government's commitments may matter more than shifting in attention. Jones and colleagues (2003) proved also that countries and issues characterized by higher decisional and transactional costs generate more positive kurtosis because of the larger number of frictions. This is evident from their analysis of 15 data sets, that assesses changes in several venues of the policy-making process in the US: government budgets, election results, stock market returns. Findings about the shape of those distributions allowed to distinguish among three different groups, according to the height of the peaks and the length of the tails, among which budget distributions have been found to be marked out by the highest kurtosis with incredibly stable and thick tails.

The revealed empirical regularities demonstrate that institutions raise the level of frictions to human choices, making such processes thoroughly stable but producing extreme changes when they occur. Then, Jones et al. (2009) claimed that a distribution approaching the normality is likely only when – and if – the government has high organizational and cognitive capacity and succeeds at decreasing the effect of institutional obstructions to a reactive policy-making. Accordingly, political systems with more frictions are characterized by more leptokurtic distributions (Jones et al. 2009; Baumgartner et al. 2016). That is to say, institutional characteristics that lock policy decisions into the existing pattern make frictions more or less strong, causing different degree of leptokurtosis. These evidences have been widely confirmed by a wealth of quantitative researches (among others, John and Margetts (2003) on national budget in Great Britain; Mortensen (2005) on Danish local budgets; Robinson (2004) on Texas school districts; Baumgartner, Foucault, and François (2006) comparing French and US nation budgets; Breunig (2006) comparing budgets of Denmark, Germany, US and UK; Jones et al. (2009) comparing some European countries, Canada and the US) that demonstrated that the highest level of kurtosis in budget, compared to other policy venues, are due to the more resistant frictions that need to be overcome.

1.3.3 Explanatory Theory or Simple Metaphor?

Despite being probably “*the most serious attempt to formulate a formal explanatory model of policy and budget dynamics*” (Jensen, Mortensen, and Serritzlew 2016: 227), the DMCPP has not been exempt from critiques, both on the theoretical and methodological side. Focusing on the concept of punctuation put forth by Baumgartner and Jones, scholars have highlighted the long-term measurement challenges and increasing concerns about the operational definitions. As

argued by Jensen and colleagues referring to the empirical regularity that shows the distribution of budget changes as a power function “*an empirical generalization explains nothing by itself, and therefore it is crucial that we strive hard to challenge and further develop the models and the analytical tools used to explain and study these phenomena*” (2016: 235). As matter of fact, the categorization of policy transformations into incremental and punctuated depends on the cutoff point selected by the scholar, that results primarily from the decision about the size of bins of a histogram (Robinson, Flink, and King 2014). Yet, the punctuated equilibrium literature misses to provide a proper definition of what is a punctuated change and what is not, which is still somewhat arbitrary and conditional upon the crossover point set by researchers in every single work.

In addition to that, scholars have always treated punctuations as if they were all the same, neglecting potential differences between single policy punctuations. In fact, each of them may reflect peculiar processes and nature which vary from case to case. To guard against this pitfall, John and Bevan (2012) applied a typology that considers the specific process behind policy changes and defined policy punctuations in UK budget as procedural, low- and high-salience changes, the latter being considered as the real punctuations because linked to shifts in public attention, as the theory calls for.⁵ All in all, it is about focusing on the causal processes at work that produce different kinds of policy punctuations, in order to rebut Prindle’s (2006) charge of punctuation as merely a metaphor. Epp and Baumgartner (2017) tried to do it by developing a new measurement for the dependent variable which uses a cutoff percentile to define punctuations.⁶ However, in spite of the operational improvement set out by the two scholars, findings suggest that “*there is nothing revolutionary about the index that should call into question previous results*” (Epp and Baumgartner 2017: 254).

On the conceptual side, starting from the evident ability of the biological theory to explain causal processes behind punctuations, Prindle maintained that Jones and Baumgartner’s model “*has no grounding in operational definitions of stasis and sudden change and is therefore a metaphor rather than a causal theory*” (2006: 11), recommending to use the more descriptive term “punctuated incrementalism” when referring to the study of policy-making processes (Prindle 2012: 35). Joining this view, some scholars have underscored the DM CPP limits as an actual inferential theory testing (Cashore and Howlett 2007; Jensen, Mortensen, and Serritzlew

⁵ Although they unveiled that about half of the punctuations present in the UK budget are either the consequence of procedural modifications or low-salience changes that did not chase after shifts in attention, their revised definition had not substantially impacted on the theory nor led to transform the empirical support for it (Epp and Baumgartner 2017).

⁶ Basically, they compared the observed budget distribution with a hypothetical normal distribution with the same mean and standard deviation, which is the reference point to define punctuations.

2016) which would need to move forward and demonstrate its ability not only at describing the distribution of policy changes but, most importantly, “to justify itself as an explanatory theory” (Robinson et al. 2007: 149). Basically, critiques stress the necessity to assess the impact of organizational factors on the occurrence of punctuated changes in order to unfold causal processes as the original incremental model was not able to (Robinson et al. 2007).

More recent studies raise doubts about the timing for the occurrence of punctuations. To review, we know that institutions place the barriers that restrain policy changes but sometimes we witness a few rare moments of disruption because of a process of error-accumulation. The mounting tension and pressure for modifications makes possible to overcome the resistance created by institutional frictions. The error-accumulation process, consequence of disproportionate information processing, takes long time to manifest its effects. Intuitively, this means that after a policy punctuation we expect a minor adjustment of the status quo coming. This argument has been recently questioned by evidences of a study conducted on Texas school district budgets, which shows that districts historically characterized by more punctuations are very likely to have more in the future (Robinson, Flink, and King 2014). Embracing the narrative arguing that punctuations are contagious (Boushey 2010), that is, a system experiencing punctuations is more vulnerable to others and more, Robinson and colleagues challenged the Jones and Baumgartner’s (2005b) friction model. Results of their work point out that punctuations beget punctuations. They interpreted these findings as a consequence of that particular institutional setting, which predisposes the system to be subject to punctuations and affirm that “*institutions predisposed to punctuated change are structurally different than those that experience greater stability*” (Robinson, Flink, and King 2014: 469). Quite simply, the propensity for punctuation is endemic to particular types of institutional design: more likely underdeveloped or poorly managed ones. The idea that the institutional model affects the level of frictions and, as consequence, the magnitude and frequency of punctuated changes has started to gain growing attention for a few years now (see Breunig, Koski, and Mortensen 2010; Epp 2015; John and Bevan 2012; May and Jochim 2013; Robinson et al. 2007). Yet all these studies haven’t been able to reach a synthetic explanation about the impact of the institutional setting: a fundamental aspect that I am going to assess for the Italian case later on in this thesis.

1.4 What Else Beyond Attention and Frictions?

1.4.1 Comparative Political Economy

It was almost eight decades ago when Key (1940) drew the attention to the fact that no budget theory existed except for a normative theory of budget allocation which however suffered the

lack of empirical support. Public policy scholars are nowadays mired in a dispute between the many strings of research, mostly dated back to the 1980s or even before, without being able to move forward and implement ideas and explanations provided in that period (Howlett, McConnell, and Perl 2016). This deadlock originates from the fact that scholars still conceive these theories as mutually exclusive rather than trying to merge them into an overarching framework (Cairney 2013; John 2015, 2018).

The Punctuated Equilibrium approach, attempting to include the role of previously neglected variables into the model, brings in the role of exogenous factors and external pressures shaping the political agenda. A recent work by Froio, Bevan, and Jennings (2017) clarified that governments strive to balance their promissory agenda, namely to follow their electoral mandate, and the anticipatory agenda, made up by external pressures and new public concerns that may raise during the mandate. That means that parties' and governments' ability to chase their mandate varies according to how they balance their attention between their electoral pledges, those of their opponents, the executive's agenda and new issues prioritized by the public opinion. This attention-based model of party mandates is clearly in line with the idea of political actors as information processor, as maintained by Jones and Baumgartner (2005b). Yet, their work uses the attention-based approach to evaluate the government responsiveness to voters and to upcoming information and fluctuations on public preferences. Recently, merging three different theories – the decision-making theories and serial processing model (Wildavsky 1964; Padgett 1981), the DMCPP (Jones and Baumgartner 2005b) and the path-dependency – in a study encompassing almost two hundred years, Jones and other co-authors tried to develop a more general theory of budgetary allocations, which they labelled Disrupted Exponential Incrementalism⁷ (Jones, Zalányi, and Érdi 2014: 561), demonstrating that it possible at the macro level to integrate politics into a theory of a budgeting. Evidently, the Punctuated Model is not the sole approach trying to explain the impact of institutional and cognitive factors on the policy-making process. In fact, despite the increasing number of studies based on its tenets and the attempt to identify factors shaping the budget distribution or the determinants of single spending reductions and expansions (Breunig 2006, 2011), predicting single changes remains a rather hard task because of the non-linear function linking inputs and outputs.

Dealing with the external pressure means also to consider the economic context within which political systems act. In recent years, we witnessed to the revival of interest in the Comparative Political Economy, which has illustrated for quite a while the influence of economy

⁷ The term derived from the evidence that self-reinforcing incrementalism brings about exponential growth path in budget.

in political decisions and the effect of politics on countries' economic performance. The empirical analysis coming under this scholarship uses economy mostly as dependent variable, though scholars have also shifted the attention to economy as independent variable to understand how it affects politics and policy outcomes (Acemoglu and Robinson 2006). Franzese, for instance, argued that “*similar policy-making challenges and universal tensions in the allocations of political resources in liberal market democracies induce different policies and outcomes because the domestic and international political-economic institutions, interest structures, and conditions within public and private actors*” (2002: xviii).

Focusing, for example, on the link between electoral systems and institutions, thence to policy, a few studies highlighted the impact on the former on welfare policy outcomes (Persson and Tabellini 2004) while others specified that proportional representation leads to more egalitarian policies. Furthermore, it seems that countries with majoritarian electoral system cut expenditure during election years and decrease taxes more than countries with proportional systems. The latter increase spending on welfare state before elections, strengthening also their commitment for the post-election year (Tabellini and Persson 2003). Bezes and Le Lidec (2015) also argued that the pre-electoral phase is particularly unfavorable to carry out curtailments because of the higher risk of electoral punishment. In fact, it constitutes an incentive for policy makers to defer the required budgetary and fiscal adjustments to the post-electoral phase.

The type of electoral system is in turn the consequence of the type of economy (Cusack, Iversen, and Soskice 2010; Iversen and Soskice 2010; Soskice and Iversen 2001). More and more frequently, political economy researchers are seeking to generalize the causes of specific policy outcomes employing as dependent variable the same used by public policy ones, namely policy modifications over time and across places, though resting on a different theoretical background. According to John (2018: 11) political economy scholarship can substantially contribute to the improvement and understanding of public policy. In the last few years, some scholars have started to include variables about the decision-making process and the role of political parties into studies that rest on the Multiple Stream approach (Herweg, Huß, and Zohlnhöfer 2015; Zohlnhöfer, Herweg, and Rüb 2015) and agenda-setting (Breunig, Lipsmeyer, and Whitten 2017; Green-Pedersen, Mortensen, and Thesen 2017; Jensen, Mortensen, and Serritzlew 2016; Kreppel and Oztas 2017). Specifically, it appears of utmost importance to integrate these models with the Tsebelis veto points theory, which is a political economy approach with policy predictions (John 2018).

1.4.2 The Institutional Argument and The Veto Points Theory

The role of the institutional setting is not new in public policy literature and benefits of several approaches and perspectives that have highlighted its impact on policy outcomes. A first wide argument pertains to the type of democracy and country's institutional design. Distinguishing between majoritarian *versus* consensus democracies, Lijphart (1977, 1992) linked the model of democracy, originated from the cultural and societal arrangement, with the characteristics of the party system and type of government. Specifically, he affirmed that consensus democracies outperform majoritarian ones for what it concerns the democratic representation and the "kindness and gentles of their public policy orientations" (1999: 295), visible from the higher generosity in welfare provisions but also from the ability to guarantee more stable, continuous and predictable policies (Crepaz 1996; Lijphart 1999). Differently, majoritarian ones are more inclined to produce "stop-and-go" policies, which are not moderate by coalition partners (Alesina and Perotti 1995).

Departing from this perspective, a first strand of research started to analyze the impact of institutions on the size of debt (Alesina and Tabellini 1990; Alt and Lassen 2006) and deficit (Edin and Ohlsson 1991; Grilli, Masciandaro, and Tabellini 1991; de Haan and Sturm 1997; Volkerink and de Haan 2001), considering a country's fiscal performance as an example of the Common-Pool Resource (CPR) logic, from which the so-called "political fragmentation" hypothesis has been later developed. This approach explains that in a situation of limited resources and in the absence of a central coordinator, political actors try to maximize their individual benefits while externalizing the cost to the whole group. More precisely, Alt maintained that "*politicians spend more on their constituencies to the extent that they do not internalize the full costs of their spending and taxing decisions. [...] Competition between claimants on the budget generates a spending bias because each of n claimants internalizes on $1/n$ of the cost of financing an additional unit of spending*" (2002: 160). Evidences come mainly from the welfare state literature, which has been framed more and more frequently through the lens of the CPR logic. Specifically, the growth of welfare state expenditure has been explained by the large number of parties making up the government coalition, which dim the possibilities to restrain spending (Bawn and Rosenbluth 2006; Persson, Roland, and Tabellini 2007), in particular in those systems with weak budgetary rules (Martin and Vanberg 2013).

The political fragmentation hypothesis is in line with the so-called law of $1/n$ (Weingast, Shepsle, and Johnsen 1981) which already illustrated that an increasing number of decision makers causes a pro-spending bias because of the universal logrolling. This means that each decision maker involved in the process finds it useful to raise funds to programs favoring his/her constituency, as long as the corresponding costs are distributed among all taxpayers. It implies a positive correlation, for instance, between the size of budget deficit and the number of politically relevant actors. Findings

of these studies blame coalition governments to increase deficit and debt because of the internal disputes between members, in particular during economic downturns (Alesina and Drazen 1991; Perotti and Kontopoulos 2002). This situation is even worse in those countries with proportional electoral systems⁸ (Persson and Tabellini 2003). Features of the governing coalition and its power *vis-à-vis* the parliament affect the parliamentary stage, therefore shaping the outcome of the budgetary process (von Hagen and Harden 1995). Single-party governments present higher level of power concentration (Weaver and Rockman 1993: 24) thanks to a high degree of preferences homogeneity and the same ideological background of ministers, making them rather powerful in controlling policy outcomes. Contrastingly, multi-party coalition governments formed by parties with divergent and sometimes opposite views and objectives – which will possibly compete against each other in the following elections⁹ – need to behave strategically in order to see their policy targets adopted, because of the joint control with other parties of the government functions (Müller and Strøm 2000). In addition to that, they tend to focus on those issues on which the governing partners agree while avoiding controversial topics (Bawn and Rosenbluth 2006). The result is a mechanism which allows to take the government under control against thorny policies (Martin and Vanberg 2004).

The veto point theory adds further information to these lines of inquiry towards a more comprehensive understanding. Clearly, it is possible to recognize two different types of veto players, namely institutional and partisan vetoes. The former are the actors that have to accept the policy change, for instance the parliamentary chambers (or the president in presidential systems) whose agreement to modify the status quo is specified in the constitution. The latter are simply political parties which “are generated by the political game” (Tsebelis 2002: 19). Looking at the distribution of power among actors, Tsebelis (1995) explained that the government, not being a unitary actor but an aggregation of multiple players with divergent interests, needs to bargain in order to achieve a compromise over a policy decision (see also Roubini and Sachs 1989b, 1989a; Tsebelis and Chang 2004). The basic assumption is that a larger number of vetoes reduces the likelihood to alter the status quo and the budget (Tsebelis 1999, 2002) because moving away from the already established path requires the agreement of all veto players.

⁸ This is related to the composition and structure of the parliament and to its strength *vis-à-vis* the government. As showed by Bonoli (2001), symmetrical bicameralism constrains the power of the government thanks to a higher likelihood and aptitude to amend its proposals, whereas asymmetric bicameralism or unicameral parliaments ensure the government’s control over the policy-making process.

⁹ This aspect sometimes encourages coalition members to take the distance from government’s policy, or even to defect (Bonoli 2001).

As underlines by Zohlnhöfer, a further specification is necessary to distinguish between “co-operative” and “competitive” veto players¹⁰ (2009: 99). The former are those which preferences and strategic considerations are not in contrast with a change in the status quo, those who have strong incentives to cooperate with coalition partners. As contrast, the latter are those which attitude diverges from the government’s will, as for instance institutional veto players. The likelihood of policy changes is expected to be higher when co-operative veto players are participating to the decision-making while competitive veto players make the modification of the status quo more difficult and less likely (Zohlnhöfer 2009). The probability of change depends not only on the number of vetoes acting in the system, but on other two fundamental factors, namely the congruence of the veto points (mostly defined as their ideological distance) and their cohesion, applicable to collective veto players (Tsebelis 1995). It follows that “*the more veto players there are, and the more their preferences diverge, the harder it is, on average, to change policy*” (Bawn 1999: 708). Summing up, budget transformations are determined by the spending preferences of political actors and their strategic interaction during the decision-making process (Hallerberg 2004; König and Tröger 2005; Romer and Rosenthal 1978; Tsebelis 1995, 2002; Tsebelis and Chang 2004).

1.4.3 Towards an Integrated Model of the PE and Institutional Theories

About a decade ago, conducting a comparative study of France and the US, Baumgartner, Foucault, and François (2006) showed that frictions are present in every historical period and at every level of aggregation despite the heavy dissimilarities of the two countries. That suggested to go further in the analysis of the impact of institutional variables on similarities and, mostly, on differences. Later on, the crucial role of institutional features has been further pointed out by Green-Pedersen and Walgrave (2014) who highlighted that the division of powers and the degree of institutional fragmentation are leading factors in shaping the ability of parties to transmit their electoral mandate into their policy agenda. A more in-depth attempt comes from Breunig (2006) who for the first time really combined the agenda-setting model with the institutional perspective, offering a comparison between Denmark, Germany, the UK, and the US which addressed the study of budget changes accounting for the ideological distance between governing and opposition parties.

¹⁰ He drew this distinction from Birchfield and Crepez (1998) and Wagschal (1999), with the first two authors assuming that only competitive veto players have the capability to potentially block a policy change. Ganghof (2003) recommended to consider also the possibility that actors would be willing to modify or quit their policy position in order to reach a compromise – what he called “sacrifice ratio” – which is likely to be higher for cooperative veto points than for competitive ones (Zohlnhöfer 2009).

From the veto points model we know that few and ideologically close veto players can easily modify the budget thanks to higher congruence. In this rather stable policy context created by the similar preferences of actors “policy making fluctuates within a small range” (Breunig 2006: 1074). Intuitively, shared preferences of few vetoes can easily pave the way to decisions on which they do not need to bargain too much, making easier to change the budget. This advantageous situation facilitates them also in case of external shocks they potentially need to face, hence “the necessity for dramatic change is less pronounced” (Breunig 2006: 1074). Conversely, in those systems with a lot of veto points and divergent policy positions, departing from the status quo would require a dramatic modification. Applying this alternative perspective, he supposed that a higher number of veto players participating in the deliberative process and the lower congruence increase the likelihood to observe a punctuated budget.

In fact, findings about the role of partisan ideological distance are conditional upon the country. While Denmark displays that the greater the distance between government and opposition parties the lower the degree of punctuations, Germany and the UK yield to opposite results, in contrast with the veto players theory. Successively, Breunig advanced the knowledge about budget dynamics underscoring the need to address the impact of budgetary institutions (Hallerberg 2004; Von Hagen 1992) not only as stabilizers, but considering their amplifying effect on budget transformations. More likely, veto players raise and extend the bargaining over the composition of the budget rather than simply blocking budget changes (Breunig 2011). In a later study on the Italian case, Russo and Verzichelli (2016) combined the veto players theory with the attention-based model, finding out that government ideology affects spending decisions only when there are few veto points in place and governing partners are not too ideologically polarized. At the same time, they confirmed that higher attention is positively correlated with spending changes.

On the whole, although we still lack an overarching model which perfectly integrates the institutional perspective with the Punctuated Equilibrium Theory, the two share some interesting points deserving attention. According to the first perspective, policy changes come about in two different ways, that is, either an endogenous change of one element with the characteristic of veto player happens, or an external shock occurs (Zohlnhöfer 2009). The second approach focuses on drifts in attention and on decision-making rules that set the transaction costs to alter the status quo, and on attention-shifting caused by external pressure (Jones and Baumgartner 2005b). As far as it goes, the two approaches do not seem to be that far from each other. Eventually, Breunig suggests “*that future research on veto players might examine how higher order (such as constitutional*

requirements) or competing (such as supranational entities) institutional structures interact or even stymie veto powers” (2011: 1084).

Taking into account this recommendation, I derive some hypotheses (that I will test in Chapter 6) that seek those causes that foster the occurrence of budget upheavals. The hypotheses pertain to the Italian public budget, which is the core of this thesis (the case-selection strategy and the justification about the choice are described in detail in Chapter 3). As just reviewed, public budgeting is affected by several factors, thus it can be studied from a number of different angles according to those aspects one wants to focus on. Here I aspire to uncover which factors determine the magnitude of budget changes, which is the unit of analysis at this stage. Specifically, I want to test which variables bridle the occurrence of major adjustments, thus acting as institutional frictions and which instead encourage punctuated changes, either after an error-accumulation process or because of a sudden necessity to adjust the budget after an external shock. Whereas choosing single policy choices as unit of analysis partially drifts apart from the pure Punctuated Equilibrium model – which predicts the aggregate distribution of policy decisions rather than single budget changes – considering the size of spending modifications has a clear implication for the overall distribution of budget adjustments. Therefore, relying theoretically and methodologically on the Punctuated Equilibrium pillars, I will study throughout the thesis both the stability and change of the budget looking at the aggregate distribution of yearly modifications, as well as at single spending decisions for testing the hypotheses.

1.5 The Italian Case: Hypotheses

To recall, the course of public policies is characterized by long periods of hyper-incrementalism shaken by dramatic adjustments, called punctuations. This pattern is the result of two factors or, more accurately, of two different types of limit: cognitive and institutional frictions. These restrain the policy-makers’ chances to process information rationally and to respond to the same proportionally, causing moments of major policy modifications. Among other policy venues, the budget shows the strongest inertia because frictions thereof are heavier than in other policy venues (Baumgartner et al. 2009; John and Margetts 2003; Jones, Sulkin, and Larsen 2003). Spikes occur either because of error-accumulation processes and attention-shifting that make the change unavoidable, or because of an external shock. Institutional features matter as well, increasing or decreasing the possibility for change.

1.5.1 Institutions and Frictions

The budget is the policy venue where frictions do operate with the highest strength. Translated in terms of the DMCP, this means highest level of leptokurtosis of a frequency distribution of changes. As affirmed by Jones and Baumgartner “*we will observe a greater likelihood of punctuations in some institutions of government than in others; this is related to the efficiency of the institutional design*” (2005b: 20). While the highest degree of leptokurtosis of the budget venue is already widely acknowledged, cross countries differences exist (as I will show in the next chapter comparing budget changes across European countries) precisely because of each country’s specific characteristics. Here comes the role of the institutional setting and veto players. As summed up in the literature review, chasing for the effect of the institutional design is a rather difficult task, undermined by pitfalls due to newest contradictory insights.

To review, the PET has abundantly empirically demonstrated that punctuations come up occasionally and after a long process of error-accumulation. This implies that after such a dramatic change, there is a return to the status quo which will last until the error-accumulation course provokes a new disruption. In fact, latest researches have called into questions this evidence. Robinson and colleagues (2007, 2014) have shown that punctuations engender other punctuations, holding responsible specific institutional settings which put the system at risk of higher instability. In order to understand which is the actual impact of institutional features on the occurrence of dramatic budget adjustments, I single out few factors that belong to the broad Italian institutional setting.

Parliamentary Fragmentation

Wildavsky and Caiden remind that “*who has power over the budget does not tell us whether or not the budget is under control*” (2001: 18). From an institutional point of view, the government shares the power of the purse with the parliament and its relative influence varies considerably (Wehner 2010). Scholars have widely addressed the power of the legislative *vis-à-vis* the executive, particularly in supervising and controlling the budget (von Hagen and Harden 1995; Lienert 2005; Pelizzo and Stapenhurst 2004; Schick 2002; Von Hagen 1992). Evidences of many comparative studies unfolded that important cross-country variations exist, meaning that in some cases, as for instance in the US, the Congress is a powerful actor with vast authority over the budget policy (Schick 2008; Meyers 2001; Wildavsky 1964) whereas in other countries, as in France and the UK, the parliament has very little to say about budget figures (Chinaud 1993; Schick 2002). Most of these works rest on the “*distributive politics*” approach (Weingast, Shepsle, and Johnsen 1981) and the CPR logic, explaining that the budgetary decision-making is exposed to a pro-spending bias which

increases as far as the number of actors raises. This dynamic can be alleviated potentially by an effective institutional arrangement.

In the specific case of Italy, the dicephalus parliament has a long tradition of transformative amendments to the budget (Verzichelli 1999) and its strength has always been an extremely forceful barrier to the implementation of government's spending proposals. This is the reason why Hallerberg, Strauch, and von Hagen 2007 have associated the Italian budgetary process to a sort of "contract" among various institutional, political, and social actors rather than to a "delegation" to the main decision makers of the executive. A fundamental feature of parliamentary systems is that institutional and partisan veto players are strictly linked together. This derives from the fact that the survival of the government depends on parliamentary support. In this situation, it might happen that veto players, while interacting with one another (Ganghof 2003; Scharpf 2000b) decide to adopt a vote-seeking strategy or try to favor their constituency asking the government for incommensurate concessions, which lead to a growing number of micro adjustments and hamper the possibility even for a cohesive government (Zohlnhöfer 2009) to pursue its spending goals. Therefore, addressing firstly the role of the parliament *vis-à-vis* the executive, I expect that a growing number of parties in parliament slows down the capability of the government to implement its spending preferences.

FRAGMENTATION HYPOTHESIS

HIGHER NUMBER OF VETO PLAYERS IN PARLIAMENT REDUCES THE MAGNITUDE OF BUDGET CHANGES

Government Ideological Polarization

The veto points theory argues that a larger number of decision-makers restrains the possibility of substantial budget alterations because of the growing difficult to reach an agreement satisfying all actors (Tsebelis 1999, 2002). Intuitively, multi-party coalition governments need to behave strategically in order to see their policy targets adopted because of the joint control with other parties of government functions (Roubini and Sachs 1989b, 1989a; Strøm, Müller, and Bergman 2006). The same does not happen in one-party governments which are rather powerful in controlling policy outcomes, thanks to a high degree of preferences homogeneity and power concentration (Weaver and Rockman 1993). When dealing with spending decisions, coalition partners cannot implement their policy preferences without bargaining with other members of the government in order to achieve a compromise (Tsebelis 1995). This assumption, applied to the study of public budgeting, leads to the expectation that multi-party coalition governments tend to produce only marginal spending adjustments. For instance, studying the US and European countries' budgets, Epp,

Lovett and Baumgartner (2014) showed that being a unified coalition or a single-party government matters more than partisan ideology in determining budget changes.

Fractionalization has been measured for a long time as the number of parties in the party system (Laakso and Taagepera 1979; Lijphart 1999; Powell 1982; Rae 1968; Taagepera and Shugart 1989). Although it is surely a relevant aspect to consider because it hinders government's ability to implement its spending preferences, this is not the only and most important issue. In fact, in order to truly evaluate the quality of party competition, it would be more correct to use the party system polarization. Polarization is not merely about the number of actors, rather it highlights the degree of ideological distance between them. Numerical fragmentation is actually perceived as a "surrogate" for the ideological aspect, much more difficult to measure (Dalton 2008: 900-915). The two aspects are obviously linked together and affect the capacity of the government to pursue its spending goals. To be more precise "*the importance of the position of the agenda setter decreases, however, with an increase in the number of veto players and a decrease of congruence*" (Zohlnhöfer 2009: 99-100).

POLARIZATION HYPOTHESIS

HIGHER IDEOLOGICAL DISTANCE WITHIN THE GOVERNING COALITION REDUCES THE MAGNITUDE OF BUDGET CHANGES

Budgetary Process Centralization

Institutional factors include also the design of the budgetary process and the strength of the Minister of Finance: the two aspects are usually closely linked together. As pointed out by strands of research which study the role of budgetary procedures, budget institutions have a crucial role in affecting the budget outcome and a country's fiscal discipline (Hallerberg 2004; Von Hagen 1992). A reinterpretation of the CPR logic showed that the effect of the governing coalition's size on the budget outcome could be swept away by more centralized fiscal institutions (Martin and Vanberg 2013). This means that a centralized budgetary process can counterbalance the pro-spending bias usually connected with multi-party coalition governments. Nevertheless, as remarked by Perotti and Kontopoulos, it is unreasonable to expect that a reform of the budgetary process, even if in the direction of a more centralization, is the solution for all fiscal ills because "*there is nothing to prevent the government of a sovereign country to disregard, in practice, stringent budget rules*" (2002: 217).

Analyzing the budgetary process in European countries, Hallerberg and colleagues (2007) distinguished between two groups of procedural rules according to the degree of centralization (also

von Hagen 1992; Hallerberg 2004). As mentioned, the Italian case falls under the contract model: a target-oriented approach which usually defines multi-party coalition governments where a bargaining process is needed in order to find a compromise.¹¹ A more centralized procedure seems to enhance the ability of the executive to pursue its spending goals, reducing the time necessary to come to an agreement and the tendency of the parliament to raise public spending. Clearly, the Minister of Finance, being the guardian of the treasury, might have an important steering capability over the budgetary process (von Hagen and Harden 1995; Hahm, Kamlet, and Mowery 1996; A. Wildavsky 1975). While this is the case of countries adopting a delegation approach, the contract model is substantially different.

Throughout the past decades, the reinforcement of the MoF in Italy was strictly connected with – if not determined by – public accounts deterioration occurred between the end of the 1970s and the first half of the 1990s, with the gradual implementation of the European economic constraint. Several reforms came in succession, aiming to guarantee higher control over public expenditure to the MoF and its bureaucracy (particularly the *Ragioneria Generale dello Stato*, RGS) (Cotta and Verzichelli 2016). This improvement follows an overarching process of rationalization and empowerment of the government itself that occurred not only *de iure*, after normative changes but mostly *de facto*, because of the implementation of new practices. For all these reasons and because of the characteristics and evolution of the Italian budgetary process towards higher centralization (in details in Chapter 5), I expect that a more centralized budgetary process reduces the impact of veto players in parliament, thereby granting wider power to the government to pursue its spending goals.

CENTRALIZATION HYPOTHESIS

HIGHER CENTRALIZATION OF THE BUDGET PROCESS INCREASES THE MAGNITUDE OF BUDGET CHANGES

European External Constraint

Beyond the factors just considered, the necessity and duty to pass the budget respecting constitutional and procedural rules might further constrain the budget (Wildavsky 1986) and hamper the effect of institutional characteristics and veto players. Studies about the US case (Alt

¹¹ The other type is the delegation model: a procedure-oriented approach, predominant in one-party governments and characterized by a leading cabinet. The delegation approach gives a powerful role to the MoF, who controls the budget by proposing and legislating without any strong tie from other actors and with a rather ample bargaining power *vis-à-vis* other spending ministers. This leads to have a sort of veto cabinet with enough power to modify almost unilaterally the budget, if the domestic circumstances or international junctures require interventions, or to simply alter the allocation of resources avoiding a costly negotiation within the executive and between the executive and the legislative.

and Rose 2007) underlined that the adoption of a balanced budget rule alleviates the impact of the electoral cyclical on raising or cutting the budget (Bezes and Le Lidec 2015; Tabellini and Persson 2003) or, better, that “political business cycles are negligible in states with prohibitions on deficit carry-over” (Rose 2006). A budget stringency regulation fits perfectly the definition of friction provided by Jones and Baumgartner, since it creates the boundary which allows the system to stand still in an equilibrium of mainly marginal adjustments, only seldom disrupted by overcorrections.

The balanced budget rule integrated in the Italian Constitution has to be framed within the wider context that looks at the European economic governance advancement. The literature about the European Monetary Union (EMU) and about its external constraint on member states is by now widely acknowledged (Dyson and Featherstone 1996; Moschella 2017a, 2017b; Pavolini et al. 2015). European countries adopted a balanced budget rule already in 1992 with the adherence to the Maastricht Treaty, which set a ceiling of 3 percent of GDP for fiscal deficit and 60 percent for debt-to-GDP ratio. Since then, European countries have to meet fiscal convergence requirements. Later on, in 2005, the reform of the Stability and Growth Pact (SGP) reinforced the surveillance over member states, by introducing the Excessive Deficit Procedure (EDP). As other member states, in order to face the heavy aftermaths of the economic crisis, Italy has integrated in its Constitution a balanced budget rule after the signing of the Fiscal Compact in 2012.¹² As observed by some scholars, however, the European Union influence on national policies is more a perception of a constraint erroneously called “external” (Bezes and Le Lidec 2015; Clift and Ryner 2014). In fact, member states have already adopted at domestic level the supranational norms and internalized the external obligations.

Yet, the EU influence is far from being properly measured and remains rather blurred in some respects, blending traits of voluntary choices hidden behind the rhetoric of exogenous imposition and actual supranational limits to national spending decisions. In this work, after developing a new measure for the European external influence, I will test whether a more stringent supranational economic governance substantially affects budget outcome at national level.

EXTERNAL CONSTRAINT HYPOTHESIS

A STRICTER EUROPEAN CONSTRAINT REDUCES THE MAGNITUDE OF BUDGET CHANGES

¹² All these improvements are described at length in Chapter 5.

1.5.2 External Shocks

Another crucial aspect comes to light within the dense and broad framework of public governance. As already mentioned, besides institutional and political variables, exogenous factors affect the domestic situation and public budgeting as well. We know that the course of public policies is driven by a complex system where partisan priorities are flanked – and sometimes clash – against the emergence of new issues and upcoming signals coming from the external environment (Jones and Baumgartner 2005b). In the words of Jones and colleagues (2009), the agenda-setting process is a melt between “the ‘order’ of frictions and the ‘chaos’ of urgency”. As abundantly reviewed, the disproportionate information processing that occurs when additional signals arise on the public scene disrupts long-lasting patterns of evenly distributed attention (Baumgartner and Jones 2015; Epp 2018). In other words, the buildup of external pressure is fundamental to overcome the resistance placed by domestic institutional frictions.

As illustrated by recent works, external shocks have an impact especially on the ability of parties to carry out ideologically driven spending choices.¹³ When the digging up of new issues becomes too pressing, the partisan effect seems to be considerably slackened (Breunig 2011; Russo and Verzichelli 2016). A pertinent example of the influence of external events on government preferences concerns the occurrence of the economic crisis. Overseas, after the 2008 recession President George W. Bush committed his republican government to the largest intervention into the private economy, suggesting that governments must respond to new issues regardless their ideological stances (Epp et al. 2014). In the European context, the economic crisis has increasingly pushed governments to engage in cost containment or even in retrenchment policies. As is known, Italy heavily suffered the recession not only in terms of economic loss but also on domestic political dynamics. As highlighted by scholarship on economic voting, governing parties especially in Southern Europe paid a heavy electoral cost (Bellucci, Costa Lobo, and Lewis-Beck 2012), particularly when they preferred responsibility over responsiveness (Mair 2011). Incidentally, some European countries exploited the occurrence of mounting attention towards economic affairs and the urgency imposed by the crisis to strategically issue some structural but unpopular reforms (Cioffi and Dubin 2016; Dukelow 2015; Moury and Standring 2017), responding similarly despite different

¹³ Despite the generalization provided in their study about the responsiveness of different venues to public priorities and attention-shifting, Bevan and Jennings (2014) found out that the budget venue, compared to others, is almost non-responsive to the above-mentioned dynamics. However, this study compares the UK and the US only, two systems which are extremely different from other Western democracies, with a time span covering about fifty years that stops at the beginning of the 2000s, in this way lacking fascinating information about the effect of the economic crisis.

ideological and coalitional stripes.¹⁴ Therefore, I suppose that the occurrence of the crisis triggered a sudden necessity of major modifications in the Italian budget, temporarily nullifying the impact of institutional and political factors.

ECONOMIC CRISIS HYPOTHESIS

PERIODS OF ECONOMIC CRISIS INCREASE THE MAGNITUDE OF BUDGET CHANGES

Looking at these hypotheses it is already blatant that the budget policy outcome is determined by a number of intervening and, in most of the cases, interdependent factors. How each of these affects the occurrence and the size of budget changes is evaluated and explained in Part III, Chapter 6. Yet, before getting to the core of the thesis and delving into the hypotheses testing, it is crucial to consider the characteristics and potential modifications, both internationally and nationally, of the environment in which the Italian budget policy takes shape. To do that, Chapter 2 introduces and briefly explains the adjustments concerning the supranational context, at first. Then, I provide an overarching view of budget changes in European countries during the last decades, thereby giving strength to previous findings in this field of research. This helps to place and justify the selection of the Italian case within the wider European context, starting with a preliminary assessment of how budgets have evolved over time.

¹⁴ These studies explained that during the great recession not all austerity measures implemented in the periphery of the Eurozone were actually imposed “from above” (Dukelow 2015; Hick 2017; Cioffi and Dubin 2016) but that governments exploited that rhetoric because they lacked the necessary support to issue them.

CHAPTER 2

EUROPEAN COUNTRIES' BUDGETS

AND THE ITALIAN CASE

No study of decision-making processes can take the liberty to avoid considering the context within which such processes and political decisions take place. Intuitively, the domestic environment has surely the greatest influence on the final policy outcomes, with its well-established practices and dynamics. However, beside it there is the international context, whose impact cannot be neglected since it contributes to shape and determine the set of choices and possibilities of national actors. This is even more true since a few decades because of the reinforcement of the European Union and in particular of the European economic governance, whose strengthened role and increasing regulations affect the internal decision-making process which eventually delivers the budget of member states. Yet, despite the partial alignment of national policies, country's specificities obviously remain. In this regard, to have a deep comprehension of the budget policy in Italy it is essential to provide an overarching picture of the European context in which the Italian case is steadily integrated. Therefore, this chapter describes at first the supranational context and the most relevant modifications of the past years concerning both the economic and the political sphere. Afterwards, it compares the budgets of European countries, to verify whether the punctuation hypothesis applies similarly to all member states' budgets. To recall, the general punctuation hypothesis envisages that all human decision-making processes emerge into a punctuated equilibrium. This implies that all budget of European countries should exhibit a leptokurtic distribution of annual changes. After confirming this hypothesis, I pull out the Italian case highlighting the main features of budget modifications and illustrate the main phases of the Italian budget policy, identifying the policy cycles that mark the evolution of the management of Italian public accounts.

2.1 The International Context

For a long period of time after the second world war, the necessity to efficiently reallocate funds among various portfolios was neither compelling nor strictly required thanks to steady surpluses

(Wildavsky and Caiden 2001). Moreover, several issues governments dealt with kept public expenditure raising, as for instance past legacies, growing demands and limited resources, because of the well-known aversion to tax in proportion to spending (Crozier, Huntington, and Watanuki 1975; Rose 1990; Rose and Karran 1987). Instead, since a few decades public finance has to cope with a considerable contraction, because of a number of transformations the global economy has ran into and the sharp braking of economic growth, which demanded governments to consider the more insistent and urgent pressure for retrenchment when drawing the budget. In this context of “permanent austerity” (Pierson 1998, 2002) the walk-on of additional needs due to demographic changes, rising unemployment (see Alber 1996, 1998; OECD 2019) and the recent migration crisis the European Union is trying to deal with have solicited governments to adapt and be more attentive to these challenges. The outbreak of the financial and economic crisis in 2008 further sharpened governments’ difficulties to manage public spending according to their policy preferences and heavily challenged their ability to implement expansionary budget policies. The subsequent demand for fiscal responsibility coming from a more stringent supranational actor shook even more the context where governments operate, limiting their rooms for manoeuvre when drawing the budget.

Incidentally, the recession has contributed to the implementation of the European economic governance with the purpose of coordinating and monitoring national budgets and fiscal conditions, especially those of member states more severely hit by the recession. Austerity measures inflicted to these countries fostered the rhetoric about an “external constraint” (Dyson and Featherstone 1996; Moschella 2017a) weighing on citizens’ wealth and suppressing their political will, paving the way to the rise of new political parties. This all happened in a context characterized by an already ongoing process of reduced class voting (Dalton and Wattenberg 2002) and declining party membership and party identification that caused higher fragmentation and volatility in citizens’ voting behavior (Mair 2011). The burdensome consequences of the crisis disrupted European countries not only in terms of economic losses but also on domestic political dynamics. As highlighted by scholarship on economic voting, governing parties paid heavy electoral costs (Bellucci, Costa Lobo, and Lewis-Beck 2012), particularly when they preferred responsibility over responsiveness (Mair 2011). Mounting dissatisfaction and protests for the élites in office – whose consensus dramatically sank precisely after the great recession (Tronconi 2018) heading for a gradual shift towards the de-institutionalization of the party system (Chiaramonte and Emanuele 2017) – brought to life anti-establishment (Cordero and Simón 2016) and populist parties (Bosco and Verney 2012). Italy was not exempt from all these changes, in fact it is the place where some of the most relevant transformations currently under way in Western democracies have already taken place for a few years, even pointing in advance

the way for possible new events, as it has been for the birth of the first populist government of Western Europe (D'Alimonte 2019; Garzia 2019).

This already gives hints about the relevance of focusing on the Italian case, which is further explained and stressed later. Reasons are many and varied, but before delving into the analysis of the case it is useful to place it within a broader framework. This is why this chapter conducts a cursory comparison which allows to frame the Italian case within the European context highlighting the interesting pattern of budget changes across the continent.

2.2 Budget Changes in European Countries

To begin with, I want simply to corroborate previous findings from the Punctuated Equilibrium model testing the general punctuation hypothesis to European countries public expenditure, that is:

GENERAL PUNCTUATION HYPOTHESIS

ALL BUDGETS OF EUROPEAN COUNTRIES ARE PUNCTUATED BECAUSE OF THE HIGH LEVEL OF COGNITIVE AND INSTITUTIONAL FRICTIONS

In order to test this first hypothesis, I use the methodological tools usually employed by researchers applying the PET to budget changes. As first, I calculate the year-to-year percentage of change both for each spending category and for the total amount of expenditure.¹⁵ The percentage-percentage method is the commonly used one in this kind of studies, firstly chosen by Jones and Baumgartner (2005b: 216-220) over the percentage-count method because its ability to better depict the shifting priorities of the government, assuming that the agenda space is constant.

A major issue concerns what data can be employed to conduct this kind of analysis. Researchers analyzing public budgeting do not always rest on the same data because of several reasons. A first problem arises when looking for reliable data to study budget. A crucial issue is to identify the appropriate measure, related to what one wants to focus on. There are various measurements usually employed by scholars, as budget authorities, obligations, outlays – not all of them available for every country. Obviously “different measures tell different stories” (Soroka, Wlezien, and McLean 2006: 270). Most of the time, the issue concerns the moment one wants to focus on, whether these are causes or consequences. While public expenditure is usually considered

¹⁵ The original values of each spending function are adjusted for inflation using a GDP deflator.

to be a good tool to study consequences, it is not the preferred and most reliable one to investigate causes, since spending data are not policy *per se*. If one is interested in looking at the actual government's commitment to programs, s/he should rely on budgetary *policy* such as obligations, budget authorities, or outlays (Soroka, Wlezien, and McLean 2006; Wlezien and Soroka 2003). Whilst budget provides also information about the role of the decision-making process, expenditure focuses more on impact, because of the sometimes-limited control on what is spent by politicians (Wlezien and Soroka 2003). However, once again, not all these data on policy preferences are available for every country. Most of them lack the necessary documents stating pure government's spending intentions, making available only data about expenditure.¹⁶ This has been a major obstacle for comparative studies encompassing all European Union member states, since the largest part of them does not provide data on budget. The Punctuated Equilibrium model, thanks also to the Comparative Agendas Project (CAP)¹⁷ coding scheme, has yielded several comparative studies focusing on those countries for which it was possible to extrapolate budget figures (Baumgartner et al. 2017; Breunig 2006, 2011; Jones et al. 2009). Nevertheless, other studies (Brender and Drazen 2013; Enkelmann and Leibrecht 2013) used expenditure data achieving comparable results (Fagan, Jones, and Wlezien 2017).

In order to handle the lack of budget data in all European countries, I employ the Eurostat database on general government expenditure, where public spending is classified among different economic functions. The comparison both across countries and over time is possible thanks to the adoption of a common scheme for the Classification of the Functions of Government (COFOG).¹⁸ Expenditure is measured at general government level to reduce problems recurring in particular when looking at the central government level and those due to the division of fiscal responsibility across multiple levels of government (see also Enkelmann and Leibrecht 2013). Evidently, even managing data on expenditure is not free from difficulties, related mostly to potential modifications over time of the coding system. The time span covers the last twenty years and more for the largest part of countries. Specifically, almost all European member states have data on public expenditure available

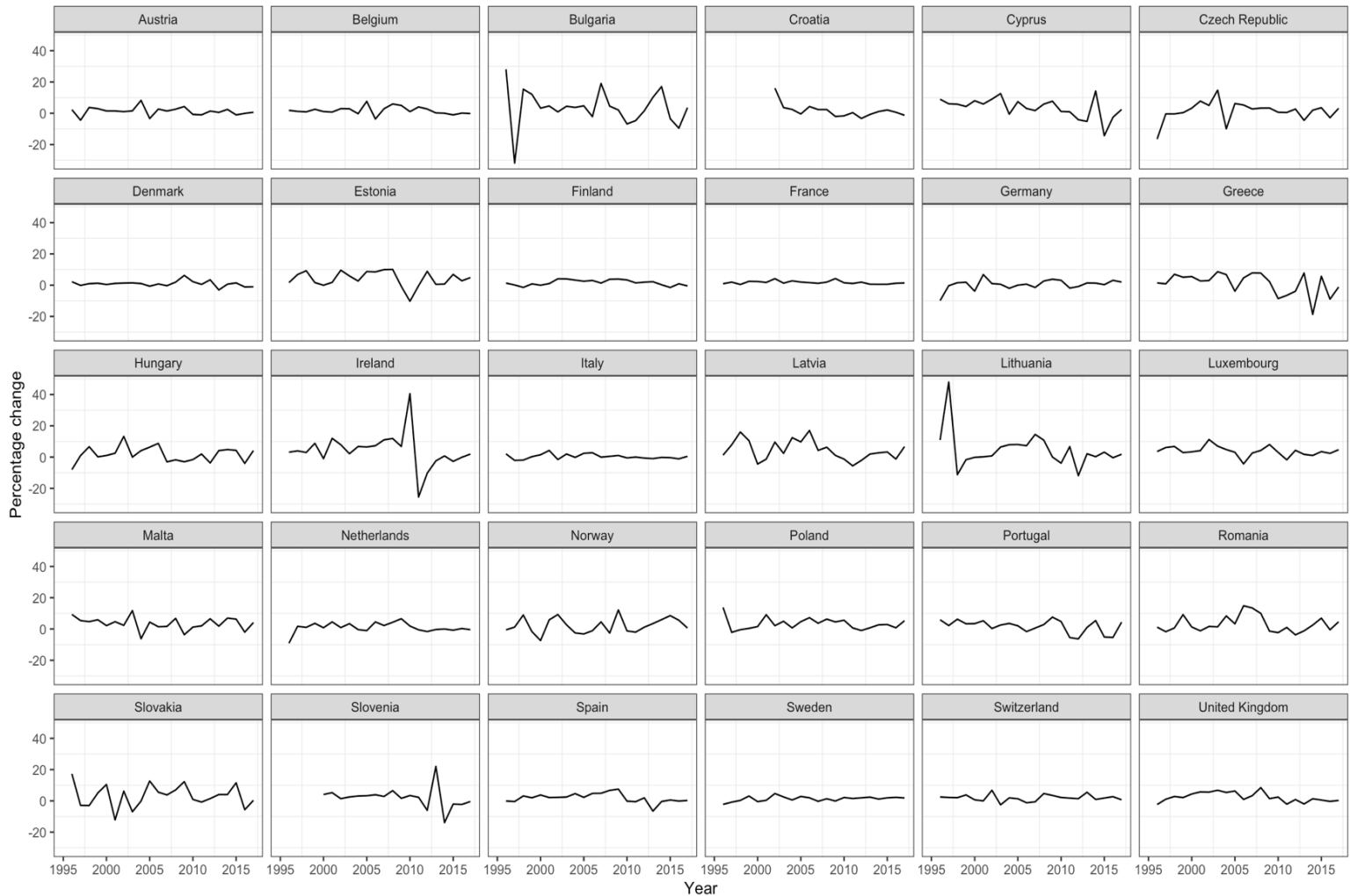
¹⁶ In some cases, this is due to the particular rules of procedure of the country, especially where the process is mainly informal, as it is the case for instance of the UK, whose budgetary policy has been studied till now using measurements of public expenditure because of the lack of data on outlays and authorities.

¹⁷ The CAP is a collaborative research endeavour started in the US whose purpose is to develop systematic indicators of issue attention in several policy venues and across several political systems. The aim of the whole project is to allow cross countries and over time comparisons to ease the comprehension of patterns in each country and reasons of divergences and similarities between political systems. Its substantial value consists in the classification it provides of policy activities into a single, universal, and consistent coding scheme which is composed by twenty-one macro categories and about two hundred and forty micro categories. A wide number of scholars have started during the past decades to adopt this approach, which is currently abundantly acknowledged in policy studies. Indicatively, CAP monitors about thirty different data series coded with the same coding system on several policy processes.

¹⁸ See Appendix-A, Table A-4.1 for the I and II Level COFOG.

from 1995 to 2017,¹⁹ except for Bulgaria (since 1998), Croatia (since 2001) and Slovenia (since 1999). As initial step, I show the growth rate of public expenditure in each country from 1996 to 2017, so to have a preliminary visual assessment of spending trends.

FIGURE 2.1 Percentage change of public expenditure in European countries (1996–2017)

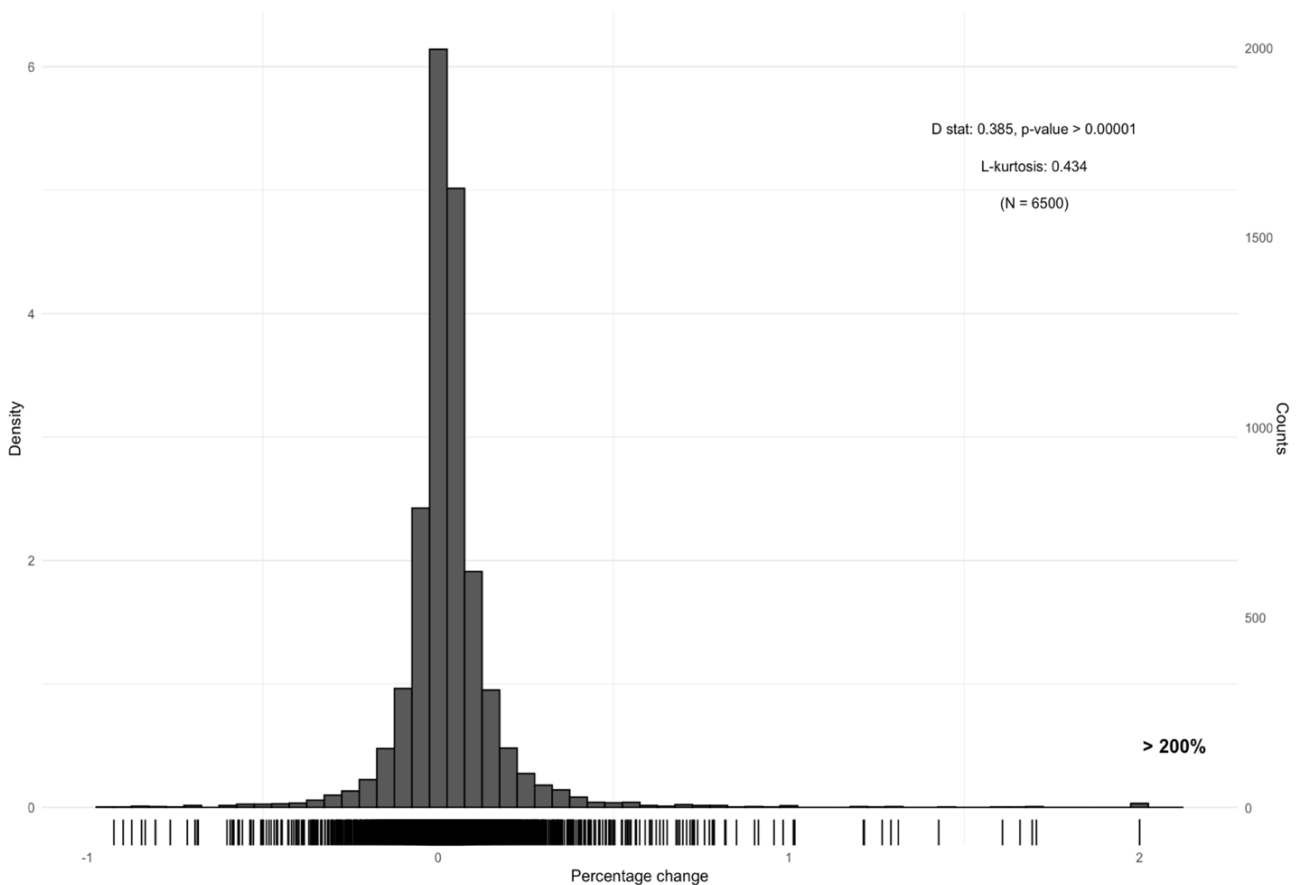


As evident, there are rather important differences across countries. The y-axis ranges from a maximum of 40 percent increase and a minimum of 20 percent decrease which, despite flattening the line of a few countries, displays few outstanding changes as in the case of Bulgaria, Ireland, and Lithuania. Some countries have still notable upheavals, both upwards and downwards (Greece, Norway, Slovakia) while others, as Finland, France, Italy, and Sweden show very small

¹⁹ Countries which provide data for the whole period in analysis are: Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Spain, Sweden, Switzerland, United Kingdom..

modifications over time. Clearly, this is not enough to understand how budgets behave in Europe. A further step to have a more comprehensive view makes use of distributional analysis, as explained in Chapter 1. The next visual inspection (Figure 2.2) is carried out by plotting the frequency distribution of year-to-year percentage changes of all spending categories across all countries during the whole period under analysis. This method allows a preliminary check of the “peakedness” of the probability distribution. To recall, a leptokurtic distribution (fat tails, weak shoulders, and slender peak) is the norm for budgets and is a clear sign of the occurrence of punctuations.

FIGURE 2.2 Distribution of percentage change across all European countries and years



Note: the right side is bounded at 200 percent although there are a few cases showing even larger increases. To avoid an extremely right-skewed distribution, those values are grouped into a single bar. The left side is naturally bounded at -100 percent, meaning that the program was cancelled.

The graph shows a clear-cut leptokurtic distribution with an excess of cases in the central peak, very weak shoulders and several outliers, with values of 100 percent decrease and over 200 percent increase in a few cases. Although slightly skewed towards positive values, the

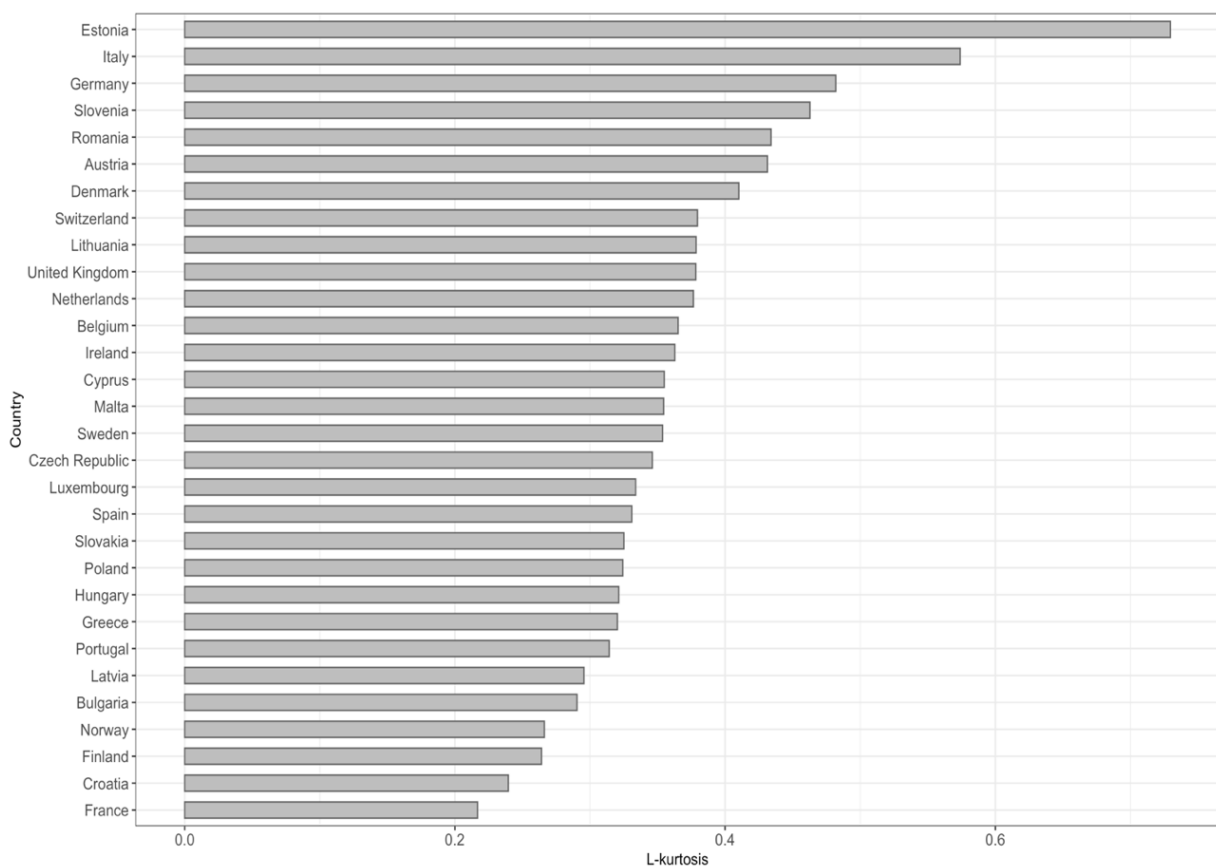
distribution appears rather balanced, with extreme modifications both on the left and right side. The Kolmogorov-Smirnov test (K-S) (Chakravarti et al. 1967), which rejects the null hypothesis that the frequency distribution is normally distributed with high level of confidence ($p > 0.001$), confirms the leptokurtic shape of the distribution.²⁰ Secondly, I use a refined estimate of the kurtosis, namely the L-kurtosis of the distribution. To be precise, the former is a standardized measure of the fourth moment of a probability distribution which assesses how peak or flat it is, through a scale-free summary measure (DeCarlo 1997). Yet, kurtosis presents a crucial drawback namely its statistical sensitiveness to extreme values (Groeneveld 1998), which makes it a rather unsteady empirical measure. To deal with this issue, scholars prefer to use the L-kurtosis: a measure of kurtosis based on L-moments, that is, the fourth L-moment of a distribution, which has the merit to be less affected by extreme values and reliable even with a relatively small set of observations (Hosking 1990). It is calculated by normalizing kurtosis by a measure of variance (the second moment of a distribution) and ranges between 0 and 1, with higher score indicating higher level of kurtosis. As a reference point, the kurtosis and L-kurtosis scores of a normal distribution are 3 and 0.12 respectively, while budget data set around 17.64 and 0.46 (Breunig and Jones 2011). In this case, a value of 0.434 proves unquestionably that European countries' budgets obey to the Disproportionate Information Processing model and are undeniably punctuated, with the largest number of cases representing incremental decisions interrupted by major modifications visible in the tails of the distribution.

To increase the confidence on this preliminary finding and to take into account cross countries differences, I plot the frequency distribution of budget changes in each state (see Figure A-2.1 in Appendix-A). This gives a more in-depth view on whether budget adjustments happen similarly or differently according to various political systems. Noticeably, all budgets are punctuated to a certain extent, although there are some divergences among them. The distribution of adjustments is clearly leptokurtic in almost all cases, with both left and right tails reaching extremely high percentages (for instance Ireland, Italy, Germany, France, and others): evidence of a high level of inefficiency. The choice to group countries according to the geographical area does not reveal any particular cross-country similarities within groups, with the partial exception of post-communist countries. Therein, distributions seem to be less leptokurtic than those of other countries, with slightly less cases in the peak of the distribution but still very important outliers indicating punctuations.

²⁰ The K-S test compares the observed values of a distribution of data to a theoretical distribution and allows to reject the hypothesis of a normally distributed frequency distribution.

Intuitively, countries have also different degrees of L-kurtosis, as shown in Figure 2.3 (see also Appendix-A, Table A-2.1), as one would expect from the different shape of distributions. Once again, values are calculated across ten policy areas for the whole period under analysis, producing a single value for each country. Scores range from 0.216 (France) to 0.729 (Estonia), that is, from the least to the most punctuated one, although even the country performing better exhibits a L-kurtosis degree higher than that of a normal distribution, meaning a considerable level of inefficiency in line with the Punctuated Equilibrium tenets.

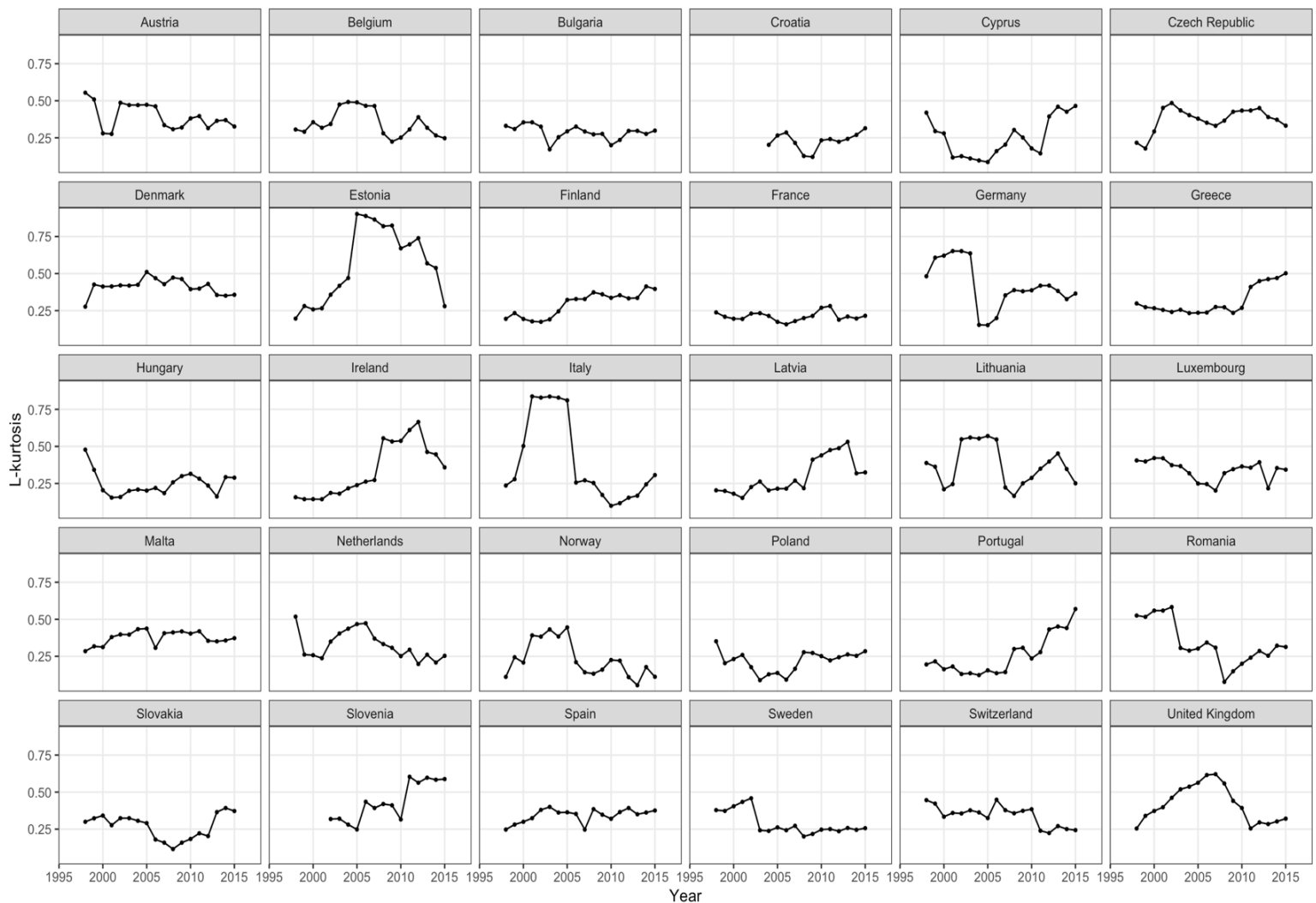
FIGURE 2.3 Pooled L-kurtosis by country in Europe



By pooling together policy areas and years, L-kurtosis values produce a static picture for each country. To have a time-varying description, it is also possible to obtain an estimate of L-kurtosis for each country in each year. In order to get this measure and to solve a legitimate concern about the small number of cases from which deriving the L-kurtosis (only ten for each country in each year, corresponding the ten budget functions use to draw the distribution of changes), I slide a five-years window over the budget of a given year pooling together all spending categories (see Breunig 2006). Doing that, I get a L-kurtosis score for each year which is based

on a distribution of fifty cases instead of ten.²¹ Figure 2.4 displays the variation of L-kurtosis over time in each country, making blatant that punctuations do occur everywhere although with different intensity and frequency. The most extreme cases are Estonia, Italy, and Germany which logically have also the highest level of pooled L-kurtosis.

FIGURE 2.4 L-kurtosis trend in European countries (1998–2015)



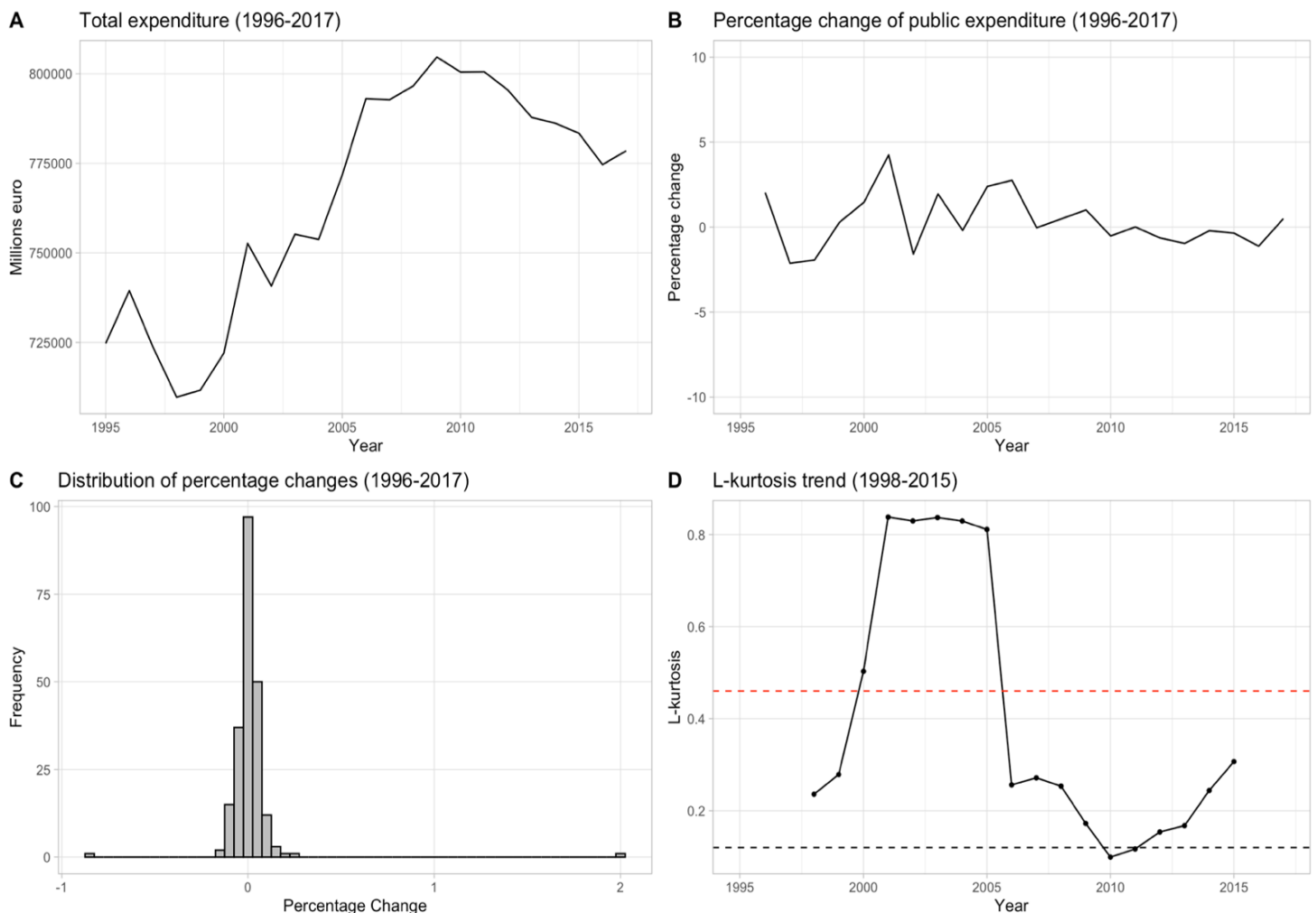
2.3 Pulling Out the Italian Case

Making use of these preliminary assessment about the occurrence of punctuations in each European country's budget allows to single out the Italian case, which appears particularly

²¹ While the variation over time of L-kurtosis values is smoother using a five-years window (thereby showing less variability over time), there are still some interesting variations worth noticing and investigating. The time span is shorter than the time series used thus far because rolling a five-years window the first and last two years of observations for each country are automatically kept out.

interesting and worth noticing. Figure 2.5 groups together the main features of the Italian public expenditure attained from the analysis conducted so far. Graph A shows the total public expenditure in Italy from 1996 to 2017, whereas graph B depicts the growth rate during the same period of time. Intuitively, the two graphs are deeply linked together. Values showed in the second figure simply represent variations recorded in the first one as percentage of change (increase or decrease) in respect to one year before. Graphs C and D are needed to evaluate the degree of punctuation of the Italian budget. The former is a frequency distribution of changes which highlights the presence of extreme outliers: almost 100 percent of decrease and 200 percent of increase. Accordingly, L-kurtosis trend in plot D displays outstanding values even exceeding 0.8.

FIGURE 2.5 Main characteristics of public expenditure and changes in Italy



Note: (D) the dashed black line at 0.12 is the L-kurtosis score of a normal distribution while the dashed red line at 0.46 is the L-kurtosis score that budget data usually have.

All in all, Italy represents a case of rather small changes compared to other European countries (see Figure 2.1): the average percentage change is 2.34 and, even more accurately, the median change is 0.65. At the same time, using the methodological tools employed widely by scholars who rests on the PET and looking for those moments of radical changes, I brought to light that Italy has the second highest level of L-kurtosis in Europe (0.573), both pooling years but also calculating scores of single years, with peaks above 0.8. This suggests that budget transformations in Italy tend to be rather small, although when dramatic modifications do occur they are extremely intense.

What can be deduce from these preliminary evidences? Why is it relevant to study Italy among all other European countries? Noticeably, the patten of transformations just highlighted makes Italy an interesting case to investigate because of the apparent matching with the PET. Is it enough to claim that Italy perfectly fits the Punctuated Equilibrium model? This interrogative can find an answer testing the hypotheses presented in the previous chapter. Also and most importantly, which factors – both domestically and internationally – drive the course of the Italian budget policy and its evolution? Are radical transformations the result of specific events, contingencies, reforms happened during the last decades and do they represent actual turning points? These questions are instead more related to the interpretative purpose of a discipline-configurative case-study (Eckstein 1975). Intuitively, this matter is related to the research strategy and goals of the study, which I clarify in Chapter 3. In general terms, single case-study researches are worth investigating either because they are substantively important and deserve to be interpreted in light of the underlying theory or because they are useful to test hypotheses in order to (re)define a theory. This work aims somehow to pursue both goals. In this regard, the Italian case appears to be suitable on both sides.

As a whole, this work aims to unveil how and to what extent several endogenous political and institutional characteristics, along with supranational factors and external shocks have affected the domestic politics and the outcome of the Italian budget policy in the last thirty years. This long-term perspective urges to embrace a multifaceted outlook which gathers information and assesses the several aspects and dynamics involved. As matter of fact, Italy underwent a number of transformations during the past decades, which touch the structure of the party system and party competition, the design of the budgetary regime, the integration into the European Union and the following implementation of the European economic governance. Intuitively, all these factors have had an impact on the budget policy and the budget outcome. The interweave of these conditions and their modifications over time have given rhythm to the overall management of the budget policy in Italy, which appears structured in different phases.

Recognizing them and how the “rules of the game” transformed during these stages sheds light on the way the budget policy is carried out and helps to understand whether the budget can be conceived as a policy tool in the government’s hands to steer the electoral mandate or simply a technical document where drawing economic and fiscal commitments to pursue tidy national accounts. The next section identifies the main policy cycles of the Italian budget policy, matching together the most relevant steps at national and supranational level and looks at some macroeconomic indicators to sketch out the long-term economic evolution of public accounts.

2.4 Policy Cycles of the Italian Budget

As already mentioned, Italy represents an extremely intriguing case-study, not only concerning the patten of budget changes but also because of the Italian politics and its transformations as a whole. In order to have a full comprehension of the framework where the budget policy develops, it is firstly necessary to single out those moments that made the history of the Italian budget policy itself.

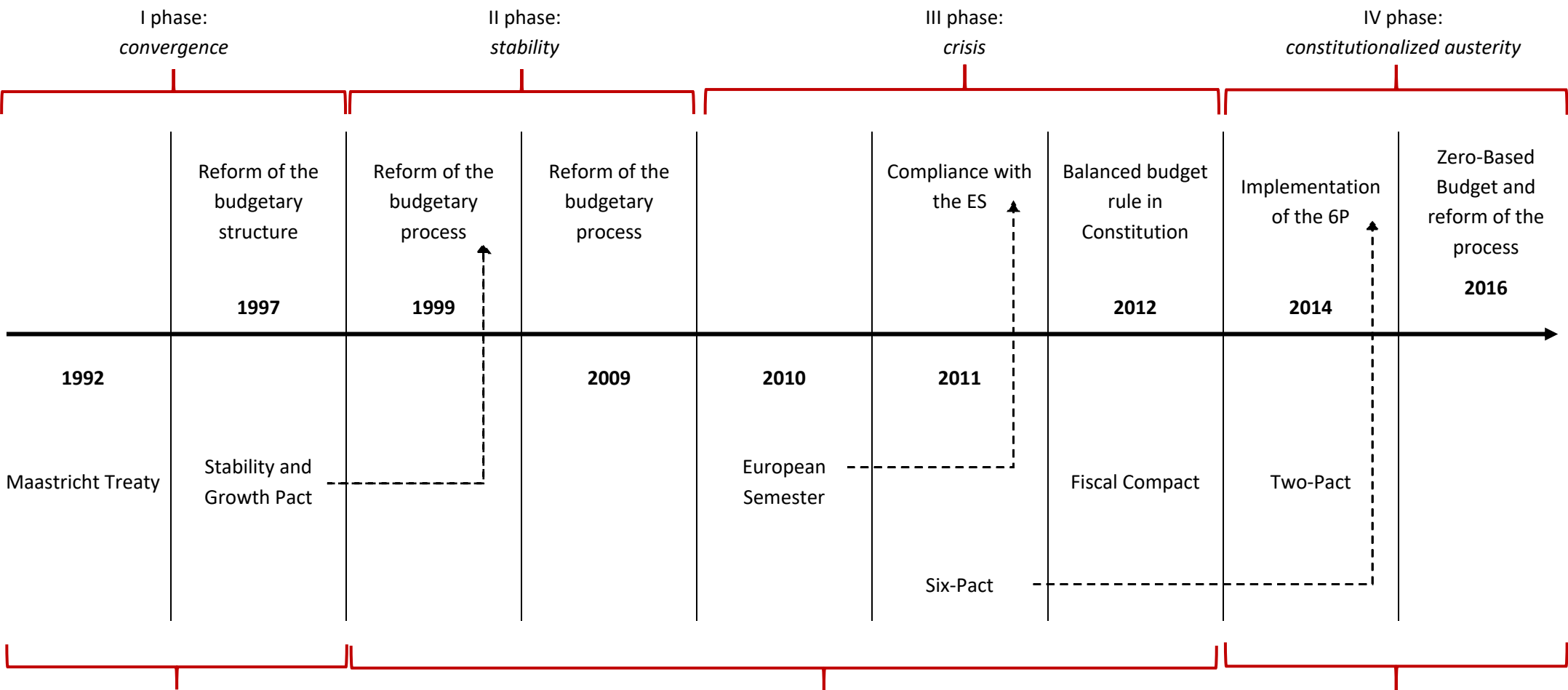
Encompassing several dynamics that have characterized the management of public accounts, it is possible to distinguish the main phases that draw the history of the Italian budget policy in the last twenty-seven years and to match them with the evolutions at supranational level (Figure 2.6). A first phase (1992–1997) is characterized by economic and fiscal efforts and budget constraints which pursued the guarantee to enter the first group of countries joining the single currency. Looking at the supranational context, this coincides with the *phase of convergence*, when European countries started to align their public accounts to the Maastricht parameters. This stage in Italy lasted until 1997, when Prodi I government ensured the inclusion of Italy in the first group of countries entering the EMU (Verzichelli 1999; Hallerberg 2004). When the target was finally met, a second stage – the *stability and growth phase* (to borrow the terminology used in European treaties) – started and was characterized by the attempt to converge towards supranationally imposed fiscal targets, as the balanced budget rule, which Italy internalized at normative level in 2012 amending the Constitution. Yet, the expected growth was not actually possible because of domestic and exogenous factors. For the whole period from the Nineties to 2009, Italy had the second lowest growth rate among EU countries, with excessive level of debt causing serious concerns about its financial credibility and international competitiveness that increased the grip of the European constraint (Di Mascio, Natalini, and Stolfi 2013). Furthermore, the settlement of the structural deficit for which governments had to allot about the 10 percent of the annual GDP until the 1980s, alongside radical modifications of the international context did not go at the same pace with a better functioning of national budget

institutions. The economic crisis contributed dramatically to compound the condition of national public accounts.

On the domestic side, this second phase can be split into two different ones. On the one hand, we witnessed to a phase of stability and economic improvement which was carried out until the shot of the economic crisis. On the other hand, the heavy recession trapped the Italian budget policy for a few years, causing the highest level of negative GDP growth rate and the raising of deficit and debt ratios, comparable only to those of the 1992 fiscal stress. 2014 represents the beginning of the last phase of fiscal and economic reconstruction, in a context characterized by intensive fluctuation of national accounts determined by the unsteady governments' propensity to be responsible regarding European parameters. This stage of *constitutionalized austerity* revitalized the European role and its stringent macro-economic requests, at the same time triggering harsh critics at national level especially from those political actors alleging a sharp distinction between the two levels of government. Gazing at the general macroeconomic context and the main aggregates of national accounts since 1992 in Figure 2.6 (see also Appendix-A, Table A-2.2) we can further observe the just-mentioned pattern

FIGURE 2.6 Policy cycles of the Italian budget (1992–2019)

Domestic Level



I phase: convergence

II phase: stability and growth

III phase: constitutionalized austerity

Supranational Level

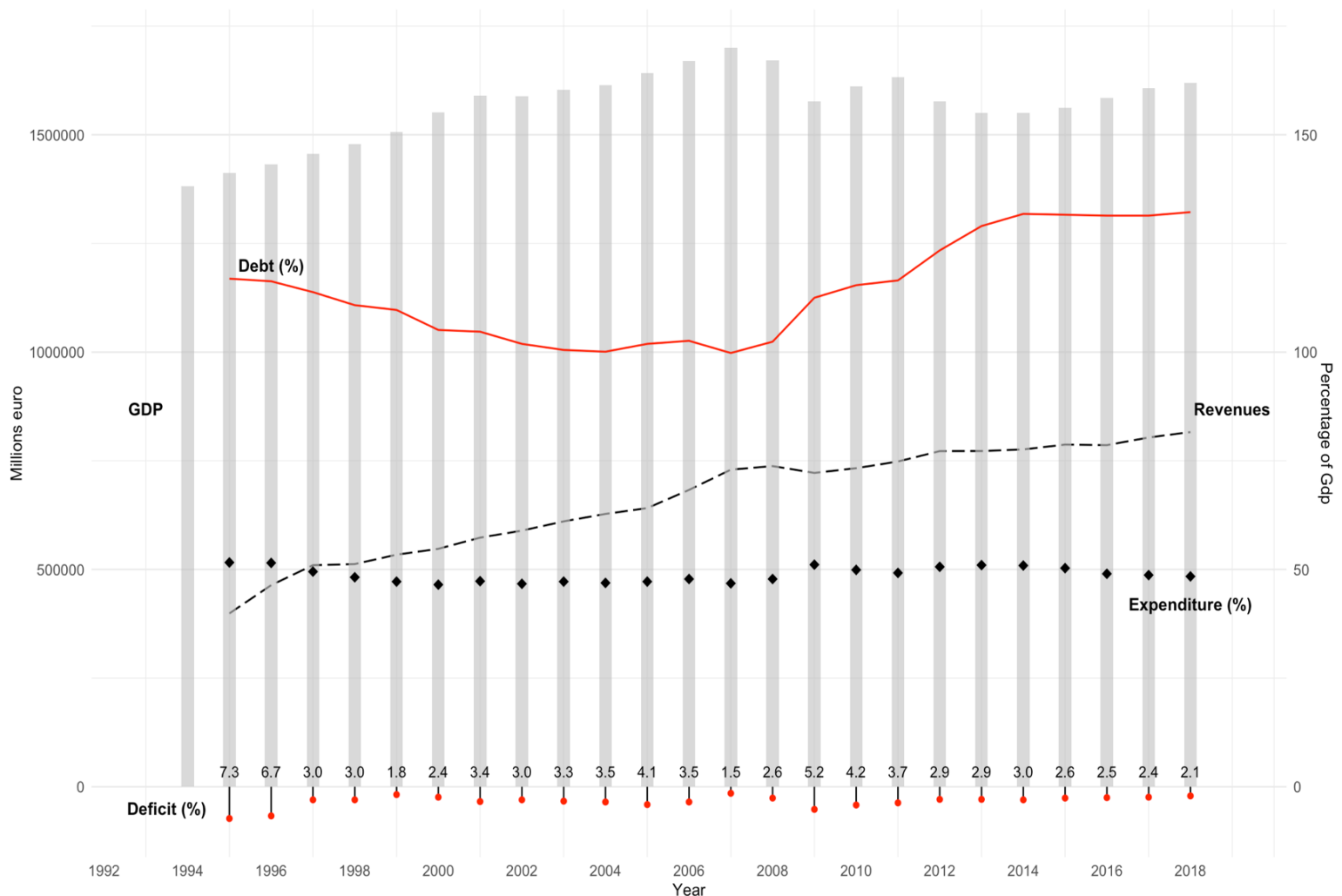
Notoriously, 1992 represents a watershed in the general history of the Italian public finance and marked a real change in the policy paradigm because of the growing attention accorded to the budget policy both by political actors, public opinion, media and most of all because of a higher responsibility during the budgetary process of the institutions themselves, particularly of the government and the parliament (Verzichelli 1999). From this moment forth, the fiscal policy was fine-tuned on budget consolidation to reach balanced accounts allowing in a few years to almost fill a financial void lasted until that moment. Evidently, all these strains were made especially to respect the new economic and fiscal requirements that eventually guaranteed the presence of Italy in the first-wave countries joining the single currency. The very initial phase of reconstruction opens up with the budget law for 1993 issued by Amato I government and goes down as the heaviest reform and fiscal correction of the Italian *Second Republic*, that permitted to achieve the primary surplus after more than three decades. This is evident from the gradual reduction of the debt-to-GDP ratio – whose burden has severely increased over two decades, from 34 percent in 1974 to 119 percent in 1994 (Bartoletto et al. 2013) – and the level of deficit, precisely during the years of convergence. This phase of recovery lasted until 1997 and was carried out mainly through urgency policy packages coexisting with renew attempts of fiscal adjustments.

1997 marks another turning point. The deficit-to-GDP ratio crumbled from 7.3 percent in 1995 to 3 percent, thanks also to a 2.1 percent reduction of interest payments on the previous year (total expenditure being equal) and 2.2 percent increase of total revenues (Giarda et al. 2003), in this way meeting the target set by the Union. As common in this period, governments resorted to temporary measures that partially relieved the burden of public accounts while postponing sharper measures to later stages. This is precisely what happened with the budget for 1997, characterized by the putting in place of the so-called “Eurotax” after an initial phase of spending cutbacks. Once ensured the grip of Italy to the monetary union, the next step aimed at keeping budget stability and driving forward the reduction of debt and deficit. Effectively, the restrictive fiscal policy implemented during the 1990s brought the contraction of the deficit especially starting from 1994 and up to 1.8 percent in 1999, with interest payments on public debt decreasing from 11.9 to 6.5 percent in 2000 and primary surplus of 4.1 percent in 2001 (Giarda et al. 2003). This latter achievement came after a decade of remarkable levels of primary surplus ranging around 5 points percentage of the GDP.

With the beginning of the new century, we witness to the stabilization of debt – with the exception of renewed financial struggles in 2005 and 2006, when the deficit was at its worst level since the 1995 and the debt started back to raise – and contextually to the rapid decline

of primary surplus, which moved back to almost undoing previous enhancement. Moreover, the improvement taken forward throughout the past decade in terms of debt-to-GDP ratio that reached its lower point in 2007 (finally below the 100 percent) struck with the heavy financial and economic crisis.

FIGURE 2.7 Main aggregates of national accounts in Italy (1992–2018)



Note: the left y-axis pertains to the GDP level and revenues; the right y-axis pertains to expenditure, debt and deficit (expressed as percent of the GDP). Data are shown in Table A-2.2 (Appendix-A).

2008 saw the retreat to negative values of GDP growth rate along with the resurgence of the debt-to-GDP ratio caused by the crisis of sovereign debt in many European countries. Italy enters the economic crisis already struggling in a troublesome situation, mainly due to the previous pattern of modest economic growth and the temporary reduction of the tax burden at

the beginning of the 2000s (Guerra and Zanardi 2010), which minimized the range of possibilities to face the economic downturns. Public accounts underwent a striking deterioration because of the functioning of automatic stabilizer and other discretionary economic measures drawn to foster the recovery. This was partially simplified by the spending reduction already implemented with the budget issued in 2008, which produced net spending cuts for more than 25 billions along with higher revenues for the following triennium (Guerra and Zanardi 2010). Nevertheless, that did not exempt the level of debt to raise above 110 percent with medium-term forecasts expecting almost 40 points increase. Although the ratio on GDP did not achieve such a peak, the crisis caused for the first time since 1970 a reduction of nominal GDP (3 percentage points) and the highest decrease of real GDP ever (5 percentage points), compared to the one of 1975 (-2.1), 1993 (-0.9) and 2008 (-1) (Pisauro 2010). As many other times in the history of the Italian budget planning, the predictions stated in the Document for the Economic and Financial Planning (*Documento di Programmazione Economica e Finanziaria*, DPEF) dated July 2008 (before the outbreak of the crisis), which envisaged a nominal and real GDP growth of 3 and 0.9 points percentage, respectively,²² went wrong.

After 2009, another phase of re-planning towards fiscal adjustments was needed. It was carried out substantially by Monti government through the “spending review” and a renewed interpretation of policy preferences in a changed framework imposing, constitutionally, the balanced budget rule. In this period, a crucial factor which considerably affected spending choices was the pace of the spread²³ that fluctuated for the whole 2011 between 122 (in April) and 215 (in June) points. In spite of the partial optimism suggested by the 2011 Document of Economy and Finance (*Documento di Economia e Finanza*, DEF), where the government expected to achieve the balanced budget within 2014,²⁴ the broader picture of the Italian public accounts was much more harsh and looked screw into an adverse juncture of economic downturn and recessive fiscal policy (Zanardi 2013). In 2012, we witness another decrease of both nominal – for the second time in the Italian republican history – and the real GDP (-2.8 percent), while the country was still struggling to recover from the aftermaths of the crisis –

²² Mistaken economic forecasts for successive years are rather frequent in the Italian economic management, where governments tend to optimistically appraise the expected revenues and growth rates more than what is justifiable and more than the actual level of both (Damonte 2013).

²³ The term “spread” refers to the differential between the Italian 10-years benchmark bonds (BTP) and the German Bund.

²⁴ To accomplish the balanced budget in three years, the government planned cutbacks of 1.2 and 2.3 points percentage of the GDP for the two upcoming years. Nevertheless, it did not manage to achieve the expected result.

although the deficit-to-GDP ratio came back to the 3 percent threshold. The return to a positive sign of the growth rate – although it is irresponsible to talk about an actual economic resurrection – happened only in 2014 and has remained stable around very low rates (the highest value was in 2017 and points at 1.68 percent) for all the following years. The attempt to pursue the balanced budget in this period of restraint was made basically by intensifying the tax burden up to 44 percent (Pisauro 2013), even though a strenuous negotiation with European institutions allowed the country to delay the goal.

The missed attainment of this target recurs for all the years after, alongside a systematic failure to reach the financial objectives drawn for the next triennium (De Novellis and Signorini 2016). In this respect, it is possible to distinguish three phases of the evolution of the budget policy programming and of its failure, beginning from 2008. The first one started with the budget for 2009 and foresaw the balanced budget already in 2011, which evidently did not take into consideration the upcoming crisis. When the magnitude of the recession became blatant, the budget law for 2010 and 2011 didn't even mention the balanced budget. The sovereign debt crisis pushed European institutions to narrow the political leeway over national accounts in order to meet the economic and fiscal constraints targeted to recover from the crisis. In this regard, Italy introduced a balance prevision to be achieved already in 2014, without being able to respect it once again. The last phase is still ongoing and is characterized by a slackening of the European grip and the deferment of the balanced budget trying to execute expansionary budget policy, on the wake of a positive international circumstance started in 2015 and marked by increasing consumption that boosted the economic growth, which however has lost momentum already in 2018.

All in all, the Italian budget policy has developed into a hectic domestic context of institutional and political turmoil at the beginning of the Nineties; framed into the European integration and reinforcement process; which trembled under the heavy burden of the economic crisis and payed the piper, especially in political terms, with the coming up of strong populist forces, which make Italy the forerunner country with a populist government. This setting is fundamental to understand the shape taken on by the budget policy. After made explicit the hypotheses (Chapter 1) that will be tested in Chapter 6, Part II stresses the reasons why Italy is valuable case-study for both interpretative and theory-testing purposes and illustrates the research design, describing how the study is developed (Chapter 3). Then I examine at length both the dependent variable, to outline how adjustments of the Italian budget behave (Chapter 4), and the independent variables (Chapter 5).

PART II
METHODOLOGY AND
RESEARCH DESIGN

CHAPTER 3

THE RESEARCH STRATEGY

Chapter 2 placed the Italian case within the supranational context, comparing the pattern of budget changes and the degree of L-kurtosis of European countries throughout the past twenty-years using data on public expenditure. As emerged from the analysis in Chapter 2, all budgets of EU member states are characterized by a leptokurtic distribution of changes, representative of highly inefficient decision-making processes (as foreseen by the Punctuated Equilibrium Theory). Hyper-incrementalism and punctuations are the norm, with the latter occurring everywhere although with a different intensity and frequency. Additionally, the chapter also illustrates the evolution and turning points of Italian public accounts, singling out the main transformations at international and domestic level that allow to identify three main phases in the overall management of the Italian public budgeting. Specifically, these are the *phase of convergence* (1992–1997) towards the entrance into the EMU; the *stability and growth phase* (1998–2012) in which governments pursued the alignment to Maastricht parameters; the *constitutionalized austerity* (2013–present) marked by a revitalized role of the European Union in particular after the outbreak of the economic crisis with new and more stringent macro-economic requests. Pinpointing these phases helps to clarify why Italy is a case worth studying: a matter that has to do also with the research design, which is the subject of this chapter. Here, I further advance the methodological matter explaining in detail the research strategy, focusing on how the study is developed through the following chapters and outlining some fundamental innovations of this work. Thanks to brand new measurements and to an original dataset that allows an extensive and itemized study, this thesis provides an overarching investigation of the Italian budget policy of about the past three decades. The research strategy to develop this analysis is outlined in the following paragraph.

3.1 Relevance and Usefulness of a Single Case-Study

As already mentioned, case studies may serve two general purposes, namely testing hypotheses to generate or refine a theory or interpreting a case in light of a theory. Broadly speaking, a long tradition of works has given rise to several typologies and variations of case studies, depending on the combination of the research strategies and case selection techniques. These started from the Lijphart's (1971: 691) categories of atheoretical, interpretive, theory-confirming, theory-informing and deviant case studies, and later included Eckstein's (1975: 96-123) categories of configurative-idiographic, disciplined-configurative, heuristic, plausibility probe and crucial case studies (Levy 2008). Scholars have identified a number of ideal types of divergent case studies – as for instance, inductive or theory-guided cases; hypothesis generating case studies; hypothesis testing cases and more – which often combine multiple strategies and pursue several aims. Among these, idiographic researches pursue as main aim the description, explanation, interpretation and/or comprehension a case without any claim of broader theoretical generalization, and are divided into two different subtypes. The distinction between inductive and theory-guided case studies depends on the degree to which the analysis relies on an explicit theoretical framework (Levy 2008).

Evidently, the first two chapters state it clearly that this work is deep-rooted into a well-established theoretical framework, locating the work into the category of theory-guided case studies, also known as interpretive (Lijphart 1971: 691), disciplined-configurative (Eckstein 1975: 99-104), and case-explaining (Van Evera 1997: 74-75) case studies. These use theories to interpret cases rather than cases to test theories (Bennet, Lepgold and Unger 1994: 40). Noticeably, the conceptual framework of the PET assumes a relevant role here, where I aim to understand the budget policy in Italy during the past thirty years investigating whether punctuations are provoked by the causal processes hypothesized by the PET or other competing theory. I pursue this goal through the analysis of some specific and peculiar aspects of the Italian case, still resting on the conceptual framework of the Punctuated Equilibrium model, and by introducing new factors and dynamics never considered before by the theory itself. Since the case interpretation is largely guided by theory and the underlying analytic assumptions explicit – a thing that reduces the logical contradictions – it would be easier to validate or nullify the theory empirically (Levy 2008).

In this regard, considering new variables that may affect the magnitude of budget changes and testing hypotheses related to these, this thesis is also committed to the hypotheses-testing purposes. Evidently, the lack of cross-countries comparison will not allow to generalize findings beyond this specific case, but it might be anyway a vehicle and a starting point for building up new theoretical generalizations. As matter of fact, social sciences are usually highly attentive to construct research designs that maximize the capability to make inferences beyond the data, chasing a nomothetic goal (Levy 2001). Nevertheless, in this specific case, the shortcoming due to the lack of a comparative research design partially limits the scope of the theory-testing purpose, which calls on the need to sustain the study with an interpretative scope that helps to give strength to the hypotheses-testing aspect. All in all, leaving behind the intention to potentially generalize results, pursuing the two goals through a structured use of the theory is expected to provide a deeper comprehension of the Italian case while opening new avenues also for comparative theory-testing researches.

3.2 Tools to Study the Italian Budget Policy: Methodological Innovations

As uncovered in Chapter 2, a fluctuating trend of budget changes with little upheavals hides one of the highest degrees of leptokurtosis across European countries, meaning a budget dizzily punctuated. This preliminary evidence obviously requires a deeper investigation to understand the mechanisms in place. From a methodological point of view, this is done using a new dataset on public expenditure that covers the past twenty-seven years and allows to scrutinize the actual government spending preferences, cleansed from mandatory spending commitments and other obligations. Moreover, I collected data not only on the budget law (the document finally approved by the parliament after the whole budget cycle) but also data on the budget bill (the first draft of the budget, drawn exclusively by the cabinet which is later submitted to the Committees and the Chambers). The multifaceted analysis that it is possible to conduct thanks to these new dataset enables to fill a gap in the literature about the Italian case, whose budget policy has been neglected for a long time by many threads of comparative researches and in-depth case studies.

Obviously, what happened domestically cannot be distinctly separated from what happened at the supranational level. The setting presented in the previous chapter (2.4)

sketched out one crucial factor that surely impact on domestic decisions, that is, the EU external constraint. Its intensified role after the signing of the Maastricht Treaty has brought about an increasing tension on budget decisions and on the implementation of a number of policies wanted by governments to pledge their electorate, which collided with more stringent fiscal and economic demands. The growing European economic governance and the wider and more intrusive monitor of member states' budgets spread out especially through the Commission. Among the different spheres of influence which underwent changes during the past few years, its additional powers on the economic policy surveillance (through the Six-Pack, Two-Pack, and Fiscal Compact) and coordination of national policies (through Europe 2020 and European Semester, ES) have raised both in breadth and depth (Bauer and Becker 2014: 216).²⁵

However, some scholars remind that supranational bonds stem from the implementation of European treaties (Clift and Ryner 2014) and suggest that the issue lies in the way the European constraint is conceived and promoted. More precisely, they affirm that the external constraint is ultimately a “*perception of the constraints – which is wrongly called ‘external’ – that characterize the inter-dependencies within which Eurozone economies and states are required to operate*” (Bezes and Le Lidec 2015: 503). While in some occasions this constraint has not necessarily brought about a re-alignment of domestic procedures, in some others the most invasive European principles as the constitutional balanced budget couldn't have been pursued without new and adequate parliamentary rules of procedure (Lupo and Piccirilli 2017), which Italy implemented deliberately. According to these authors, the “federalist” rhetoric which rests on the belief that European institutions prevail and bypass national ones is a strategy adopted by some political parties and governments to free themselves from the responsibilities of any critical and thorny decisions resulting from the European coordination (Lupo 2019). In most recent years, it seems that a higher awareness of the shared responsibility on the formulation of European policies has started to emerge with a better capability of the system to internalize the external constraint, at least on the normative side.

²⁵ Bauer and Becker re-adapted Börzel's work (2005), which in turn drew on Lindberg and Scheingold (1979), Schmitter (1970) and Scharpf (2001). On the side of the breadth, which considers the range of the Commission's involvement, the authors assessed changes of its role on economic policy surveillance as “medium expansion”, and modifications of the coordination of national policies as “little expansion”. When referring to depth, they evaluated the Commission's type of competences during the decision-making procedures on a specific policy field. Thus, the Commission's depth on the economic policy surveillance has undergone a “strong expansion” while in case of the coordination of national policies it experienced a “medium expansion”.

The increased density of the budgetary process is rather self-evident, therefore it is fundamental to understand the meld between the two domains and to wonder whether Italy has internalized the external obligations. Answering this question helps to understand how the budget policy is managed. Ultimately, the development of the relationship between the national government and the European Union might have partially counterbalanced another long-lasting reforming process, pertaining exclusively to the national sphere, namely the attempt to reinforce the power of the executive. Intuitively, the renewed internal balance of power about spending decisions and the higher rationalization of the budgetary process that develop over time do not mean a lessened complexity of the process. Methodologically, both the budgetary regime centralization and the European influence have long been neglected because of several pitfalls in their operationalization. This thesis contributes also on these aspects. Specifically, I develop innovative measures on the budgetary regime centralization that put together both normative implementation and parliamentary practices, and about the stringency of the European external constraint which charts the course of the European economic governance and its entanglement within domestic politics. Developing these two measurements it is possible to figure out whether the continual reforming process of the budget cycle and the influence of the European economic governance do really play a part on the final budget outcome.

Concerning the first aspect: all the reforms of the past four decades tried to set out an enhanced role of the government over the parliament in setting and implementing its policy priorities. On the other side: stepwise changes occurred from the Maastricht Treaty and even more after the 2008 crisis have pursued higher coordination of European member states' budgetary policy while intensifying the external surveillance over national accounts. Obviously, the two patterns of transformation are not detached from each other, instead the former has been affected markedly by the latter, which nowadays seems to have gained an extremely relevant role *vis-à-vis* national institutions. So much so that after the adhesion to the monetary union, countries' social and economic policies have attempted to take the shape of European requirements about social justice and full employment, without being able to resort to traditional expansionary demand-side policies, as it was until the Nineties (Hemerijck 2002). However, although EU targets have appeared quite stringent in some cases, these additional demands do not handcuff governments and their power of decision. In fact, it seems that a sort of annual negotiation process between member states and the EU is by now a well-established practice, which makes the annual mood of fiscal targeting very changeable according to the government propensity to accept or not stringent fiscal targets. After all,

we shall not forget that the developed intergovernmental dimension of the European integration has not only reinforced the integration but has made national governments even more important and liable within the European context (Puetter 2014; Fabbrini 2015; Lupo 2019).²⁶

Overall, does the budget have an actual political value, where the government states its policy goals for the upcoming fiscal years? Or has it increasingly acquired a pure technical valence to merely control public accounts and implement supranational fiscal and economic requirements and previous spending commitments? To use Federica Mogherini's words, does Italy really "have two capitals, Rome and Brussels",²⁷ or the rhetoric of the duties – erroneously and sometimes purposefully called external – is in fact exploited to externalize the blame of some unpopular budgetary policy decisions (Clift and Ryner 2014; Bezes and Le Lidec 2015: 503; Pinelli 2016: 645)? Answering these questions requires to study the long-term transformations of the Italian budget policy following the just-mentioned twofold stepwise transformation process.

This is done by adding progressively new pieces to a puzzle that wants to reach a full comprehension of the several dynamics in place, towards an overarching explanation. Therefore, before enlarging upon the systemic level, which constitutes the core of this work, the first part of the study funnels down through the sub-level and governmental-level analysis, to investigate whether the budget is still used as a tool to carry out the electoral mandate and to figure out whether partisan ideology drives spending choices. Later, the study is conducted through a twofold analysis, which addresses different dynamics and systemic characteristics and combines the two purposes of hypotheses-testing and interpreting the case under investigation. On the one hand I look at yearly changes of the budget law (Chapter 6). On the other hand, I analyze the variation between the budget bill and the budget law during the same year (Chapter 7).

²⁶ In fact, because most of the decisions of the Council of the European Union and the European Council are taken unanimously, the alleged separation may be perceived as merely rhetoric (Lupo 2019). This is even more evident after the economic crisis, when the European Council has enlarged its position by convening almost once a month in order to discuss and coordinate those national policies to put in place in order to face the consequences of the crisis (Wessels 2016: 4).

²⁷ This is a sentence pronounced by Federica Mogherini after her appointment as Minister of External Affairs of the Renzi government, during a declaration at the Direzione del PD on 27th February 2014. She was later appointed as High Representative of the Union for Foreign Affairs and Security Policy (1st November 2014).

3.3 Government Level Analysis

In Chapter 4, building on the Policy-Determines-Politics approach (Lowi 1964, 1972) and policy typologies (Wilson 1980), I identify the most important policy domains in the Italian budget and how these evolve over time. More precisely, the study of spending functions and the policy-making process abiding by domain-specific characteristics is crucial for the comprehension of the whole budget policy (Breunig and Koski 2012). Therefore, after ensuring the comparability of budget authorizations before and after 1998 (when a new coding scheme has been adopted), I illustrate the different changing patterns of spending functions in the past few decades, mostly scrutinizing the frequency distribution of adjustments in each category. Doing this, it is possible to disentangle the path of policy punctuations and, sketching out a few reasons behind their occurrence looking at official documents, to explain which budget categories are more exposed to extreme upheavals. At this juncture, it is important to bear in mind the interdependence between budget authorizations and the fact that the level of expenditure assigned to a category obviously affects – and mostly depends on – the level of expenditure of other categories (Jacoby and Schneider 2001). Evidently, a trade-off between what is spent and what is cut exists, which is usually ideologically driven. Basically, parties in government try to secure their consensus providing benefits to their constituencies, either deemphasizing disadvantageous policy areas (usually those where they cannot acquire new voters) (Green-Pedersen and Mortensen 2015; Meguid 2005; Sigelman and Buell 2004) or “raiding” opponent’s favorite ones in a growing confrontational way (Adolph, Breunig, and Koski 2020).

Herein the role of ideology sticks out. Looking at the part played by government ideology in shaping spending decisions, the study enters into the wider debate on whether political parties still play a role in domestic politics. Notoriously, government partisanship has always been *a* – if not *the* – crucial variable in the debate about “who gets what” (Alt and Lowry 1994; Brown 1995; Dye 1984; Gilligan and Matsusaka 2001). Until a few years ago, works on this field pointed out the existence of a strong tie between partisan ideology and spending preferences, both on the side of the overall magnitude of public spending and on domain-specific spending choices. Nevertheless, these proofs have partially lost credibility because a growing number of contrasting results. In addition to the fact that ideological budgeting is sufficiently restrained by past legacies, multi-annual spending commitments, and mandatory spending programs (North 1990; Pierson 1993), the government composition alongside the declining party identification and growing

volatility in people's voting behavior may have a more substantial impact on spending choices. Naturally, governments might attempt anyways to achieve their favorite policy outcomes and to execute their spending preferences in order to demonstrate political power.

Does it happen in the Italian case? To answer this question, I use the budget bill instead of the budget law: the latter inevitably suffers from the transformative impact of the parliamentary session. This is a unique opportunity which constitutes also one of the additional values of the study and provides further information about the overall management of the budget policy providing evidences not only about the final law approved by the parliament but also on what the government actually aims to do. I verify whether ideology is still a relevant aspect of public budgeting in Italy both looking at the magnitude of total expenditure and digging into issue-level spending by partisan ideology. The relevance of this analysis lies in the possibility to clarify a crucial and controversial matter as that of the impact of partisanship on the management of public accounts and budget changes. Because of the distinctive trait of this relationship and the peculiar logic of this analysis, which in part drifts apart from the one at the core of the thesis, I dedicate an entire and independent chapter to this subject, which is neither addressed nor tested in other sections of the work. Yet, despite having its own reasoning, this kind of research adds another enlightening tile to the overall picture about the management of the budget policy in Italy.

3.4 Systemic Level Analysis

After shedding light on the governmental level, I develop the main investigation of the thesis. The core of the work enters at systemic level investigating the role of institutional factors and procedures along with external shocks with the purpose to integrate the various threads of research in an overarching model able to explain the course of the Italian budget *policy* and *politics*. As matter of fact, the budget policy is also a powerful tool to study the policy-making process. The entire budget cycle, arranged according to specific and strict rules setting timing, general targets, and tasks exhibits the relative power of actors involved in the decision-making process and how they use their power trying to achieve their goals. In this regard, the ability of the government to exploit the budget as a tool to carry out its electoral mandate is far from being sure. Several actors beside the cabinet are involved in the budgetary

process: the legislative, budget Committees, and since a few years the European Union (mostly in the figure of the Commission). All these participants are appointed with key roles granting them ample leverage to shape the accounts. Studying the interaction among these actors helps to understand the degree to which the budget is a technical or a political document, because of the higher control exerted by some of them at expense of the others.

3.4.1 The Size of Changes

I pursue this goal conducting a twofold analysis. On the one hand, I focus on the magnitude of yearly budget changes to figure out which are the most relevant variables that cause budget punctuations. Specifically, considering institutional frictions I give attention to the party system fragmentation, government ideological polarization, budgetary process centralization, and European external constraint. These ingredients are melted and assimilated within the external environment of “permanent austerity” (Pierson 1998, 2002) taken into account as contextual factor to control for. Additionally, other control variables pertaining to the national level, namely coalitional conflicts, being a technocratic or political government, the ideological shift from a cabinet to another are considered. All these predictors react against an external shock, herein recognized in the outbreak of the economic crisis, to see whether it triggers budget punctuations, as I would expect from the PET. Because the effect of the independent variables is likely to diverge according to the magnitude of budget adjustments, I use a quantile regression model which clearly explains different dynamics that affect tiny and radical adjustments. Then, I corroborate results using both a simple logistic and rare-events logistic regressions, which employ a dichotomous dependent variable for the occurrence of punctuated modifications.

On the other hand, I further stare at the direction taken on by changes, discriminating by large increases, large cuts and minor positive and negative transformations. This additional investigation rests on previous findings of the literature that showed that tails of a frequency distribution of budget changes do not behave similarly. In fact, the negative one is less subject to punctuation than the positive one (Breunig and Jones 2011; Jones, Sulkin, and Larsen 2003). Once again, I estimate a quantile regression model to consider the non-linear impact of the covariates on dramatic reductions, minor adjustments, and substantial raises.

3.4.2 The Balance of Power

Whereas this assessment is necessary to figure out and predict the magnitude of adjustments in the Italian budget, it neglects a key aspect which is crucial to understand the shape taken on by the final budget outcome, particularly in such a strong parliamentary system as Italy is. Ultimately, the budget law emerges from a budgetary process where the parliament, theoretically, fulfills anything but a marginal role. The institutional design which grants different spaces of manoeuvre to actors involved in the process of drawing and passing the budget does have quite a strong effect. Most of all, in the Italian symmetrical bicameralism, substantial amendments are easily-attained because of the presence of several veto points, high party system fragmentation and the (alleged) strong parliamentary nature of the budget session. In this respect, the legislative could have ample leverage on the budget, being able to modify consistently the allocation of expenditure and the total amount of public spending, as compared to government previsions and initial intentions. Yet, the budgetary cycle in Italy has undergone several modifications throughout the last decades, which give advantage to the executive steering capability at detriment of the parliamentary prerogatives.

Broadly speaking, the pathway of the reforming process of the management of the Italian budget is a two-faced story. On the one hand, it has marched on through several normative changes. In this respect, all the efforts made in the last few years seem to have determined the conditions for an appropriate institutional design. Admittedly, the achieved purpose of strengthening the role of pivotal actors, as the government and the Minister of the Economy (MoE) (Di Mascio, Natalini, and Stolfi 2013; Stolfi 2010) has led to some optimistic expectations about the reduction of a long-standing problem of fiscal irresponsibility (Damonte 2013). On the other hand, the story about the government takeover over the budget session can be narrated along the evolution of practices rather than through the implementation of norms. As underscored by several scholars (among others Bergonzini 2014; Piccirilli 2008), the executive has increasingly taken possession of more room of manoeuvre *vis-à-vis* the parliament thanks to the vagueness of some regulations, finally picturing a situation where the higher centralization actually happened *de facto* more than *de iure*. Whilst it is certainly true that normative changes have had a great impact on this broad process of rationalization and centralization, it is even more important to look at the establishment of new customs that paved the way to the actual change in this direction. A closer inspection of both regulations and practices (Chapter 5) reveals that most recent reforms aimed instead to take the decision-

making process barycenter back on parliament's hands, which has been growingly deprived of its legislative function.

Therefore, another part of the analysis is specifically dedicated to elucidating on the balance of power between the executive and the legislative in forging the budget law. This can be achieved thanks to the twin dataset on the budget bill and the budget law, that allow to measure the variation between the document drawn by the cabinet and that issued by the parliament after a few months of debate. This shift can be observed under a twofold perspective. On one side, it simply concerns the total amount of public expenditure foreseen by the cabinet and possibly altered by the legislative. This is assessed by the percentage change of the overall expenditure drawn in the two documents. On the other side, a more intriguing issue pertains to the potential relocation of funds across spending authorizations, which is not necessarily related to the previous matter. Here, the role of the European Union might stand out more clearly, which arguably has a more careful attitude towards the respect of parameters on deficit and debt, without any interest on single policies. In order to bring out this point and to enhance the knowledge on the impact of endogenous characteristics, I firstly estimate a regression model using two different dependent variables. Then, I further advance the knowledge through a qualitative study and comparison of some annual policy decisions through an historical perspective in order to clarify the role of actors and their decision-making power thereby identifying how the arrangement of the many tiles composing the decision-making context and process determines the final shape of the budget.

The selection strategy follows the "diverse case method" (Seawright and Gerring 2008) with the primary purpose to study those cases that show the maximum variance along the dimensions of the dependent variable. Trying to identify each potential type of causal mechanism, this method has a strong claim to representativeness (Seawright and Gerring 2008: 301). Therefore, I choose eight cases among which six are expansionary and two are retrenchment budget decisions. By doing this, I also take the opportunity to assess the different type of strategy adopted by political actors when dealing with the chance to boost public spending and, as contrast, when they face a sudden necessity to cut the budget. As recommended by recent works on policy and budget changes, it is fundamental to improve the knowledge on the occurrence of punctuation by highlighting also their characteristics through mixed-method studies (Baumgartner and Jones 2009; Busenberg 2004; Pralle 2003; Repetto 2006; Resodihardjo 2009; Walgrave and Varone 2008)

and the transformative nature of change (John and Bevan 2018). This is precisely what the last chapter aims to.

CHAPTER 4

POLICY DOMAINS, PARTISANSHIP AND BUDGET CHANGES

The core of this work is the transformation of the Italian budget policy during the last three decades. Pursuing both a theory-testing and an interpretative goal, the present work sheds light on a number of different aspects of the management of the budget policy in Italy during the last thirty years. Adopting the Punctuated Equilibrium model and institutional theories as theoretical framework, I want to evaluate the effect of some independent variables on the magnitude of budget changes. More precisely, in Chapter 1 I hypothesized that a growing number of veto players in parliament, a wider ideological distance between governing partners and a more stringent European external constraint act as institutional frictions, reducing the chances to witness to major budget adjustments. Instead, I imagine that a more centralized budgetary process operates as a contrasting force, raising the power of the government in carrying out radical budget modifications. Besides the domestic factors, I expect also that a heavy external shock as the outbreak of the economic crisis contributes to radical budget changes. These hypotheses are tested in Chapter 6 after the description and operationalization of the independent (Chapter 5) and the dependent variable (Chapter 4). In respect to this, this chapter firstly elucidates on the type of data used to conduct the analysis, sketching out the trend of the Italian budget bill and law. Afterwards, following the PET I use the yearly percentage change as unit of analysis to investigate the distribution of budget adjustments and single out some outstanding modifications that deserve a close scrutiny to understand whether they might be actual policy changes (thus must be kept in the dataset) or if they are simply irrelevant modifications that might cause misinterpretations and jeopardize the comprehension of the overall pattern of the budget policy. Once cleaned the dataset from deceptive information, the chapter moves forward with the issue-level study, which aims to explain the importance and behavior of single budget domains and confirms previous researches' findings about the divergent dynamics which sub-levels are subject to and the different degree of punctuations across spending programs. Finally, the chapter tests the ideological

budgeting hypothesis which wants to clarify whether government ideology is still a relevant factor to determine the allocation of expenditure among budget functions and finds out that a relevant difference exists only between technocratic and either left- or right-wing governments and concerns only very few budget programs.

4.1 The Dependent Variable: The Distribution of Budget Changes

Before testing the hypotheses, it is necessary to scrutinize at length the data used for the analysis, with an initial focus on the dependent variable.²⁸ Looking at spending figures drawn in the budget bill and the budget law, the following section sheds light on the size of the Italian budget and its evolution, using the Punctuated Equilibrium tools. Specifically, the dependent variable is the percentage change of public expenditure from year t_0 to t_1 . The time frame covers twenty-seven years (budget laws for the period 1993–2019)²⁹ whose information are derived from two different types of document: the budget bill and the budget law. The first one is the document drawn by the government and originally submitted to the parliament, where it is possible to identify the actual spending intentions of the cabinet. The second one is the document finally approved by the parliament, usually at the end of the year. Here, the allocation of expenditure planned by the government in the budget bill is usually modified by the parliamentary discussion, whose impact is rather clear looking at the variation between the two documents (Figure 4.1).

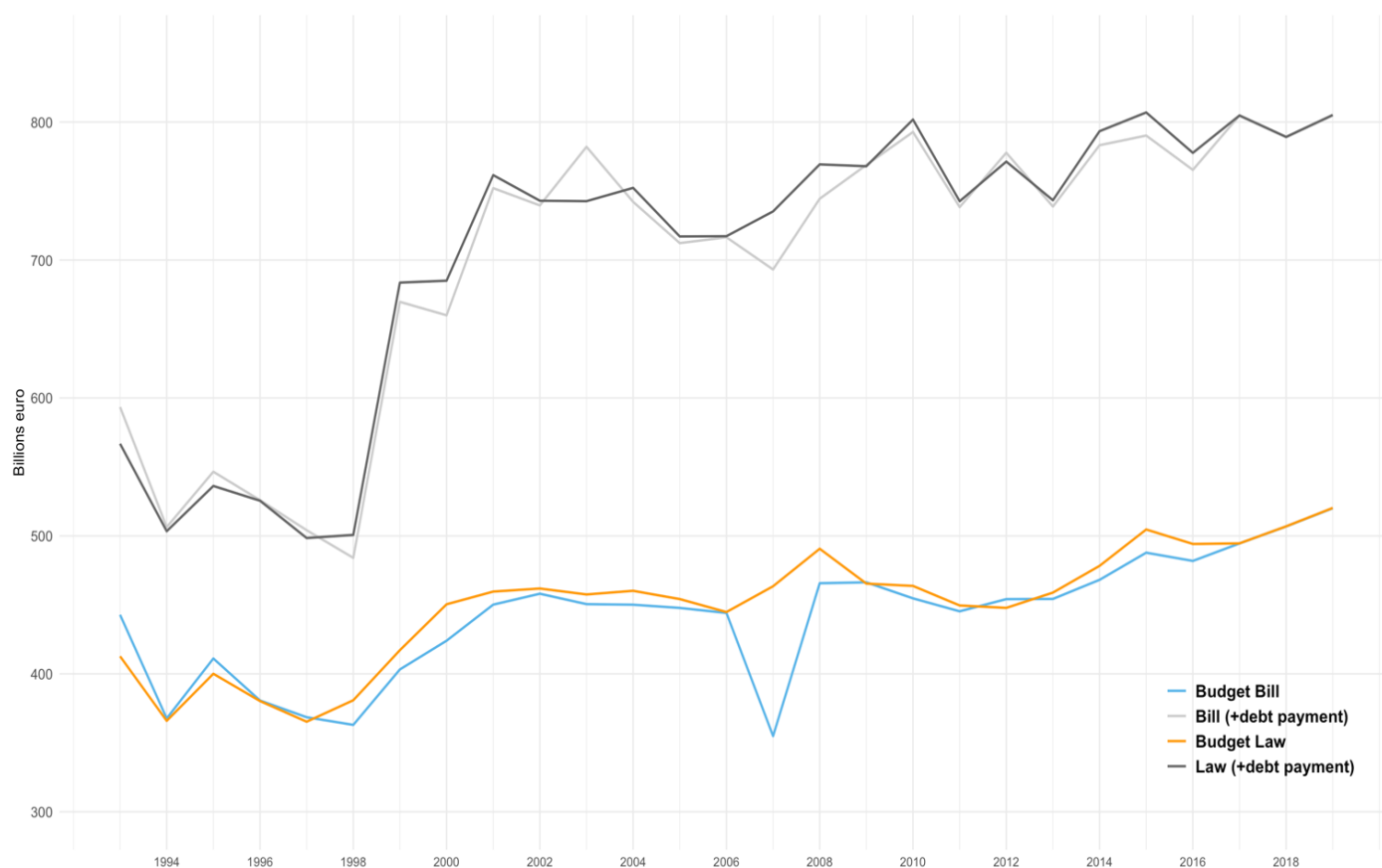
These are official acts published on the Italian parliament website, each of them made up by a number of records about several types of spending and provisions. During the period in analysis, a major modification regarding the regulation of national public accounts has been put in place. This new law (L. 94/1997) altered the structure of the budget and the coding scheme used from that moment forth to identify the spending objectives of the state. Therefore, starting from the budget law for 1999, there are different sections and allocations that

²⁸ While data used in Chapter 2 are from the Eurostat database on public expenditure, which allowed to place the Italian case into a comparative framework, from this moment forth data on the Italian budget are derived from national documents in which the government draws the actual spending policy, as it is explained in detail in this section.

²⁹ There is a gap in 2002 (budget law for 2003) for which detailed data about the budget law are not available. To solve this issue, values are the mean of the budget law for 2002 and 2004. Values in Lire (1993–2003) are converted in Euros. A GDP deflator is used to adjust for inflation, thus final spending numbers are real values. In both sub-periods (1993–1998 and 1999–2019) there is a spending function pertaining to the payment of interests on debt (macro-category 20 for the first period and micro-category 1.7 for the second one). Both of them are removed from the study because they do not constitute actual spending intentions.

correspond to the internationally adopted COFOG (ISTAT 1999), which splits public spending into ten macro-economic functions (I level) and sixty-five micro ones (II level) (see Table A-4.1). These categories dovetail with ‘Programs’ stated in the budget, that represent the main functions and political-institutional strategic purposes of public spending, cross-cutting ministries for a real implementation of public sectors. Tables are drawn in a specific attachment to the budget (both to the bill and to the law) with estimates provided by the Ministry of Economy and Finance (MEF) (*Tabella 2. Stato di previsione del Ministero dell’Economia e delle Finanze*). Previously, budget authorizations were divided in twenty-one macro-functions without sub-levels. Obviously, the bill and the law changed concurrently. To have a general overview of the magnitude of changes in the budget, the graph below depicts the variation of total public spending both over time and between the two documents.

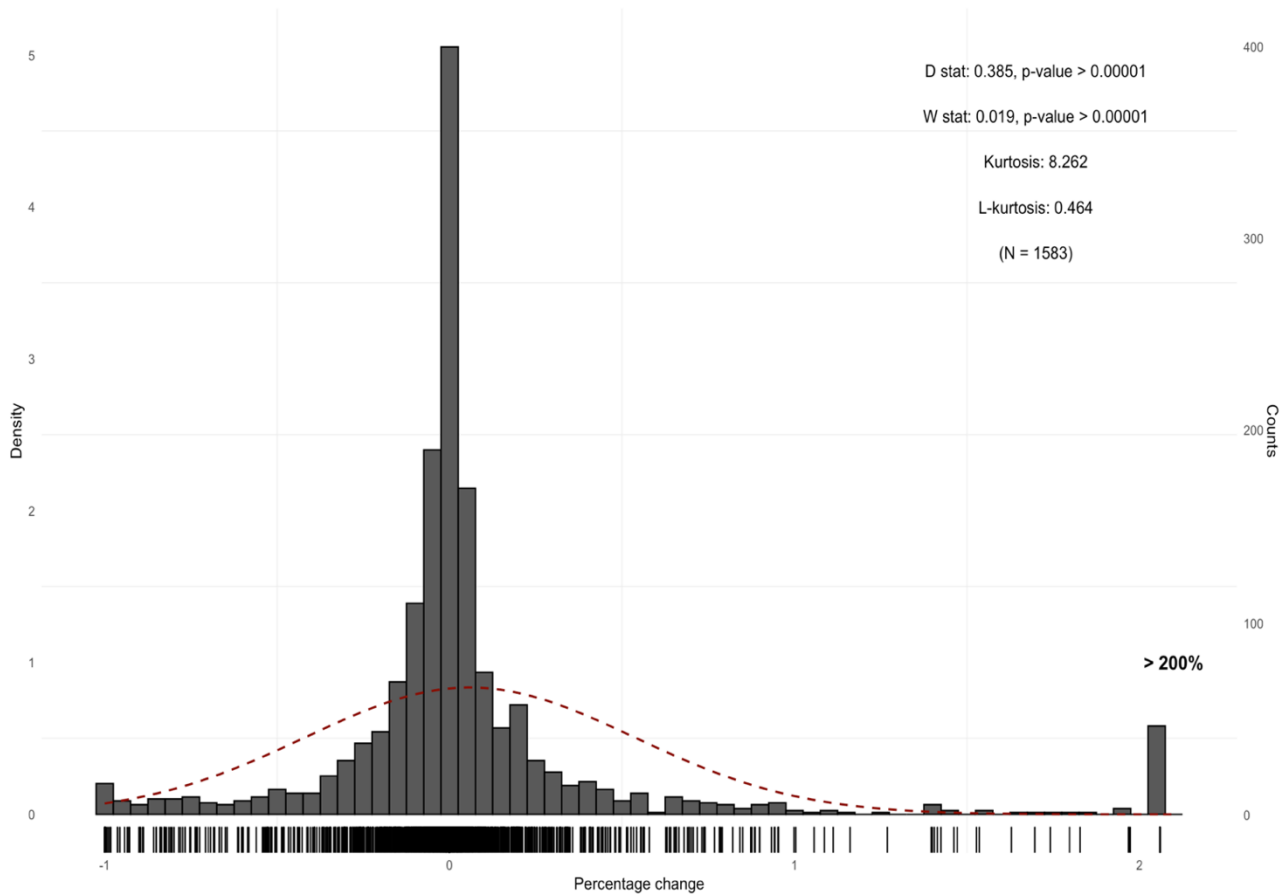
FIGURE 4.1 Trends of public expenditure in Italy (1992–2019)



Note: the top lines include in the total the payment of interests on debt (categories 20 and 1.7, see footnote 29), which are omitted in the bottom lines and not considered later in the analysis, because they are not policy goals.

From this first visual assessment, a substantial difference between the total spending which includes the payment of interests on debt and that which does not leaps out. The outstanding variation, which in some cases reaches about 300 billions, tells us that a considerable part of the total expenditure in Italy is needed to cover the cost of the debt payment. If this is true for the whole time period considered, it becomes even more evident after 1999, possibly as consequence of the implementation of the European economic governance which has required to member states to balance national accounts. If we disregard the impact of debt payment, it is possible to notice a fluctuating trend which stabilizes near the 2000s and remains rather flat for a bit more than a decade, until a slight upswing from 2012 onwards. From 2000, the budget fluctuates between 445 and 500 billions with the maximum spending for 2019, when it reaches 520 billions. The bill and law swing simultaneously for almost the entire period, except for a noticeable difference in 2007, when the budget bill was substantially revised after the parliamentary session. The two lines overlap only starting from the budget for 2017, probably as consequence of the reform issued in 2016, which modified the structure of the budget law (analyzed in detail in Chapter 5). Focusing on yearly percentage changes and resting on a Punctuated Equilibrium perspective, we know that the budget venue is characterized by the highest resistance to transformation, and modifications are rare and extremely forceful. Empirically, this evidence translates into a leptokurtic distribution of changes, as obvious from Figure 4.2.

FIGURE 4.2 Distribution of percentage change in Italy across budget functions and years



Note: the right side is bounded at 200 percent although there are few cases showing even larger increases. To prevent the distribution being extremely right-skewed, those values are grouped into a single bar. The left side is naturally bounded at -100 percent, indicating the cancellation of the spending function.

The graph is a clear-cut confirmation of the punctuated nature of the Italian budget. As I expected from the theory, the frequency distribution has fat tails, weak shoulders, and a slender central peak. The excess of cases in the center indicates a large number of very small modifications interrupted by radical changes visible in the tails. Beside the visual representation, the Kolmogorov-Smirnov (K-S) and the Shapiro-Wilk (S-W) test are used to statistically assess whether the sample is drawn from a normal distribution (Chakravarti et al. 1967; Shapiro and Wilk 1965).³⁰ The K-S test generates a *D* statistic of 0.385 significant at the

³⁰ The K-S test is based on the largest absolute difference between the observed and the expected cumulative distributions and requires to specify the mean and variance of the hypothesized normal distribution in advance. However, it is sensitive to deviations in the tails of the distribution. Instead, the S-W test does not need the hypothesized mean and variance and is considered a more powerful tool to study punctuations because it is not sensitive to extreme values.

99.99 percent confidence interval ($p > 0.0001$), while the S-W produces a W statistic of 0.019 (small values of this test indicate non-normality) again significant at the 99.99 percent. These results allow to reject the hypothesis that the frequency distribution is normally distributed.

To raise the confidence on this finding, I also look at the kurtosis and L-kurtosis of the distribution. To recall, the first is a standardize measure of the fourth moment of a distribution which however is not the optimal analytical tool because of its statistical sensitiveness to extreme values which could cast doubts about its reliability (Groeneveld 1998). This is the reason why scholars usually prefer to estimate the L-kurtosis, that is the fourth L-moment calculated by normalizing kurtosis by the variance (the second moment). Higher degrees of L-kurtosis approach value 1 and points at leptokurtic distributions. Again, as a reference point, the kurtosis and L-kurtosis scores of a gaussian are 3 and 0.12, respectively (Breunig and Jones 2011) while budgets set around 17.64 and 0.46. Data referring to the distribution in Figure 4.2 show kurtosis and L-kurtosis scores of 8.262 and 0.464, respectively, confirming the highly leptokurtic distribution. Descriptive statistics in Table 4.1 dig out further information about the full distribution of cases. The interquartile range (IQR) explains that the middle 50 percent of the distribution is around 16.58 percent, meaning that the budget continuously increases. The high L-kurtosis value, alongside minimum and maximum values reveal some severe expansions and cuts, with some programs being totally eradicated and others doubled. However, the median value specifies that the largest part of changes is around 0, suggesting an incremental pattern for most of the time.³¹

³¹ It is worth recalling that the distribution is artificially bounded at +200 percent, although there are even larger increases.

TABLE 4.1 Percentage change summary statistics

Mean	5.7
Median	0.0
Standard deviation	47.05
IQR	16.58
Skewness	2.25
Kurtosis	7.92
L-kurtosis	0.46
Min	-100
Max	200
N	1583

As already mentioned in Chapter 1.3.1, distributions can be placed along a continuum from “mild” to “wild” randomness (Mandelbrot 1997, 1999), that is from thin to heavy tails, where a normal distribution has the thinnest tails (suggesting fewer punctuations) and the Paretian distribution has the heaviest ones (pointing at a large number of punctuations) (Jones, Sulking and Larsen 2003). The latter becomes wilder as the absolute value of the exponent increases, thus enlarging the tails of the probability distribution and flatten out the shoulders. This type of distribution, known as power function, is the one we usually witness to when dealing with budget data.

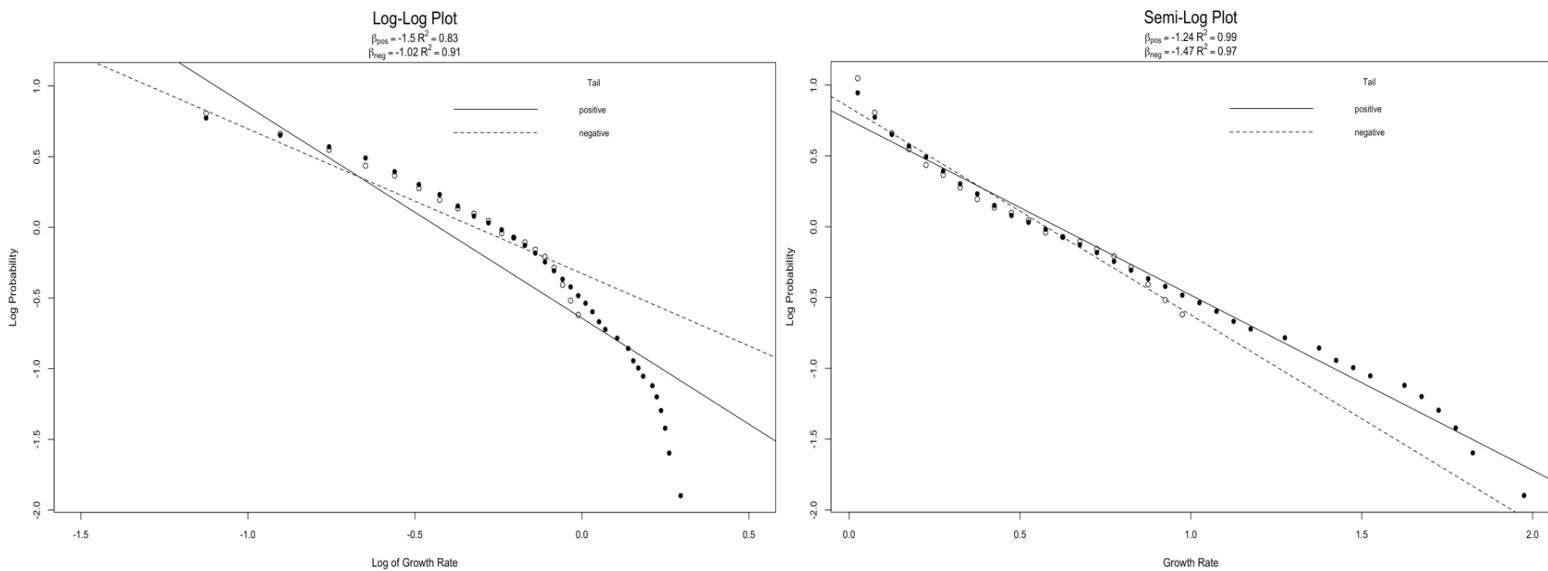
To verify which type of family distributions the Italian budget belongs to, a common and more reliable approach is to look at the cumulative density function (CDF). This method is preferred over a simple PDF because it allows to deal with the significant variability in the tails.³² Moreover, beside estimating direct parameters showing the probability distribution of budget data which underlies the frequency distribution, one can look also to the fit of the frequency distribution in log-log and semi-log plots, which allows to visually detect the difference between exponential and Paretian distributions. In the first case, plotting the

³² The PDF simply counts the number of cases in each bin and estimates the probability of occurrences associated with the bin, therefore coefficients are easily affected by the high values falling into the tails of the distribution and are usually incredibly high because of the accumulation in bins (Sornette 2006; Clauset et al. 2009). Contrastingly, cumulating bins does not transform the underlying distribution. Thus, using the CDF of the power function, which is also linear in its logarithms, guarantees more robust Ordinary Least Square (OLS) parameter estimates than those based on the PDFs, which are frequently biased (Mandelbrot 1963; Breunig and Jones 2011).

logarithm of the cumulative relative frequencies against the values of the bins or category midpoints, data will fall along a straight line, thus approaching an exponential PDF. In the second case, the logarithm of the cumulative relative frequencies is plotted against the logarithms of the category midpoints, and if data fall along a straight line, it is a Paretian PDF.

To see which kind of probability distribution data on the Italian budget approach to, I firstly draw a log-log and semi-log plots then I run an OLS regression associated with each graph, in order to obtain direct parameter estimates (Figure 4.3). Doing this, it is possible to easily examine the scatterplot reproducing the empirical data and to use the R^2 to compare the goodness-of-fit.

FIGURE 4.3 Log-log and semi-log plots of percentage change



Note: the two lines represent the regression estimates for the positive (solid) and negative (dashed) tails of the distribution. In both cases, the negative slope identifying values of budget reductions has been reversed and transformed into positive, in order to have a better visual understanding and comparison with the positive slope.

From the two graphs, it is immediately clear that the semi-log plot better fits the distribution of both tails while the log-log plot does not dovetail with the distribution. In the first case, the parameter estimates approach straight lines with negligible slips at the very extreme of the distribution, supported by high values of the R^2 (0.99 for the positive tail and 0.97 for the negative one). Instead, in the second graph dots above the estimated regression line and lower R^2 confirm that a Paretian PDF does not perfectly suit the distribution. Additionally, the clear curvature is suggestive of a distribution falling in-between the exponential and Paretian one – defined as “stretched exponential” (Laherre and Sornette 1998) – that is a distribution more

leptokurtic than a pure exponential one. The merit of this method relies on the straightforward way to compare direct parameter estimates looking at the slopes, which signal about the heaviness of the tails. All things considered, a shallower slope is the demonstration of punctuated distribution (Jones, Sulkin and Larsen 2003), as it is the case of the Italian budget. The slope of the positive tail is smaller in absolute magnitude than the negative one, symptom of more efforts into increasing spending than in budget reductions.

So far, I showed that the pattern of changes in the Italian budget perfectly complies the PET. The analysis of the distribution revealed the presence of a high number of small adjustments interrupted by major positive and negative changes, visible in the tails of the distribution. The leptokurtic shape of the whole distribution and the stretched exponential PDF of tails suggest that the Italian budget obeys to the Disproportionate Information Processing model.³³ However, using a threshold (somehow arbitrarily set³⁴) to select observations obviously discards cases and might cause the loss of very important information deserving rather a special attention to fully comprehend dynamics in place. An additional assessment of these cases is thus necessary. In this regard, scholars have already pointed out that not everything that looks like a punctuation is a real punctuation. John and Bevan (2012), for instance, distinguish between procedural punctuations caused by misclassification, and low and high salience punctuations. Considering the last two, the former are related to the growing attention towards a topic, which however does not have an impact in the public arena (as the case of technical issue or legislation revisions). The latter, instead, are actual and large policy alterations related to periods of mounting attention by media and public opinion, driven by external events or partisan preferences. The final typology they created relates policy change with attention, hence the categorization they apply reflects the true importance of topics, as prescribed by the tenets of the attention-based model and PET.

In spite of the value of their work, adopting the same typology to this study is not the most appropriate way to proceed. First and foremost, John and Bevan (2012) analyzed acts of the UK parliament, while the focus here is on public budgeting. It goes without saying that this is a crucial difference because the two venues are largely dissimilar and obviously subject to different mechanisms. To recall, the budget is the most constrained venue where attention

³³ These findings hold true even though the distribution was bounded to a maximum value of 200 percent increase. As already underscored, the reason driving this choice was simply to prevent the distribution to be excessively right-skewed because of some very extreme outliers.

³⁴ The choice of using a 200 percent threshold follows some previous researches (see among others Breunig and Koski 2006, 2018; John and Bevan 2012; Sebók and Berki 2018) although scholars are still doubtful about the appropriate cutoff point (Robinson et al. 2007; Robinson, Flink, and King 2014).

shifting can be hardly translated into policy modifications because of the more resistant institutional frictions to overcome (Jones and Baumgartner 2005a). Furthermore, as figured out by Bevan and Jennings (2014), the budget venue is the least responsive to public priorities and attention-shifting. Thereon, the assessment of upheavals is based on different reasoning and combine a qualitative and quantitative judgement.

4.1.1 Assessing Major Changes in the Budget Law

Overall, there are forty-six large transformations whose growth rate ranges from a minimum of 202.82 to a maximum of 3011995.93 (see Appendix-A, Table A-4.2). Clearly, there are different reasons behind these huge adjustments that need to be uncovered in order to decide which of these it is worth considering in the analysis and which would rather lead to misleading results if kept. To understand which type of change those cases consist of, I look in the first place at the trend of each micro-function throughout the whole time span, to see whether those are characterized by high variability or the extreme adjustment occurred only in a specific moment. By doing this, it is possible to identify upheavals that might constitute a real policy change, those that instead are merely sudden peaks, and transfers across spending functions. While these latter can be more easily detected intersecting the trend of each micro-category inside a macro one, the sudden bloat happening in a few cases may be the symptom of an unexpected necessity to raise fund in a specific sector because of some domestic or external events or, simply, a meaningful grow due, for instance, to modifications in the coding system or procedural processes. The specification between what might constitute a policy change and what is instead a meaningless (though extreme) modification is possible after analyzing the spending trend of each micro category which shows such a dramatic spike.³⁵ Singling out these upheavals is the first step to assess later their actual nature.

Out of forty-five observations showing extreme change, only fifteen have been identified as unstable swing which might signify an actual policy change, while twenty-four are sudden peaks mostly consequence of a dramatic decrease happened the year before and which come back at the previous path right away. The remaining six cases are shifts from one or more spending functions to another. This last group includes the temporary transfer of funds from ‘Higher education (9.4)’ to ‘Secondary education (9.2)’ and the following repayment after

³⁵ Despite the outstanding drift of expenditure, I refrain from labeling them “punctuations” because at this moment I am not interested in assessing the nature of change. In fact, the purpose is merely that of pulling out the huge modifications which might jeopardize the understanding of the overall patter of budget changes.

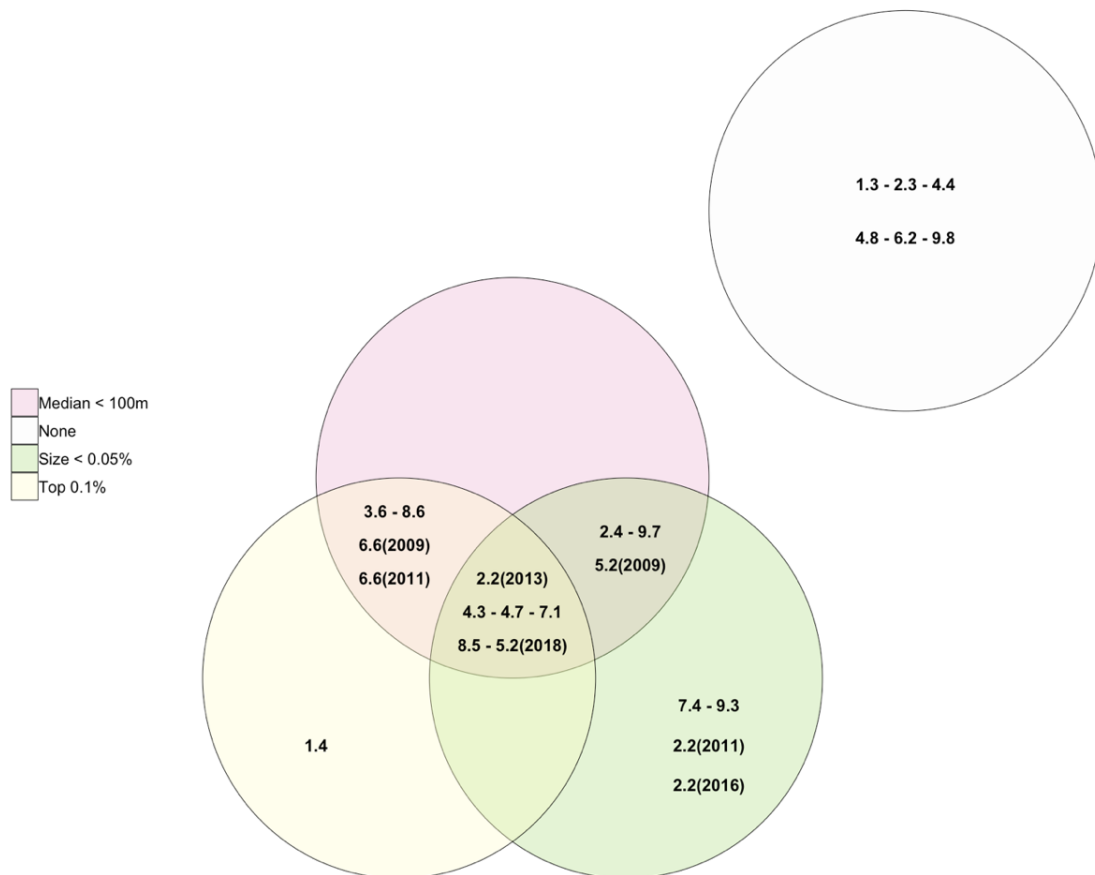
a couple of years, and the shift toward ‘Economic affairs, not otherwise classified (4.9)’ from ‘Agriculture, fishing, hunting (4.2)’ happened in 2007.³⁶ Another case is the transfer from the categories ‘Illness, handicap (10.1)’, ‘Family (10.4)’ and ‘Unemployment (10.5)’ toward ‘Social protection, not otherwise classified (10.9)’ occurred in 2009 and 2011. As matter of fact, the last category grew of 284.63 percent in 2009, when the other three decreased while the three raised of 353.37, 1157.06 and 4403350.8 percent respectively in 2011, when the first one was almost eliminated. These changes balance out one another and can be taken away from the analysis because they would evidently lead to misleading interpretation of results. Those large adjustments that establish a new spending pattern have been considered unstable swing which might lead to policy change. Whereas outstanding increases that immediately lose ground have been initially identified as sudden peaks, after an in-depth review few of them have been evaluated as an unstable swing. It is the case, for instance, of the spending function ‘Waste treatment (5.1)’ in 2008 and 2017, which grew of 991.16 and 283.67 percent respectively, following the waste emergency in Campania and Lazio, and the increase of ‘International economic aids (1.2)’ in 2013, probably as consequence of the Arab spring turmoil started in 2011. At this stage, we have several swinging and a few transfers. Others are spikes that is not clear yet (after simply detecting them without a deeper investigation) if they represent meaningful changes or not (see Table A-4.3).

Without totally disregarding these cases, which would anyway tell something about dynamics of change in the Italian budget, it is crucial to highlight another important point, which affects these modifications in particular. Many of them are indeed very small categories or even a sort of residual ones, such as those labelled as ‘not otherwise classified’ which collect money that do not belong to any other policy area (ISTAT 1999). Therefore, I looked at the median value of these spending functions and median growth, which are the preferred measures to analyze, since the mean is inevitably affected by the excessive value of a single overblown change. I also measured the expenditure of each large increase over the total amount of spending in that year to point out the importance of each spending program on the overall budget. Considering both the median value and the expenditure for each micro category as percentage of the total budget, I set as reference points 100 millions of euro (representing about the 0.01 percent of the mean of the total budget over the whole time span) and 0.05 percent, to assess the size of each budget function. Finally, after locating the percentiles of the frequency

³⁶ In the first group of cases, the growth of the micro-category ‘Higher education (9.4)’ after the repayment is 1412277.79 percent. In the second group, the increase of ‘Economic affairs, not otherwise classified (4.9)’ is about 295.26 percent.

distribution, I discerned those percentage changes that are equal or higher than the top 1 percent of the distribution (whose growth rate is 1167.69). Figure 4.4 places these sudden spikes accordingly.

FIGURE 4.4 Main characteristics of only sudden peaks (budget law)



Out of twenty-four cases, eleven exceed the 99th percentile and, with the exception of ‘Basic research (1.4)’, show also very low values concerning the size of spending. Five are below the two reference points of 100 millions and 0.05 percent. Other cases constitute a very small part of the budget or simultaneously are a small part of the budget and have a median expenditure lower than 100 millions. The remaining large changes are shown in the top right circle and do not belong to any of the three groups, that is, they represent a rather sizeable part of the budget and their percentage change falls below the 99th percentile.

To review, forty-five extreme changes overcome the threshold of 200 percent increase: fifteen are unstable swings, six are transfers across categories and twenty-four are sudden

peaks. While some of them are worth keeping into account to understand and study the evolution of the Italian budget, others might jar the analysis and would possibly lead to misleading interpretations. This is the motive that drove the analysis just carried out and the reason to omit the six cases of transfers, along with all the observations overtaking the top 1 percent of the distribution, whether those are also a very small part of the budget or not. Many of these are even residual categories, as those falling into the intersection between top 1 percent and low median. The three observations in the intersection between low median and low size are kept out as well, while those cases representing only a small size of the budget in that given year and even more those outside the three thresholds are lingered on. Among the unstable swings that might be actual policy changes, three cases deserve a special attention, namely the categories ‘Defense, not otherwise classifies (2.5)’, ‘Waste water (5.2)’ and ‘Health devices (7.1)’. The main concern about these is due to the fact that they all come under the group of top 1 percent of the distribution, showing growth rates of 1849.60, 120144.56 and 1650.66 percent respectively. Because of this reason and since two of them (5.2 and 7.1) are also below the median and size thresholds used for the sudden peaks, while the third one (2.5) is a residual function, these are also ruled out from the study. To conclude, the analysis of the following chapters will consider only eleven swings and ten sudden peaks (Appendix-A, Table A-4.4). Ultimately, the logic for such assessment was to identify a lot of outstanding changes and their characteristics in order to assess whether they seem meaningful (or not) to understand and study the overall pattern of budget changes. Discarding the misleading observations reduces the confusion due to several extreme modifications that are simply the consequence of a different classification of the expenditure or meaningless upheavals occurred because of the cancellation and reimplementation of the program in two consecutive years, and avoids to jeopardize the comprehension of the Italian budget policy.

Nevertheless, by excluding cases I obviously modified the dataset which surely presents now different information. However, the shape of the distribution and the characteristics I am interested in should have been unchanged. Descriptive statistics in the table below confirms this.

TABLE 4.2 Percentage change summary statistics (misrepresenting cases excluded)

Mean	7.4
Median	0.0
Standard deviation	75.12
IQR	15.56
Skewness	7.52
Kurtosis	75.82
L-kurtosis	0.55
Min	-100
Max	991.17
N	1560

Although the table shows different values compared to Table 4.1 where I set a limit of 200 percent increase, the meaning slightly deviates. The maximum value, now at 991.17, raises the mean, standard deviation, and obviously the skew and kurtosis scores. The exceptional high skewness is due to the fact that the extreme adjustments occur in the right (positive) side of the distribution, since it is impossible for a spending program to decrease more than 100 percent (meaning the total suppression of the program). The kurtosis value is outstanding, as expected from the leptokurtic shape of the distribution, tightened up by the sensitiveness of this measure to outliers. The L-kurtosis score increases as well. Either way, these values confirm once again that the Italian budget is subject to disproportionate information processing and highly inefficient.

4.1.2 Assessing Major Changes in the Budget Bill

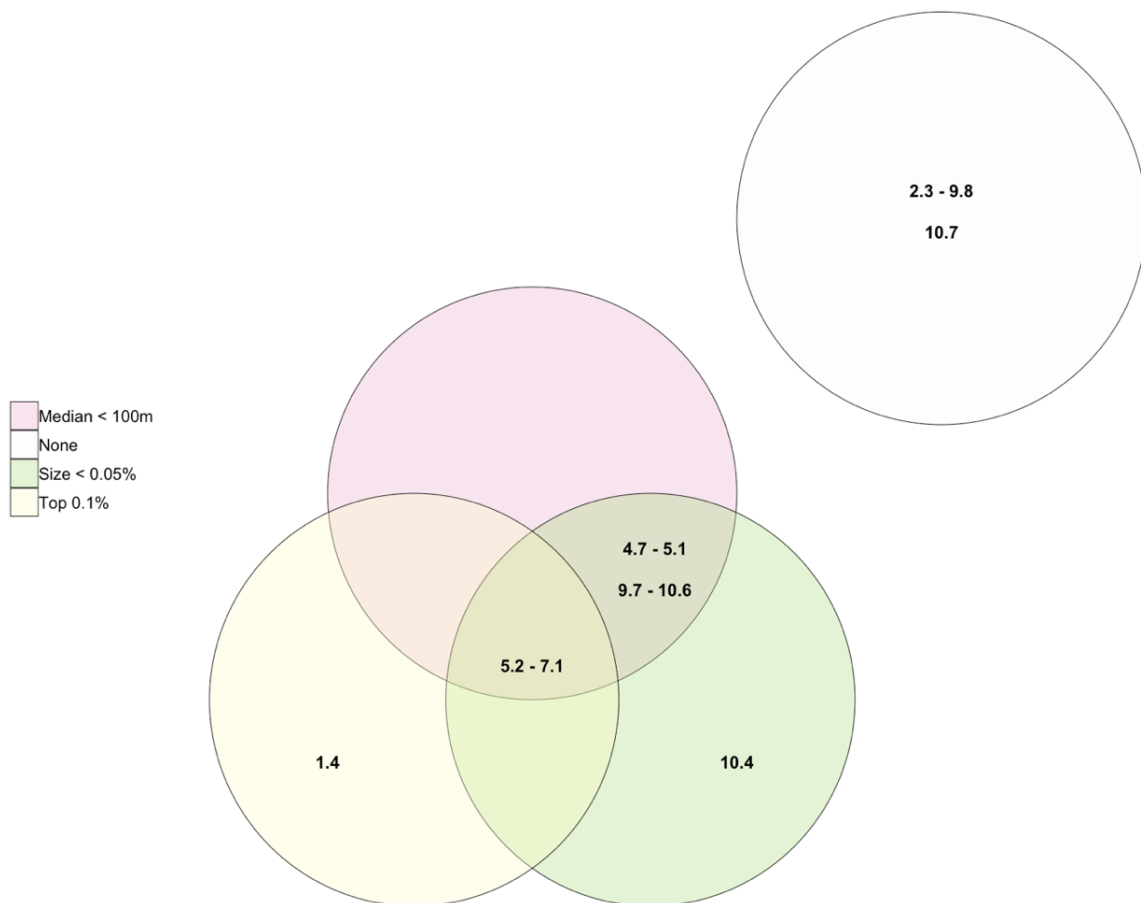
Thus far, the focus was on the budget law: the document approved by the parliament at the end of the year after weeks of parliamentary discussion. Additionally, this work studies also the budget bill: this is the first draft submitted by government to the parliament where the majority draws its actual spending preferences before the confrontation with the Chambers. The two provide partly different information, although they are assembled in the same way. Therefore, it is reasonable to expect that extreme adjustments detected in the budget law are present also in the bill. To uphold this, it is necessary to carry out the same inspection done previously. The

method used is the same already employed for the budget law and consists in identifying those cases of growth that exceed 200 percent and see whether they are unstable swings, sudden peaks or transfers across spending functions.³⁷ Out of fifty-five cases of large changes overcoming 200 percent of increase, thirty-six converge with those present in the budget law and obey to the same dynamics. Among these, twenty-one are excluded as done after the inspection on the budget law carried out previously. The remaining fifteen observations will be included along with nineteen observations of spikes present only in the bill (see Appendix-A, Table A-4.5).

Leaving behind for the moment the fifteen observations behaving as in the budget law, I now assess nineteen outstanding modifications present only in the budget bill. Three are transfers of funds between spending categories, eleven are sudden peaks (Figure 4.5) and five are unstable swings that might signify an actual policy change. As done for the budget law, shifts across budget functions alongside cases going beyond the 99th percentile and below the other reference points used to evaluate the size of spending are going to be omitted from the analysis. Four sudden peaks belonging to the top right circle will be kept in instead. Summing up, among the extreme changes pertaining to the budget bill, ten are swings and eleven are sudden upheavals (Table A-4.6).

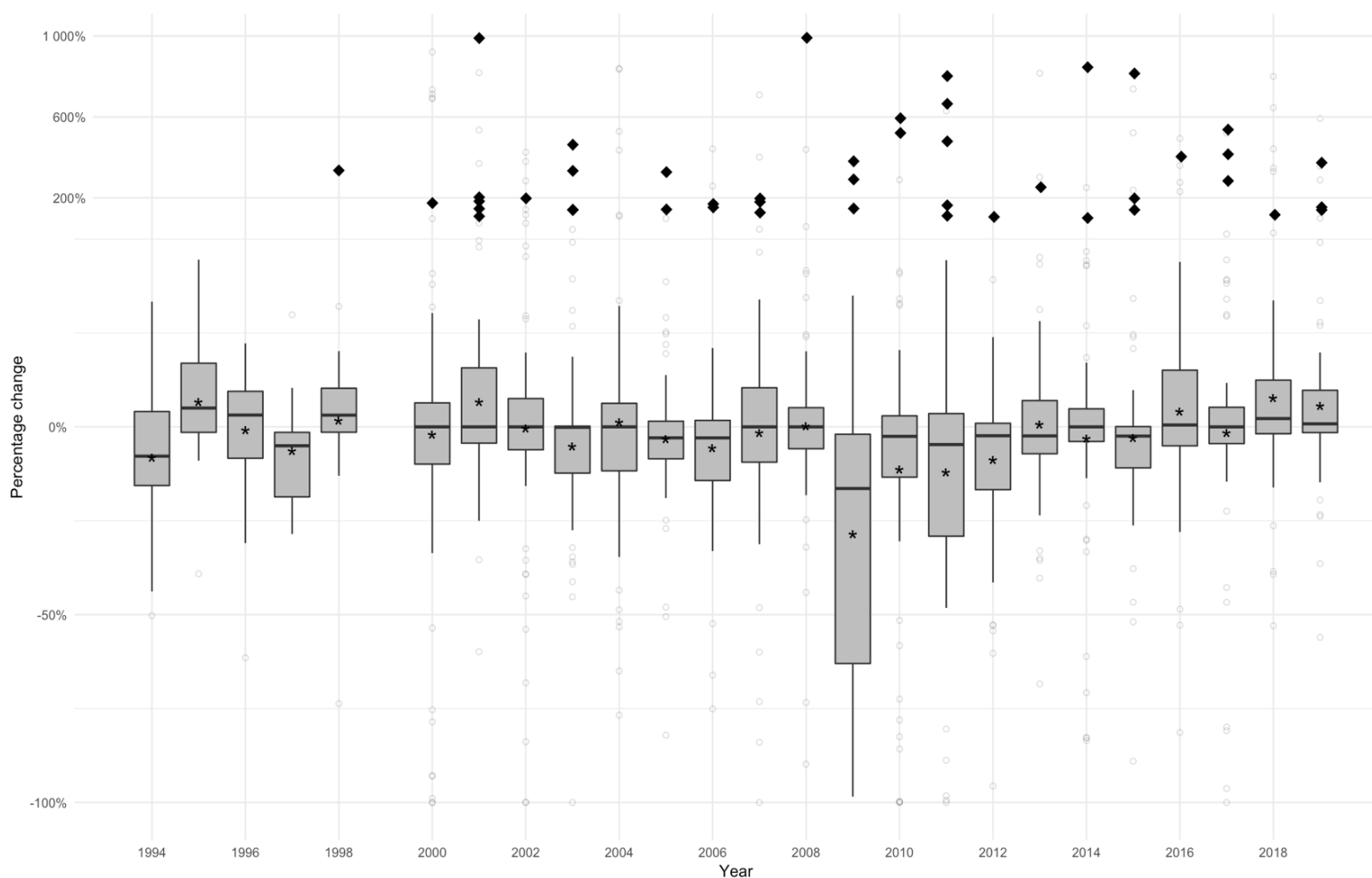
³⁷ I also use the same thresholds of 100 millions for the median value of spending, 0.05 for the percentage of adjustment over the total expenditure foreseen in the bill for the same year, and 99th percentile of the distribution of growth rates (1429.91 in this case). Then, I decide which ones will be taken into account for carrying out the analysis.

FIGURE 4.5 Main characteristics of only sudden peaks (budget bill)



At this stage, it is possible to detect the evolution of the Italian budget without incurring in potential errors due to some deceptive huge changes (from here on discarded). Boxplots in Figure 4.6 show that the median growth rate fluctuates around 0 for most of the time (the median value of the percentage change is -0.5) with few deviations mostly downwards. Some years are marked by higher variability than others. Yet, while in some cases large positive percentage changes counterbalance negative ones revealing rather compacted boxes, several years are characterized by higher variance, as described by the distance between the 1st and 3rd quartile and by the whiskers. It is especially the case of those years exhibiting the largest positive adjustments (represented in the graph with diamonds) as 2001, 2011 and 2016.

FIGURE 4.6 Boxplots of annual percentage change and outliers (1994–2019)



Note: 1999 has been removed because it marks the shift from two different coding schemes, thus it was not possible to compute the growth of single categories. Stars represent the average percentage change; shaded grey dots are positive and negative modifications on a scale ranging from -100 up to 100 percent and diamonds are the extreme positive changes higher than 200 percent increase.

The figure is well-suited to the policy cycles pinpointed in Chapter 2, which generically draw the history of the Italian public budgeting. To recall, starting from 1992 and during the late 1990s, Italy was engaged in the process of convergence towards the Maastricht parameters, whose fulfilment was required to enter the European Monetary Union (Quaglia and Radaelli 2007; Sala 1997). The budget law for 1997 indicates the turning point which ensured the inclusion of Italy in the first group of countries joining the single currency. This was possible after severe cuts, as evident from the graph. After that moment, a period of marginal adjustments followed until 2001, when the government substantially raised expenditure (about 11 percent on average). The budget law issued at the end of 2000 by Amato II government was

favoured by a revitalized economic and financial situation. Thanks to a continuing decrease of public debt and a high level of the expected GDP growth (about 3 percent) stimulated by the domestic demand (DPEF 2001–2004), it was possible for the government to substantially raise public spending. However, as ascertained by the DPEF 2002–2006, the provisions were excessively optimistic and caused the necessity to curb again the budget. Another crucial moment clearly emerging from the plot is represented by the budget law for 2009, the first one issued by a newly appointed government headed by Berlusconi who came to power pledging for the re-launch of a “neo-liberal revolution” to be realized through the reduction of public machinery’s costs. The following years are those marked by the economic crisis, that severely affected Italian public accounts at least until 2014, when the percentage change displayed in the graph started again to grow slowly then stabilized around small adjustments. All in all, each year appears marked by interesting changes.

To equip the reader with a fully comprehensive overview of the transformation occurred in the last decades, and to further dig up moments of major changes, the next section analyzes the trend of each spending function over time. It serves two main goals. On the one hand, it is extremely useful to highlight how each spending category evolves and, more broadly, the importance each of them in the budget. On the other hand, it allows to test whether partisanship plays a role in the implementation of specific policies.

4.2 Government Level Analysis: Budget Domains and Partisan

Ideology

Borrowing from the scholarship on policy typologies by Wilson (1980), several works on budget looked at the scope of the policy agenda, paying attention to the behavior of single policy areas and developing the argument about systematic differences across policy subsystems (Baumgartner and Jones 1993).

This line of reasoning follows the footsteps of the Policy-Determines-Politics approach first theorized by Theodore Lowi (1964, 1972). According to this perspective, the fundamental characteristics and contents of a given policy establish the political decision-making on that specific policy. Naturally, issues diverge among themselves on the basis of their inner features and the subject they pertain to. Topics gain different degrees of attention not only in relation to political actors’ ability to process information but also on the basis of their nature. Some are undoubtedly more difficult than others. In

this regard, the literature has widely and empirically proved that some topics are more salient to public opinion than others (McCombs 2004; Wlezien 2005) and that topics behave differently according to their peculiar traits (Adolph, Breunig, and Koski 2020; Breunig and Koski 2006, 2012, 2018; Breunig, Koski, and Mortensen 2010; Jensen, Mortensen, and Serritzlew 2016; Mortensen 2005). It follows, using the standard vocabulary of the Punctuated Equilibrium model, that *“the range of punctuations differs according to the policy sector in question. [...] Some sectors are more responsive to public opinion than others; others may be more locked into their policy communities”* (John and Margetts 2003: 430).

Scholars have enhanced this line of reasoning going down to the causes of this difference, identifying two essential explanations driving actors' choices about which issues to focus on. A first one has to do with political parties' ideology while the second concerns the complexity of the topic. Intuitively, politicians dealing with rather simple issues should be able to process information more rationally and uniformly, thereon responding coherently and proportionally while preventing incrementally the problem. Policies related to simpler topics tend to be more stable and less subject to dramatic shakes than more complex ones (Epp 2018). This is again related to the more troublesome task of collecting and understanding information when actors are considering complicated issues. In addition to that, attention distribution across policy items is of prominent importance. To clarify, when attention is evenly distributed, it is much more likely to witness to a gradual and incremental pattern of policy change, whereas in case of unevenly distribution of attention the pattern of change is almost certainly punctuated. All these variants of the Policy-Determines-Politics argument underline that the policy-making process is subject to domain-specific forms of organizations, interests, and dynamics. In this respect, the analysis of budget functions is of primary importance because it allows to better explain how the whole budget evolves (Breunig and Koski 2012). This is precisely the task of the next section, which is followed by a study of the impact of ideology on spending allocation.

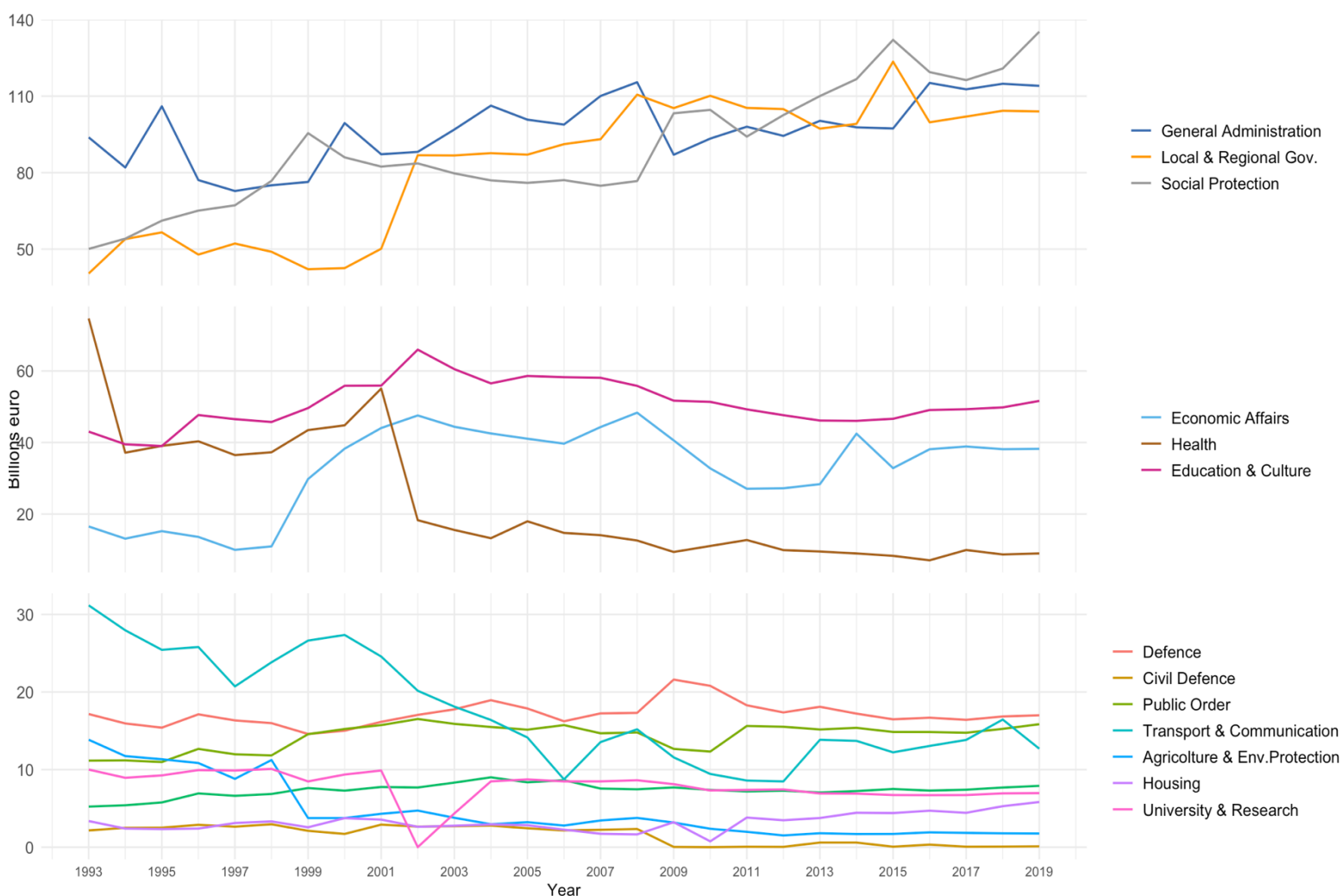
The relevance of this investigation lies in its capability to shed light on a crucial and increasingly controversial matter – particularly when the budget is concerned (explained at length in section 4.2.2) – namely the role of government ideology. Because of its importance and distinctive traits, alongside the tight link with single spending domains, I deem the analysis of partisanship to deserve a specific and autonomous section to address a different aspect of the budget policy. Yet, while the reasoning driving this investigation partially drifts apart from the logic of the work – which is to explain the role of several factors on the magnitude of budget

changes – the kind of research conducted in the next sections adds another tile to the overall picture about the management of the budget policy in Italy, focusing specifically on the association between spending domains and partisanship (a subject which is not possible to include in the study of Chapter 6 and 7), thereby contributing to the general understanding of the topic.

4.2.1 Describing the Importance of Budget Functions

To develop the issue-level analysis, it is firstly necessary to solve a concern related to the different coding schemes that articulate the classification of expenditure before and after 1998. Either considering the two periods separately or even more excluding the first one (only five years) would lead to lose relevant information concerning in particular technocratic governments (two out of three were in charge between 1993 and 1996). Therefore, as already done in a previous study (Cavalieri, Russo, and Verzichelli 2018), I identified fourteen macro-categories matching spending functions of the two periods on the basis of their contents and policy goals, thereby ensuring the comparability over time (Table A-4.7). To begin with, Figure 4.7 looks at expenditure in real values for each program during the last twenty-seven years.

FIGURE 4.7 Public expenditure for each budget function (1993–2019)



Note: the x-axis is set forward by one year, meaning that the level of expenditure in 1993 has been allocated with the budget issued in 1992. The y-axis has three different scales to highlight the different amount of expenditure and make it clearer which are those that are prevalent in the budget law.

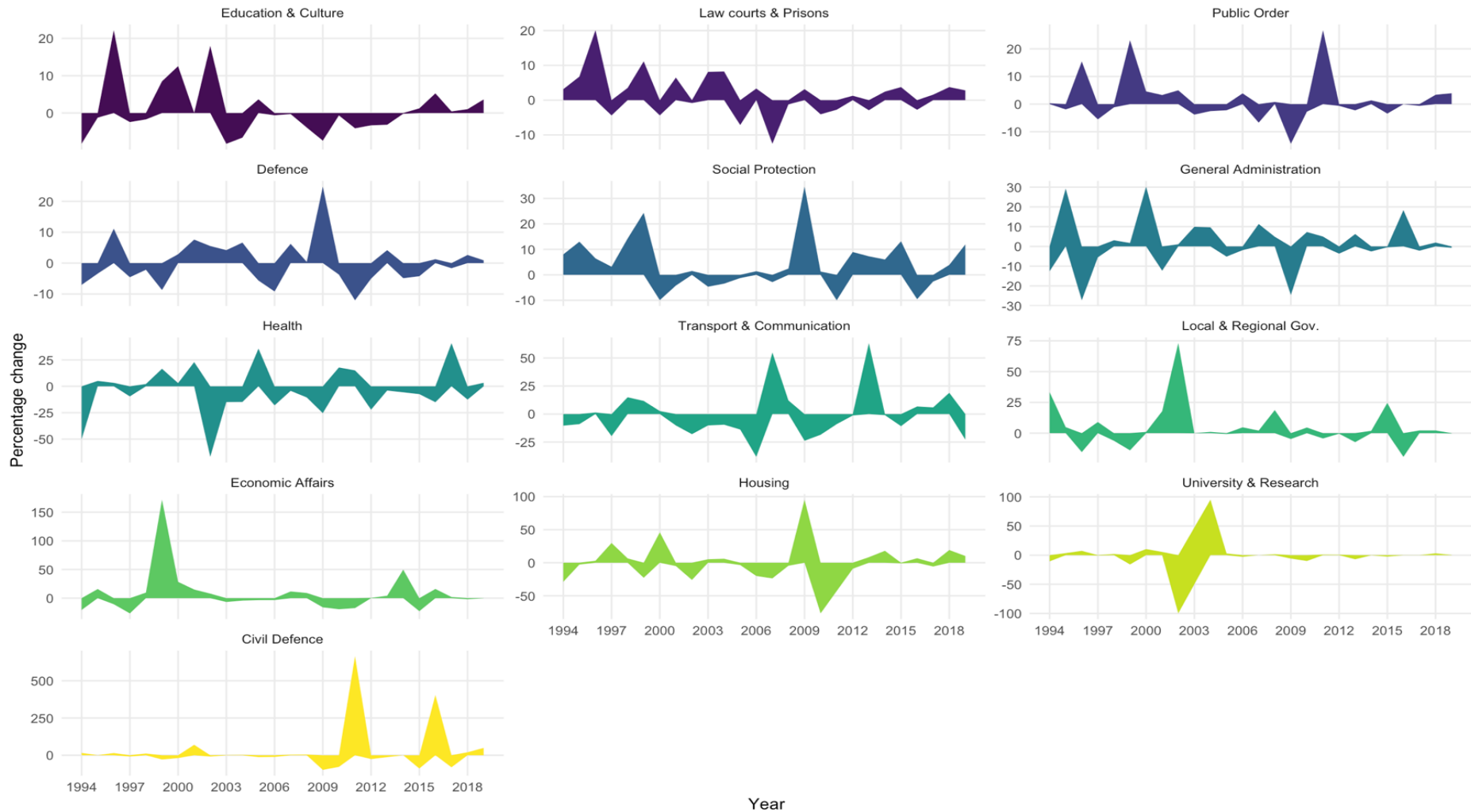
The first thing to notice is the various size of expenditure that budget functions receive (evident from the different scales of the y-axis). Most important policy functions are ‘General administration’, ‘Social protection’ and ‘Local & Regional Government’, representing about 15, 14 and 12 percent of the total spending, respectively.³⁸ In this group, while the first one remains rather stable over time, others show higher variation, especially ‘Local & Regional Government’. The reason can be traced out in the 2001 constitutional reform that modified the

³⁸ The percentage is the mean of expenditure of each category over the mean of the total expenditure of the budget law considering the whole period in analysis.

V Section of the Italian Constitution, empowering regions and municipalities with more responsibilities while laying off the state from its previous role. Healthcare is one of the main sectors which moved on to regions' competency, as blatant from the downward peak that perfectly offsets the increase of spending for sub-national levels of governance. The two proceed symmetrically thereafter. 'Social Protection' starts to grow considerably from 2009, then kept on increasing. This is due to the introduction of new measures by Berlusconi IV government, which earmarked additional funds for the so-called 'social card' in order to support and help retired and unemployed people and families: the latter having also extraordinary bonus (Nota Informativa 2009–2011). Arguably, the growing expenditure is also a consequence of the crisis and the necessity to provide social services and economic support to citizens living a condition of heavy financial stress. As contrast, the dramatic cut of 'University & Research' in 2002 is probably a consequence of a temporary transfer of funds to 'Education & Culture' which in the same year raise considerably, due a changing interpretation of the coding scheme by the administrative departments in charge for the classification. In the following year, both budget categories move back to their usual values.

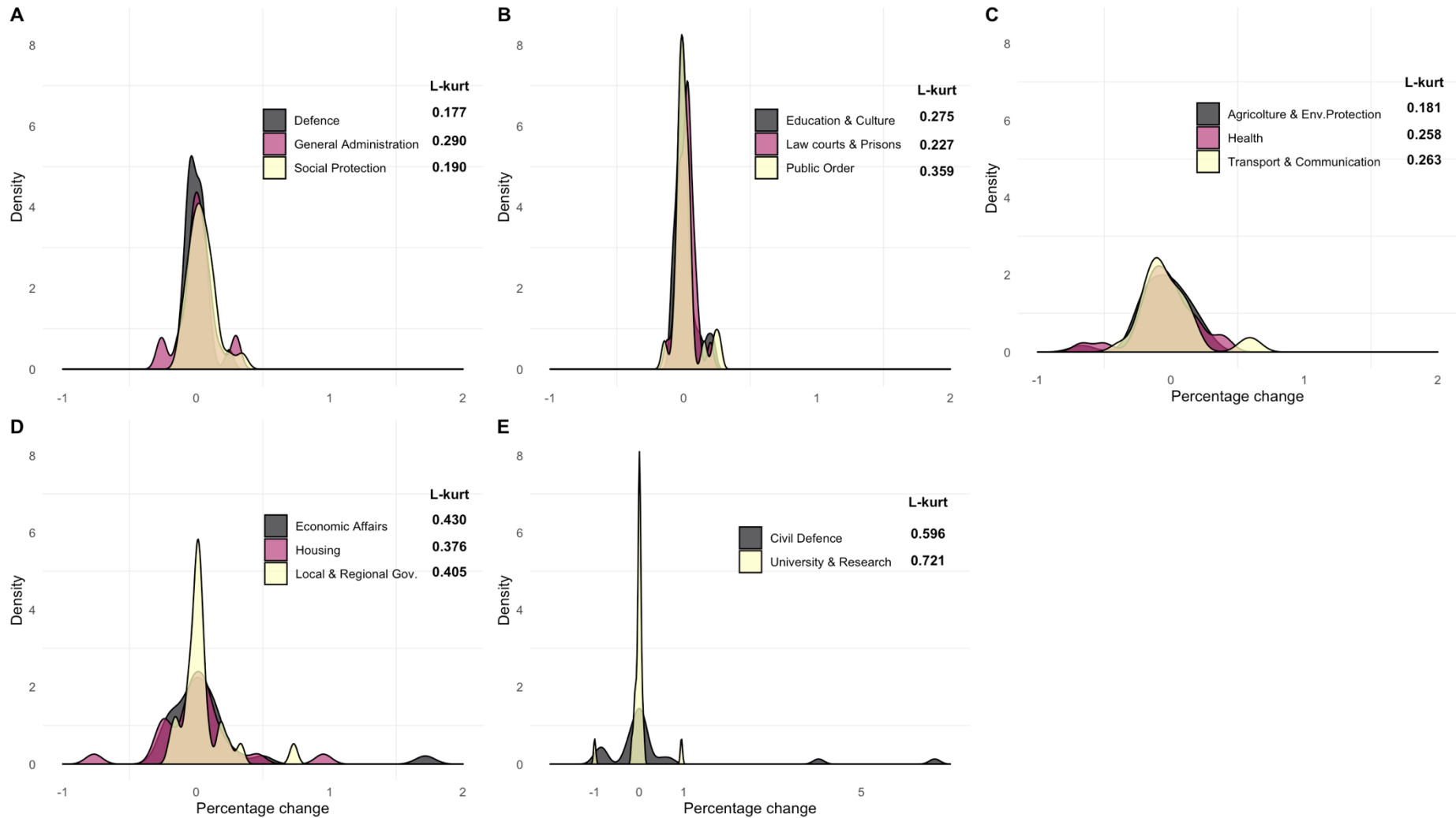
Among other spending functions, two stand out to be more relevant, namely 'Education & Culture' and 'Economic affairs': the unsteady path of the latter is clearly a consequence of the subject of the category itself. It includes some small spending functions as 'Agriculture, fishing, hunting' which are tiny programs mostly implemented through capital grants depending on investments, thus most subject to variations. 'Defense' and 'Public Order' look specular for most of the time – in particular way from 2004 to 2012, then again from 2014 on – suggesting that governments tend to conceive them as serving the same purpose, preferring one over the other. Looking at the magnitude of programs in real values, however, does not straightforwardly depicts different patterns of modification, which are described in Figure 4.8 through a line plot and Figure 4.9 using density plots.

FIGURE 4.8 Percentage change of public expenditure for each budget function (1993–2019)



Note: the x-axis is set forward by one year, meaning that the level of expenditure in 1993 has been allocated with the budget issued in 1992. Spending functions are in ascending order from the one showing the lowest variation to that with the most extreme peak. This plot considers the total of each spending program.

FIGURE 4.9 Distribution of percentage change for each budget function



Note: budget functions are grouped together on the basis of the degree of variation and L-kurtosis score. Distributions are drawn considering the percentage change in micro-categories composing each macro-one.

Differences across budget functions are evident and consistent with previous findings about the divergent importance of subsystems. Examining Figure 4.8 and Figure 4.9 together, it is possible to derive the highly changeable pattern with outstanding peaks of certain spending programs as ‘Civil Defense’, ‘Housing’, and ‘Economic Affairs’ contrasting with low variability and low percentage change of ‘Education & Culture’, ‘Law courts & Prisons’, and ‘Social Protection’. L-kurtosis scores help to better assess the degree of punctuation of each macro-category.

For instance, L-kurtosis values of ‘Housing’ and ‘Economic Affairs’ are two of the highest because of some extreme changes ranging from the total cancellation of micro-spending programs to outstanding increases, touching more than 100 and 200 percent. With the budget law for 2009 (Berlusconi IV), the former experienced a noticeable growth due to a special ‘housing program’ for the implementation of building stock for residential purposes and additional measures for a recovery plan of the same (artt. 11 and 13 of the DL. 112/2008). The latter, instead, was substantially raised by government Prodi I, with a parallel contraction in the sector ‘Agriculture & Environmental Protection’. As maintained in the DPEF 1999–2001, a growing labor demand was expected for 1999 in all sectors besides agriculture, therefore the government decided to invest on the implementation and innovation of infrastructures related to this sector, which indeed fall under the category ‘Commerce and labor’, while shrinking the expenditure earmarked for the Ministry of Agriculture.³⁹

Dramatic spikes involve also ‘Transport & Communication’, ‘Local & Regional Government’ (because of the excessive growth due to already-mentioned reform of the Constitution in 2001) and, most of all, ‘Civil Defense’ and ‘University & Research’. The latter two are subject to outstanding appreciation (about 600 percent the former and 100 percent the latter, following a similar reduction) and display the highest L-kurtosis scores. The two peaks showed by ‘Transport & Communication’ are due to the Stability Program for 2007 issued by Prodi II government which foresaw mounting spending for railway transport especially in Southern Italy, made possible thanks to the availability of additional funds for the Trans-European Network (TEN-T) (Stability Program 2006). This program was later confirmed and granted more resources for sustainable mobility and the enhancement of transports for commuters, alongside renewed efforts for security issues related to road networks and railway lines.⁴⁰ Higher spending in this sector was allocated also by Monti government to face the increasing cost of fuel and for railway maintenance (DEF 2012), with a parallel creation of a new asset to grant the state involvement on public transports.⁴¹ ‘Civil Defense’ was one of the main concerns of both Berlusconi IV (Allegato al DPEF 2010–2013) and Renzi I governments which

³⁹ Camera, Ass. res. sten. sed. 20/12/1998, p. 6 (Cherchi).

⁴⁰ Camera, Ass. res. sten. sed. 20/12/2006, p. 8 (Armani).

⁴¹ Camera, Ass. res. sten. sed. 15/12/2012, p. 42 (Brunetta).

issued the budget law for 2011 and 2016, respectively. In the first case, the sudden expansion was due to necessity to face an unexpected event such as the earthquake that devastated Abruzzo region in 2009 (DPEF 2010–2013). In the second case, the Update Note to the Document of Economy and Finance 2016 (*Nota di Aggiornamento al Documento di Economia e Finanza*, NaDEF) sparked off a peak of about 400 percent growth due mainly to the update of the already existing programs and financial assets. Specifically, additional funds served the economic upturn of Emilia-Romagna (which faced another earthquake in 2012), two assets for the hydrogeological instability and the whole functioning of civil defense unit, respectively, along with the management of two extraordinary events (EXPO 2015 and 2015–2016 Jubilee), and the management of the Syrian refugees crisis (NaDEF 2015; Badell et al. 2019). Differently, ‘General Administration’, ‘Social Protection’, and ‘Defense’ have among the lowest degrees of L-kurtosis and higher concentration of changes within the central part of the distribution, meaning small spending adjustments, likewise ‘Law courts & Prisons’ and ‘Public Order’.

The domain-level analysis of the Italian budget confirms previous researches’ findings. Spending authorizations that pertain to the basic purpose of institutions as ‘Social protection’ and ‘General Administration’ are less affected by punctuations, forming a sort of “baseline” categories (Breunig and Koski 2012: 61) to which political actors are more attentive. Similarly, ‘Education & Culture’ and ‘Public Order’ are not substantially touched by changes probably because of the high electoral incentive (Pierson 2002) and support they both have, being also protected by very strong trade unions. The complexity of these budget functions (Epp 2018: 33) – due mainly to the fact that political actors have to look after several divergent opinions on how to solve potential problems linked to these policies that might emerge – makes the occurrence of dramatic adjustments rather unlikely. Contrastingly, spending programs that are more controllable, meaning that their costs are not determined by compulsory obligations, and also have low priority are more subject to substantial modifications, particularly when there is a sudden necessity to curb public spending (Padgett 1980, 1981). The remarkable difference between ‘Education & Culture’ and ‘University & Research’ lays precisely on this, despite their joined-up policy sector. Inherently, while the former concerns the compulsory part of the broad educational path, the second pertains to higher education and the amount of expenditure allocated is rather a judgement call of the government in office. This explains also the high volatility of “non-allocational categories” (Breunig and Koski 2012: 61) as ‘Housing’, ‘Transport & Communication’, and ‘Economic Affairs’, which are more punctuated along with ‘Civil Defense’ that is implemented mainly when unexpected events require immediate action or to refinance specific assets for emergencies themselves. Because of their discretionary nature, it is more likely that the amount of financial resources these programs receive

is altered according to the fiscal conditions of the state. To provide an example, it happened for instance in 1996 when Prodi I government decided to curb expenditure on two low-priority sectors as ‘Transport & Communication’ and ‘Agriculture & Environmental Protection’ to overcome the veto of small governing parties on cutting pensions while securing, at the same time, the entrance of Italy in the first-wave of countries joining the single currency (Cavaliere, Russo, and Verzichelli 2018).

This analysis identified extreme changes at issue-level, highlighting divergent dynamics to which sub-levels are subject and which budget functions in Italy are more likely to experience higher punctuations than others. After this assessment, it seems relevant to study whether these spending pattern and changes are determined by partisan ideology of the government.

4.2.2 The Ideological Budget

As already mentioned, two main factors affect the level of attention and priority accorded to public items by political actors, that is, ideology and complexity. Thus far, I have highlighted how macro-categories in the Italian budget behave according to their inner nature and function. The following section instead centers on the role of partisan ideology with the purpose to verify whether and to what extent it affects spending choices.

Broadly speaking, partisan ideology has been always considered one of the main drivers of policy outcomes. A broad and well-acknowledged literature asserts that party position on the left-right scale leads to ideologically different policies. The rational choice and spatial modelling of party systems (Downs 1957; Hinich and Munger 1997) assume that actors have fixed preferences on which they base their decisions. This is because left and right constituencies do not share the same policy preferences, thence political actors try to maximize their electoral returns by pledging their own constituency through the adoption of their favorite policies (Boix 1988; Schmidt 1996; Tufte 1978, 1994).⁴² This approach was the starting point for other studies focusing on salience and issue ownership (Budge and Farlie 1983; Petrocik 1996). These models argue that parties strategically emphasize those issues where they are more competitive, in terms of electoral returns, over their counterparts (Budge 2015; Schattschneider 1960). Several works have demonstrated that this is true both during the electoral competition when parties try to gain consensus, as well as during the legislature (Green-Pedersen 2010; Klüver and Sagarzazu 2016;

⁴² In this regard, party position can be placed along a left-right continuum which provides the context for the party competition. In turn, voters select the party that is perceived as closer to their ideological position on this continuum. The choice between alternatives can be represented, as result, by a utility function. Specifically, Downs (1957) ordered left- and right-wing parties on a scale corresponding to their preference about the state intervention into the economy. This model has been abundantly used to study elections, voting behavior and party competition.

Louwerse 2012) when they try to fulfil the electoral mandate (Vliegenthart and Walgrave 2011; Vliegenthart, Walgrave, and Zicha 2013). In the wake of this perspective, the Issue-Ownership theory proved that left- and right-wing parties allocate different attention to policy issues (Budge 2001, 2013; Klingemann et al. 2006) deducing that an historical and ideological tie between some topics and political parties exists (King et al. 1993; Walgrave, Lefevere, and Tresch 2012). This approach, applied to budget studies, implies that parties spend more money in specific budget categories to reward their own electorate and that they tend to spend more on budget functions they ideologically “own” (Petrocik 1996; Petrocik, Benoit, and Hansen 2003).

Looking specifically at spending choices, scholars argued that an historical difference between left- and right-wing ideology exists about the overall size of public expenditure (Blais, Blake, and Dion 1993; Cusack 1997; Hibbs 1977, 1992).⁴³ More specifically, left-wing governments have been associated with increasing public expenditure and the tendency to avoid engaging in cutbacks as consequence of their constituency’s support for the state intervention into the market. Also, their electoral tie with labor classes usually led left-wing governments to boost spending on social policy, education and employment, causing the growing of public deficit (Lewis-Beck and Rice 1985; Swank 1988; Wilensky 1975). Contrastingly, right-wing parties have been usually more prone to cutting public expenditure because of their inclination towards fiscal responsibility and balanced accounts, pursuing a reduction of fiscal pressure that fostered public debt enlargement (Wagschal 1998). In the US, the relationship between party platforms and government outputs dated back to the post-war period (Budge and Hofferbert 1990) and later it has been demonstrated in the European context too (Budge and Farlie 1983; Klingemann et al. 2006), confirming the persistence of an historical and ideological bond between parties and policies (King et al. 1993; Walgrave et al. 2012).

Nevertheless, these ideas have been questioned on many grounds (Tavares 2004) and further studies missed to provide evidences about the direct effect of partisan ideology on deficits (de Haan and Sturm 1994; Hahm, Kamlet, and Mowery 1996) and about the propensity of leftist governments to increase surpluses and/or decrease deficits (Alesina et al. 1998; Borrelli and Royed 1995; Wagschal 1998). Interestingly, studies on welfare retrenchment unveiled higher capability and tendency of left-wing parties to cut public expenditure during the 1970s and 1980s (Ross 1997), reinforced by additional evidences on the lack of influence of partisan ideology when spending cuts are concerned (König and Troeger 2005). Admittedly, the reality is that most of the time individual parties do not have the full control neither over government decisions nor over public finances, therefore partisan preferences can hardly be translated into public policies. On top of that, a further restriction for parties

⁴³ Other works addressed the role of political parties’ orientation on national public accounts and looked at reasons leading to higher budget deficits or to increased public debt (among others, Hallerberg et al. 2001).

to ideologically direct their spending preferences is represented by mandatory spending programs. This means that the driver of government spending is not simply its policy preferences but also past legacies, multi-annual spending commitments or inherited policies that can last even long after the government that created it has left office (Rose and Davies 1994). The most likely situation is the one where the interaction between government spending preferences are intertwined with the institutional design that shapes actors' ability to put choices into action, and where some radical changes may happen in case of forceful external events.

In this type of inquiry scholars have developed their argument paying mounting attention to single policy areas instead of the overall budget. Welfare spending is a suitable example on how these different threads of research have been combined. Early studies in this field underlined the impact of leftist parties on increasing welfare expenditure (Castles 1999; Hicks and Swank 1992; Wilensky 1975). Besides, further analyses stressed the role of institutional factors, as the number of veto points in the system (Pierson 1996) and constitutional rules (Persson and Tabellini 2003), admitting the different political parties' function on the basis of country's specific institutional arrangement, as the political system and party competition. Later on, reinterpreting evidences from the welfare state literature through the lens of the Disproportionate Information Processing model, Breunig (2011) proposed to read the proneness of leftist governments towards increasing welfare spending as a growing allocation of attention to that particular issue by the whole political spectrum in the immediate aftermath of the second world war. Whilst this line of research supports the idea that parties have different preferences concerning public spending (Jones and Baumgartner 2005b; Jones et al. 2009; Breunig 2011), it is widely known by now that the pure partisan theory cannot explain by itself the pattern of budget policy.

Bearing in mind these fundamental evidences, the analysis of partisan preferences can help to portray more accurately the Italian budget policy and those dynamics it is subject to. Resting on the scholarships just reviewed and the commonly-held expectations about the role of ideology on spending choices, it is possible to derive the following hypothesis:

DOMAIN-SPECIFIC SPENDING HYPOTHESIS

LEFT- AND RIGHT-WING GOVERNMENTS ADJUST THE BUDGET SYSTEMATICALLY TOWARDS THEIR FAVORITE SPENDING DOMAINS

The analysis of government's spending intentions is simplified by the type of data I am using. The budget bill precisely represents actual will and policy preferences of the government, deprived of potential modifications usually coming up from the parliamentary session (which are instead included

in the budget law).⁴⁴ Yet, despite the (probably) slack ideological bond between parties and issues, and more importantly the hurdles in translating policy preferences into spending choices, the budget bill constitutes a powerful tool that gives the opportunity to shed light on government intentions. This drives the study about whether and to what extent ideological budgeting still exists in Italy.

To begin with, the first aim is to uncover whether left-wing governments tend to increase the overall budget size – because of their alleged preference about state intervention into the economy – while right-wing ones are more prone to reducing expenditure. A second goal is to test whether left- and right-wing cabinets are associated with specific issues and if there is a systematic difference in how they allocate funds to spending functions. Before going into this analysis, it is of primary importance to outline the characteristics of the governments that succeeded in the past thirty years and that drew the budgets.

Italian governments at a glance

To assess governments' ideology, I use the ParlGov dataset (Döring and Manow 2018) which measures parties' position on a 0–10 points scale, where 0 means extreme left and 10 means extreme right. Then, to gauge the ideological position of the government I calculate the weighted mean of parties' position belonging to the governing majority over the number of seats and differentiate between left, right and center governments.⁴⁵ In twenty-seven years, seven legislatures came in succession with the alternation of sixteen governments, three of which were technocratic (Table 4.3). Before proceeding, a note about these is necessary. Adopting a strict definition of “full technocratic government”,⁴⁶ the only cabinets that can be really considered as such are those led by Dini and Monti, while Amato I and Ciampi are more correctly “transition governments” (Chimenti 1994): the latter actually resembles more a “technocrat-led partisan government”⁴⁷ (McDonnell and Valbruzzi 2014: 7-12). Both of them were in office during a short-term legislature defined itself as a “transition legislature”⁴⁸ (Ceccanti and Vassallo 2004; Gervasoni and Ungari 2014). However, studying the traits of these three cabinets, Ciampi government is usually associated and judged just like the other two

⁴⁴ Budget data used for this study do not include mandatory spending programs.

⁴⁵ The ideological position of the Five Stars Movement (Movimento 5 Stelle, M5S) is from Chapell Hill Expert Survey (Polk et al. 2017), which assigns it a score of 5.1999. Center governments, those whose ideological position ranges between 5.00 and 5.99, are all technocratic governments except for Amato I which is considered rather a “transition” government (Chimenti 1994). Anyway, this distinction ends in itself because, as it will be described later on, 1992 will not be taken into account in the analysis.

⁴⁶ According to this definition, a government is technocratic if it fulfills three requirements: a) the prime minister is a technocrat; b) ministries are, for the most part, technocrats; c) their mandate is to change the status quo, differently from “caretaker governments” which instead have a more limited role (McDonnell and Valbruzzi 2014).

⁴⁷ More than half of the ministries of Ciampi government (14/25) had a political background and were not technocrats.

⁴⁸ For the first time in the Italian republican history, the 1994 elections have been carried out with an electoral system with a strong majoritarian component, the so-called *Mattarellum*, never tested before in previous ballots.

(Lupo 2015). As matter of fact, all of them were held by experts who previously served in economic institutions, as the Bank of Italy (Ciampi and Dini) or the European Commission (Monti), and never fulfilled an elected office before.⁴⁹ The main function these governments performed was to allow the continuation of the legislature without giving rise to a new political government that would have been supported probably by a different majority compared to the outgoing one (Lupo 2015) without any kind of electoral mandate. These managed the call to the ballots in troublesome situations of institutional turmoil and economic crisis (Wratil and Pastorella 2018; Duranti 2019).

Making use of Table 4.3, it is possible to pinpoint some crucial moments of the Italian political life. Major changes occurred during the cutover from the *First* to the *Second Republic* and have made up the history of the Italian politics during the past two decades, eventually fostering the transitions towards the *Third Republic*. As mentioned, the XI legislature is a turning point that affected both the overall Italian political system and the budgetary policy.

⁴⁹ In this regard, Ciampi as well perfectly suits the definition provided by McDonnell and Valbruzzi according to which “a prime minister or minister is a technocrat if, at the time of his/her appointment to government, he/she: (1) has never held public office under the banner of a political party; (2) is not a formal member of any party; (3) is said to possess recognized non-party political expertise which is directly relevant to the role occupied in government” (2014: 4).

TABLE 4.3 Governments that issued the budget law and their ideological position (1992–2018)

Legislature	Start Date	Government	Budget	Left/Right Scale	Left/Right Position
XI (1992–1994)	28/06/1992	Amato I	1993	5.12	Transition
	29/04/1993	Ciampi	1994	5.12	Technocratic
XII (1994–1996)	11/05/1994	Berlusconi I	1995	7.53	Center-Right
	17/01/1995	Dini	1996	5.06	Technocratic
XIII (1996–2001)	18/05/1996	Prodi I	1997 – 1998 – 1999	3.84	Center-Left
	21/10/1998	D'Alema I	2000	4.15	Center-Left
	28/04/2000	Amato II	2001	4.15	Center-Left
XIV (2001–2006)	11/06/2001	Berlusconi II	2002 – 2003 – 2004 – 2005	7.32	Center-Right
	28/05/2005	Berlusconi III	2006	7.32	Center-Right
XV (2006–2008)	17/05/2006	Prodi II	2007 – 2008	3.03	Center-Left
XVI (2008–2013)	08/05/2008	Berlusconi IV	2009 – 2010 – 2011 – 2012	7.26	Center-Right
	16/11/2011	Monti	2013	5.58	Technocratic
XVII (2013–2018)	27/04/2013	Letta	2014	3.70*	Center-Left
	22/02/2014	Renzi	2015 – 2016 – 2017	3.42	Center-Left
	12/12/2016	Gentiloni	2018	3.12	Center-Left
XVIII (2018–ongoing)	01/06/2018	Conte I	2019	6.11	Populist**

Note: the column 'Budget' identifies the budget according to its official name, that is, the budget for 1993 was introduced and approved in 1992. The ideological position of technocratic governments is the average mean of those parties giving external support to the cabinet.

* The ideological position of the cabinet headed by Letta is the mean between the two cabinets he headed, whose composition changed in November, when Forza Italia (FI) left the government and the New Center-Right (Nuovo Centro Destra, NCD) entered the coalition.

** While the left/right scale specifies that the government belongs to the center-right, I label it as populist (following D'Alimonte (2019) and Garzia (2019)) to stress its different ideological connotation.

Amato I government was the last one belonging to a political system based on five-party coalition governments, started during the VIII legislature (1979–1983) and gradually transmuted into a sort of “semi-technocrat transition cabinet” (Amato 1994; Pitruzzella 1997; Verzichelli 1999: 193). The heavy economic crisis blown up in September 1992 after a long period of immobilism before financial stress (Bernardi 1994), along with the decomposition of the political system, forced Amato to a substantial correction of public accounts never seen before. The fiscal package for 1993 is indeed recognized as a watershed in the Italian public budgeting history. The external context was shaken *in primis* by the financial speculation that pull Italian currency out of the European Monetary System (EMS) and the risk to be left out from the single currency soon after the signing of the Maastricht Treaty. The sharp rebalancing emerged in such a political phase downsized the domestic political game, allowing the Prime Minister to demand full control over the economic policy (Fedele 1994), with the sole help of the Minister of the Treasury, Piero Barucci (another figure partly outside the usual political dynamics). The total independence of the cabinet allowed it to confine the parliament and the “gatekeeping” role of parties (Cotta and Verzichelli 1996) while engaging in one of the boldest reforms of Italian public finance ever (Verzichelli 1999), mainly exploiting the rhetoric of responsibility (Radaelli 2002: 218).

The collapse of Amato I government after the positive result of the 1993 referendum that aimed to suppress the old proportional electoral system made impossible to form a political government and pushed the President of the Republic, Oscar Luigi Scalfaro, to opt for a technocratic solution. Carlo Azeglio Ciampi was appointed Prime Minister of a government composed partially by persons outside the political sphere whose government program was written in concert with the president Scalfaro himself. Eventually, the XI legislature was rounded off within a shattering political turmoil which blew away the “old” mainstream parties that have been sitting in the parliament for almost forty years. The XII legislature entered into force with a huge novelty represented by the arise of Silvio Berlusconi on the Italian political landscape. Despite his electoral pledges to carry out a “great liberal revolution”, his government fell down immediately after the approval of the 1995 budget because of the government crisis opened up by the Northern League (Lega Nord, LN) precisely on the contents of the budget law. Scalfaro was pushed towards a technocratic solution once again and chose Lamberto Dini.

The period 1996–2011 saw the establishment and consolidation of a new procedure of government formation and a period of alternation between right- and left-wing coalitions, towards the attempted implementation of a majoritarian model (Morlino 2011) that seemed to have achieved its complete realization between 2001 and 2006 (Colarizi and Gervasoni 2014; Cotta and Marangoni 2015). During this period, however, governments crisis did not always bring new ballots. In the case

of Prodi I government fall, for instance, the shared political will to avoid new elections disinterred the *First Republic* custom to negotiate and form the government inside the Parliament (Fabbrini 2000; Cotta and Marangoni 2015; Cotta and Verzichelli 2016). As consequence of this, the leftist ideology of the government was obviously moderate by the inclusion as governing partners of two more parties – the Party of Italian Communists (Partito dei Comunisti Italiani, PDCI) and the Union of Democrats for Europe (Unione Democratici per l'Europa, UDEUR) – as described by the table. The same occurred during the transition from governments Berlusconi II to Berlusconi III. After an “inter-parties renegotiation” made necessary by internal disputes between coalition partners – mostly FI and Union of Christian and Center Democrats (Unione dei Democratici Cristiani e Democratici di Centro, UDC) – the cabinet was eventually enlarged distributing a few ministries to minor parties' exponents that previously were undersecretaries (Cotta and Marangoni 2015). This period of alternation – although later defined as “limited” (D'Alimonte and Chiaramonte 2010) and “fragmented” (Chiaramonte 2010) bipolarism – between competitive center-right and center-left coalitions remained in place until the collapse of Berlusconi IV government. The political upheaval happened in that year saw exactly the irreparable crisis of the rightist coalition in office and led to the appointment of another technocratic cabinet. In a situation characterized by the most onerous aftermaths of the economic crisis, Monti was the protagonist of the harshest budget package ever, that even doubled the one implemented twenty years before by Amato.

That moment has been recognized as the beginning of a deep party system deconstruction (Ceccarini, Diamanti and Lazar 2012) that triggered the transition from the *Second* to the *Third Republic* (Chiaramonte and De Sio 2019). The XVII legislature saw the rise of a new party system where the M5S – a new actor outside the usual left/right political divide (Ceccarini and Bordignon 2016; Tronconi 2015a; Tronconi 2015b) – is one of the main characters of a tripolar competition (Chiaramonte and Emanuele 2014; Cotta and Marangoni 2015). In this phase, the 2013 ballot results did not make possible to form a government mirroring the electoral offer, making necessary to find a parliamentary coalition by broadening the political spectrum in support of the government. In this regard, Letta, Monti and Gentiloni governments have got the epithet of “reduced grand coalition” (or *larghe intese*, see Cotta and Marangoni 2015: 62), resembling the *First Republic* tradition (Cotta and Verzichelli 2016). Although the only difference in the coalition composition was between Letta I and Letta II, the three cabinets present interesting differences. After the fall down of Letta II government because of infightings, the appointment of Renzi as Prime Minister was a “return of politicians” after the technocratic experience at the end of the XVI legislature (Marangoni and Verzichelli 2015). It was also a novelty in the Italian political history, being the first case of a prime minister who was not, at that time, a member of the parliament. However, despite – or maybe because of – its strong

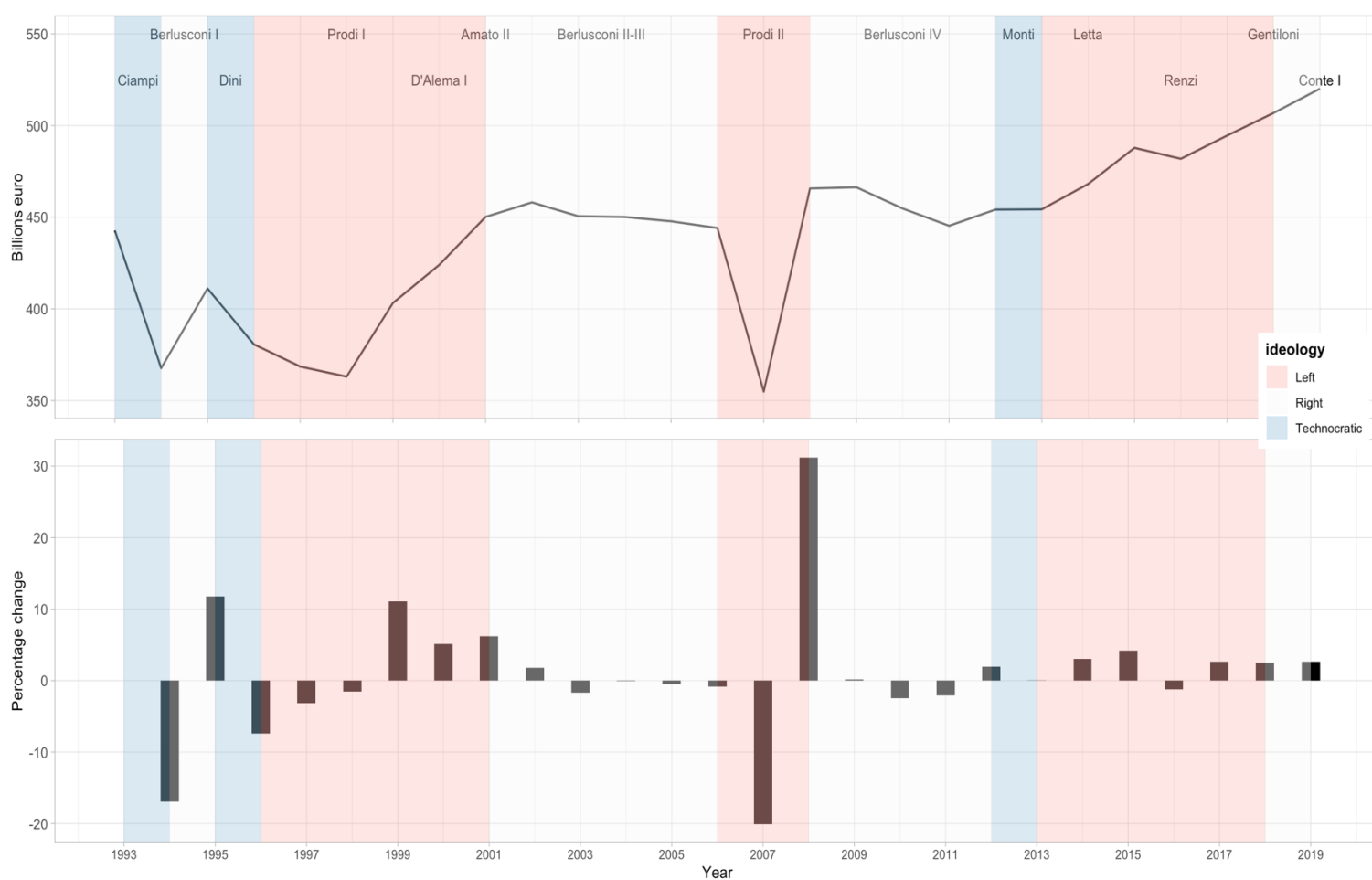
leadership, Renzi was compelled to resign after the result of a popular referendum held in December 2016 on a package of constitutional reforms that he transformed into a popular assessment on himself and his government. Gentiloni was appointed Prime Minister, with very few changes in the cabinet composition but a marginal reshuffle giving slightly more power to governing partners (Pasquino and Valbruzzi 2017).

On the side of elections, read together, the 2013 and 2018 ballots made up the final de-institutionalization of the Italian party system, characterized by a degree of instability comparable only to the period 1994–1996 (Chiaramonte and Emanuele 2019). This new phase has eventually delivered to Italy and Western democracies the first government made up only by populist parties (Conte I) (D’Alimonte 2019; Garzia 2019).

4.2.3 Measuring the Impact of Ideology on Budget Changes

After this review, I now turn back to the questions at the heart of this chapter, that is, whether the ideological budgeting is still in place in Italy and if there is a systematic difference when adjusting the budget between left- and right-wing governments. To begin with, I calculate the year-to-year percentage of change (Jones and Baumgartner 2005b) of deflated values both for the total expenditure and for each spending function. Figure 4.10 reintroduces what already shown at the beginning of this chapter (Figure 4.1), displaying only values of the budget bill (payment of interests on debt excluded) and the annual percentage change, with additional information about government ideology.

FIGURE 4.10 Trends of public expenditure (real values and percentage change) by government ideology (1992–2019)



Note: the x-axis is set forward by one year, meaning that the government issued the budget law with spending provisions for the next year.

This is nothing but a preliminary visual assessment of the ideological budgeting hypothesis, which suggests that party position leads to different policy outcomes. Making use of data about the budget bill, both in terms of total spending and percentage change, it is possible to grasp the very intentions of the government disregarding other intervening factors that potentially mold the final accounts. The picture shows a rather unstable trend for the total amount of public expenditure from the beginning of the analysis until 2009 approximately: after that moment, it stabilizes around small adjustments, mostly upwards. There are a few relevant changes, which at first sight do not seem to be ideologically driven. As matter of fact, large increases happened with left-wing governments as well as during Berlusconi I-IV (right-wing) ones; substantial decreases took place both under rightist majorities but also with leftist governments (Prodi I, Renzi and most of all Prodi II). Overall, the broad picture suggests a prevalent path of fluctuating modifications during the whole time period, when spending growths come usually right after reductions.

In this regard, before digging into the analysis of the allocation of expenditure across budget programs, it is interesting to verify whether left-wing governments are more inclined to increase the total public expenditure, as promoted by the literature. To prove this first expectation, Table 4.4 (equipped with Figure 4.11) presents descriptive statistics for each group and allows to compare changes of total budget by partisan control.

FIGURE 4.11 Boxplot of total expenditure by ideology

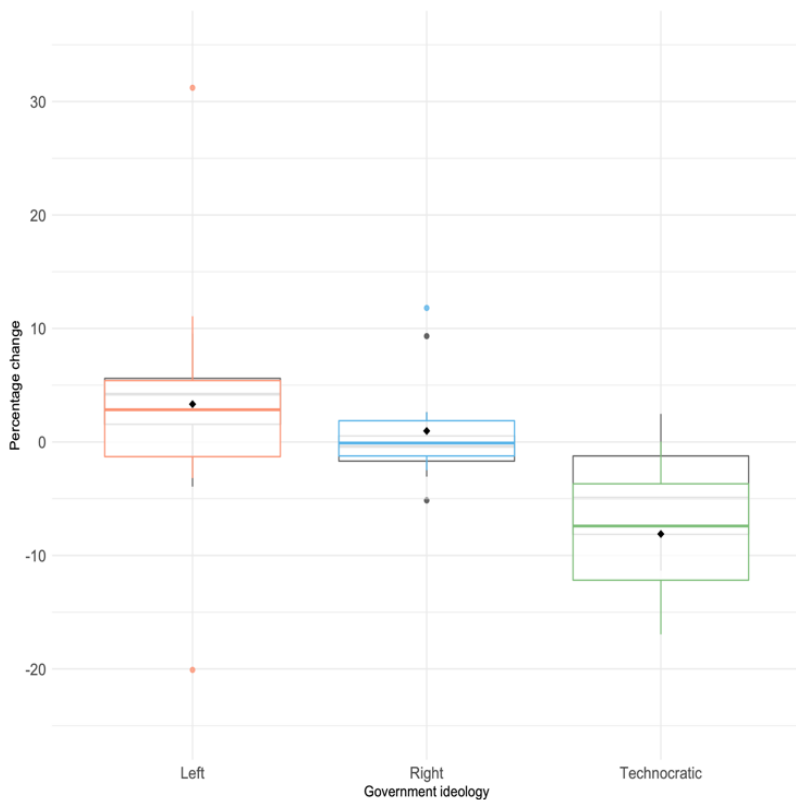


TABLE 4.4 Percentage change of total expenditure by ideology summary statistics

	<i>Government Ideology</i>		
	<i>Left</i>	<i>Right</i>	<i>Technocratic</i>
Min	-20.10	-2.49	-17.00
1st Q.	1.29	-1.23	-12.18
Median	2.84	-0.09	-7.41
Mean	3.33	0.97	-8.11
3rd Q.	5.40	1.87	-3.68
Max	31.21	11.8	0.03

Note: diamonds represent the average percentage change. The shaded grey boxplots on the background refer to changes in the budget law instead of those of the budget bill.

On average, there is an interesting difference between left- and right-wing governments although it is not so much remarkable. When raising public spending, the average growth rate of the former is 3.33 (clearly affected by the huge value of the outlier with positive sign),⁵⁰ the latter is 0.97. In fact, the most considerable divergence is between either leftist or rightist majorities and technocratic

⁵⁰ Summary statistics for leftist governments present two outliers both for the highest increase and for the sharpest reduction, which were already evident from Figure 4.10. These refer to the dramatic decrease in 2007, immediately balanced one year later by the same Prodi II government.

governments. Noticeably, technocratic governments are those in charge of cutting spending, with an average mean of cutbacks slightly higher than 8 percent. This shall not be a surprise, since technocratic governments in Italy have always been the “last resort” to face major economic downturns (Duranti 2019). Considering the overall spending of each year, the small number of cases per each group (twelve leftist governments, eleven rightist and three technocratic) would not allow to really trust results of any statistical test about the difference of total spending by government ideology. From the inspection of growth rates, it is possible to conclude that a meaningful difference exists only between technocratic governments and either rightist or leftist ones, while the last two behave only slightly differently. Interestingly, as already mentioned, recent works miss to find any clear-cut evidence of the impact of government ideology on the allocation of expenditure. Rather, during the period of welfare retrenchment (1970s and 1980s), leftist governments have engaged in cutting public finance more than their counterpart. This is not the sole proof about the lack of influence of partisanship. Studying German budgets over more than thirty years (1961–1994), König and Troeger (2005) underlined the weakness of the policy-oriented approach compared to institutional variables and even its failure when spending cuts are concerned.

However, what is of most interest is the divergent path of government in the allocation of expenditure across single spending programs and whether some are implemented or disregarded on the basis of partisanship. To recall, previous studies ascertained that partisan ideology plays an important role mostly on single issues, some of them being associated – implemented or at least protected – with parties of this or that ideology. With the same purpose, it does make sense to delve into a sublevel analysis of single issues to figure out whether partisan ideology drives public budgeting at issue-level in Italy. To do that, some scholars have classified spending categories associating them to leftist or rightist ideology in order to show whether changes in a specific area have been consistent with the government position. It means, more plainly, if governments have been able to raise expenditure in those categories they ideologically “own” (meaning those that are associated with their ideology) and to decrease those associated with their counterparts (see for example Epp et al. 2014). Despite this interesting approach, the dataset on Italian budget bills and laws puts together twenty macro spending categories (for the period 1993–1998) and sixty-five micro functions (for the period 1999–2019), many of them would fall under the category “neutral” because of their extreme specificity, that makes it difficult to associate them with partisanship. A further concern deals with the fact that any classification of spending functions on a left/right position would be inevitably biased by a somewhat arbitrary assessment. A potential solution to bypass this shortcoming is to simply look at spending adjustments by ideology in each budget domain deprived of partisan classification, to test if there is any systematic difference.

For this purpose, instead of using the total amount of expenditure for each budget function, I use micro-categories comprising each of the fourteen macro ones in order to increase the confidence on results thanks to a higher number of observations per each group. At this stage, the choice about which type of statistical analysis to conduct depends on the characteristics of the dependent variable. Because the core of the study (Chapter 6) uses the percentage change of public expenditure from year t_0 to t_1 as dependent variable, here I employ the same one to be consistent with that choice.⁵¹ Therefore, I run an OLS regression model to assess the impact of being a technocratic, leftist or rightist government on the percentage change in each budget domain. More precisely, I estimate two different models: the first one uses two dichotomous variables as predictors which indicates whether a left- or right-wing government is in charge, with technocratic government as reference category; the second one considers only political cabinets (technocratic ones are omitted) and sets left-wing government as covariate and right-wing one as reference category. The first analysis allows to point out whether technocratic and political government behave differently not only in regard to the total spending – we have already seen that technocratic government mostly cut the budget – but also concerning specific spending portfolios. To recall, I hypothesized that left- and right-wing governments systematically adjust the budget towards those that are usually considered their favorite budget items.

⁵¹ An alternative choice is to use the average or median change of each budget category as dependent variable and compare them across groups (based on ideology) (see Appendix-B).

TABLE 4.5 OLS regression results using dichotomous variables for government ideology

<i>Budget Function</i>	Model 1 (reference: technocr)		Model 2 (reference: right)		<i>Budget Function</i>	Model 1 (reference: technocr)		Model 2 (reference: right)	
<i>General Administ.</i>	Const	-12.29 (14.5)	Const	9.21 (7.5)	<i>Agricul. & Env. Protection</i>	Const	-13.28 (37.0)	Const	17.25 (15.2)
	Left	17.57 (16.2)	Left	-3.92 (10.6)		Left	29.00 (40.0)	Left	-1.54 (21.9)
	Right	21.50 (16.2)				Right	30.54 (39.8)		
<i>Defense</i>	Const	83.02 (32.8)*	Const	-1.53 (9.9)	<i>Local & Regional Gov.</i>	Const	-0.57 (10.6)	Const	9.04 (5.4)
	Left	-86.48 (35.8)*	Left	-1.92 (14.3)		Left	4.53 (12.0)	Left	-5.08 (7.7)
	Right	-84.56 (35.6)*				Right	9.61 (12.0)		
<i>Civil Defense</i>	Const	308.7 (119.6)*	Const	50.12 (44.8)	<i>Housing</i>	Const	-18.99 (44.5)	Const	16.03 (18.7)
	Left	-316.9 (134.9)*	Left	-58.38 (63.4)		Left	40.91 (48.1)	Left	5.88 (26.5)
	Right	-258.5 (134.9)†				Right	35.02 (48.1)		
<i>Public Order</i>	Const	1.72 (11.2)	Const	-7.76 (4.3)†	<i>Social Protection</i>	Const	6.26 (32.9)	Const	22.24 (13.8)
	Left	-5.73 (12.2)	Left	3.75 (6.5)		Left	13.20 (35.4)	Left	-2.77 (19.4)
	Right	-9.49 (12.0)				Right	15.97 (35.5)		
<i>Law courts & Prisons</i>	Const	-4.89 (3.8)	Const	1.28 (1.2)	<i>Health</i>	Const	-15.62 (39.3)	Const	-1.65 (15.3)
	Left	4.57 (4.0)	Left	-1.60 (1.7)		Left	42.12 (42.2)	Left	28.14 (22.0)
	Right	6.17 (4.0)				Right	13.97 (42.1)		
<i>Economic Affairs</i>	Const	-2.87 (42.3)	Const	9.81 (18.4)	<i>Education & Culture</i>	Const	-4.47 (28.2)	Const	19.84 (10.8)†
	Left	32.58 (46.1)	Left	19.89 (26.4)		Left	5.88 (30.2)	Left	-18.44 (15.5)
	Right	12.68 (45.9)				Right	24.32 (30.1)		
<i>Transport & Commun.</i>	Const	-3.23 (19.24)	Const	-9.48 (8.7)	<i>University & Research</i>	Const	-15.42 (13.9)	Const	-9.28 (6.5)
	Left	14.15 (21.08)	Left	20.40 (12.4)		Left	11.94 (15.2)	Left	5.81 (8.9)
	Right	-6.25 (20.99)				Right	6.13 (15.4)		

Note: statistical significance with p-value < 0.1 (†), 0.05 (*), 0.01 (**), 0.001 (***)

The table shows that the covariates have a statistically meaningful effect on a very few cases, namely when the budget categories ‘Defense’ and ‘Civil Defense’ are concerned and only in the first model. Basically, for these two spending programs being either a left- or right-wing government, instead of a technocratic one, is related with a substantial reduction of the percentage change of the expenditure, which is about 85 percent change decrease for ‘Defense’, and 316.9 (left) and 258.5 (right) percent decrease for ‘Civil Defense’. The second model, which excludes technocratic governments and

measures the variation of the dependent variable according to left- or right-wing ideology is not statistically significant considering each budget function singularly.⁵²

Some relevant factors may contribute to this, related both with the data and the theory itself. As first, it is obvious that sectioning the observations according to the budget category they belong to and estimating the model for each single spending function with a lower (and not equal across categories) number of cases compared to the total, reduces the significance of – and confidence on – the statistical model. Moreover, as reviewed throughout the chapter, the recent literature addressing the impact of ideology on budget adjustments gives controversial results or even misses to provide a strong relationship between partisanship and budget changes. In this regard, findings of the statistical analysis go in this last direction, suggesting that the ideological budgeting is not in place in Italy. If we exclude the notable difference between technocratic and either leftist or rightist majority in altering the total amount of spending – consistent with the position of the former as problem-solvers in period of financial and economic distress – being a left- or right-wing government is not influential on the allocation of expenditure across budget categories. As matter of fact, many budget domains – especially those as ‘General Administration’, ‘Law courts & Prisons’ and ‘Health’ which pertain to the basic roles of the state machinery – can be barely subject to discretion by ideology. Incidentally, these are the same spending categories that do not show high variability when looking at the magnitude of percentage change.

Overall, as already hypothesized in Chapter 1, other factors might have a greater impact on budget changes than government ideology, whose role is likely constrained by multi-annual spending commitments and policy legacies, and even more by the government composition and the number of veto players, which require the government to bargain and compromise about spending choices. The effect of these factors (described at length and operationalize in the next chapter) is considered in Chapter 6, which tests the hypotheses presented at the beginning of the thesis. Here, instead, I wanted to shed light on a crucial aspect related to domain-specific spending choices, that is, the role of partisanship. While the impact of the just-mentioned variables obviously shapes the final size of budget adjustments approved in the budget law, this chapter used data on the budget bill in order to effectively understand spending preferences, instead of relying on the conclusive spending decisions which are determined by the impact of the parliamentary discussion. In this respect, this analysis adds further information for a deeper comprehension of the management of the budget policy in Italy, implemented in Chapter 6 and 7 after the next chapter presents and describes the independent variables.

⁵² These results are partially different from those got using the median values as dependent variable, as described at length in Appendix-B.

CHAPTER 5

FACTORS AFFECTING BUDGET CHANGES

Up to now, the issue-level analysis has uncovered that spending domains are subject to different dynamics and some are more punctuated than others. This is due to the importance of each budget program for the functioning of the state machinery and to the fact that some budget domains are more controllable and subject to organized interests than others. Furthermore, the investigation of the ideological budgeting hypothesis has revealed that the allocation of expenditure is significantly different only for very few spending programs, but this gap concerns either left- or right-wing governments in respect to technocratic ones. While assessing the impact of ideology on spending choices contributes to have a fine-grain overview of the Italian budget policy, the left/right government position is not used as predictor of the magnitude of budgetary changes. This choice conforms to the idea of the stronger effect of institutional variables, as the government composition and fragmentation, on spending outcomes rather than the pure partisan preferences. Additionally, lower parties' capability to intercept and understand people's attitudes, and most of all, the reduced competences of political parties to implement their constituency's policy preferences once in office has dimmed the gap in few policy areas between left- and right-wing parties (Garrett and Lange 1991; Potrafke 2009). As stressed by Mair (2011), responsiveness is not anymore the main governments' concern and needs to be counterbalanced with the request of responsibility coming from the multi-level governance, which in some occasions pushed governments to prefer the latter over the former. This is the reason why I identify mainly institutional variables and one related to an external shock as most important explanatory factors. In this chapter, I operationalize the independent variables needed to test the hypotheses presented in the first chapter. To recall, the PET explains that cognitive and institutional frictions reduce the ability of politicians to process information rationally causing an error-accumulation process which hinders the transformation of inputs into policy change until the pressure for change becomes so urgent and unavoidable to give rise to a huge disruption of the status quo through a punctuated change. In this case, following previous researches, I identify the parliamentary fragmentation, the government ideological polarization, the degree of conflict within the governing coalition, the decision-making process – both at domestic level, namely, the

budgetary process, and at supranational level, through the EU external constraint – as institutional frictions and explain how they are operationalized to test the hypothesis in Chapter 6.

5.1 Parliamentary Fragmentation

To begin with, in order to assess the impact of party system’s fragmentation on the magnitude of budget changes I rely on the scholarship on fractionalization which measures the number of parties in the party system (Klingemann 2005; Lijphart 1999; Powell 1982; Rae 1971; Taagepera and Shugart 1989). As already done in several studies on voting behavior, electoral turnout, and political conflicts (André Blais and Dobrzynska 1998; Kim, Powell, and Fording 2010; Norris 2004), I employ one of the most commonly used measure, that is, the effective number of parties (Laakso and Taagepera 1979) in parliament at seats level, derived from the Comparative Political Dataset⁵³ (Armingeon et al. 2017) and based on the following formula.

$$ENP = \frac{1}{1-Rae\ index}, \text{ with the } Rae\ index = 1 - \sum_{i=1}^m (s_i)^2$$

where:

- s is the proportion of seats for party i ;
- m is the number of parties.

Specifically, this measure identifies the number of “effective” legislative parties, meaning parties that are “in effect” (not parties that are “efficacious”) (Gallagher 2018⁵⁴). Actually, it does not merely count the number of parties in a political system. Evidently, the same score may result from different configurations of parties, or a growth/reduction in the number of parties may leave the level of fragmentation unaltered (Taagepera and Shugart 1989).

5.2 Government Ideological Polarization

Another crucial aspect to consider pertains to the number of veto players within the governing coalition and the ideological polarization of the cabinet. Further studies highlighted that counting the number of parties is not enough to have a deep knowledge about the characteristics of the party

⁵³ Because the dataset provides information only until 2017, the value for the last year in analysis is based on my own calculation following the same formula.

⁵⁴ Effective number of parties, Trinity College Dublin,
https://www.tcd.ie/Political_Science/people/michael_gallagher/ElSystems/Docts/effno.php

system (see for instance Dalton 2008). Fragmentation has been defined as a “surrogate” for a feature more difficult to measure, namely polarization. This does not merely look at the number of actors but also accounts for the degree of ideological distance between actors themselves, thus grasping better the quality of the party competition (Dalton 2008: 915). However, when it comes to measure polarization the matter becomes rather thorny.

The concept of polarization dated back to the seminal works by Downs (1957) and Sartori (1976), who introduced the concepts of spatial modelling of the party system (the first) and centrifugal and centripetal forces affecting the party system’s composition (the second). Nevertheless, despite the great relevance and growing attention to this aspect in comparative politics literature (see among others, Best and Dow 2015; Knutsen 1998; Mair 2001; Pelizzo and Babones 2007; Rehm and Reilly 2010; Sigelman and Yough 1978), there is no consensus about how to operationalize this concept.⁵⁵

Mainly expressing it in terms of number of parties, Downs (1957) assumed that two-party systems tend to converge towards the center while multi-party systems spread along the left-right dimension. I consider this aspect firstly taking into account the type of government as evaluated by Cotta and Marangoni (2015) and ParlGov dataset (Döring and Manow 2018). The type of government is assessed on the basis of its composition and width of the parliamentary consensus the executive can count on and ranges from the “most majoritarian” with more power-concentration in the hands of the government to the “least majoritarian” where the power is shared among actors (Russo 2015). Placing them along a continuum (besides single-party governments which Italy has never experienced since 1992) it is possible to find minimal winning coalitions (multi-party coalitions where all the actors are needed to guarantee the parliamentary majority), single-party minority governments (composed by only one party which however has not the majority in parliament), and surplus coalitions (where there is at least one excess party which is not necessary for granting the government the parliamentary majority).

To deal with the issue about ideological polarization, I borrow from Russo and Verzichelli (2016) who accounted for the government’s polarization by measuring the ideological distance between the two most extreme parties of the governing coalition, since this intuitively affects the size of the government winset. The table below presents a typology based on the type of government and the degree of ideological fragmentation and assists primarily to place each political government of the last seven legislatures.

⁵⁵ Schmitt (2016) provides an in-depth study of the different measures of polarization with the purpose to find the most reliable one among 210 different ways of calculating it. In spite of his huge effort to untangle this knot, he argues that results of quantitative analyses are substantially determined by the decision of which measure to adopt and the difference between indicators is so relevant that it is impossible to ignore the problem. Results of his study highlight that there is no superior measure.

TABLE 5.1 Typology for the classification of governments (1992–2018)⁵⁶

		Type of government		
		Multi-party minority government	Minimal winning coalition	Surplus coalition
Ideological Polarization	Low		Berlusconi I <i>(FI – LN – AN – CCD/UDC)</i> Berlusconi IV <i>(FI – LN – MPA)</i>	Berlusconi II <i>(FI – LN – AN – CCD/CDU)</i>
	Medium	Prodi I <i>(DS – RI – FDV – PPP)</i>	Amato II <i>(DS – RI – FDV – DEM – PDCI – PPP – UDEUR)</i>	Amato I <i>(DC – PSI – PSDI – PLI)</i> D'Alema I <i>(DS – RI – FDV – PDCI – PPP – UDEUR)</i>
	High		Prodi II <i>(ULIVO – FDV – IDV – PRC – PDCI – R – UDEUR)</i> Renzi <i>(PD – NCD – R – SC – UC)</i> Gentiloni <i>(PD – NCD – UC)</i> Conte I <i>(M5S – LN – MAIE)</i>	Berlusconi III <i>(FI – LN – AN – UDC – PRI – NPSI)</i> Letta II <i>(PD – NCD – R – SC – UC)</i>

Source: Cotta and Marangoni (2015); ParlGov (Döring and Manow 2018).⁵⁷

⁵⁶ Technocratic governments are excluded from the table (still, they will be considered later on) since they are classified as a different type of government whose life depends on the external support of a broad spectrum of political parties, but formally none of them belongs to the governing coalition. Letta I and D'Alema have been kept out as well because they did not issue any budget law. Thresholds for the degree of ideological polarization correspond to the 1st quartile and the 3rd quartile of a distribution that puts together the ideology score of all cabinets considered. Therefore, the low degree of polarization identifies those governments with ideological distance lower than 2.18; governments with medium polarization have a score falling between 2.18 and 4.40; high ideological distance comprehends those governments with a score higher than 4.40.

⁵⁷ Names of parties: National Alliance (Alleanza Nazionale, AN); Movement for the Autonomies (Movimento per le Autonomie, MPA); Democrats of the Left (Democratici di Sinistra, DS); Italian Renewal (Rinnovamento Italiano, RI); Federation of the Greens (Federazione dei Verdi, FDV); Popolars for Prodi (Popolari per Prodi, PPP); the Democrats (I Democratici, DEM); the Olive-Tree (ULIVO); Italy of Values (Italia dei Valori, IDV); Communist Refoundation Party (Partito della Rifondazione Comunista, PRC); Radicals (Radicali, R); Civic Choice (Scelta Civica, SC); Union of the Center (Unione di Centro, UC); Democratic Party (Partito Democratico, PD); Associative Movement Italians Abroad (Movimento Associativo Italiani all'Estero, MAIE); Italian Republican Party (Partito Repubblicano Italiano, PRI); New Italian Socialist Party (Nuovo Partito Socialista Italiano, NPSI).

As evident, Italy is characterized by multi-party coalitions with different connotations according to the number of parties and their essential participation to the government's formation. The composition of the executive has changed precisely after 1994, which is a watershed in this sense. After that moment, the presence of minimal winning coalitions grew increasingly and represents a share of 39 percent during the period 1994–2013 (Russo 2015).

The standard structure with a big central party (Christian Democratic party, DC) around which two or more smaller parties rotated has shifted towards a model of alternation between competitive center-right and center-left coalitions. During this phase of “fragmented bipolarism” (Chiaromonte 2010), the alternation mostly occurred with the starting of a new legislature (Cotta and Verzichelli 2016; Marangoni and Verzichelli 2019). However, as contrast to what one may expect from the innovative traits of the party system established during the *Second Republic*, the party system fragmentation raised instead of decreasing, notably as consequence of the new electoral system with a strong majoritarian component which encouraged parties to build up pre-electoral coalitions (Cotta and Marangoni 2015). This model remained in place until the collapse of Berlusconi IV government in 2011 and the appointment of a technocratic government headed by Monti. After the turning point reached with the 2013 elections (D'Alimonte, Di Virgilio, and Maggini 2013), which saw the official appearance on the Italian political landscape of the M5S and set up a tripolar competition after a substantial shift of voters' preferences (Chiaromonte and Emanuele 2014), the 2018 elections marked another political earthquake both at international and domestic level. On the first side, the government born after the polls is the first cabinet in Western Europe made up by populist parties only (D'Alimonte 2019). On the other side, the electoral results mark a sharp cut in the Italian political life of the past decade. After seven years of loud requests of voters for an actual change, the end of 2011 has been identified as kick-off of the transition towards the *Third Republic* (Chiaromonte and De Sio 2019: 7).

Looking at the ideological distance, it is immediately clear that, with the sole exception of Berlusconi III government, left-wing cabinets are more ideologically polarized than their counterparts. This is due to the more heterogeneous composition of these cabinets which spreads between extreme left parties to centrist ones (until 2008) or, more recently, encompasses a broad spectrum that reached also center-right parties, as it is the case of the oversized coalitions of the XVII legislature. Right-wing cabinets have always been more ideologically cohesive and, in spite of a quite high number of coalition members in a few occasions (Berlusconi I-II), their ideological position remained rather close. Technocratic governments have different degrees of ideological polarization, which is measured taking into account the ideological position of those parties that gave external support to the cabinet (but excluding those that abstained on the confidence vote). This is the reason why the

ideological distance of Ciampi and Dini cabinets – whose support was expressed mainly through abstentions – is lower than that of Monti government.⁵⁸

5.3 Coalition Conflicts

When dealing with the policy performance of a government, a fundamental aspect that needs to be taken into account is the degree of coalitional conflicts which may challenge the endurance of the government itself (Nousiainen 1993; Damgaard 2008). In order to verify it I use data on single episodes of conflict happened inside coalitions provided by the Center for the Study of Political Change (CIRCaP) (1996–2012) and expand it to have data that cover the whole time span. Here, the definition of conflict is quite broad, as done by previous studies on the same topic (see Marangoni 2013; Cotta and Marangoni 2015; Marangoni and Vercesi 2015) and it is described as “*the moment of contrast between two or more actors (single or collective) belonging to the governing coalition, or as a clear stance of one or more governing elements against others*” (Cotta and Marangoni 2015: 151). Episodes have been singled out through an in-depth text analysis of two of the most important Italian newspapers assisted by the timeline reported by yearly books on Italian politics.⁵⁹ From the entire dataset, it is possible to extrapolate information both about the total conflicts within the government but also about conflicts on single policy issues, looking at the argument of the quarrel. More in detail, I focused on coalitional disputes about the budget law and derived a measure which is the proportion of disagreements about the budget on the total number of conflicts occurred during the fiscal year (see Appendix-A, Table A-5.1).⁶⁰

⁵⁸ Ciampi government was supported by the Italian Socialist Party (Partito Socialista Italiano, PSI), DC, Italian Liberal Party (Partito Liberale Italiano, PLI), Italian Democratic Socialist Party (Partito Socialista Democratico Italiano, PSDI). During the confidence vote, the government got 309 positive vote, 60 opposite, and 182 abstentions in the Chamber of Deputies (162 positive, 36 opposite and 50 abstentions in the Senate). Dini government was supported by the Democratic Party of the Left (Partito Democratico della Sinistra, PDS), PRC, Democratic Alliance (Alleanza Democratica, AD), FDV, Italian People’s Party (Partito Popolare Italiano, PPI), with a share of consensus similar to that for Ciampi, with 302 positive votes, 39 opposite and 270 abstentions (191 positive, 17 opposite and 2 abstentions in the Senate). Differently, Monti government was supported by a very high number of parties – People of Freedom (Popolo della Libertà, PDL), PD, UDC, Future and Freedom for Italy (Futuro e Libertà per l’Italia, FLI), Alliance for Italy (Alleanza per l’Italia, APL), National Cohesion (Coesione Nazionale, CN), MPA, PRI – and has indeed a higher level of polarization. On the confidence vote, none of the political parties abstained and the cabinet obtained the highest number of positive votes ever in the Italian republican history, with 556 positive votes and 61 opposite at the Chamber of Deputies (281 positive and 25 opposite at the Senate) (Lupo 2015).

⁵⁹ Istituto Cattaneo, Chronicles of events. Years 1992–2019.

⁶⁰ Because the fiscal year corresponds to the calendar one (1-1-YYYY/31-12-YYYY), it is a better reference to measure disputes on budget, allowing to grasp the actual conflict on each budget. In case a government is appointed during the year, I counted the number of conflicts from that moment onward.

Overall, there is an interesting picture of high variability. Some years are markedly more contentious than others and the same happens for the budget law. Although cabinets of the *Second Republic* are notably less contentious than previous ones – thanks also to the enlarged power of the Prime Minister and to a sort of “direct investiture” he had by the coalition – this did not totally prevent coalitional conflicts, which instead have represented one of the major obstacles to a more incisive role of the Prime Minister himself (Cotta and Marangoni 2015). Most of all, disputes have characterized highly fragmented governments with a large number of coalition partners, as the case of Prodi I and D’Alema I-II, with the exception of Berlusconi IV government. The latter, despite his strong leadership and a rather homogeneous coalition was not exonerate from similar dynamics and had to face several quarrels among governing members. Yet, conflicts diminished with the establishment of the bipolar competition, again with the exception Berlusconi IV government.

Concerning the budget policy and particularly the annual *manovra finanziaria*,⁶¹ while some cabinets did not experience harsh confrontations within the government (as the case of budget laws issued in the periods 1998–2001, 2007–2010 and 2014–2017) others saw sharp disputes on the budget (most of all the 1997, 2007, and 2012 *manovre*). However, this appears to be not related to the government in charge, since the same cabinet in office for consecutive years display both high and low level of conflict. As matter of fact, it is reasonable to expect that quarrels on the budget are linked to several factors, as for instance the particular fiscal and economic conditions of the country in that moment or any other issue potentially occurring during the budget cycle not necessarily strictly linked with it. Table 5.2 puts together the score of legislative fragmentation, government ideological polarization, and the degree of coalitional conflict.

⁶¹ The term *manovra finanziaria* is used to identify the annual financial package composed by the budget bill and additional corrective measures introduced through bills and urgent decrees. Thereafter simply referred to as *manovra/e*.

TABLE 5.2 Main characteristics of the governments based on the independent variables (1992–2018)

Legislature	Year	Government	Type of Government	Ideological Polarization ⁶²	Legislative Fragmentation	Government conflicts	Conflicts on budget
XI	1992	Amato I	Technocratic	2.66	5.74	40.33	16.42
	1993	Ciampi	Technocratic	2.66	5.74	18.57	28.57
XII	1994	Berlusconi I	Surplus	2.18	7.88	20.72	13.46
	1995	Dini	Technocratic	4.11	7.88	16.02	30.77
XIII	1996	Prodi I	Multi-party	3.82	6.07	20.99	31.37
	1997	Prodi I	Multi-party	3.82	6.07	20.99	15.28
	1998	Prodi I	Multi-party	3.82	6.07	20.99	4.76
	1999	D'Alema I	Multi-party	3.82	6.07	22.42	5.88
	2000	Amato II	Multi-party	3.82	6.07	14.60	6.67
XIV	2001	Berlusconi II	Surplus	2.18	5.45	12.18	0.00
	2002	Berlusconi II	Surplus	2.18	5.45	12.18	11.76
	2003	Berlusconi II	Surplus	2.18	5.45	12.18	14.06
	2004	Berlusconi II	Surplus	2.18	5.45	12.18	16.67
	2005	Berlusconi III	Surplus	3.11	5.45	7.20	13.64
XV	2006	Prodi II	Minimal winning	4.40	5.09	14.54	29.27
	2007	Prodi II	Minimal winning	4.40	5.09	14.54	5.17
XVI	2008	Berlusconi IV	Minimal winning	0.65	3.08	18.96	8.89
	2009	Berlusconi IV	Minimal winning	0.65	3.08	18.96	6.58
	2010	Berlusconi IV	Minimal winning	0.65	3.08	18.96	4.76
	2011	Berlusconi IV	Minimal winning	0.65	3.08	18.96	21.67
	2012	Monti	Technocratic	4.77	3.08	9.83	10.42
	2013	Letta II	Surplus	4.77	3.52	13.67	11.76
XVII	2014	Renzi	Surplus	4.77	3.52	10.55	3.23
	2015	Renzi	Minimal winning	4.77	3.52	10.55	2.33
	2016	Renzi	Minimal winning	4.77	3.52	10.55	6.25
	2017	Gentiloni	Minimal winning	4.77	3.52	9.14	8.16
XVIII	2018	Conte I	Minimal winning	2.60	2.68	19.63	16.67

⁶² The degree of ideological polarization of technocratic governments (Ciampi, Dini and Monti) is measured as the ideological distance of the most extremes parties (as for the other cabinets) taking into account only those parties that gave external support to the cabinet, excluding those that abstained on the confidence vote.

5.4 The Decision-Making Process

According to the classical literature, the Italian budgetary process typifies a contract model where the final decision on budget is usually determined by a long bargaining process between all political actors involved (Hallerberg, Strauch, and von Hagen 2007). Meanwhile, Italy has reformed massively the budgetary process during the past decades pursuing higher efficiency and more centralization. Intuitively, a more centralized process should reinforce the ability of the government to implement its spending preferences, reducing the time necessary to come to an agreement and the tendency of the parliament to raise public spending and change budget allocations. Beside the main reforms of the process and their implications for the government's decision-making power, there are some practices – not established *de iure* – which decisively mold the behavior of political actors. These customs deserve to be looked over meticulously in order to fully assess how the balance of power between the parliament and the government has transformed over years and which are their effective roles during the budget process.

Moreover, the decision-making process is affected by the supranational context and the implementation of the European economic governance especially after the outburst of the economic crisis. The blend between the two levels determines the conditions and the broad set of norms that model the budget outcome. Before going into details on the operationalization of the last two independent variables, the section that follows traces the path of the reforming path of the Italian budgetary process. This helps to understand the rules supervising the budget law and potential influences behind spending decisions as well as the actual role of political and bureaucratic actors.

5.4.1 Main Transformations at Domestic Level: Regulations

The Origin of the Budget Cycle in Italy

The evolution of the Italian budget cycle – whose origin dated back to the 1978 (L. 468/1978) with a first attempt to design a proper budgetary process through the introduction of the annual financial bill (Della Sala 1988) – has been characterized by some relevant reforms aiming to strengthen government's prerogatives and control over the budgetary figures and to reduce its parliamentary nature (Di Mascio et al. 2017).

Before that moment, Italy was a notable example of a party government democracy marked by high political stability. Notably Italy has been governed for about forty-five years by the DC, yet the dominant party survived in office without actually governing (Di Palma 1977). In that period, no legal frame was in place to regulate the executive and legislative prerogatives in shaping the annual budget appropriations. In fact, all the decisions were demanded to the ordinary law-making process.

The 1978 reform, instead, transformed the budgetary session in the most important decisional process of the year, where the government and the parliament made crucial choices on taxes and spending. Nevertheless, this first attempt failed to limit the extreme power of the parliament over the budget cycle and the executive's steering capabilities in controlling public finance remained quite low. This peculiarity characterized the entire Italian golden age of "consensualism" (Cotta and Verzichelli 2007). The already troublesome situation further worsened after the oil shocks in the Seventies, whose effects in the following decade provoked the emergence of the Italian structural deficit. Despite the attempt to accord to the government important prerogatives in drafting the budget law, its role was downsized by the lack of proper procedures regulating the process. A bottom-up approach, where the final expenditure resulted from the bargaining among all spending ministers and the Minister of Finance acting as moderator during the formulation stage (Pisauro and Visco 2008) typified the incremental and fragmented Italian budget cycle (Goretti and De Ioanna 2008).

The enduring fluidity of the process left open a vacuum for a long time that did not clarify the role of the (alleged) pivotal characters, namely the Prime Minister and the MoF, in relation to the spending ministers (D'Alimonte 1989: 202-204). Soon, the financial bill was quickly converted into an *omnibus* law exploited by the parliament to impose its distributive contents, leaving to the government very limited capabilities to draw the original text (Della Sala 1988). In these circumstances, the use of the budget law as an economic instrument based on temporary economic conditions did not solicit the introduction of more stringent legislative instruments to rule the process in the medium and long run. This shortage preserved the disjuncture between the whole budget policy and sectoral policies not included in the budget law but entrusted to ordinary laws: a mechanism that paved the way to the extreme expansion of the structural deficit during the previous two decades.

The enhancement of the executive over the parliament was the aim of the following reform issued in 1988 (L. 362/1988), which modified the entire structure of the budget session. Specifically, the reform aimed to standardize the content of the financial bill restricting its *omnibus* content through the reduction of the space for micro-sectional dispositions. In this way, the control of the executive over spending figures has been partially strengthened, thanks also to the availability of a broader staff of experts and to the introduction of a compulsory macro-economic document, the DPEF, to submit to the parliament a few months before the adoption of the financial bill. The reform also introduced a multi-annual budget plan, as a result of the application of a new technique of planning and programming, which placed the budgetary session deadline on 31st of December. However, the necessary improvement of the parliamentary rules of procedure did not follow the heightened role of the executive, leaving the budget session open to a number of transformative amendments by the

bicameral legislative. The Italian budgetary process remained fitted into the already-mentioned contract model (Hallerberg, Strauch, and von Hagen 2007) among various institutional, political, and social actors. Yet, the merit of that reform was to set aside the custom of recurring to the provisional budget, which was excessively frequent during the previous decade, while a few modifications of the parliamentary rules of procedure slightly diminished the micro-distributional practices of individual MPs (Verzichelli 1999).

From the Nineties to the Economic Crisis

It is necessary to wait until the establishment of the so-called *Second Republic* and of the age of political alternation for another structural modification of the budgetary process, thanks to a set of reforms named after the Minister of Public Administration Franco Bassanini during the Prodi I government (1996–1998). This was the first (unsuccessful) attempt to overcome the standard of the incremental budgeting (so-called *spesa storica incrementale*): a mechanism entailing that the new budget should be anchored to the previous year's one and that financial resources should be adapted mainly to potential variations of inflation. This long-lasting mechanism has deprived in the long run the government in charge of its legitimate opportunity to question decisions on the allocation of expenditure took by previous administrations without even verifying the effectiveness of those choices (Bergonzini 2017). Despite the repeal of this procedure thanks to the L. 94/1997, the mechanism has remained in place for many years after.

In this phase, the approval of the budget package⁶³ has assumed an even more crucial rationale and role. The government initially set budgetary targets, then presented the budget bill to the parliament with a description of budget trends determined by the legislation in force, and finally proposed a set of substantive measures to correct the forecasts according to those targets indicated in the financial bill. The *manovra finanziaria*, the annual financial package whose overall effect ought to fit spending targets foreseen by the executive months before, was eventually composed by the budget bill, corrective measures attached, and other governmental proposals (as bills or even urgent decrees) that could have a “priority lane” in parliament after the vote on the budget law.

This domestic context has left open a wide space for the influence of external actors, particularly of the European Union which has begun to play an increasingly relevant role on Italian public finance since the Delors Plan for the EMU (Dyson and Featherston 1996) and, more distinctly, after the signing of the Maastricht Treaty (1992) and the introduction of a new set of rules on fiscal

⁶³ Composed by the financial law, the formal budget law and other connected legislative items.

convergence.⁶⁴ The Italian reforming process is deeply linked to the evolution of the European economic governance and the harmonization of its member states' budget policy to common standards (Radaelli 2002). In fact, its reinforcement has granted governments with a sort of legitimacy to pursue ambitious and sometimes even thorny economic measures (Sahlin-Andersson 2000).⁶⁵ One of the main innovations of the Italian budgetary process was linked precisely to the enactment of the SGP (1997), designed to ensure sound public accounts of European countries and to coordinate their fiscal policies. In order to internalize it, a new law modifying the whole budget session – which encountered the favor of the whole political arena (Lupo 1999) – was issued in 1999 to overcome the complexity of the process. It introduced a preventive vote on the overall figure of the expected budget deficit before the amendment session, marking another relevant step in the direction of higher rationalization while reinforcing and clarifying the function of the DPEF, whose submission is now expected for the 30th June of each year instead of 15th May. This postponement approaches the DPEF to the financial bill, thereby making it more consistent with financial and macroeconomic provisions presented in the bill. Moreover, the DPEF of that year (1999) contained 4-years spending targets instead of the usual 3-year targets, exactly to be coherent with the new planning requirements asked by the European Union.

Overall, the reform accorded different meanings and purposes to two separated moments of the year: the budget session that starts in the second part of the year, where all the financial measures in anticyclical perspective (both expansive or restrictive) are implemented; and the early months of the year when structural decisions that benefit of more time for parliamentary discussion are taken. As maintained in the 1999 DPEF, the modifications introduced with this norm granted a special role to this document, which can be conceived as the venue where the main actors' stances (European Union, government, social partners and local authorities) meet and are put back together, with the parliament acting as a politically influential watchdog whose role is not banished merely to ratify *ex post* those decisions taken in other venues (Lupo 1999). The implementation of the Bassanini regulations centralized in 2001 the authorities of three ministers, namely the Treasury, Budget, and Finance, in one only *superminister* of Economy and Finance, to whom a new mechanism introduced

⁶⁴ The Maastricht Treaty launched a set of stringent rules for public finance convergence of the EU member states, bringing along some unavoidable retrenchment measures aimed to meet the supranational targets. Truly, the overall financial figures' trend has been reversed since then, with a drastic reduction of the deficit and a remarkable series of positive primary balances over years. Specifically, the Maastricht Treaty requires member states to have a deficit-to-GDP ratio below 3 percent and a debt-to-GDP ratio below 60 percent.

⁶⁵ The Economic and Monetary Union has been used as a scapegoat to issue binding fiscal reforms disdained by the national public opinion (Rotte and Zimmermann 1998). In Italy, this happened during the negotiation process to enter in the EMU (Dyson and Featherstone 1996) when the Prodi government introduced the so-called "Eurotax" aimed to accomplish the required fiscal adjustments.

in 2003 granted the power to unilaterally curb expenditure during the fiscal year in case of unexpected and dramatic rising of public deficit (Perez 2003).

The external constraint of the EMU requirements and the Italian political weakness in the European scenario proved to be fundamental determinants of the developments that followed. Indeed, because of the extreme magnitude of the Italian public debt, the country became one of the most “usual suspects” to be candidate to a procedure of sanction, according to the SGP rules. The surveillance system of national accounts started to gain a prevalent role within the domestic context often interfering with domestic government’s policy decisions. Nevertheless, nothing changed until the Berlusconi IV government. Exploiting a strong electoral and parliamentary support, it was able to issue a law of public finance and accounting (L. 196/2009) replacing entirely the structure in place since 1978. The new normative redesigned the whole budgetary process with a twofold purpose. On the one hand, it ought to adapt to the new framework set up to implement fiscal federalism. On the other hand, it aimed to reinforce the centralization of the budgetary process by modifying the phase of governmental preparation and making the timeline more compacted. Specifically, it substituted the old DPEF with the Public Finance Decision (*Decisione di Finanza Pubblica*, DPF) whose guidelines were published before the summer and the document, including the entire list of measures presented with the stability law (which replaced the financial law), were issued in September to be closer to the budget bill.⁶⁶ Nevertheless, the parliamentary nature of the process stood still despite the attempt to improve the transparency of the process by setting an adequate and prearranged timing.

Most Recent Developments

The last relevant reform at domestic level was issued in 2016 by Renzi government, pursuing a more transparent and compact budgetary process while bringing the control over the budget formulation back to the Prime Minister instead of the MoE (Di Mascio et al. 2017), as it was from the 1980s and particularly with the introduction of the majoritarian electoral law (Fabbrini and Vassallo 1999). The law established a new timing for the presentation of programmatic documents according to European deadlines, in order to guarantee a detailed analysis by the parliament on conclusive budget figures. One of the main goal was also to succeed where the 1997 reform failed, that is, overcoming the mechanism of the incremental budgeting towards the real implementation of the Zero-Based Budgeting (so-called *Bilancio a Base Zero*, ZBB) foreseeing a higher capability of the government to decide how to allocate spending among budget functions.⁶⁷ The peculiarity of the ZBB is that it is

⁶⁶ Actually, the DPF was compiled only in 2010, because it was substituted right after by L. 39/2011 which introduced the Document of Economy and Finance.

⁶⁷ The discussion and a first attempt to introduce the ZBB started in 2012, after the issue of the L. 243/2012 (art. 21, co. 1).

built starting each time from zero, meaning without looking at previous appropriations (RGS 2014: 4). The main innovation has to do with the new structure of the budget law, which puts together the former stability bill and the budget bill in a unique and “reinforced” document that contains budget items for the current legislation and potential corrections to expenditure along with financial balances and accounts foreseen for the upcoming years (Bergonzini 2017).

Summing up, currently the budgetary cycle in Italy is outlined in three phases, though the differentiation among them is a bit more blurred than before, especially after the alignment with European requirements (Verzichelli and Russo, forthcoming). The first one – *bureaucratic phase* – starts at first with the decision of the MoE on base parameters upon which revenues and expenditure provisions for each administrative office are formulated, and then with the preparation of each ministry’s provisional budget under the coordination of the RGS. This body, established in 1869 and currently part of the Ministry of Economy and Finance, monitors planning and management of public accounts and resources, starting from the very beginning of the process.

The second one – *governmental phase* – firstly corrects forecasts, then specifies the macro-economic fiscal targets in the DEF submitted in April to the parliament. This timeline, in line with the scheduling of the European Semester, allows the government to define the contents of the Stability and Convergence Programs (SCPs) and National Reform Programs (NRPs), while the parliament assesses their subjects. After the integration of the European institutions’ comments into the NaDEF, the parliamentary session begins and must finish within the end of the year to avoid the provisional budget.⁶⁸

The last phase – *parliamentary debate* – entails the approval of the budget bill by the parliament. In this regard, the EU strengthened role contributed substantially to eradicate the usual practice of the provisional budget, which was the norm during the *First Republic* (Verzichelli 1999). The drawback for Italian governments was – and still is – a growing fiscal surveillance, which has frequently found national executives on the corner and has forced in many occasions to speed up the approval phase of the budgetary cycle. This has contributed significantly to legitimize the maxi-amendment practice, that is, when the exam of the finance bill is almost over, the government proposes an amendment, usually covered by the confidence vote which replaces entirely the bill, suppressing most of time the parliamentary discussion (De Giorgi and Verzichelli 2008). Indeed, the parliamentary session and the approval phase ultimately depend on the balance of power between the executive and the majority that supports it (Verzichelli and Russo, forthcoming). Table A-5.2

⁶⁸ Within the end of January, the government is allowed to present additional draft laws linked to the budget law, which shall be already presented in the DEF and NaDEF.

(Appendix-A) puts together the timing and the most important steps of the Italian budgetary cycle during the fiscal year, marked also by European deadlines according to the rules currently in place.

The pathway of the Italian budgetary process remains a two-faced story. On the one hand, it marches on through the just-mentioned normative changes. In this respect, all the efforts made in the last few years to reform the budget session have determined the conditions for an appropriate institutional design. The achieved purpose of strengthening the role of pivotal actors, as the government and the MoE (Stolfi 2010; Di Mascio et al. 2013), led to some optimistic expectations about the reduction of a long-standing problem of fiscal irresponsibility (Damonte 2013). There are evidences of the clear-cut path in the long-term transformation of the Italian budgetary process that aimed to ease and speed up an overblown budgetary cycle, improving its effectiveness and providing both the formulation phase and the parliamentary session with adequate timing and clear rules about the institutional role of each actor. Apparently, the “Italian anomaly” (Lupo 1999: 561) of the Seventies and Eighties characterized by the centrality of the parliament in driving the Italian economic policy and deciding about the allocation of funds while leaving aside the government as mediator between the different stances of the majority (Franco 1993; Giannini 1993; Masciandaro 1996) has been overcome.

On the other hand, the story about the government takeover over the budget session can be narrated along the evolution of practices rather than through the implementation of norms. As underscored by several scholars (among others Bergonzini 2014; Piccirilli 2008), the executive has increasingly taken possession of more room of manoeuvre *vis-à-vis* the parliament thanks to the vagueness of some regulations, finally picturing a situation where the higher centralization has actually happened *de facto* more than *de iure*. Whilst it is certainly true that normative changes have had a great impact on this broad process of rationalization and centralization, it is even more important to look at the establishment of new customs that have paved the way to the actual change in this direction.

5.4.2 Main Transformations at Domestic Level: Praxis

The norms ruling the budgetary session are structured on three pillars: a) the preset timing for the approval of the budget, whose deadline is the 31st December (established with L. 362/1988) (*certezza dei tempi di decisione*); b) the prohibition to deliberate during the budgetary session on other measures having financial nature (*divieto di trattazione di altri affari*); c) the safeguard of the substantive law’s contents attached to the budget⁶⁹ (*tutela del contenuto proprio*). The twine of these

⁶⁹ Whether it was the financial law, the stability law (after L. 196/2009), or the budget itself (since L. 243/2012), as stated in art. 11 of these norms.

norms, however, has created the breeding ground where new practices developed over time stretching the norms themselves and taking them to the limit of unconstitutionality. Paradoxically, since a few years governments plead the respect of the timing to justify the violation of the other two norms, that is considered the actual cause for the lack of respect of the general regulations ruling the budgetary process (Goretti and Rizzuto 2010). Broadly speaking, during the last three decades the executive planning phase has been strengthened through a series of new customs that divest the parliament of its legislative power (Duilio 2013) and even more inconceivably the Constitution of its regulatory power (Manzella 2013; Violante 2013).

In order to evaluate these transformations and those already reviewed in the previous section, I develop a measure of the budget session centralization, relying on an index developed by Russo and Verzichelli (2016), here expanded to adapt to the longer time frame of this study and enhanced taking into account not only regulations' changes but also the establishment of new parliamentary customs. The index takes the example of previous comparative works (Hallerberg, Strauch, and von Hagen 2007; Lienert 2005; Joachim Wehner 2006)⁷⁰ and is composed by two dimensions that are fundamental to evaluate the degree of centralization, meaning the phase of executive planning (Table A-5.4) and that of legislative approval (Table A-5.6). Each dimension is calculated on a 0–15 scale, and later they are summed together to obtain the complete index (Table 5.3).

Assessing the effective power of the government through the dimensions identified in Table A-5.3 (Appendix-A), few aspects deserve a special attention. After the signing of the Fiscal Compact, the L. Cost. 1/2012 and the following execution law (L. 243/2012) modified the art. 81 of the Constitution and promoted the balanced budget rule at constitutional level. Actually, the modification does not effectively limit the discretionary power of the parliament to increase expenditure. First and foremost, the execution law scraped any type of jurisdictional mechanism to safeguard the effective compliance with this norm (as it was instead foreseen in the first draft). Although one might think that the parliament gains leverage from this crucial shortage, from a pure normative perspective all of that is detrimental to the parliament itself and, yet, it exacerbates its marginalization in two ways. On the one hand, by designating a new independent agency (the Parliamentary Budget Office, *Ufficio parlamentare di bilancio*, UPB) for the audit of expenditure (that ought to meet the requirement of the European Semester). Put in practice the office, whose members belong to the governing majority, lacks effective powers to intervene. On the other hand, by deleting the *ex art. 81 co. 3*, which forbid

⁷⁰ Whereas the index used by Hallerberg et al. (2007) is made up by four dimensions, here the focus is just on two of them, namely the executive planning and the legislative approval, as done by Russo and Verzichelli (2016). This choice is driven by the primary importance of the phase of parliamentary discussion that I want to look at. Therefore, dimensions addressing the phase of legislative implementation and the influence of multi-annual fiscal targets are not considered.

the insertion of new expenditure and earnings in the budget (Giarda 2019): a practice that happens most of all because of the government (rather than because of the legislative). Ultimately, the substance of government behavior has not changed remarkably after the Constitutional amendment. In addition to that, a new mechanism has expanded the government's leeway, namely the first real attempt to overcome the usual standard of the incremental budgeting through the introduction of the ZBB which, as already explained, entitles the government to draw the budget from scratch instead of resting on spending authorizations of the previous budget session (RGS 2014).

The role of the Minister of Finance has been strengthened in two directions: by increasing his agenda-setting power and according to him the power to autonomously change or curb expenditure. In the first case, it happened in 2001 with the centralization of the authorities of three ministers into the hands of one single person, the Minister of Economy and Finance. In the second case, on the wake of the so-called *decreto taglia-spese* (then L. 246/2002), the DL. 112/2008 allowed the MoF to alter spending authorizations within each budget function even though already approved by the Chambers. Basically, with this practice the government has been able to overcome and modify a document of the parliament exploiting its legislative power. Because this mechanism clearly violated the constitutional norm included in *ex art. 81* (Bergonzini 2014),⁷¹ it was adjusted a year after with the organic reform of the budgetary process and general accounting (L. 196/2009) (Bergonzini 2011). Yet, the latest reform of the budget cycle (L. 163/2016) gives to the MoF the task of monitoring expenditure (with the purpose to prevent any potential deviation from previous spending provisions) and, in case of a deviation about to happen, to cut expenditure using his own decree (Bergonzini 2017).⁷² To the same extent, the recent reform paves the way to the implementation of a top-down approach, according to which the Prime Minister, resting on the proposal of the MoE, sets policy targets and funding for each ministry, in this way concentrating the formulation of the budget, thanks also to a permanent cycle of planning and monitoring with a pre-set timing. This norm thus completes that centralization process to which all the reforms of the budgetary session issued from the 1970s strived for (Kim and Park 2006).

The just-explained leverage of the MoE in case of potential spending deviations is strictly related to the presence of mandatory financial backing. As matter of fact, the score of both dimensions changes concurrently after the 2016 reform. This latest aspect has to deal with the chance for the

⁷¹ According to the *ex art. 81* of the Italian Constitution, the budget is covered by the so-called *riserva di legge* meaning that only the parliament can legislate on that issue, while the government can't.

⁷² Limits to this possibility are twofold. A first one lays in the timing, meaning that the spending deviation can be sorted out during the time span of the ongoing budgetary session. A second one concerns the financial resources availability, meaning that spending provisions must be sufficient to support that deviation.

government to recur to safety clauses (so-called *clausule di salvaguardia*)⁷³ precisely when deviations occur. These automatic systems have defended the government from firmly taking a stand on the allocation of expenditure on some crucial and potentially unfavorable issues, at the same time guaranteeing the presence of a concrete financial backing asset (Bergonzini 2017). Pushed over the edge, this mechanism has brought about automatic spending adjustments not required by spending deviations but simply used by the government to protect its fiscal targets (Canaparo 2015), with an increasing removal of responsibility from decision-makers. Conceived as a sort of exit strategy, it highlighted “*the uselessness of the parliamentary session to take on decisive choices about the economic growth and accounts stabilization, needed to fulfill the European requirements*” (Canaparo 2015: 10, own translation). Because of this pathology, the last reform of the budget cycle issued in 2016 adjusted this mechanism, asking the government to correct spending deviations through decrees (in case deviations pertain to the budget session underway) or to balance out the effect of deviations using the next year’s budget law (when they come under the following budget cycle). In this respect, the government is called upon to be more responsible in setting its spending choices while enlarging, concurrently, its leeway for the following budget law, not anymore constrained by the automatic application of safety clauses.

The second fundamental aspect to look in details in order to assess the balance of power between the government and the legislative during the budgetary process is the phase of legislative approval. This index is composed by eleven dimensions (see Appendix-A, Table A-5.5) which deal with crucial aspects as the role of Committee and the use of the amendment power, most of them became established and transformed by practices, rather than after normative changes. As already mentioned, the respect of the 31st December deadline is considered the reason for the normative stretching that happens increasingly during the budgetary session. This brought along some critical aspects that need to be highlighted to understand how the budget cycle is usually carried out during the approval phase.

For the safeguard of contents of the substantive law attached to the budget (*tutela del contenuto proprio*), the Chambers’ regulations bestow the President of each Chamber with the amendment off-setting power (so-called *potere di stralcio*) which works on dual tracks. Initially, after a preliminary screening, the President rules out all those measures in the budget bill that lack the

⁷³ The safety clauses are tools, established by the *decreto taglia-spese* (DL. 194/2002, then L. 246/2002), aiming to guarantee financial backing in case the cost of a specific measure is not explicitly mentioned or if the cost is subject to estimates and cannot be precisely calculated in advance (Canaparo 2015). In this regard, this guarantee was chased in a twofold way: either setting expenditure ceilings to block any additional expenditure not previously foreseen, in case of new general measures with financial effects; or resorting to safety clauses in case of measures attributive of individual rights (Giarda and Goretti 2003). Of utmost importance is that those do not require the issuing of any other specific act to become effective (Canaparo 2015).

necessary financial backing. A second stage is dedicated to evaluating the admissibility of amendments, so to avoid that any new norm unrelated to the budget is integrated in the document during the legislative discussion. Nevertheless, the breach of the *tutela del contenuto proprio* is already a stabilized practice because of the government's custom to strain a point on limits set by Chambers' regulations (Bergonzini 2014). While the amendment off-setting power should intervene to avoid this drift, the Presidents can employ this power only during the first reading of the budget and not later in the process.⁷⁴ Moreover, small differences in Chambers' regulation tend to cause important divergences on Presidents' behaviors, who in many cases abstain to apply it rigorously (Manzella 2003) or yield to faulty judgements driven by political convenience (Vegas 2010). Concisely, the amendments off-setting power of the Presidents of the Chambers is not enough to discourage and prevent the executive from a misconduct, especially since 1994. That year, with the presidencies Pivetti/Scognamiglio – presidents of the Chamber of Deputies and Senate, respectively – marks the break with the tradition that entrusted the presidency to members of opposition parties.⁷⁵ Until that moment, this figure played the part of a mediator whereas afterwards it became an independent figure and a representative of the majority.⁷⁶

Added together with the weakness of norms about the legitimacy of amendments, this practice has transformed the usual custom of “stagecoach attack” (so-called *assalto alla diligenza*) into an innovative “budget *in progress*”.⁷⁷ This epithet pertains to vague limitations – or, more precisely, to broad interpretations – about the characteristics of amendments that must be discarded as well as the lack of respect of the time limits for presenting amendments (starting from the end of the 1990s). On the one hand, the first aspect fosters the introduction of micro-sectional dispositions or regulatory interventions that theoretically should be banned because they should contain the necessary financial backing to support new measures, instead they usually don't (Piccirilli 2008). On the other hand, the second aspect compels the Committee to expand the evaluation phase – thence shrinking the time available for the parliamentary discussion – or to repeatedly interrupt it because of the incessant flow

⁷⁴ The *ratio* of this limit is to prevent the President of a Chamber to be in contrast with the President of the other (Degni and De Ioanna 2004).

⁷⁵ Interview with Chiara Bergonzini, Professor of Constitutional law and expert of parliamentary law of the budgetary process (6/12/2019).

⁷⁶ 2018 is the first year since 1994 that the President of the Senate, currently Maria Elisabetta Alberti Castellati (FI), is not a member of the governing majority. While at the beginning of the legislature (2018), her party was able to converge with the M5S on the choice of both presidencies, after a few weeks FI moved to opposition because Salvini (the leader of LN) decided to join the coalition with the Movement.

⁷⁷ This is an epithet forged by the MP Boccia in 2001 and later used by Fini in 2006. See Camera, Ass., res. sten. sed. 18/12/2001, p. 58 (Boccia) and Camera, Ass., res. sten. sed. 14/11/2006, p. 58 (Fini).

of proposals by the government,⁷⁸ which clearly has an implication on the measures already addressed and forces the Committee to further appraisals.

The unavoidable consequence of such behavior is the practice to select the amendments to discuss, among those reckoned as more salient (Piccirilli 2008), through “recommendations” made by the parliamentary groups, while resorting to the “shelving” practice especially for those solicited by the opposition or where the debate within the majority is particularly sharp. The fate of these amendments is the “technical rejection” (so-called *bocciatura tecnica*) which allows to present them again at the Chambers.⁷⁹ To avoid the overflow of amendments during the parliamentary discussion and the following impossibility to manage the legislative session, governments have started to massively recur to the maxi-amendment combined always with the confidence vote (Piccirilli 2008). In this regard, 2004 marks a watershed.

The period 1994–2003 was characterized by a “consensual agreement” between the executive and opposition on the use of this tool, aiming at integrating new proposal arisen in the Committee while speeding up the budgetary session to secure the approval of the budget within the end of the year. In 2003, to bypass the veto put by the President of the Chamber of Deputies, Pier Ferdinando Casini, who affirmed that he would have not accepted a maxi-amendment replacing entirely the budget, the government presented three different maxi-amendments which, added together, substituted *de facto* the budget. This practice kept happening until the following year, when the government presented a single maxi-amendment substituting completely the budget previously approved by the Committee. From this moment forward “*the decision-making power moved into the government’s hands, by means of the keynote speaker of the government and the President of the Committee (representative of the governing majority) who work in concert*”.⁸⁰ Indeed, from a normative point of view, the maxi-amendment leaps over all other legislative proposals therefore, once the government converges on it, it is submitted to parliament and immediately discussed and approved, exploiting the use of the confidence vote which protects the maxi-amendment assuring the hold of the government. The practice of combining the maxi-amendment and vote of confidence is currently the norm and, since its establishment, it marks the definitive shift of power in the government’s hands (Forte 2010).

⁷⁸ To give an example (referred only to the Senate), the number of amendments presented in the V Committee (that in charge of analyzing the budget) were: 3700 in 2000, 1700 in 2001, 5000 in 2002, 1900 in 2003, 1400 in 2004, 2000 in 2005, 4300 in 2006. In the latter case, the study and assessment of amendments took 5 days (Bergonzini 2014).

⁷⁹ Otherwise, if an amendment is scrutinized and discarded by the Committee it is not possible to present it again in parliament.

⁸⁰ Interview with Chiara Bergonzini (6/12/2019, own translation).

After this sprain, an even deeper wound happened in 2008. Until then, the maxi-amendment mirrored at least the essential contours of the document discussed by the Committee. In 2008 we witness the culmination of the “quiet revolution” (Perna 2008, own translation) which represents the beginning of the “urgency management of the economic policy” (Duilio 2013, own translation) and a major breakthrough towards the transfer of the center of gravity of the budget decision-making from the parliament to the government, and most of all to the MoF (Bergonzini 2014: 96).

In this regard, the DL. 112/2008 is of utmost importance. On the one hand, not only it has introduced a number of diverse regulatory measures disguised behind the possibility to use the legislative power of the government for the introduction of financial backing assets: thereby bypassing the prohibition to deliberate on other measures of financial nature (*divieto di trattazione di altri affari*). On the other hand, even more perversely, exploiting the apparent necessity to face promptly the consequences of the economic crisis started in that period,⁸¹ the DL. 112/2008 constitutes a leading case that justifies the use of government decrees to enforce the budget policy. A government decree modified *de facto* the whole budget regulation planned with the L. 468/1978 without actually changing the norms, acting both on the side of contents and on the time limits it must respect (Bergonzini 2014). At last, the 2019 budget law issued by Conte I government represents the culmination – by now – of the customs set in for two decades, and mostly after 2008. A piercing precedent of what happened last year is represented by 2016. As matter of fact, all the normative stretching and violations occurred in these two years have precedents (Bergonzini 2019: 163). This is the reason why the index does not change and why the main characteristics of these two budgetary sessions are deferred to Chapter 7.

All these aspects enclose the argument about the actual strength of the government. On one side, maxi-amendments are mostly employed when the government needs to make the majority more compact. Conceivably, if we want to assess the actual political force of the government in terms of its capability to oversee the political path, the massive use of this tools might hide instead a certain degree of weakness. On the other side, accounting for procedural aspects that describe “who imposes what to whom” – which is precisely what I am interested on – the government appears to be able to “*rule decisively and randomly parliamentary procedures regulating the budget session, having thus the power to decide over the whole budgetary process*”.⁸²

⁸¹ In practice, as underlined by some scholars of parliamentary and public law (among others: Ciolli 2013; Bergonzini 2014), the decree adopted by the government lacked the necessary requirements of “necessity and urgency” envisaged by art. 77 of the Constitution. This is corroborated by the absence of consequences on the GDP for that year and the following use of the economic crisis as *leitmotiv* of budgetary norms, particularly during the period 2008–2012 (Camera 2012).

⁸² Interview with Chiara Bergonzini (6/12/2019, own translation).

Summing up the scores of each index, I obtain an overarching index of budgetary regime centralization (Table 5.3). The longitudinal distribution provides an ascendant pattern, which transformed mainly because of the establishment of the new practices rather than as consequence of normative changes. Therefore, *“it is the government that rules the budgetary process, although not because entitled by the legislation. In fact, the most recent reforms try to give back to the parliament its central position but, in practice, the budgetary process is carried out following practices”*.⁸³

TABLE 5.3 Index of budgetary regime centralization (0–30)

Year	Executive planning	Legislative approval	SUM
1992	6	6	12
1993	6	5	11
1994	6	5	11
1995	6	6	12
1996	6	7	13
1997	6	6	12
1998	6	6	12
1999	6	8	14
2000	6	8	14
2001	7	8	15
2002	7	8	15
2003	8	9	17
2004	8	10	18
2005	8	10	18
2006	8	10	18
2007	8	10	18
2008	8	11	19
2009	7	11	18
2010	7	11	18
2011	8	11	19
2012	10	11	21
2013	10	11	21
2014	10	11	21
2015	10	11	21
2016	14	11	25
2017	14	11	25
2018	14	11	25

⁸³ Interview with Chiara Bergonzini (6/12/2019, own translation).

5.5 The European Union External Constraint

The Enhancement of the European Economic Governance

In order to measure the impact of European institutions, I develop a new overarching measure assessing the overall strength of the European economic governance on national public accounts and its evolution over the past two decades and half.

To recall, European countries introduced for the first time a balanced budget rule in 1992 with the accession to the Maastricht Treaty, which set a ceiling of 3 points percentage for deficit-to-GDP ratio and 60 points percentage for debt-to-GDP ratio. Later on, the Amsterdam Treaty and the reform of the SGP (2005) introduced the Excessive Deficit Procedure, with a waiver in case of two conditions happening, that is, whether the excessive deficit is only temporarily and exceptional, and whether the deficit is close to the ceiling of 3 percent. The economic crisis marked a turning point both in the process of reform of the Italian budgetary policy and in the implementation of the European economic governance, almost unvaried between 1997 and 2008. From that moment forth, the EU severely tightened its grip on member states' public accounts mainly on the side of the discussion and approval phases. These procedures are currently streamlined under the broader framework of the European Semester (Regulation 1175/2011, Recital 9),⁸⁴ in place since January 2010 with the purpose to reinforce the coordination of economic and budgetary policies within the Union after the occurrence of the sovereign debt crisis, through policy guidelines provided by European institutions. Its implementation accords a special role to the Commission instead of national parliaments, which becomes "*the first institution where the proposed budget of a country in financial difficulties is examined*" (Majone 2014: 6). This instrument is designed to level out economic policy differences of member states which, on their side, have to take into account this guidance when preparing national fiscal plans, following a pre-determined timeline which replaced a number of fragmented processes (Dunlop and Radaelli 2016; Falkner 2016).

More precisely, the ES begins in November, when the Commission publishes the Annual Growth Survey (AGS)⁸⁵ listing a set of policy priorities for both the EU and its member states. These must consider the AGS when drafting their medium-term Stability and Convergence Programs and National Reform Programs, which must be submitted to the Commission by 30th April.⁸⁶ After the

⁸⁴ The ES finds its legal basis on the Treaty on the Functioning of the European Union (TFEU), artt. 121 and 148, stating that the European Union member states need to coordinate their economic and employment policies to assure the functioning of the monetary union.

⁸⁵ The AGS is formally based on the EU2020 strategy progress report, the Macroeconomic Report and the Joint Employment Report. Later, it is discussed by the EU Council and the European Parliament and finally endorsed by the Spring European Council.

⁸⁶ In fact, the Two-Pack suggests to submit the SGPs and NRPs within the 15th April in case of countries part of the Eurozone.

accordance of national plans with the AGS guidelines is verified, the Commission releases Countries-Specific Recommendations (CSRs) and Euro-Areas Recommendations (EARs). Then, firstly the Council approves draft recommendations, the June European Council endorses them, then the Council publishes binding CSRs. In all, combining “hard” and “soft” measures (Hallerberg, Marzinotto, and Wolff 2012), the ES enhances the European economic policy-making stringency through more interactions between national institutions and the Commission, aspiring to a sharper economic coordination and budgetary discipline (Dehousse 2016).

Later, as consequence of the ineffectiveness of the SGP measures in the run-up to the economic crisis (Bauer and Becker 2014), the Union adopted the Six-Pack in 2011.⁸⁷ This represents an extremely important tool for the functioning of the ES since it introduces the Macroeconomic Imbalance Procedure (MIP), which monitors not only fiscal imbalances but also national expenditure, and the Alert Mechanism Report (AMR), an instrument used to observe those countries subject to the MIP (Hallerberg, Marzinotto and Wolff 2012). Thanks to the reinforcement of the EDP a country can be walked into the deficit procedure when the requirement of debt-to-GDP ratio under 60 percent is not respected, even though the deficit is below 3 percent.⁸⁸ The Commission gains wider powers thanks to a new power to issue early warnings to member states if public expenditure grows faster than the GDP.

Additionally, the Treaty on Stability, Coordination and Governance (TSCG, also referred to as the Fiscal Compact)⁸⁹ adopted in 2012 and in force from the 1st January 2013, aimed at reinforcing the fiscal discipline within the Eurozone. This was done mostly through the extension of the Reversed Qualified Majority Voting (RQMV)⁹⁰ to all stages of the EDP, thereby enhancing the Commission’s power and involvement in the economic policy surveillance. Countries exceeding the thresholds must present a budgetary and economic partnership program including “*a detailed description of the structural reforms which must be put in place and implemented to ensure an effective and durable correction of its excessive deficit*” (art. 5 TSCG), whereas the Commission sets up the timeframe and pattern of the reforming process that countries need to undertake.

⁸⁷ The Six-Pack is made by five regulations (Regulation 1173/2011, Regulation 1174/2011, Regulation 1175/2011, Regulation 1176/2011, Regulation 1177/2011) and one directive (Council Directive 2011/85/EU).

⁸⁸ However, as specified by the Commission (2011), the assessment considers “relevant factors and the impact of the economic cycle” when deciding if carry out the EDP.

⁸⁹ The Fiscal Compact is an international treaty external to the European treaties already in force, attached to the EU law and eventually binding for those countries that ratified it (basically all Eurozone countries) which ought to adopt its norms and requirements, “preferably at constitutional level” (Bin 2019, own translation).

⁹⁰ The RQMV means that fines are approved by the Council of Ministers unless a qualified majority of the countries blocks them. This voting system entered into force with the Six-Pack and, with the Fiscal Compact, it was extended to earlier staged of the process, namely to the decision of placing a member state under the EDP.

The two most important innovations concern the balanced budget and the debt brake rules. The first establishes that a country's budget situation should be at least balanced with the structural deficit not exceeding a country-specific Medium-Term budgetary Objective (MTO),⁹¹ that is, 0.5 percent of GDP per year for those states with a debt-to-GDP ratio over 60 percent or 1 percent of GDP for states whose debt level respects the 60 percent limit. The second one demands to those countries with excessive debt a reduction at an average rate of at least one twentieth per year (5 percent) of the excessive percentage points. Countries are expected to provide their report both on deficit and debt, with the latter being an *ex ante* issuance plan that member states have to submit both to the Commission and to the Council. After it entered into force, almost all European countries introduced in their internal legislations a balanced budget rule. In Italy, the technical government headed by Monti amended the Italian Constitution (art. 81) and introduced the norm.

The Two-Pack⁹² was put in place in 2014 to further bolster measures established by the Six-Pack and the Fiscal Compact about the *ex ante* coordination of fiscal policies and the monitoring of those countries with financial imbalances. The Commission is in charge for the surveillance procedure, which starts during the fall of each year and reviews budgetary plans for the upcoming years of each Eurozone member state, in order to verify whether the draft plans comply with the SGP and CSRs. Thanks to this mechanism, the Commission has a new instrument in its "toolbox for making recommendations" (Commission 2013) which can turn out to be crucial when deciding if placing a state into the EDP, without prejudice to the Commission impossibility to encroach on national sovereignty on budgeting (Bauer and Becker 2014). It is not surprising that Italy has been caught in the grips of the European Commission's monitor and forced to adopt severe austerity measures because of the high indebtedness, threatened by the prospect of seeing the infringement procedure opened by the EU. Nevertheless, even though the EU targets have become quite stringent in some cases, to affirm that these measures handcuff governments and their power of decision appears quite reckless, even somewhat provocative. However, it is sure that a sort of annual negotiation process between member states and European institutions, by means of the Commission, occurs frequently which makes the annual mood of fiscal targeting very changeable according to the government propensity to accept or not stringent fiscal targets and to the assessment of the sovereign credit rating.⁹³ Actually, in 2015 a new and revised guidance about the implementation of the SGP

⁹¹ Introduced with the reform of the SGP in 2005.

⁹² Made up by Regulation 472/2013 and Regulation 473/2013.

⁹³ A wide part of the literature is reasonably convinced that the European constraint is used as a scapegoat for the Italian economic policy problems, whereas it is a membership constraint more than a legal one. In fact, the real obligation comes from the financial markets and the level of the spread. According to this line of thinking, the European external constraint simply highlights the Italian debt exposure which affects the sovereign credit rating (interview with Chiara Bergonzini, 6/12/2019). Indeed, it has been argued that the stringency of the European rigor on national budgets

added further details on the escape clauses, in order to encourage and foster national structural reforms.

All things considered, to measure the strength of the external constraint I develop an index composed by four dimensions that puts together several information about the characteristics of requirements, the type of monitoring by European institutions, and the moment when it takes place (see Appendix-A, Table A-5.7). The additional value of this index is to go beyond simpler measures on just the presence/absence of the rules and the type, considering a number of different aspects that make clear also the main steps of the implementation of the European economic governance.

depends on the control of member states over their level of deficit and debt. Sanctions increase as long as a country deviates from supranational parameters. However, *“the declining financial sovereignty is the consequence of a reduced markets’ confidence rather the effect of European constraints”* (Pisaneschi 2019: 167, own translation).

TABLE 5.4 Index of the strength of the European external constraint

Year	Legal base of supranational requirements	Type of requirements	Supranational monitor as <i>ex post</i> analysis	Supranational monitor of the whole budgetary process	SUM
1991	1	1	1	0	3
1992	1	1	1	0	3
1993	1	1	1	0	3
1994	1	1	1	0	3
1995	1	1	1	0	3
1996	1	1	1	0	3
1997	1	1	1	0	3
1998	1	1	1	0	3
1999	2	2	1	0	5
2000	2	2	1	0	5
2001	2	2	1	0	5
2002	2	2	1	0	5
2003	2	2	1	0	5
2004	2	2	1	0	5
2005	2	2	1	0	5
2006	2	2	1	0	5
2007	2	2	1	0	5
2008	2	2	1	0	5
2009	2	2	1	0	5
2010	3	2	1	0	6
2011	3	3	1	1	8
2012	4	3	1	1	9
2013	4	3	1	1	9
2014	4	4	1	1	10
2015	4	4	1	1	10
2016	4	4	1	1	10
2017	4	4	1	1	10
2018	4	4	1	1	10

Taking all these information together, the index ranges from 3 (in the immediate introduction of the Maastricht treaty) to 10 (the maximum values in case of the highest scores for each dimension). While giving in-depth insights about the stringency of the European external constraint, it also traces its evolution over time, following the main reforms and implementation of the European economic governance. The overall score changes precisely with effective date of the SGP entering into force (1st January 1999), followed by the establishment of the European

Semester (2010), the issuing of the Six-Pack (2011), the Fiscal Compact (into force since the 1st January 2013) and, at last, the Two-Pack (adopted in 2013 and applied the next year).

The independent variables presented in this chapter rests on the tenets of the PET which identifies institutional frictions as the most forceful barriers to policy changes, especially when the budget is concerned. In this regard, I described the measurements used to assess the parliamentary fragmentation, government ideological polarization, and the degree of conflict within the governing majority, which narrate also the history of Italian governments in the past years. Furthermore, encompassing the evolution of the budgetary process in Italy, which sets the rules of the game to carry out the budget process and the transformations triggered by the implementation of the European economic governance, I developed two innovative measures for the budgetary regime centralization and for the European external constraint on member states' budget. These help to understand the rules supervising the budget law and potential influences behind spending decisions as well as the actual role of political and bureaucratic actors, and the interaction between different levels of governance.

The next part of the thesis develops the analysis using a mix-method strategy. As first, Chapter 6 aims to assess the magnitude of budget changes and to explain which factors foster or hinder the occurrence of punctuations. That section focuses primarily on the size of yearly change in budget functions. Then, Chapter 7 selects a few policy decisions looking primarily at the degree of transformation between the budget bill and the budget law, with the purpose to interpret the balance of power and the role of decision makers at determining the budget outcome.

PART III
EXPLAINING AND INTERPRETING
BUDGET CHANGES

CHAPTER 6

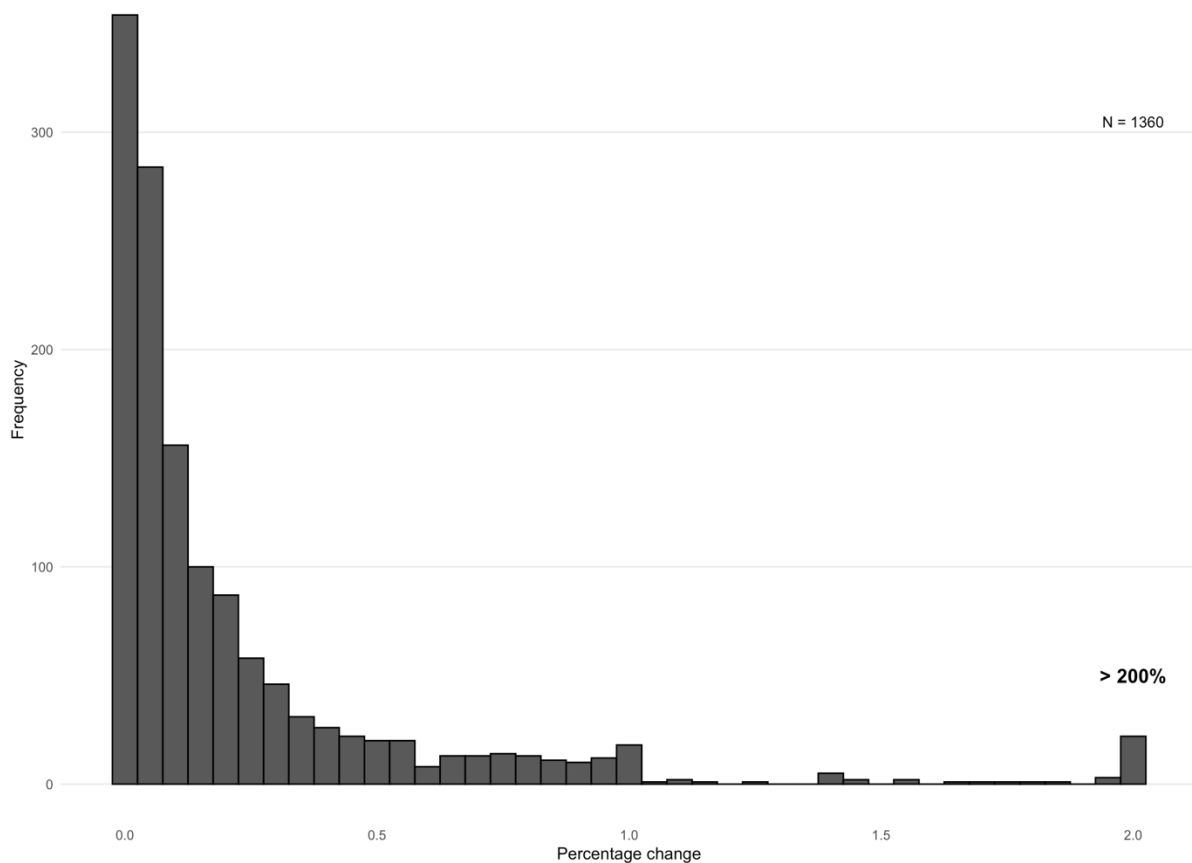
INCREMENTAL CHANGES *VERSUS* PUNCTUATIONS

Thus far, I sketched out the pattern of policy changes in Italy during the time frame under analysis and operationalized the dependent variable (Chapter 4). I also explained the main independent variables used to test the hypotheses (Chapter 5). In this part I carry out the analysis of budget changes in Italy during the past twenty-seven years. This will be done through a mixed-method strategy using both a quantitative analysis and a qualitative one. More precisely, the present chapter focuses on yearly budget modifications and wants to figure out which are the main independent variables that affect the size of spending adjustments. From the hypotheses presented in Chapter 1, I expect that institutional frictions – mainly a growing number of veto players in parliament, a higher ideological distance between coalition partners, a more watchful surveillance by the European Union – decrease the magnitude of budget changes, while a more centralized budgetary process triggers major adjustments. Additionally, I foresee that the occurrence of the economic crisis acted as an external shock that forced governments to respond immediately and disproportionately, causing an outstanding modification. To test these hypotheses, this chapter carries out a twofold assessment. On the one hand, I look at the magnitude of changes using absolute values, meaning that I equalize negative and positive adjustments to focus only on the direction they take. This allows to explain the effect of the independent variables on the size of adjustments. On the other hand, I further advance the analysis considering the direction taken on by the modifications, meaning if they are massive cuts, extreme increases, or tiny (positive or negative) changes. The reason for this twofold investigation lies in the fact that not only factors affecting minor and major transformations are usually distinct, but also those determining major appreciations differ from those determining major curtailments. The second part of the investigation (Chapter 7) adopts a neo-institutionalist approach and makes use of the interaction-oriented policy research model to study a few relevant decision-making processes before the approval of the budget law through a qualitative analysis of the most salient moments of the budgetary process and highlights how and under which constraints the budget bill drawn by the government changes before being issued by the parliament.

6.1 Assessing the Size of Yearly Changes

In Chapter 4, I already stated clearly what is a punctuation and singled them out looking at the distribution of budget changes in Italy (Figure 4.2). Methodologically, I now estimate a model that predicts the magnitude of spending modifications. Scholars working on budget changes rest on quantile regression, which allows to use the entire distribution of cases while clarifying at the same time the impact of predictors both on stasis and punctuations. Evidently, causes of small changes are likely to diverge from those provoking punctuations. Because some of the micro-categories are extremely volatile and I want to understand what factors determine the size of changes (large or small) leaving aside for the moment the direction they take (increases or cuts), I use absolute values of percentage changes. Figure 6.1 depicts how the dependent variable is distributed, simply mutating negative observations of Figure 4.2 (Chapter 4) into positive, showing the occurrence of minor and extreme adjustments. All in all, considering every change in twenty budget authorizations (for the period 1993–1998) and sixty-five micro-categories (for the period 1999–2019) of the Italian budget laws, the distribution is drawn from 1360 observations.

FIGURE 6.1 Distribution of percentage change across budget functions and years (absolute values)



Note: percentage change higher than 200 percent are clustered into a single bar.

It is vividly-sketched by the graph that the largest number of cases presents very small modifications, while the number of observations in each bin decreases gradually as far as we move towards higher percentage change. The first two bins enclose almost four hundred observations (about 30 percent of the whole distribution) which fall below the 5 percent of change. Among these, two hundred and twenty of the first bin are even lower than 1 percent change. Other cases have however extremely large changes, reaching even 991.17 percentage change. At length, the last bin grouping together modifications higher than 200 percent counts twenty-two cases, while twenty-three are between 100 and 200 percent, which however represent only the 4 percent of the whole distribution.

Bearing in mind this overview about the distribution of the dependent variable, I now proceed to estimate a quantile regression that predicts the magnitude of yearly adjustments in budget functions. Quantile regression extends the classical OLS estimation of conditional mean models providing estimations for conditional quantile functions (Breunig and Jones 2011). To briefly review, fragmentation and polarization hypotheses predict that higher number of veto players in parliament and wider ideological distance within the governing coalition would decrease the magnitude of budget changes. Both of them have long been associated with gridlock in the decision-making process.

The first acts at parliamentary level and shapes the balance of power between the executive and the legislative. Historically, single MPs behave out of political expediency during the parliamentary session, trying to redraw initial government accounts towards an increase of expenditure (De Giorgi and Verzichelli 2008; Damonte 2013). From 1992 to 2018, parliamentary fragmentation ranges from 2.68 (XVIII legislature, Conte I) to 7.88 (XII legislature, Berlusconi I and Dini) with lower scores indicating a small number of effective number of parties in parliament at seats level. The second aspect pertains to the executive's strength and concerns the possibility for cooperation between coalition partners. Lower ideological distance finds the government solid on specific measures, making easier to alter the budget. As contrast, when polarization is high not only the executive needs to haggle over policy decisions but also the majority party itself has to restrain any bold spending plans to prevent defections within the coalition that could cause the collapse of the executive. It is crucial to stress that polarization could also pave the way to error accumulation, bridling the smooth updating of spending decisions in response to the emergence of new information from the external context. In this respect, however, "*polarization can create the need for extreme policy change, but does not give rise to the changes themselves; on the contrary, it suppressed them*" (Epp 2018: 166), because error correction requires after all an agreement to surmount centrifugal pushes caused by

polarization. The measure varies between 0.65 (Berlusconi IV) and 4.77 (Monti, Letta II, Renzi, Gentiloni) where lower values describe ideologically close coalition while higher values mean coalition with high ideological distance among governing partners.

According to the budgetary regime hypothesis, I expect that higher centralization, which grants more power to the government, increases the magnitude of budget adjustments. Scores of this variable range from 11 to 25 and follow the main changes of regulations and practices reviewed in Chapter 5. As contrast, results supportive of the external constraint hypothesis would demonstrate that more power of control into the European institutions' hands is associated with smaller spending adjustments. The lowest European constraint is in 1992, immediately after the signing of the Maastricht Treaty (with the measure taking on value 3) and highest is from 2010 after the implementation of the Two-Pack (value 10). The last hypothesis to test is about the role of external shocks on the domestic budget policy. As reviewed, the financial crisis serves as a pertinent example of the influence of external events on domestic institutional and political dynamics which, likely, creates the need of substantial corrections of budget, thereby disrupting a long-lasting pattern of small modifications. To assess the impact of the economic crisis I use a dichotomous variable, with value 1 (crisis) assigned to years from 2008 to 2013.

Alongside the main independent variables, I also include five controls that may affect the likelihood of witnessing to radical spending modifications: a dummy variable identifying political or technocratic governments; two dichotomous variables for the ideological change of the cabinet; the degree of government conflict on the budget; the real GDP growth (varying from -5.61 in 2010 and +3.00 in 2001). The first control is needed to understand whether technocratic and political governments behave differently when dealing with public expenditure. Although the former has been usually convened to carry out the legislature after the fall of government towards new elections, they have also been entrusted with burdensome commitment to face heavy economic downturns, thus it is likely that they substantially modified the budget compared to political governments. These latter, as contrast, being subject to electoral spillovers may have lower leverage of decisions and therefore produce marginal changes in the budget.

Instead of looking at the ideological position of the government on the left-right scale,⁹⁴ I use the degree of ideological shift of the government. In this regard, some researches provided evidences about the relevant role of change in ideology (from left to right or vice versa) on national budget's variations (Schmidt 1996; Tsebelis and Chang 2004). In particular, trying to

⁹⁴ Beside reasons expounded in Chapter 4, there is a problem of multicollinearity between the left-right government position and the ideological polarization of the government (-0.86). All things considered, it stands to reason to exclude government ideology as independent variable.

implement their partisan priorities governments would increase spending in their favorite budget functions while cutting their counterpart's (Breunig 2011). As consequence, ideological shifts would likely amplify the magnitude of budget changes. More specifically, I assign 0 when all parliamentary majority was already supporting the previous government (Amato I, Amato II, Letta II, Renzi, Gentiloni); 0.5 when the parliamentary majority was partially included in opposition parliamentary groups during the previous government (Ciampi, Berlusconi I, Dini, Prodi I, D'Alema, Monti); 1 when all parliamentary majorities was in opposition during the previous government (Berlusconi II, Prodi II, Berlusconi IV, Conte I).⁹⁵ Departing from this scale, I derived two dichotomous variable pointing at a partial or complete shift, where the reference category is no ideological change.

Concerning coalitional conflicts, we know that internal disputes among coalition partner have always marked the life of Italian parties and governments, even though in a lesser extent after the fall down of the *First Republic*. Conflicts vary according to actors involved, reasons of the disputes, and consequences of the same but here I am interested only in selecting those related to the annual budget. The reason for this choice is twofold. The first is pretty straightforward and it serves the purpose of this research, that is, to see whether more disputes led to small budget adjustments, as I expect. In the second place, because the overall litigiousness is not a consequence of government's fragmentation and polarization as uncovered by Cotta and Marangoni (2015: 152),⁹⁶ it might happen that a cohesive cabinet argues frequently only during the budgetary session and in relation to the content of the budget. This was the case, for instance, of Berlusconi I government which, despite the low fragmentation and polarization, fell down after only eight months from its appointment precisely because of quarrels arisen during the budgetary session. The measure is the proportion of disputes about the budget over the total number of conflicts in the fiscal year and ranges from 0 during the discussion and approval of the budget law for 2002 (Berlusconi II) and 31.37, when Prodi I government discussed the budget law for 1997.

Broadly speaking, reasons to count in variables about the economic situation of the country are straightforward, since it obviously has an impact of government's possibility to modify

⁹⁵ A note about the value assigned to some of the cabinets is probably needed: governments taking on value 1 are: a) Conte I, made up by a completely renewed governing group compared to the previous government; b) those of the so-called "period of alternation" occurred from 2001 to 2011. During this phase, the transition from Berlusconi II to Berlusconi III gets value 0 because in that moment the assignment of ministries to parties entering the coalition as governing members did not change the composition of the parliamentary majority supporting the government. D'Alema I saw the inclusion of UDEUR (0.5) while Amato II had the support of DEM, which gather members of the PPP already supporting the previous government, hence it takes on value 0. Technocratic governments were all supported by some members already in government, thus they have been assigned value 0.5.

⁹⁶ For instance Berlusconi IV government, while being more solid and homogeneous than Prodi II government, shows a monthly average degree of conflict higher than the second (Cotta and Marangoni 2015).

substantially public spending. Departing from the broad and well-acknowledged economic literature (starting from the Wagner's law, 1980) which maintains that the size of government's expenditure is determined by economic development, the Punctuated Equilibrium model has further specified that economic downturns are likely to produce marginal adjustments of the budget which, instead, are more substantial in periods of economic expansions. The justification behind this path can be traced in the barriers erected by frictions which hinder the alteration of the status quo (Baumgartner et al. 2009; Jones, Sulkin, and Larsen 2003). Under these circumstances, the position of veto players during the decision-making process should move towards higher spending convergence (Zohlnhöfer 2009). The economic context, even in case of economic restraint, and the very moment when the crisis happens probably have a different impact, with the former more likely to produce medium-term effects on parties' position whereas the latter sparking off an immediate reaction.

6.1.1 Quantile Regression

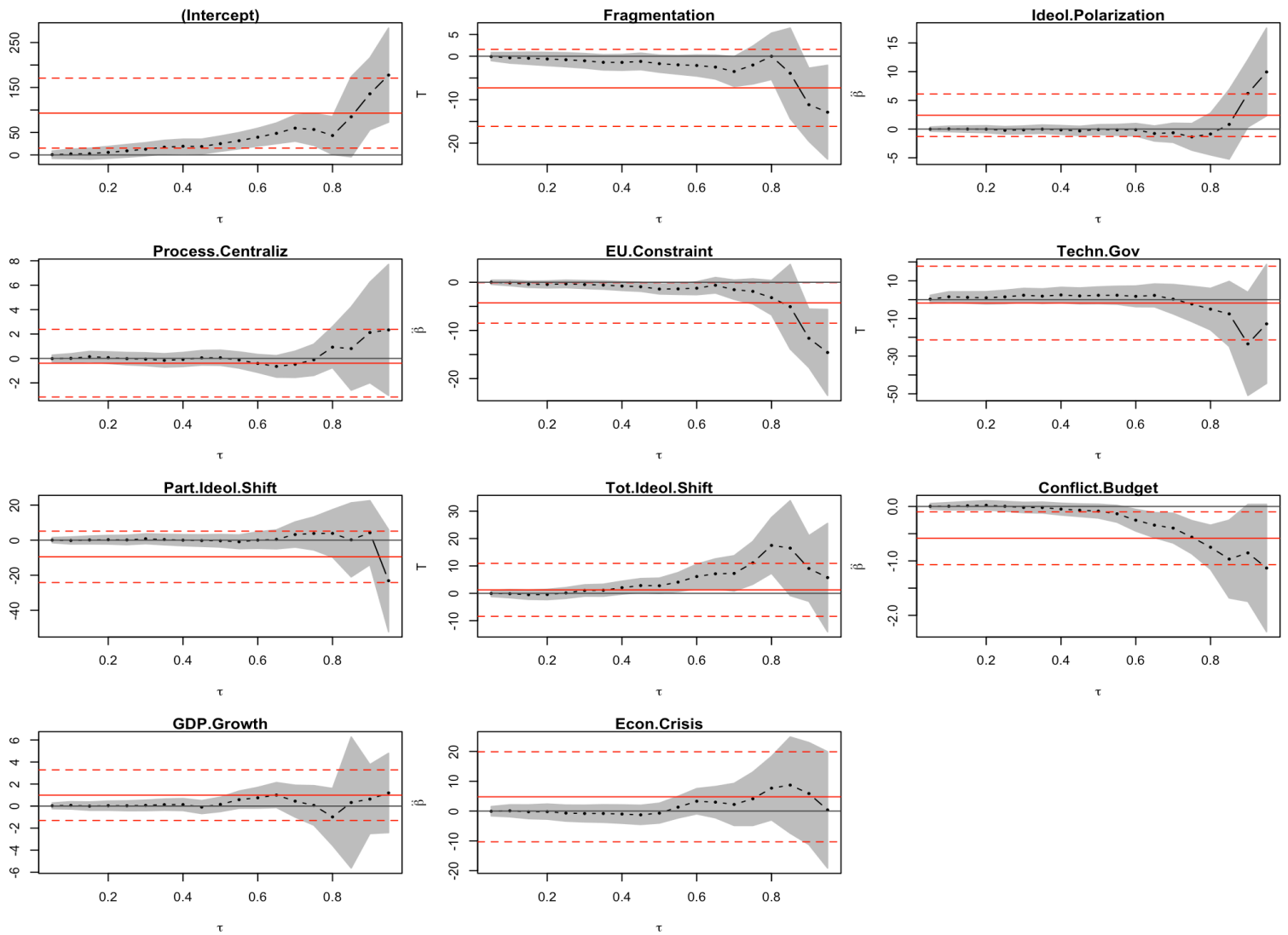
Altogether, the whole model is described by the following formula:

$$\begin{aligned} & \textit{Absolute value percentage change} = \\ & \beta_0 \textit{ constant} + \beta_1 \textit{ fragmentation} + \beta_2 \textit{ polarization} + \beta_3 \textit{ process centralization} + \\ & \beta_4 \textit{ European constraint} + \beta_5 \textit{ technocratic} + \beta_6 \textit{ ideological shift} + \beta_7 \textit{ conflict} + \\ & \beta_8 \textit{ GPD growth} + \beta_9 \textit{ economic crisis} + \varepsilon \end{aligned}$$

The equation is estimated at different percentiles of the distribution (20th, 40th, 60th, and 80th) taken on by the dependent variable, in order to verify whether the effect of independent variables is not linear to the magnitude of budget change, as hypothesized. This means that independent variables may account for minor adjustments and gradually lose explanatory power when moving to higher budget changes (or vice versa). Using quantile regression instead of a simple OLS allows to single out this undertone. Results are presented graphically in Figure 6.2. Each plot represents the impact an independent variable on the dependent one at different percentiles. More clearly, the x-axis shows the reference quantile τ of the magnitude of budget changes (from small to large adjustments) and the y-axis is the size of the estimated effect produced by the covariate. The effect of one-unit change of the covariate on the dependent variable (holding other covariates fixed) is portrayed by lines with dots. The grey area marks the 95 percent confidence band for the quantile regression. The red horizontal line is the OLS regression coefficient, which is linear because it does not vary across quantiles, while red dashed lines are the 95 percent confidence intervals

around the OLS regression line. These lines are useful to compare the confidence intervals of the OLS and quantiles, which are explicative of the significance of results.

FIGURE 6.2 Quantile regression plots (dependent variable in absolute value)



Note: each plot interprets the estimation (y-axis) of the independent variables at different percentiles of the dependent variable (x-axis). The grey band is the 95 percent confidence interval. The continuous red line is the estimated coefficient using an OLS model. The dashed red lines are the 95 percent confidence interval of the OLS model.

As emerges from the plots, conditional distribution of budget changes by percentiles is rather different according to the covariate. First and foremost, I aim to test the five hypotheses about the impact of the number of veto players in parliament, the role of ideological distance, the centralization of the budgetary process, the strength of the European constraint over national public accounts, and the occurrence of the economic crisis. These information are summarized in

Table 6.1, which presents coefficients of each covariate, while Table A-6.1 (Appendix-A) displays the four models where the independent variables are gradually added. More precisely, the first model tests the main hypotheses using those initially identified as the most important explanatory variables but the one related with exogenous factor. The second model adds some of the controls, still including only variables acting at domestic level. The third one looks only at exogenous factors. The fourth model is the full specification of the equation and takes into account all the independent variables and controls. Again, each model is estimated at the 20th, 40th, 60th, and 80th percentile.

TABLE 6.1 Quantile regression results of the full model (dependent variable in absolute value)

Variable	20 th percentile	40 th percentile	60 th percentile	80 th percentile
Constant	5.76	19.29*	39.51***	43.20†
Parliamentary Fragmentation	-0.63	-1.41	-2.12	-0.01
Gov Ideological Polarization	-0.02	-0.15	-0.10	-0.85
Budgetary Process Centralization	0.06	-0.08	-0.40	0.92
European Constraint	-0.44	-0.78	-1.23	-3.19
Technocratic Government	0.97	2.48	1.74	-5.03
Partial Ideological Shift	0.25	0.00	0.02	3.88
Complete Ideological Shift	-0.42	2.07	6.13*	17.50**
Gov Conflict on the Budget	0.02	-0.04	-0.25*	-0.74**
GDP growth	0.03	0.13	0.75	-0.98
Economic Crisis	-0.17	-0.99	3.30	7.69

Note: statistical significance with p-value < 0.1 (†), 0.05 (*), 0.01 (**), 0.001 (***).

The effect of the covariates is not linear but goes up as we move towards the 80th percentile and hereinafter. Actually, in most of the cases it remains rather stable across the 20th and 40th, then it raises from the 60th and is even more pronounced at the highest percentile. In a few cases, coefficients become statistically meaningful accordingly.

In the first model, where I test the main hypotheses focusing only on institutional causes, parliamentary fragmentation and European constraint are both statistically significant at the 60th and 80th percentiles, meaning that a one-unit change in the value of the predictors has a larger effect on the size of budget there, than at lower percentiles. Both of them have a negative impact, as hypothesized. That means that a growing number of veto players in parliament decreases the magnitude of spending adjustments, because of the interference of MPs adopting a vote-seeking strategy and trying raise expenditure once the budget arrives in parliament, as in the long-lasting Italian tradition of “stagecoach attack”. This custom has always provoked micro adjustments to the budget while preventing the government to pursue its spending goal and to produce radical modifications. Similarly, more stringency of the EU control over member states’ budget diminishes the probability of substantial changes. However, when further specifying the model introducing control variables, and even more in the full model, these variables lose significance in favor of complete ideological shift of the cabinet and coalitional conflicts.

The first control puts forth a positive effect of a total reversal of the cabinet’s ideological composition compared to the reference category which indicates ideological continuity, more pronounced as we move towards higher percentiles. More precisely, holding other variables constant, there is no difference between a total ideological reshuffle of the cabinet and ideological continuity at the 20th percentile. The magnitude of the effects grows gradually. At the 60th percentile, moving from ideological continuity to total ideological shift corresponds with a 6.13 points percentage increase in the size of budget change, while at the 80th percentile it appraises a 17.5 points percentage increase. This proves that during the period of alternation (2001–2008) governments revised the budget considerably producing larger transformations. At last, governing coalition conflicts on the budget show a decreasing effect on the magnitude of budget adjustments, which once again intensifies at higher percentiles. Evidently, when coalition members argue a lot on the budget, either on its contents or on the size itself, it is rather likely that eventually the government surrenders to governing parties’ requests ending up with an agreement that satisfies all majority partners, which usually slightly departs from the status quo. The measure of coalitional conflicts on the budget ranges from 0 to 31.37, therefore climbing from the lowest to the highest degree of conflict coincides with a 1.54 percentage point reduction of the size of budget changes at 40th percentile; at 60th with 7.93 and at 80th with 23.5 points percentage decrease. Other predictors do not correlate significantly with the magnitude of budget modifications. This is evident from Figure 6.2, where dots representing the point estimates fall inside the confidence intervals of the OLS regression, being suggestive of no difference among percentiles. They also intersect with zero on the y-axis, meaning that the effect is not

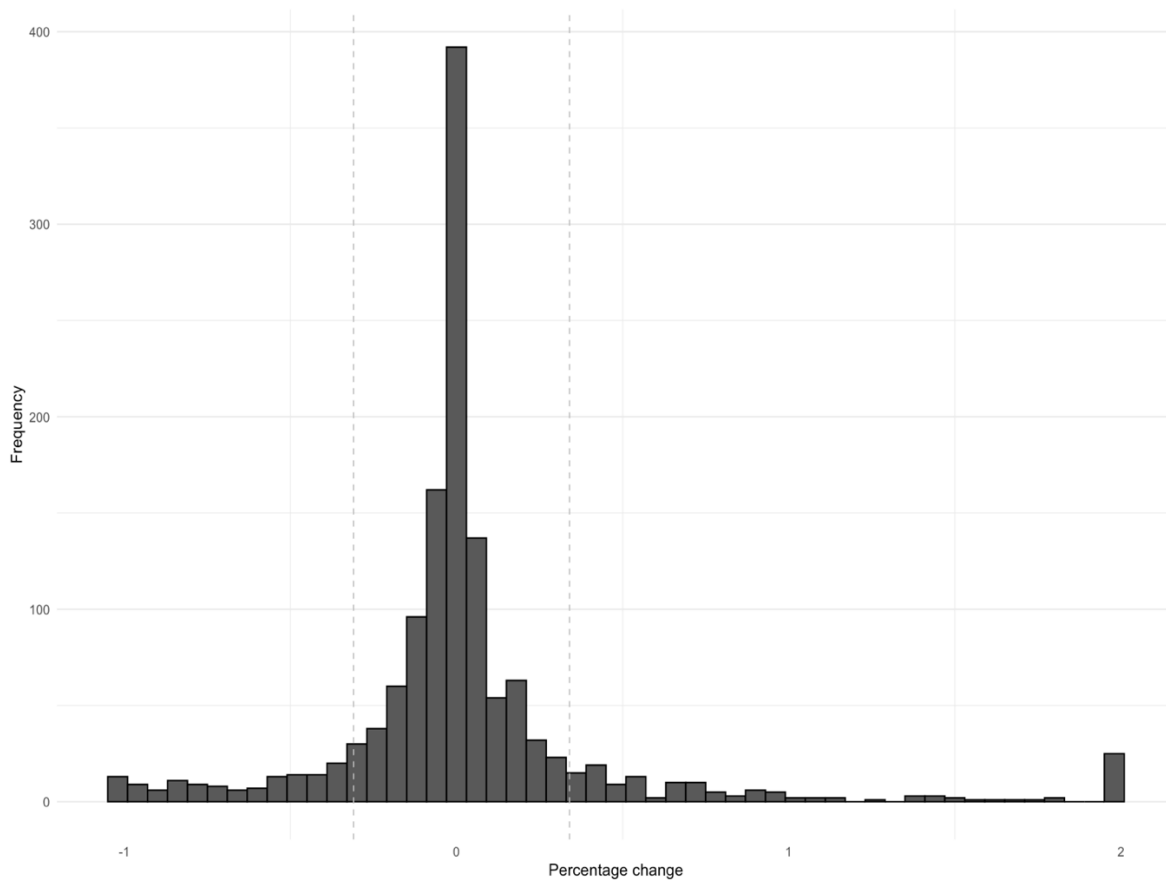
statistically significant at that percentile. The only exceptions can be found at 90th percentile when accounting for the impact of ideological polarization and European constraint.

Looking at economic factors, the outbreak of the economic crisis is statistically meaningful only in the third model but its explanatory power drops in the full one. In the under-specified model, it positively modifies the size of changes, leading probably to massive cuts. After all, although it is not possible to detect the direction of changes from this analysis (whether they are cuts or increases), it is reasonable to expect that those adjustments resulting from a period of economic downturn are dramatic curtailments. All in all, the ANOVA comparison of the coefficients along percentiles is statistically significant with p-value < 0.001, confirming the remarkable reinforcement of the impact of predictors as we move towards higher percentiles.

6.1.2 Logistic Regression

Going a step forward, it is possible to re-estimate the model using alternative measures of budget modifications. For instance, scholars have studied conditions for the occurrence of punctuations establishing cutoff points from the distribution that set the difference between punctuations and minor adjustments, then transformed the continuous measure of budget modifications into a categorical (Robinson et al. 2007) or dichotomous variable (Epp 2018; Robinson, Flink, and King 2014). Borrowing from these researches, I define as punctuation all those changes crossing over the 10th and 90th percentile, corresponding to -31.25 and +34.11 percent respectively (Figure 6.3).

FIGURE 6.3 Distribution of percentage change across budget functions and years (real values) and cutoff points to define punctuations



Note: percentage change higher than 200 percent are clustered into a single bar. Cutoff points at 10th and 90th percentile.

After assigning value 1 (punctuation) to those two hundred and twenty-seven cases beyond the thresholds and 0 otherwise, I re-estimate the model using a logistic regression first and then a rare-events corrected logistic model (King and Zeng 2001; Choirat et al. 2017). The choice of running also a rare-events logistic regression is justified by the fact that punctuations represents only the 2 percent of cases, suggesting that such correction may be appropriate. Thereby, it is possible to improve for the bias potentially occurring because of the low probability of punctuations. To review, I hypothesized that budget changes are more severe as budgetary process centralization increases and during period of economic crisis, allowing the government to pursue its spending preferences. As contrast, higher number of veto players in parliament, more ideological distance between governing parties and more intrusive European constraint will reduce the occurrence of punctuations. Using a dichotomous dependent variable, I am testing whether for every unit increase in the predictor variable the likelihood of a punctuation happening raises.

TABLE 6.2 Logistic regression results of the full model

Variable	Model 1 Logit	Model 1 Marginal Effects	Model 2 Rare Events Logit
Constant	-1.059 (1.78)	—	-1.021 (1.75)
Parliamentary Fragmentation	-0.034 (0.20)	-0.005	-0.035 (0.19)
Government Ideological Polarization	0.013 (0.08)	0.002	0.014 (0.07)
Budgetary Process Centralization	0.032 (0.06)	0.005	0.030 (0.06)
European Constraint	-0.104 (0.08)	-0.016	-0.101 (0.08)
Technocratic Government	-0.399 (0.45)	-0.055	-0.389 (0.45)
Partial Ideological Shift	0.024 (0.30)	0.003	0.039 (0.30)
Complete Ideological Shift	0.487** (0.18)	0.082*	0.487** (0.18)
Gov Conflict on the Budget	-0.038*** (0.01)	-0.005***	-0.037*** (0.01)
GDP growth	0.031 (0.04)	0.004	0.030 (0.04)
Economic Crisis	0.487 (0.33)	0.080	0.486 (0.33)
Pseudo R^2		0.028	—
Wald χ^2 test		37.499***	—

Note: statistical significance with p-value < 0.1 (†), 0.05 (*), 0.01 (**), 0.001 (***).

Results match those of the quantile regression, with disputes inside the government and the complete ideological reshuffle of the cabinet being by far the most important predictors. The effect corresponds to that already uncovered. Looking at marginal effects, which explain the percentage of likelihood in the dependent variable associated with each independent one, the total change in government ideology (compared to no change) raises the likelihood of a punctuated budget of 8.2 percent, while more intense quarrels within the government on the budget reduces the likelihood of punctuation of 0.5 percent. Altogether, the Wald χ^2 test reveals that the whole model is significant. The rare-events correction model looks alike the first one, with a close correspondence of results. Therefore, even though matching statistics are not available for the second model, it seems reasonable to infer that the two models fit similarly.

6.1.3 Discussion

To sum up, using a continuous dependent variable of the magnitude of budget changes or a dichotomous dependent variable specifying whether the adjustment is a punctuation or not yields to

similar results. On the whole, scrutinizing the effect of the covariates on the size of budget changes, I found almost no support for my hypotheses. Rather, causes that I recognized make way for two controls that turn out to be the most powerful ones, namely coalitional conflicts about the budget and a full change of the cabinet's ideological composition.

I expected the ideological homogeneity of the government to be a pretty relevant cause. Left behind the *First Republic* tradition of single-party minority governments and surplus coalitions gravitating around a core party (Russo 2015), the past two decades have still delivered few ideologically close executives, as the center-right ones especially during the “period of alternation”. Yet, the negative impact of heterogeneous coalitions on radical spending modifications is not statistically meaningful. In fact, an homogenous composition does not necessarily ward off internal disputes as it was the case of Berlusconi IV government: a minimal-winning coalition extremely cohesive (the ideological polarization takes on its lowest value with his cabinet) which however had to face a lot of internal quarrels between the three coalition parties. This can be even more true as far as the budget is concerned. Actually, the variable on coalitional conflicts better grasps the possibility for cooperation of governing partners and has higher explanatory power than ideological polarization. The draw and approval of the budget may become a battleground even for ideologically aligned parties, which are not able to find a compromise on the essential spending figures nor on policies to implement. Berlusconi I government fell down precisely during the approval of the budget after a fierce confrontation lasted throughout the phase of policy formulation between FI and LN (Verzichelli 1999). Although in completely different domestic circumstances and an extremely hectic international context, Berlusconi IV experienced a comparable situation where the internal disputes characterized all the budget session, with the MoE Tremonti also clashing against Berlusconi: a situation that, along with other factors, eventually led to the collapse of the government. In the same way, left-wing coalitions found in the budget a breeding ground where several conflicts emerged. Prodi I government had to face the tackle of minor parties of the coalition, particularly PRC to accomplish the approval of the 1997 budget.

Overall, to drift apart from the status quo the agreement on the budget matters more than the number of veto points in the executive. Such agreement, however, is neither a direct consequence of the lower number of parties nor of higher ideological homogeneity. Intuitively, the propensity to compromise on the budget results from several factors besides the characteristics of the government, as fiscal and economic conditions and the importance of single policies which minor parties might put the veto on. Moreover, if preferences of the executive are close to the status quo already in place, there is no need to engage in spending upheavals. Here is where the effect of the ideological shift in the executive composition becomes relevant. Even though I do not measure the distance of policy

preferences' of those parties that came into succession at the head of the executive, I assume that when there is a complete ideological shift the status quo becomes far-distant from the ideal position of the new executive. In such a circumstance, the cabinet would try to dramatically adjust the budget towards its spending preferences making the size of budget changes significantly shooting up, as highlighted in the model. This intuition gets stronger when considering the tiny effect of partial ideological reshuffle on the occurrence of punctuations compared to that caused by ideological continuity. Previous evidences about the role of change in ideology on budget's variations (Schimdt 1996; Tsebelis and Chang 2004; Breunig 2011) are confirmed and make perfectly sense in the light of the Italian history of the *Second Republic*. Over two decades, the total ideological reshuffle happened only during the period of "polarized bipolarism" (Ieraci 2014) (2001–2011) when the ideological position of the left- and right-wing coalition in the political space reached its highest peak (Cotta and Marangoni 2015) and with the appointment of the first cabinet led by Conte (2018) made up by two populist parties.

While results of the models I estimated in this section already enlightens some dynamics in place and the higher relevance of some predictors compared to others, those might have a different effect if we scrutinize the direction of changes, not only their size. As matter of fact, Breunig and Jones (2011) stressed the worth to analyze the full range of a distribution. This is done in-depth in the section that follows.

6.2 Explaining the Direction of Yearly Changes

Thus far, I pointed out the main causes of punctuations in the Italian budget policy. The approach previously employed had the purpose to predict policy instabilities, without distinguishing between positive and negative spending modifications. The effect of the covariates I uncovered applies both to increases and decreases without differentiating by their direction but focusing only on the size of budget adjustments. To recall, the most important factors correlated with a punctuated budget are the degree of coalitional conflict and the complete ideological reshuffle of the cabinet. The two have obviously a different impact on the size of budget modifications. While the first reduces the magnitude of adjustments hindering government's capabilities to implement its spending preference, the second one implies almost a flip over of spending preferences thereby producing higher spending changes. Other predictors are not statistically significant and do not support my hypotheses.

This shortage calls the attention to the fact that I equalized positive and negative transformations, whereas their direction is likely to matter. In this respect, previous findings showed that the right (positive) tail is more punctuated than the left one (Jones et al. 2003; Breunig and Jones

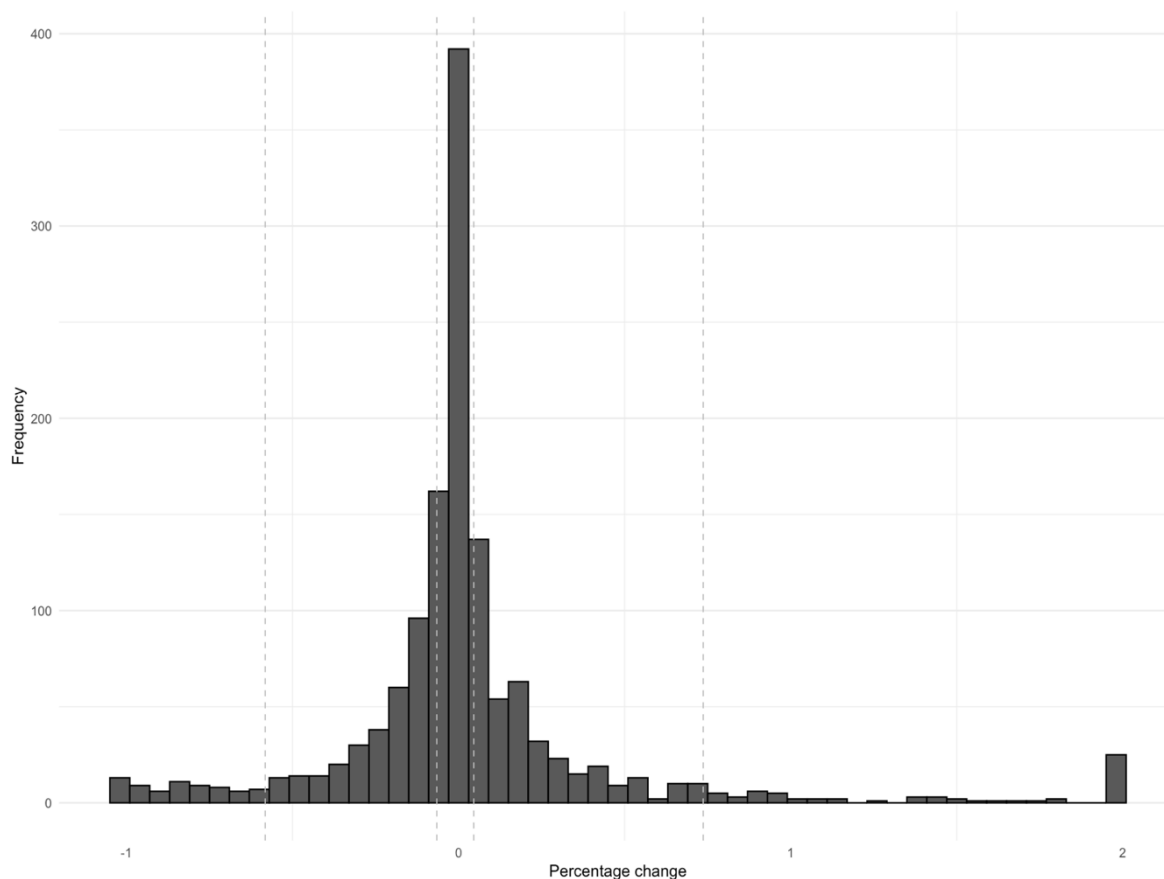
2011).⁹⁷ To address this issue, I estimate once again the quantile regression model using the actual percentage change and its direction (whether it is a growth or a cut). This analysis is justified by the divergent pattern of changes in the left and right tail already sketched out in Chapter 4, where I shed light on the larger leaps of positive adjustments than negative ones. The model remains the same.

$$\begin{aligned} \text{Percentage change} = & \\ & \beta_0 \text{ constant} + \beta_1 \text{ fragmentation} + \beta_2 \text{ polarization} + \beta_3 \text{ process centralization} + \\ & \beta_4 \text{ European constraint} + \beta_5 \text{ technocratic} + \beta_6 \text{ ideological shift} + \beta_7 \text{ conflict} + \\ & \beta_8 \text{ GDP growth} + \beta_9 \text{ economic crisis} + \varepsilon \end{aligned}$$

This time I estimate the equation at the 5th, 30th, 70th, and 95th percentile of the dependent variable which now takes a positive or negative direction (Figure 6.4). Looking at these percentiles it is possible to address the distribution of budget modifications ranging from extremely large decreases to extremely large increases. At the 5th percentile, the measure of budget change takes on value -58.24; at 30th it is -6.57; at 70th is 4.57; and at the 95th percentile it assumes value 73.66.

⁹⁷ It is worth considering that it is partially the consequence of the measure I am using, because the percentage change naturally delimits the left tail at 100 percent, meaning the cancellation of the program which does not happen for the right tail.

FIGURE 6.4 Distribution of percentage change across budget functions and years (real values)

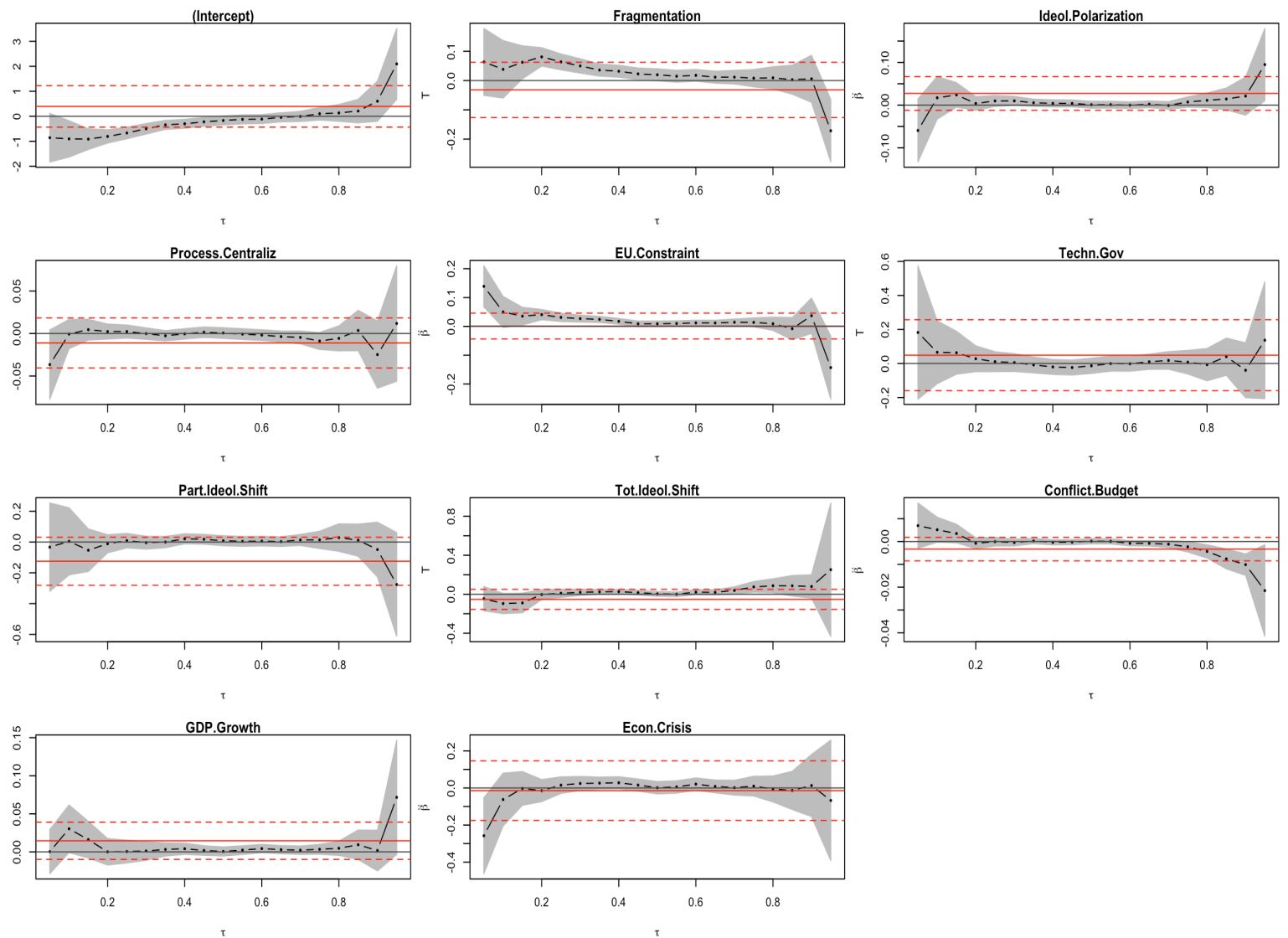


Note: percentage change higher than 200 percent are clustered into a single bar (only for a graphical purpose). Cutoff points at 5th, 30th, 70th, and 95th percentile.

6.2.1 Quantile Regression

Once again, I make use of a table (see Appendix-A, Table A-6.2) where I present the four different models and a graph, where each plot shows the effect of a predictor on the dependent variable at different percentiles. It is important to bear in mind that the reference quantile τ of the magnitude of budget change on the x-axis now varies from large cuts to large expansions. The y-axis is the size of the estimated effect produced by the covariate. Naturally, the picture presented in Figure 6.5 is rather different from the previous one, because of the negative values of the dependent variable. The impact of independent variables is not linear, rather regression results suggest that they have a distinct effect on large cuts, minor adjustments (positive and negative), and large increases (Table 6.3). Few predictors improve their explanatory power and become statistically meaningful compared to the previous model, providing new interesting insights about mechanisms which Italian budget changes are subject to.

FIGURE 6.5 Quantile regression plots (dependent variable in real value)



Note: each plot interprets the estimation (y-axis) of the independent variables at different percentiles of the dependent variable (x-axis). The grey band is the 95 percent confidence interval. The continuous red line is the estimated coefficient using an OLS model. The dashed red lines are the 95 percent confidence interval of the OLS model.

To begin with, parliamentary fragmentation is statistically significant at the 30th and 95th percentiles, with a shift from positive to negative sign as we move towards larger increases. Most of all, a higher number of veto players in parliament decreases the magnitude of huge expansion. Oppositely, government ideological polarization correlates with more severe cuts and larger budget increases, although coefficients are statistically significant only at the highest percentile. The sole factor that remains statistically significant as we move from large cuts to large expansions and also through small adjustments is the European external constraint, which alleviates

both curtailments and outstanding enlargements. In detail, holding other variables constant, moving from the mildest to the tightest European constraint associates with a 1 percentage point increase and a 1 percentage point decrease in the size of massive cuts and massive expansions, respectively.

TABLE 6.3 Quantile regression results of the full model (dependent variable in real value)

Variable	5 th percentile	30 ^h percentile	70 th percentile	95 th percentile
Constant	-0.85	-0.50***	-0.00	2.09**
Parliamentary Fragmentation	0.06	0.04 ***	0.01	-0.17***
Gov Ideological Polarization	-0.05	0.00	-0.00	0.09†
Budgetary Process Centralization	-0.03	-0.00	-0.00	0.01
European Constraint	0.13***	0.02***	0.01*	-0.14*
Technocratic Government	0.18	0.00	0.01	0.13
Partial Ideological Shift	-0.03	-0.00	0.01	-0.27
Complete Ideological Shift	-0.04	0.02	0.03†	0.25
Gov Conflict on the Budget	0.00	-0.00	-0.00	-0.02†
GDP growth	0.00	0.00	0.00	0.07
Economic Crisis	-0.25*	0.02	0.00	-0.06

Note: statistical significance with p-value < 0.1 (†), 0.05 (*), 0.01 (**), 0.001 (***).

The total ideological reversal of the cabinet and government conflicts on the budget (the two most relevant explanatory factors in previous models) have, respectively, a meaningful effect only when small and large increases are concerned. This suggests that complete ideological reshuffle leads mainly to improve, although to a restrained extent, the new incumbent's preferences rather than to trim those of the counterpart that has just left. The negative relation between coalitional disputes and the occurrence of punctuations previously unfolded is confirmed and enhanced by disclosing where exactly the variable takes action. Unsurprisingly, it reduces the size of higher increases. Similarly,

the meaningfulness of the economic crisis only at the lowest percentile unveils the actual impact of this variable whose effect on the direction of changes was concealed, though predictable, in the model using absolute values. Obviously, the recession amplifies its effect on large curtailments.

6.2.2 Discussion

Explaining the direction of changes instead of looking merely to their magnitude improves substantially our knowledge about the Italian budget policy. The model estimates support the fragmentation, external constraint, and economic crisis hypotheses.

It's not surprising that a growing number of parties in parliament decreases the size of budget modifications, and most of all limits the magnitude of outstanding enlargements. The parliamentary session before the approval of the budget has always constituted a transformative arena for individual MPs trying to curry favor to their constituencies (De Giorgi and Verzichelli 2008). From the analysis, this takes the shape of small adjustments to several spending functions that however do not turn into excessive spending increases in a sole budget category. This trait emerges to still characterize the Italian budget policy, despite the many reforms occurred in the past decades with the effect to centralize the decision-making process in the hands of the executive. Whereas it has been argued that more centralized fiscal institutions can overcome the shortcomings of an institutional setting that compels the government to surrender to the high power of parties especially in highly fragmented party systems (Martin and Vamberg 2013), in the Italian case even recent normative stretches are not remotely the determining factor of the magnitude and directions of budget transformations. Ultimately, what has been already pointed out studying budget curtailments – meaning that “a favorable procedure seems to be a necessary but not certainly a sufficient condition” (Cavalieri, Russo and Verzichelli 2018: 341) – can be extended to budget upheavals as a whole, regardless their directionality. Although it is associated with gridlocks in the decision-making process, the role of veto players in parliament and within the coalition diverges. In the first case, a more fragmented party system spreads budget alterations across a multitude of micro-sectional interests. In the second case, instead, heterogenous coalitions improve their effect on spending increases by even raising the magnitude of outstanding expansions.

Adopting a pure institutional perspective, policy change may come about because of an endogenous modification of one or more key actors playing as veto points. In this respect, the reinforced European economic governance seems to play the part of a competing institutional structure that interacts with the domestic one, shaping the budget policy. Likely, its enhanced role and a more watchful eye over member states' public accounts also hinder national decision-makers possibilities to undertake substantial changes, dimming rooms of manoeuvre to pursue their spending

preference. Over the past decades, the implementation and transposition of European norms about national budget policies took the shape of spending containment through “rationalization and reforms” that gradually displaced more radical cuts (Giarda 1997; Lupo 2019). The model confirms this, since more stringency of the external constraint mitigates both extreme cuts and extreme increases. Through the lens of the Disproportionate Information Processing approach this makes sense.

The external constraint placed by the supranational actor should not be read simply as an intrusive presence of a new veto player competing with national ones. In a more refined interpretation, its enhanced presence resembles a process of adaptation towards a more integrated supranational context where differences are levelled out through the implementation of common standards integrated into domestic norms. In this sense, it helps to develop a better and more efficient institutional capacity where minor adjustments are preferred to upheavals emerging from the sudden necessity to solve problems related to an inefficient policy-making process. More than a decade ago, studying the reforming process of budget regimes toward higher centralization, Perotti and Kontopoulos (2002) maintained that a sovereign country can anyhow decide to disregard stringent budget rules. Theoretically, this is true. Put in practice, this statement seems to hold at least until most recent developments of the European economic governance. Actually, the external constraint has brought forth a learning-process of domestic institutions that appears to be nowadays more inclined to respect fiscal and budget requirements. The legitimacy of the external constraint seems to be dwelt in its internalization at national level.

All these factors acted in a context that has been shaken suddenly by the economic crisis, started in 2008 and prolonged for a few years after. On a Punctuated Equilibrium perspective, this period of mounting external pressure represents the trigger for outstanding changes disruptive of a long-lasting path of incremental transformations. The positive, while negligible, impact of the outburst of the crisis in the first model (that looked simply at the size of budget modifications) turns out to be meaningful in predicting the effect on massive cuts. Traditionally, public accounts deterioration has always been faced by Italian governments putting the necessary budget adjustments off (Verzichelli 1999): a custom that keeps on going despite political stances and institutional metamorphosis. Delaying the required measures to fix national accounts results in that process of error accumulation highlighted by the literature, which eventually clashes into the need of substantial transformations. This is precisely the reason why the real GDP growth has an irrelevant impact on the size and direction of budget changes while the outbreak of the recession causes punctuations: obviously massive curtailments. It is not a case that the major reform of those years – which is by far

the heaviest budget law ever of the Italian budget policy – was issued by a technocratic government to try facing a crisis that was not only economic but also political.

All in all, the quantitative analysis of this chapter states clearly which are the systemic frictions affecting the budget policy outcome in Italy. Specifically, which of them determine the size of budget modifications but, even more importantly, which ones explain the likelihood to undergo massive cuts, substantial increases or tiny adjustments. In Chapter 2, framing the Italian case within the European context, I wondered whether the Italian case perfectly fits the PET. The study carried out so far confirms it. Concerning the factors that drive the course of the Italian budget policy, I also wondered whether radical transformations have been triggered by specific events that gathered the attention of decision-makers or happened instead because of a long reforming process that has changed the policy paradigm and the overall purpose of the budget policy. Findings suggest that the accumulation of pressure after the outburst of the financial and economic crisis had a more substantial role than the recurring reforms of the budgetary process. However, as reviewed in Chapter 5, the mix of reforms and normative stretching has considerably altered the rules of the game overlooking the drawing of the budget. This might impinge on the disposition of veto players operating within the system.

Whilst I already appreciated who plays as veto within the broad budget formulation, the character of each of them must not be taken for granted and might have been changed over time. Furthermore, as already uncovered, veto players may have an impact on the transformative nature of the budget more than on the size of spending adjustments. These issues need a further insight to be fully understood. The next chapter aims precisely to interpret the role and nature – competitive *versus* co-operative – of the veto players and the inner characteristics of the budget packages (from this moment on referred-to as *manovra*), explaining a few budget cycles through a qualitative analysis.

CHAPTER 7

WHO HAS THE POWER OF THE PURSE?

In the previous chapter, I used different statistical models to figure out how minor adjustments and punctuations occur in the Italian budget. I identified those institutional variables pertaining to the domestic political context and to the supranational one which correlate to the higher magnitude of budget modifications, especially the complete ideological shift of the cabinet and the degree of conflict within the governing coalition. Going further, I also singled out the effect of the same predictors looking at the direction taken by the dependent variable, meaning whether the hypothesized causes explain the likelihood of observing large cuts, small modifications (positive and negative), and large increases. In this respect, I highlighted the role of parliamentary fragmentation, coalitional conflicts, and the European external constraint at mitigating extreme budget enlargement. The latter tones down the size of massive cuts as well, improving government's capability to adjust the budget proportionally. Of course, such a violent external shock as the outburst of the economic crisis forced the government to a dramatic change and to massive reductions. All in all, addressing also the issue about the direction of budget transformations and pointing out the divergent dynamics for budget expansions and retractions, I demonstrated that the Italian case perfectly matches the Punctuated Equilibrium model. Despite these findings, other issues need to be further investigated adopting a policy-centered perspective. As described in Chapter 3, I develop the analysis using a mixed-method strategy, thus I add to the previous chapter an additional section focusing on a few specific policy decisions. The quantitative analysis, which had an explicative purpose, benefits from the interpretative power of the qualitative in-depth study that follows. Knitted together, these two analyses provide an overarching comprehension of the role of actors involved in the process and their strategies, along with the impact of changing rules of the game on the whole budget policy and its purposes.

At this point, in order to fully understand the Italian budget policy, it is fundamental to look at the decision-making process surrounding the budget, scrutinizing what happens during the parliamentary session leading to the approval of the annual *manovra*. In a strong parliamentary democracy as Italy is, shedding light on the role of both the government and the parliament, but also the European Union in forging the budget law helps to grasp the balance of powers between

institutional actors in representative democracies. As displayed in Table A-5.2, the design of the budgetary process closely integrates institutions in a multi-dimensional framework, where the final outcome takes the shape of a complex plot that entrusts each actor with specific tasks and the proper time to intervene on budget provisions. According to the most recent reform that modified the budget session and further integrated the timing of the European Semester within the domestic system, the government draws up the budget bill including spending decisions and macro-economic fiscal targets, alongside a supplementary document with 3-year effects on public finance that must be submitted to the parliament within mid-October. After a few months, following the European Commission's assessment of the Draft Budgetary Plan (DBP), the parliamentary session scrutinizes the bill⁹⁸ and finally leads to the approval of the budget, which most of the time comes out from this phase quite altered.

Therefore, analyzing the difference between the budget bill originally drafted by the government and the budget law as it emerges from the parliamentary session makes clear which is the actual balance of power between all the actors involved. The question this chapter wants to answer is about who is really in charge of the budget policy in Italy. In a polycentric system as the Italian one, is the government able to carry out its mandate using the budget? Taking into account those factors already presented in Chapter 5 and attuning them to the different perspective of this section, I develop an index to assess the transformative nature of the budget between the first draft and the law approved. Then, after identifying few relevant cases, I proceed with an in-depth qualitative analysis and comparison of policy-decisions through an historical perspective, with the purpose to interpret the actors' role and their decision-making power and unravel the complexity of interacting factors (Scharpf 2000a).

7.1 The Decision-Making Context

The budget can be considered the mirror of government choices and spending preferences which are translated into actual quantifiable commitments through the annual allocation of financial resources. Intuitively, the choice to fund a specific program implies that another one or more are not funded. Investigating how many funds a program receives compared to others reveals how important and overriding that program is for a government. Moreover, inspecting how those funds are reallocated after a few months highlights the reasons behind the changing importance of budget programs that can arise either because of unstable social and economic conditions or

⁹⁸ This occurs according to the Italian rules of procedures, which entail the reading and approval by the V Committee of the Chamber of Deputies and V Committee of the Senate and also of both Chambers.

because of political reasons and sudden events potentially occurring during the budgetary process. A few factors could impact on the transformation of the original budget plan of the government.

At first, the higher fragmentation of the party system (assessed in the previous chapter as the number of parties in parliament) might increase the degree of change between the budget bill and the budget law. This expectation follows the tenets of the so-called law of $1/n$ (Weingast, Shepsle, and Johnsen 1981), which explains the relationship between a larger number of decision-makers and the size of the budget provoked by a common inclination towards universal logrolling. Political actors involved in the budgetary process tend to increase expenditure to those programs pledged to their own constituency while trying to distribute the corresponding costs. In a perfect bicameralism as the Italian one, this was the norm particularly during the *First Republic*. Broadly speaking, political parties in parliaments mostly seek policy pursuit and vote maximization (von Beyme 2000; Müller et al. 1999). Therefore, one should not look at the budget session solely as a moment to execute the government's agenda. In fact, a multitude of micro-sectional interests and stances merges into the yearly *manovra*. In this regard, having the favor of the parliament on the budget bill is necessary for the government to ease its approval without substantial modifications. On a veto players perspective, actors in parliaments have the power to block the executive's decisions, either maintaining the status quo or producing tiny incremental changes. I expect this to be even more true as far as the number of parties in parliament increase, because of the lower likelihood to agree on government's decisions.

The role of the European Union may be understood adopting a similar perspective. Evidently, this is just an additional actor with a strong veto power in the overall domestic decision-making process. While it is reasonable to imagine that it does not affect national politician's preferences on single budget items, the necessity to respect the Maastricht parameters surely plays a part on the decision made by policy-makers about how to allocate expenditure, and most of all on the overall magnitude of the total budget. Likely, the gradual strengthening of the European economic governance and a more meticulous *ex ante* monitor by the Commission has enhanced the constraint put on national choices. Therefore, I suspect that a stricter European constraint decreases the degree of change between the budget bill and the budget law.

As reviewed in Chapter 5, the pattern of reforms at supranational level has considerably affected that implemented domestically, which has amplified the role of the executive at steering the budget cycle. According to the improved design, and most of all on the basis of new widespread parliamentary practices, the government seems to be now the real key actor. Obviously, the number of veto points is relevant also on the side of the executive. This is particularly evident in multi-party coalition governments where a higher number of veto players hinders the executive's chances to

modify the status quo. While this is a crucial aspect to analyze when assessing the performance of different cabinet, in this specific case this might partially lose ground. Arguably, the budget bill is the outcome of a bargaining process previously occurred within the cabinet. Rather, the actual confrontation on the final document is between the executive and the legislative. Therefore, I suppose that the increasing centralization of the budgetary process limits parliament's possibilities to markedly alter the budget bill during the phase of discussion and approval.

In its entirety, the institutional design dictates the rules to which the budget cycle obeys to. A long-lasting debate in the literature addresses the impact of the electoral cycle on budget transformations. I neglected this aspect when studying yearly budget modifications because, as figured out by previous researches (Hobolt and Klemmensen 2008), multi-party coalitions in consensus democracies are quasi-unrelated with electoral results: a fact that disconnects them from the temptation and necessity to manipulate the economy for short-term electoral gains. In fact, the electoral cyclicity may matter more for the allocation of expenditure among budget functions. This could be due to the fact that some spending categories are more subject to electorally motivated spending, such as economic and social issues (Enkelmann and Leibrecht 2013). Literature on what happens in the immediate aftermath of elections provides conflicting results. Focusing on the US, Krehbiel (1998) explains that only newly elected governments are able to modify the allocation of expenditure across budget authorizations since they can rely on the so-called "honeymoon" period. Conversely, a comparison of seventy-one democracies showed that newly elected governments need a few years before being able to alter the budget composition (Brender and Drazen 2013). Likely, legislators have divergent incentives to amend the executive proposal according to the electoral cycle. Specifically, findings about the Swedish case suggest that parliamentary changes to the executive spending proposal are larger prior to election years (Wehner 2013). All in all, I expect that the degree of change between the bill and the law is higher prior to elections and lower in election years.

While the analysis of yearly percentage changes I performed in previous chapters allows to single out moments of punctuation, it blurs some peculiar institutional characteristics that potentially shape the final outcome. Therefore, before verifying these propositions I propose a new refined dependent variable more suitable to deal with the study of the decision-making process.

7.1.1 Which Type of Change?

Intuitively, annual changes are affected by economic and social conditions. A well-fitting example is represented by welfare spending which tends to growth as unemployment raises, with substantial trade-offs on the allocation of expenditure for other budget authorizations (Adolph, Breunig, and Koski 2020). Broadly speaking, costly policy issues and redistributive policies seem to be more

responsible to the economic and fiscal conditions of the state (Annesley et al. 2014; Annesley and Gains 2013). Therefore, it is partially inaccurate and deceptive to consider yearly changes as a function of a deliberate choice. Instead, comparing the budget bill with the budget law, beside shedding lights on the balance of power between the executive and the legislative, allows to unravel the intentional decisions on budget adjustments that result from the current legislation. Additionally, this is a unique way to push away potential errors due to a different interpretation of the coding scheme used for categorizing expenditure that pertains to the administrative departments.⁹⁹

This is the reason why I turn to measure the variance between the budget bill and the budget law, using a twofold perspective. A first one pertains to the capability of the parliament to change the total amount of programmatic spending decided by the government in the budget bill. The difference between the two documents is measured as a percentage change of the total public expenditure from the government original plan to the final document issued after the parliamentary session. This is the first dependent variable on which I evaluate the impact of the predictors. Incidentally, this aspect might hide a more interesting pattern of transformation that can potentially happen during the budget session. Plausibly, the impact of the legislative may not – or not only – affect the total spending. In a multi-level context where European institutions act as “watchman” of fiscal and economic parameters, disregarding annual spending ceilings is almost impossible. This prospect is either the outcome of a negotiation process between the Italian government and the Commission, or an autonomous *coup the main* of the executive that could lead to the infringement procedure. These circumstances, which took place in a very few years, usually happen in earlier stages of the budget cycle, stiffening to a certain extent the government’s decision at least on the overall spending.

Therefore, the transformativeness of the budget becomes the second fundamental aspect to consider. Envisioning the already-mentioned “legislative viscosity” (De Giorgi and Verzichelli 2008) resulting from a multitude of amendments by single MPs, it is reasonable to expect interesting divergences between the two documents. Ultimately, this long-lasting behavior is likely to affect more the reallocation of financial resources across budget functions. As also stressed by recent works (John and Bevan 2012), a crucial point often neglected by studies on policy change and punctuations is precisely the extent of the transformative nature of policy changes themselves, which would provide a more fine-grained assessment of the type of small and major adjustments. Thus, the second dependent variable is the degree of trasformativeness of the annual *manovra*, understood in terms of variation in the allocation of expenditure across budget functions. In order to pinpoint this specific

⁹⁹ As already mentioned in Chapter 4, a methodological artefact is for example in 2002 when there is a huge growth of the function ‘Education & Culture’. This was a consequence of a temporary transfer of funds from ‘University & Research’ which underwent in the same year a dramatic contraction.

aspect, I develop an index of change looking at the difference between the bill and the law in each spending authorization. More precisely, I calculate first the proportion of each budget function of the bill on the total expenditure of the bill itself, then the proportion of the same budget function of the law on the total expenditure of the law. After doing this, I compute the difference between these proportions for each spending item and calculate the percentage change score. This gives a sense of how much each of them moves away from the original document. Then, I sum the absolute values and divide them for the total number of spending functions. Technically, it is possible to express the index using the following formula:

$$\text{Index of transformativeness} = \frac{\sum | [p(x_{i(t)}) - p(x_{i(t-1)})] | * 100}{14}$$

where:

$p(x_{i(t)})$ is the proportion of expenditure for the budget function i at time t (budget law);

$p(x_{i(t-1)})$ is the proportion of expenditure for the budget function i at time $t - 1$ (budget bill).

By doing this, I purposefully disregard the total size of the budget to focus only on its composition. Moreover, using absolute values I obtain a measure that does really consider the degree of change of each annual *manovra* avoiding that negative modifications reset positive ones. The merit of such an index is that widespread changes across several categories are considered as having a non-transformative nature. The overall index varies between 0.011 (budget for 2019) and 0.608 (budget for 2003).

To test the hypotheses, I use some of the independent variables employed in the analyses carried out in the previous chapter. Specifically, I regress the two dependent variables against the effective number of parties in parliament (varying between 2.68 during the XVIII legislature and 7.88 during the XII legislature); the budgetary process centralization (varying between 12 in 1992 and 25 since 2016); the European external constraint (3 in 1992 and 10 since 2014); and two dichotomous variables: one taking on value 1 in case of election years and 0 otherwise; and another one taking on value 1 in case of years prior to elections and 0 otherwise. I also include two control variables, as done in the models in Chapter 6, namely the government ideological polarization and the litigiousness of the cabinet on the budget. Supposedly, these two could have a positive impact on both the dependent variables. Overall, the model is described by the formula:

$$\begin{aligned}
& \text{Percentage change bill – law (DV1) / Transformativeness of the manovra (DV2) =} \\
& \beta_0 \text{ constant} + \beta_1 \text{ fragmentation} + \beta_2 \text{ process centralization} + \beta_3 \text{ European constraint} \\
& \quad + \beta_4 \text{ election year} + \beta_5 \text{ year prior to election} + \beta_6 \text{ polarization} \\
& \quad + \beta_7 \text{ conflict} + \varepsilon
\end{aligned}$$

Whereas the effect of the covariates goes in the expected direction with both the dependent variables, except for the year prior to elections, which decreases both the percentage change and the degree of transformativeness, only two predictors have a statistically meaningful effect, uniquely on percentage change of the overall budget (see Appendix-A, Table A-7.1). Specifically, the European Union reinforced role sinks down the percentage change of the total size of the budget between the bill and the law. In contrast, the government ideological polarization raises the percentage change between the total expenditure foreseen in the bill and approved in the budget. Actually, the fact that these two variables have a significant impact does not really catch the dynamics behind the approval of the budget law, neither the real balance of power between actors involved in the process. To clarify, while the statistically significant effect of the European constraint is arguably the consequence of a strong veto power, the Commission does not always exert its power which instead burst out only in a very few occasions.

This is because the decision-making process is a sort of puzzle where several pieces are combined each time in a different way, which eventually shape the final outcome. The crucial point is that a similar outcome can result from a different arrangement of these tiles, therefore it would be necessary to investigate each case in-depth in order to understand the most relevant factors and dynamics that determine the final budget adopted each year. Intuitively, every single annual budget has its own story and is marked by peculiar characteristics due to a number of intervening factors as well as potentially changing conditions during the months of discussion before the approval. This is the reason why a meticulous inspection of the decision-making process that led to the issue of the budget law is fundamental to interpret the twist between *politics* and *policy* in the Italian case.

7.2 Interpreting the Characteristics of Changes

There are several factors on which one can build around the choice of those cases to select for a qualitative study, according to the phenomenon one is mostly interested in. To recall, the main aim of this chapter is to assess the balance of power among the main actors involved in the budgetary

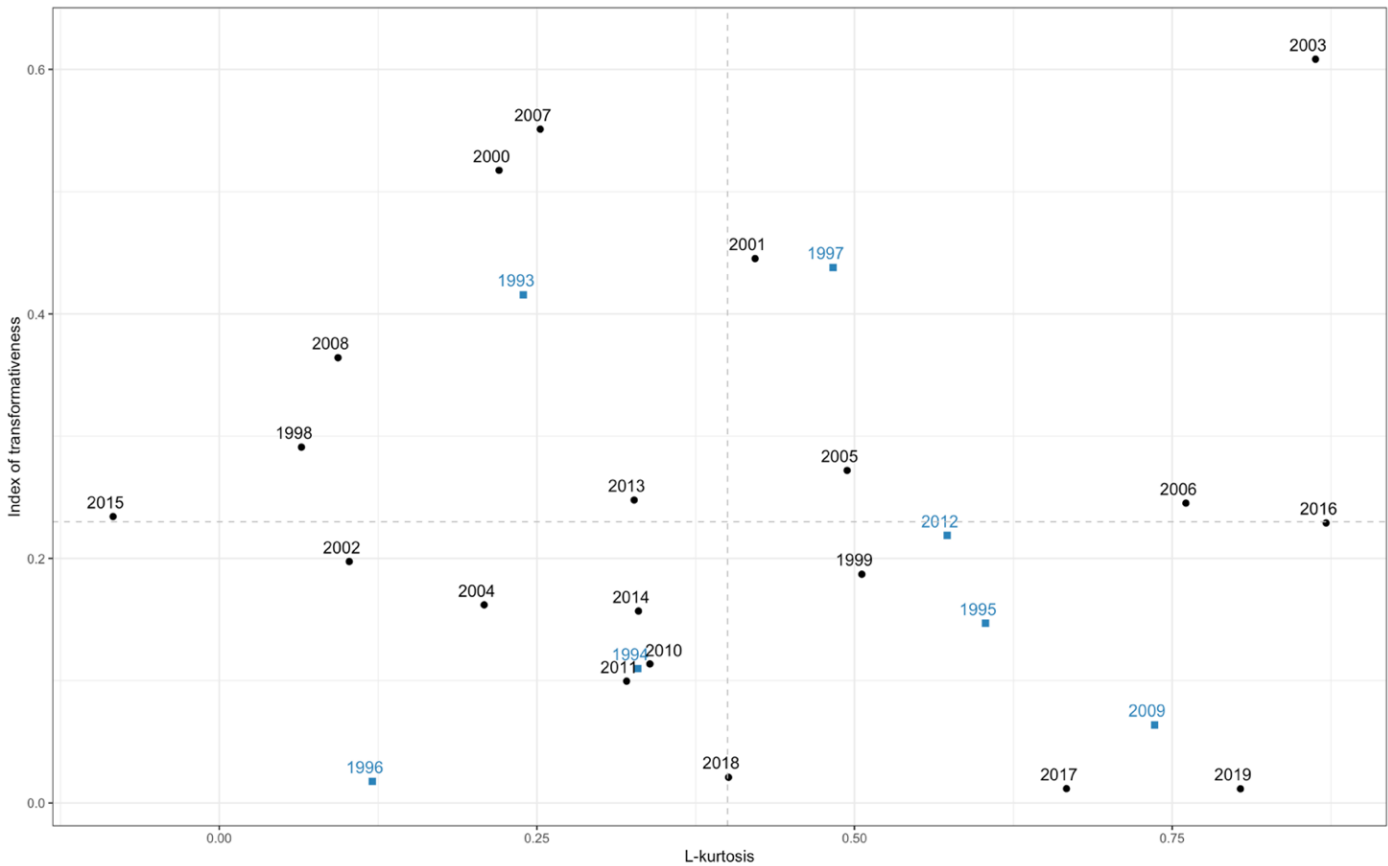
process in a strong parliamentary democracy, in order to understand who actually rules the budget policy and which purposes it exploits the budget for.

To shed lights on these issues, I select few policy decisions resting on the position of each annual *manovra* in a graph where the index of transformativeness is plotted against the L-kurtosis value (see Appendix-A, Table A-7.2, c, d).¹⁰⁰ To obtain a score for each annual *manovra*, I firstly calculate the percentage change between the bill and the law of every budget functions in the same year, then the L-kurtosis score is computed across the fourteen budget functions making up the annual budget. As abundantly described in previous chapters, L-kurtosis assesses the shape of a probability distribution and identifies whether it approaches a normal distribution or not.¹⁰¹ This measure gazes at the overall transformation between the two documents, giving a sense on the magnitude of modifications of the budget informing also about the fact that adjustments may potentially occur only in very few spending categories. Yet, information about the restrictive or expansionary impact of the parliamentary session are highlighted both in Figure 7.1 and Table A-7.2.

¹⁰⁰ The choice of these two dimensions has been driven by theoretical and methodological considerations, as well as by a cursory qualitative assessment of the arrangement assumed by observations according to the different measures used. Actually, a number of divergent measurements can assess the degree of change between the budget bill and the budget law. The index of transformativeness works on the same line of a case-study about the retrenchment policy in Italy that used the same budget data (Cavaliere, Russo, and Verzichelli 2018) and, although partially adjusted, provides coherent results. I could have chosen otherwise an index based on the entropy, which would show the degree of spending dispersion over budget domains, that is, whether funds are evenly distributed among all the spending programs or concentrated across a few of them. In this regard, agenda-setting studies rely on the Shannon's H Index, probably the most applied and suitable measurement to analyze the attention dispersion over policy issues (among others, Alexandrova, Carammia, and Timmermans 2012; Baumgartner, Jones, and Macleod 2000; Boydston, Bevan, and Thomas 2014; Jennings et al. 2011; John and Jennings 2010). One could therefore compute the percentage change between the entropy of the budget law and the entropy of the budget bill in the same year. The merit of such a measure would lie on the explicit direction taken on by the overall transformation of the *manovra*. More precisely, pointing out the higher or lower entropy between the two documents in each year would explain whether spending adjustments are evenly distributed across budget functions or concentrated in very few categories, respectively. Nevertheless, most of the cases barely deviates from 0 or display a very small entropy change (Appendix-A, Table A-7.2, e), whether positive or negative, and these deviations are hardly explanatory of some particular dynamic in place. Because of this reason, it seems not to be the most appropriate and functional measure. A second issue concerns the measurement for the x-axis. Although the choice of using the L-kurtosis may be questionable because of the small number of observations of the frequency distribution on which the value is calculated, this measure is reliable even with a small set of cases (Hosking 1990, 1998). In addition to that, other measure as for instance an index of the overall change of the budget computed as the sum of the absolute growth rate of each budget category divided by the number of categories (Appendix-A, Table A-7.2, b) provides a rather similar arrangement of observations. The simpler percentage change between the total spending of the law and the that of the bill I employ as dependent variables, although obviously changes the position of yearly *manovre* according to whether the parliamentary phase increased or decreased expenditure, maintains the diverges and the scattered distribution. However, this measure would hide interesting insights about how changes are distributed across categories (Appendix-A, Table A-7.2, a).

¹⁰¹ It is worth reminding that a higher score of L-kurtosis (on a 0-1 scale) reveals a leptokurtic distribution, that is, a distribution centered on tiny changes with several outliers. A gaussian has an L-kurtosis value of 0.12 whereas budget data usually have a score of 0.46 (Breunig and Jones 2011).

FIGURE 7.1 Characteristics of the yearly *manovre* (1993–2019)



Note: years in blue indicates budget retrenchment, meaning a negative percentage change between the total spending of the budget law and of the budget bill. Grey dashed lines are placed at average index of transformativeness and L-kurtosis.

At a first sight, it is instantly visible that there is neither a prevalent dynamic concerning how the budget bill is altered by the parliament nor a robust relation between the two variables (Pearson’s correlation is extremely low: $\rho = 0.09$). Annual policy decisions are scattered evenly across the four quarters. While the average L-kurtosis almost perfectly divides observations in half, the average index of transformation slightly heads downwards, with more observations falling into lower quarters. Yet, the high variability between them can help to answer the main cognitive questions of this chapter and to figure out the balance of power between the executive and the legislative during the budgetary process.

The literature has abundantly argued about the relevance and usefulness of small-*N* analysis compared especially to statistical methods (Brady and Collier 2010; King, Keohane, and Verba 1994; Lijphart 1971, 1975). However, selecting the most relevant cases to study is quite a challenging endeavor (Gerring 2006). First and foremost, the case-selection strategy is driven by the goals undertaken by the researcher, as s/he is concerned primarily with causal inference rather than with

descriptive or predictive inference (Seawright and Gerring 2008). Broadly speaking, when assessing the representativeness of a case and the variation on the dimensions of theoretical interest within a population, there is a wide set of case-study types that can be discerned on the basis of the cross-case characteristics, encompassing also the notorious most similar and most different cases (Lijphart 1971; Przeworski and Teune 1970; Skocpol and Somers 1980). Because the dimensions considered to gauge the characteristics of interest of each *manovra* yield high cross-case variance, I use the so-called “diverse case method” selection strategy (Seawright and Gerring 2008: 300).¹⁰² It intends to typify the full range of values assumed by the variable of interest, and thereupon to select a case from each category. Because causal mechanisms are likely to be many and varied, I need to find different cases that exemplify each type thereof, then to explore all possible independent variables that might affect the outcome in order to single out which one(s) really determine a specific result. In this respect, a first broad assessment concerns whether the parliament decided to cut the budget provisions of the government or rather it expands the expenditure drafted by the executive.

Discerning years of spending boost from those of contraction, I select eight policy decisions that show the higher variability on the dimensions plotted in Figure 7.1. Specifically, 2004 has a low L-kurtosis score and low index of transformativeness, meaning that the distribution of changes between the budget bill and the budget law does not present any extreme adjustment in the tails of the distribution. Precisely speaking, this case approaches a mesokurtic distribution. The index of change is also low (0.16), because the parliament did not alter substantially the allocation of expenditure across budget functions or it affected indiscriminately all budget categories. In this respect, it is possible to obtain an additional check of causal mechanisms in place studying also 2005. That *manovra* presents a high degree of continuity with the previous one, concerning especially the gradual and increased normative stretching occurred in those years during the approval phase of the budget. Yet, the outcome is exactly specular to 2004 (punctuated changes and quite high level of transformativeness), making the comparison extremely suitable to highlight the different causal path that shaped the final outcome. 2007, while displaying a low level of leptokurtosis, shows an extremely high degree of transformativeness, that points at a substantial shift of funds respect to the government’s initial intentions. Oppositely, 2017 exhibits an outstanding L-kurtosis with one of the lowest degrees of transformation. Here the legislative did not modify considerably budget appropriations, in spite of some relevant changes falling into the tails of the distribution. Once again, the investigation of this year could benefit from the comparison with other *manovre* placed in continuity with that. As consequence, I also include the analysis of the budget for 2015, issued by the

¹⁰² This approach resembles Mill’s method of difference (1872) which focuses on situations where the dependent variable diverges across cases, or Patton’s (2002) concept of maximum heterogeneity sampling.

same government, to assess the long-term perspective of the majority concerning the budget policy. The outcome of this *manovra* actually resembles that of 2007 (both are in the same quarter, indeed) which adds further insights about the impact of probably altered dynamics which nevertheless might lead to a similar result. At last, I include the budget for 2019, which looks like the 2017 one but was issued by a brand-new majority in a completely renewed context. Yet, despite the divergent outcome, the six *manovre* share the expansionary thrust, meaning that the parliament increased the overall size of the budget.

A totally different situation is when the legislative decides to cut the expenditure foreseen by the executive. This is actually a quite rare event, as displayed in Table A-7.2. Predictably, the legislative has an expansionary effect on the total amount of spending for most of the time, besides very few moments as those from 1993 to 1997, 2009, and 2012. During these years the parliament cut the budget drawn by the government to a different extent. It's not surprising that during periods of recession as 2008 – with the GDP growth sharply sinking, and fast-growing levels of deficit and debt (see Appendix-A, Table A-2.2) – or violent political turmoil as in 2011 which required a substantial fiscal correction, the parliament decided responsibly to diminish the expenditure. Similarly, all the governments that came in succession throughout the XI and XII legislatures and at the beginning of the XIII had to secure the inclusion of Italy in the first-wave of countries joining the EMU by making strict economic and fiscal efforts to limit the expansionary leap of national accounts. In these occasions, the degree of variance between government's intentions and the final budget law is determined by the capability of the government to be responsible to the economic situation and, if not, by the following necessity of the parliament to correct the document. Naturally, the logic behind the decision to shrink public spending is likely to vary and is largely dissimilar from that of increasing expenditure.

Among the seven retrenchment *manovre* of the past twenty-seven years, most of them reduced the total spending only slightly, with the exception of 1993. This is one of the boldest fiscal package corrections of the Italian history, executed by the technocratic Amato I government, already reviewed in Chapter 4 and extensively described by the literature (Barucci 1995; Pesole 1994, 1996). Among the others, I select two largely different cases, that is, 1997 and 2009. The first one shows an outstanding level of transformativeness with a more modest L-kurtosis score (but still above the average). The second, in contrast, has a low degree of transformativeness but a very high L-kurtosis value. Therefore, the analysis of these *manovre*, whose divergent outcome has already been uncovered (Cavaliere, Russo, and Verzichelli 2018), helps to improve the knowledge about the strategy adopted by policy makers when dealing with the decision or necessity to cut and also to

compare how the same factors affect the outcome in two contexts – expansionary and retrenchment – remarkably different.

7.2.1 Expansionary Budgets

As mentioned, because the logic behind spending appreciations and retrenchments is likely to be substantially different, I first focus on those policy decisions that denote an expansionary use – or at least not of spending strictness – of the budget, despite the domestic institutional frictions and the external constraint potentially in place.

The study of each annual *manovra* is carried out resting on the broad neo-institutionalist perspective and comparing case studies through an historical perspective which helps better to unravel the complexity of interacting factors (Scharpf 2000a). Specifically, I use the interaction-oriented policy research model to analyze actors and their interacting choices – understood as the causes of the type of policy response, while institutions are considered as remote causes molding actors' decisions (Scharpf 1997) – in a joint decision making (Scharpf 1988). The work is conducted using an in-depth analysis of the allocation of expenditure across spending authorizations and describing the most salient moments of the budgetary process, where I identify the main factors, the role of actors involved (summed up in Table A-7.3, Appendix-A), and their interactions that lead to adopt a certain strategy and eventually caused a specific outcome.

The analysis of each policy decision is accompanied with quantitative measures assessing the variation between the budget bill and the budget law in different points in time. Specifically, for each *manovra* I provide two bar plots. The first one focuses on the difference between the budget law of the previous year and the budget bill of the current year. To gaze at this type of variation allows to highlight the actual policy intents of the government in respect to the previous year's budget. That is, to see whether the government relied on the document issued one year before changing the allocation of expenditure only slightly or whether its policy plan substantially diverged.¹⁰³ For instance, in the quantitative analysis conducted in Chapter 6, I uncovered the role of the complete ideological change of the majority as trigger of major budget adjustments. Discussing the results, I supposed that when preferences of the executive are close to the status quo already in place it is unlikely to witness to substantial modifications. Now, looking at the variation between the law of the previous year and the bill of the year ongoing gives a sense of the position of the government in respect to the status quo

¹⁰³ It is useful to recall that the budget bill has been drawn for a long time following the mechanism of the incremental budgeting, according to which the budget was anchored to the previous year's one. Instead, the 2016 reform of the budgetary process effectively implemented the Zero-Based Budgeting with the purpose to overcome the mechanism previously in place and to guarantee to the government the possibility to allocate expenditure starting each time from zero, meaning without looking at previous appropriations.

(and its potential intentions to drift apart from it) and of the distance on policy preferences' between parties that succeeded in government. The second graph shows the difference between the budget bill drawn by the executive and the budget law issued by the government, to shed light on the effect of the parliamentary phase.

For both plots, the bars show the change in the relative importance of each budget authorization, accompanied with the percentage change of the same. More precisely, on the one hand I first calculate the proportion of each spending function in the bill and in the law on the total expenditure of the corresponding document, then I compute the difference between the two. In this way I get the changed relative importance of each budget category, as expressed by the following formula:

$$P_i = p(x_{i(t)}) - p(x_{i(t-1)})$$

where:

$p(x_{i(t)})$ is the proportion of expenditure for the budget function i at time t ;

$p(x_{i(t-1)})$ is the proportion of expenditure for the budget function i at time $t - 1$.

On the other hand, I compute the percentage change between the expenditure for each category in the bill and the expenditure for the same foreseen in the law, stated as follows:

$$C_i = \frac{(x_{i(t)}) - (x_{i(t-1)})}{(x_{i(t-1)})}$$

where:

$x_{i(t)}$ is the total amount of expenditure for the budget function i at time t ;

$x_{i(t-1)}$ is the total amount of expenditure for the budget function i at time $t - 1$.

2004 & 2005: Dismantling the parliament to avoid dismantling the government

The 2001 ballots stood out as a clear-cut victory of the center-right coalition,¹⁰⁴ from which the second Berlusconi government (the most long-lived of the Italian republican history) emerged with a solid support in both Houses of the parliament. The government designation, however, matched with the beginning of a period of international crisis due to the terrorist attacks to the US, which affected the financial markets and dramatically upset the general international economic environment. Domestically, the kick-off of the legislature marked the beginning of a renew phase of public accounts' deterioration, with the drop of the GDP growth and increasing levels of deficit.

The attempts to reinforce the core figures of the government are made clear by a few shoves that recall those of presidential systems,¹⁰⁵ and by the put into practice of the Bassanini reforms firstly (1997–1999) and later of the *decreto-taglia spese* (DL. 194/2002, see Chapter 5). In this regard, the Bassanini reforms arranged a vast rationalization and simplification of the bureaucracy and the whole public administration machinery, centering the authorizations of three different ministries (Treasury, Budget and Finance) into a single one, giving birth to the *superminister* of Economy and Finance. Summed with the presidential attitude of the government, the new MoE presented himself as a loyal key actor who should have been able to easily steer the budgetary process and to implement the spending preferences of the cabinet. Essentially, the XIV legislature (2001–2006) and particularly those years of Berlusconi II government saw the gradual deterioration of the parliament *vis-à-vis* the government in driving forward the budgetary process. Little-by-little starting with the *manovra* for 2002 and even more in 2003, the executive resorted to a normative stretching of parliamentary procedures that became routine soon after and depleted the parliament of its functions. The climax then was reached in 2004.

The *manovra* for 2004 marks the watershed that allowed thereafter the recourse to legislative decrees attached to the budget (*collegati di sessione*) and budget corrective legislative decrees (*correttivi dei saldi*). The custom to fasten an urgent decree to the budget bill was rather unusual until the first Noughties, with very few exceptions due to unforeseen events or the necessity to intervene immediately because of the peculiar situation.¹⁰⁶ Differently, the DL.

¹⁰⁴ FI, the main party of the alliance headed by Berlusconi, gained the 29.5 percent of preferences (percentage referring to the proportional vote system) against 16.6 percent of DS, 14 percent of Margherita and 12 percent of AN. As a whole, the center-right coalition got 49.7 percent of votes while the left-wing one stopped at 35 percent.

¹⁰⁵ Overall, the dominant role of the leader of the coalition and his direct appointment as Prime Minister after the electoral victory approach the power relation between the Prime Minister and the Ministers towards a presidential model, where the premier is free to choose them according to his sole preferences and to their commitment to ensure the government hold and the fulfilment of the governing policy program (Cotta 2002).

¹⁰⁶ This was the case, for instance, of the 1993 *manovra* (Amato I) to ward off the risk of default, or the budget for 1997 (Prodi I), with the introduction of the “tax for Europe” to ensure the grip of Italy to the EMU. In these

269/2003 introduced with the financial bill and for the first time formally presented as attached to it, resembled the financial bill in all the respects, mirroring its measures and almost completely assimilated it: it foresaw 13.6 billions of revenues out of the 16 drawn in the bill (Corte dei Conti 2003).¹⁰⁷ This procedure put the legislature under heavy strain affecting especially the duty to gauge the amendments' eligibility which, theoretically, is subject to the presence of a proper financial backing. It was precisely during the 2003 budget session that the oppositions loudly and repeatedly asked clarifications and more detailed information about the necessary financial resources to cover the expected costs (Gambale and Perotta 2004).

What happened has a twofold explanation. On the one hand, a multitude of coalitional conflicts heavily burdened the government for the whole length of the budgetary process. More precisely, two members of the governing coalition (UDC and AN) were firmly against the intent of Berlusconi and Tremonti (the MoE) to lock down the *manovra* against drifts possibly happening during the parliamentary discussion (9th September). The procedural aspects, however, were not at the core of infightings. Rather, the substantive policy measures were. Berlusconi put the pension reform on the foreground specifying that most of the financial package should have been made recurring to *una tantum* measures, among which the most important one was the conditional amnesty for works done without planning permission. Again, the Deputy Prime Minister Gianfranco Fini (AN) and the whole UDC disagreed with the plan. Regardless of this issue, the government went ahead with the *manovra*, announcing the intervention on pensions (29th September), then presented the financial bill fastened with a law-decree (30th September). In the following days, the disagreement sharpened and involved also the head of the Bank of Italy Antonio Fazio, who criticized the financial bill while AN repeatedly asked for a downscaling of the role of the MoE even through a split of the Ministry itself. On the other hand, the EU hindrance stood out intensely. At first, the European Commission threatened to start the infringement procedure against Italy because of another decree (so-called *decreto salva-calcio*) which violated a few European regulations (1st November). In addition to that, Italian Ministers (mainly Tremonti and Lunardi, the latter Minister of Infrastructure and Transports) firmly disagreed with the Commission's recommendation of a "quick start" of new infrastructural projects from which the Turin–Lyon high-speed railway and the strait of Messina bridge were excluded, contrasting with the cabinet's will (4th November).

very rare occasions, the contents of the decree had merely a tax-related effect with substantially homogenous contents (Camera 2010).

¹⁰⁷ In this respect, it is the most relevant precedent of the DL. 112/2008 (see Chapter 5).

In these respects, the normative stretching that happened during the 2003 budget session was an attempt of the government to protect its policy goals avoiding the risk of a negative vote in parliament, where the executive already struggled in a number of issues.¹⁰⁸ More precisely, the government aimed to foster the development and competitiveness of Southern Italy along with massive investments on the capacity-building of public administrations (DPEF 2004–2007: 60-61), as blatant from the rising importance of the ‘General Administration’ sector in the budget bill for 2004 compared to the budget law of the previous year (see Appendix-A, Figure A-7.1(a)). In addition to that, the majority stressed the need to realize life-long learning programs and to grant more opportunities for completing higher levels of education, with particular financial efforts for innovation and research (DPEF 2004–2007: 106). Nevertheless, the *manovra* fell down under a multitude of amendments admitted by the President of the V Committee who, following several precedents, opted for an indulgent interpretation about the admissibility of micro-sectional dispositions (Caputo 2006).¹⁰⁹

This last aspect is clearly highlighted by the transformations between the budget bill and the budget law (Figure A-7.1(b)) which touched all the spending sections, pander to the general tendency to modify *in extremis* the original budgetary and financial plans, that eventually give rise to the so-called *finanziaria in progress*.¹¹⁰ Trying to prevent a normative stretching similar to the previous years, when the majority used a maxi-amendment on one-third of the budget, in 2003 the President of the Chamber firmly stated that he wouldn’t have accepted a unique maxi-amendment incorporating all the different sections and tables of the financial bill (10th December).¹¹¹ The result was that the government, after the vote on one single article, submitted three maxi-amendments which, as a whole, replaced the entire content of the financial bill, adding also the confidence vote on each of them. This allowed the majority to partially safeguard the contents of the *manovra*: the percentage change between the bill and the law, despite the

¹⁰⁸ Specifically, the government had to face a tenacious opposition coming also from a few supporters of the government on the Iraqi war, the reforms for the federalism, the right to vote for migrants, and eventually it was beat on the vote about the justice reform (so-called *riforma Castelli*) (5th November).

¹⁰⁹ Although the art. 11 of the L. 468/1978 on the safeguard of the substantive law’s contents attached to the budget (so-called *tutela del contenuto proprio*) forbids the presence of amendments that: a) have not financial effects on the upcoming year; b) contain legislative mandate to the executive; c) do not produce an improvement of public accounts or even increase expenditure/reduce revenues; d) have micro-sectional nature; the President of the V Committee declared to comply with the practices of the 2001, 2002, and 2003 *manovre* for which a lot of sector-based and localized amendments have been accepted (Caputo 2006).

¹¹⁰ This expression was conceived for the first time by the MP Antonio Boccia in 2001 (Camera, Ass., res. sten. sed. 18/12/2001, p. 58 (Boccia)). Then, it was used again in 2006 by Fini (Camera, Ass., res. sten. sed. 14/11/2006, p. 58 (Fini)).

¹¹¹ To be precise, he affirmed that “each of them has its own specific purpose” and this “intolerant stretch would require the Presidency’s assumption of his own the responsibility” (Camera, Ass., res. sten. sed. 10/12/2002, p. 80, own translation).

across-the-board interventions across budget categories, is rather small (the percentage change between the total expenditure foreseen in the budget and the that of the budget is 2.23, see Table A-7.3). All things considered, the 2003 budget session paved the way to a more profound tear happened the following year when, for the first time, the government submitted a maxi-amendment to the parliament which entirely replaced the budget bill.

This is the reason why the budget law for 2005 deserves a special attention. It was the last one approved by Berlusconi II government, before a partial reshuffle in the cabinet composition after the electoral breakdown of the governing parties in the 2005 regional elections.¹¹² Already in April, the European Commission expected an excessive level of deficit for Italy, overcoming the 3 percent of GDP reference value and questioned the lack of transparency of the link between the Italian *fabbisogno* and the Maastricht-definition deficit which “endanger the long-term sustainability of public finances” (Commission 2004; Council of the EU 2004). Because of this, the Commission called for (7th April), then formalized (28th April), the activation of the early warning procedure. In a quite hectic domestic context characterized by incessant infightings within the majority, the MoE Giulio Tremonti resigned immediately after the approval of a corrective *manovra* (1st July), in controversy with the Deputy Prime Minister Gianfranco Fini who blamed him to rig national accounts. Under the incessant pressure of the UDC, which threatened to leave the majority, Berlusconi had to speed up the choice on a new MoE and Siniscalco went in office after a couple of weeks, and signed the DPEF right away.

In such a feverish context, with the electorate that voted for Berlusconi a few years before considerably dissatisfied with the conduct of the government and a general distrust for the economic policy carried out until that moment (Bellucci 2006: 496), the budget lacked a straightforward policy view and incisiveness to effectively carry on the mandate. Broadly speaking, the government, which signed also the previous budget law, had a general intention to slightly increase the total amount of spending (2.69 percentage change) and to move the allocation of funds across few spending categories with any substantial modification on a specific target. Graph A-7.2(a) (Appendix-A) displays these tiny shifts. Evidently, government’s priorities did not alter that much, as showed by the very small differences that are mostly across-the-board cuts. As matter of fact, the DPEF 2005–2008 selected three wide directives for the government’s intervention, that is: 1) a progressive reduction of the deficit; 2) a development program to foster the competitiveness; 3) a reduction of a debt. Beside these targets, that seem to be mostly the consequence of the early warning procedure opened by the European Commission, not one specific policy goal was clearly emphasized in the

¹¹² After the electoral defeat, UDC, NPSI, and AN withdrew their support to the government announcing that they would have granted external sustain to a new executive, in order to carry on the legislature until its natural end.

programmatic document where the cabinet simply listed a number of vague intents (DPEF 2005–2008: 28-31). Overall, the majority planned to marginally improve expenditure for ‘Education’, in order to carry out the last part of the Moratti reform of the school-system began in 2003, and to reduced expenditure on ‘General Administration’ and ‘Transport & Communication’ with the purpose to “gradually transfer legislative and administrative competences, as well as financial resources to the Regions” (DPEF 2005–2008, own translation).

Other than that, the budget bill displayed a situation of undeniable policy immobilism which kept happening also after the parliamentary session. The difference between the budget bill and the budget law approved by the parliament is marginal both on the total spending (+1.43 per cent) and among budget categories but in a very few of them (Figure A-7.2(b)). Most considerable changes affected the health sector – which grows of almost 54 percent – along with ‘Defense’, ‘Economic Affairs’ and, to a lower extent, ‘Transport & Communication’. Noticeably, the parliament modified the executive’s choices on these budget functions, overturning the positive sign of spending into negative or vice versa. Yet, it is crucial to point out that despite the high growth rate in some of these cases, the relevance of these policies on the total budget did not change remarkably: the highest transformation concerns the ‘Health’ sector, which raised of 1.34 percentage points.¹¹³ What happened during the parliamentary session that caused the complete overturn of spending decisions?

Honestly, the marginal impact of the legislative on a very few policies – which recalls the usual mechanism of scattershot distributive transformations performed by the parliament – is not even remotely the most relevant issue of the 2004 budget cycle. In that moment, the increasingly unsettling shoves on the side of the budgetary procedure started with the XIV legislature finally stabilizes what was going to be the new approach for the approval of the annual budget, that is, the use of a maxi-amendment completely substituting the budget protected by the confidence vote. The rip was provoked by a procedural incident occurred for the first time in the story of the Italian budget process. During the first reading of the *manovra* at the Chamber of Deputies (9th November),¹¹⁴ an amendment to the financial bill proposed by the opposition was approved (191 in favor and 184 against) with the effect to substantially reduce the accounts and, thereby, the broad structure of the *manovra*. A situation of relentless chaos followed with a multitude of amendments declared inadmissible and a breathless chase to a precedent that eventually made the Chamber opting for the referral to the Senate.

¹¹³ The growth rate of this budget authorization is due to compounding for the mobility of health workers, which however has been later shrunk by a decree of the MoE, who was in charge of the reallocation of expenditure for compensative purposes (see Senato, Ass. res. sten. sed. 29/12/2004). This was also possible thanks to the so-called *decreto taglia-spese* (DL. 194/2002) which granted the MoE the possibility to autonomously cut expenditure or change the allocation of financial resources.

¹¹⁴ Camera, Ass. res. sten. sed. 9/11/2004, p. 46.

In the meanwhile, the V Committee restored the original accounts (as they were before the approval of the amendment) purporting to “enforce the government’s will as drawn in the first version of the financial bill”.¹¹⁵

At this stage, the executive presented a maxi-amendment made up by 592 clauses covered by the confidence vote which, as abundantly reminded, replaced entirely the financial bill and, additionally, did not coincide with that approved by the Committee (Bergonzini 2014), simply justified by the “*worrisome risks of not being able to approve the budget before the end of the year, taking into account that another reading at the Chamber was still needed*”.¹¹⁶ To counterbalance this wound, the President of the Chamber announced the introduction of another innovation, that is, the requirement that the Committee scrutinizes the maxi-amendment to verify the necessary financial backing claiming for the respect of the art. 81 Cost. The words of a member of the opposition, Loredana De Petris, are explicative of the general mood of that year: “*Mr. President, the fact that you show as an innovation to safeguard the parliament [...] the request that the maxi-amendment covered by confidence vote is examined by the Committee to guarantee financial backing, unfortunately does not change the situation of annihilation of the parliament itself*”.¹¹⁷

2007: A long-term perspective killed by infightings and procedural disorders

The XV (2006–2008) legislature was rather troublesome since its very beginning. Despite the victory of the center-left coalition at the general elections, the alliance led by Prodi could count only on 24755 votes more (at the Chamber of Deputies) than its counterpart headed by Berlusconi who affirmed, immediately after the elections, that “there were no winners or losers from the elections” and recommended to form a caretaker government made up by a grand coalition in order to deal with the institutional, economic, and international commitments already scheduled. Once the Court of Cassation confirmed the victory of the Olive-Tree coalition (19th

¹¹⁵ Camera, Ass., res. sten. sed. 23/11/2004, p. 32 (own translation).

¹¹⁶ Because of the dangerous novelty appeared during the 2004 budget session, a new mechanism has been introduced during the second reading of the budget bill, as counterweight to the confidence vote on the maxi-amendment. Precisely speaking, this measure – the so-called *lodo Pera-Morando*, named after the two proponents Marcello Pera (President of the Senate) and Enrico Morando (group leader of the Democrats of the Left (DS) in the V Committee) – forbids the government to add a confidence vote on a text that the Committee has not previously scrutinized. After the XIV legislature, even though governments tried repeatedly to elude this norm by introducing in the bill approved by the Commission new substantive changes and put later the confidence vote on the modified text, these attempts always encountered the steady intervention of the President of the V Committee acting as watchdog and reporting the introduction of changes during the discussion at the House. Eventually, the government always withdrew the modifications and voted on the text approved by the Commission. This allows the *lodo* to survive for about fifteen years until the 2016 budget law, when the government placed the confidence vote on the text passed by the Council of Ministers because of the occurrence of the government crisis and the government’s resignation did not allow an orderly exam.

¹¹⁷ Senato, Ass., res. sten. sed. 15/12/2004, p. 2 (De Petris) (own translation).

April, after 10 days since the elections), Prodi formed a government (minimal winning coalition) with seven parties, encompassing the whole spectrum of left and center-left political parties of the Italian landscape, as it hasn't happened since the De Gasperi III government (February–May 1947). Being able to count on a very few seats of advantage particularly at the Senate,¹¹⁸ the very initial months of the legislature have been characterized by a wearing bargaining process among coalition partners to find a compromise on the most important offices of the state, specifically, the Presidents of the Chamber and of the Senate and the President of the Republic.

The whole budgetary process was not exempt by the litigiousness of the government, which in fact blasted more vigorously during the most crucial phases of the budget cycle. In July, when the government approved the DPEF for the following three-year period and then in August, when the *manovra-bis*¹¹⁹ passed at the Chamber of Deputies, the government suffered a few important abstentions and, in the latter case, was even defeated on the vote of a few articles, symptomatic of the ongoing tensions. Later, Massimo D'Alema (DS) complained about the reduction of funds to his ministry (Foreign Affairs) while protests from the universities whipped up as consequence of announced cuts (2nd and 9th November, respectively). In the meanwhile and for the entire process, Berlusconi hammered at the majority with tough critiques to the contents of the financial bill, shouting constantly against the “*worst manovra ever in the entire republican history of Italy [...] rose from the ideological leftist fundamentalism*” (19th November, own translation).

In this hectic environment, a few “procedural incidents” (Bergonzini 2014: 81) worsened the situation up to the impossibility to properly manage the budget plan exam. Admittedly, the XV legislature is not that different from the one just analyzed in terms of parliamentary procedures disrespectful of the norms. In this regard, it nourished the same practices begun with Berlusconi governments and paved the way for the sharpest *vulnus* to the parliament definitively put in place with the DL. 112/2008. Broadly speaking, all the misrules of the previous legislature came back heavier in 2006 and 2007, which represent the climax of procedural disorders exacerbated by the internal divide of the majority. How did the government come up to this point and which consequences did the process of 2006 have on spending decisions?

¹¹⁸ To give a sense of the situation: at the moment of the confidence vote, required for the government to take up office, the cabinet succeed with only ten votes of deviation (at the Senate).

¹¹⁹ The so-called *manovra-bis* was a law-decree (*decreto Bersani*, DL. 223/2003) necessary for the correction of public accounts. Besides this document, another rich fiscal decree (DL. 262/2006) combined the *manovra* for 2007. The following year, the 2008 *manovra* mirrored this practice and we witnessed to another law-decree (DL. 159/2007) attached to the financial bill and another one issued at the beginning of the year introducing fundamental measures for the whole government program (DL. 7/2007).

Before the summer, the MoE Padoa Schioppa admitted that the condition of national accounts was worse than that of 1992 (14th June), which justified the corrective *manovra(bis)* of a few days earlier and the intervention strategy planned in the DPEF (approved the 7th July). More precisely, the majority pursued three wide goals, that is, development, balanced budget, and equity (DPEF 2007–2011). Out of a total amount of thirty-five billions for the whole *manovra*, twenty were bestowed for the reduction of the level of deficit and fifteen to trigger economic and social development, adopting a long-term structural perspective that implied also a profound reorganization of the ministries. This general purpose to rebalancing public accounts was managed touching four fundamental sectors, namely, the pension system, the national healthcare system, the public administration, and the decentralized governance, mostly through privatizations and most of all liberalizations (DPEF 2007–2011). Specifically, liberalizations involved the energy sector (classified as ‘Economic Affairs’) and the pharmaceutical sector (‘Health’) whose financial resources have been partially drawn by ‘Local & Regional Government’ expenditure, in order to partly relieve the central level from this task. The fact that a few bars in Figure A-7.3 (Appendix-A) have enhanced their importance shall not be misread. In fact, bars elucidate on the relative relevance of each budget category on the total amount of spending. What matters more in this circumstance is the negative values of the growth rate of each spending category, representative of the general aim of spending containment. Comparing the total spending of the budget law for 2006 and that of the budget bill for 2007, the intention of the majority was precisely to diminish the expenditure of about 23 billions (-5.2 percent). Before looking in depth to the difference between the budget bill and the budget law, that is, on how and to what extent government’s policy intentions transformed, it is crucial to understand what happened during the discussion and approval phases.

On the whole, the final phases of the budget for 2007 have been marked by such a chaos that the V Committee wasn’t even able to conclude the exam of the document both during the first and the second reading. During the first one, the majority presented a budget bill with such a multitude of amendments and new measures to deserve the epithet of *finanziaria à la carte*.¹²⁰ The government eventually announced its intention to resort to the confidence vote (16th November) in order to ensure the approval of text, eventually composed by just eighteen articles (from the original 170) but with the last one made up by 810 clauses. During the second reading

¹²⁰ The secretary of the Presidency of the Chamber and member of the opposition Mauro del Bue maintained that that was “a sliced financial bill; after all, the outcome produced by a sliced majority [...] can be at best a sliced financial bill, result of thousands of conflicts, thousands of problems, thousands of demands; a never-ending financial bill because of never-ending conflicts, never-ending problems, never-ending demands” (Camera, Ass., res. sten. sed. 9/11/2006, p. 38 (Del Bue) (own translation).

at the Senate, after a plethora of amendments (4975), the government submitted a maxi-amendment – a unique article of 1364 clauses – covered once again by the confidence vote, following the precedents of the XIV legislature. In this case, however, there was the attempt, although quite mild, to get back on track by correcting the normative stretching permitted by Berlusconi government.¹²¹ This was, according to the statement of the President of the Chamber, an attempt to get the control of the budgetary figures back into the parliament's hands. Since it was not possible to alter the text of the maxi-amendment, at least a sort of parliamentary control was essential to guarantee the awareness of the budget law contents.

All of this was taking place while: the Council of election at the Chamber of Deputies started an in-depth exam of some electoral ballots (14th December); the Court of Auditors questioned the legitimacy of a few norms introduced with the maxi-amendment;¹²² the President of the Republic rebuked the majority about the procedure used to approve the budget, affirming that the confidence vote on a single article encompassing an elephantine number of measures had reached “*the peak of a legislative practice that slip away from the possible comprehension of the public opinion*” (20th December, own translation). Within this framework, the budgetary process took for granted the legitimacy of a maxi-amendment with confidence vote (according to a recent praxis), although trying to counterweight it by requiring additional limits. A first one is on the content (boundaries of the subjects already discussed in the referring Committee, so-called *confini delle materie trattate in sede referente*) and a second one concerns the duty for the Committee to analyze the maxi-amendment and the financial backing (introduced in 2005). Taking a step back, how did the incidents occurred during the 2007 budget session shape the final budget law compared to the spending goals of the majority?

Looking at Figure A-7.3(b), it is immediately clear that the budget law issued by the parliament considerably diverges from the budget bill submitted a few months before. Changes affected all the budget functions and for each of them the expected spending was raised. Once again, the foremost aspect to underline is the growth rate of budget categories, more than their relative importance on the total budget. It is surely pertinent to notice that some of them became more relevant and others consequently lost ground,¹²³ as described during the parliamentary discussion at the

¹²¹ Basically, the President of the Senate claimed that he gauged the unique maxi-amendment admissible only because it was based meticulously on the limits set by the previous draft scrutinized by the assembly and the acceptable amendments have already been submitted by the majority and the Committee (Camera, Ass., res. sten. sed. 17/11/2006, p. 12).

¹²² Because the government couldn't modify the text of the maxi-amendment at that stage of the budgetary process, it ensured that it would have abrogated later the norm with a specific decree.

¹²³ Within the first group: 'Transport & Communication' and 'Health'. Within the second group: 'Local & Regional Government', 'Social Protection', and 'Education & Culture'. In detail, Michele Ventura, the keynote speaker of the majority for the budget bill, claimed that the expected reduction of financial resources was over-the-top on a lot of

Chamber (7th November). Notwithstanding, the crucial aspect relies in the massive correction of the budget bill, which moved from being a retrenchment *manovra* where the government aimed to cut each budget authorization, to being an expansionary *manovra* where all the spending items have been indiscriminately increased after the parliamentary session (a unique and sole case in the story of the Italian budget policy during the period under analysis), with a growth rate of the overall expenditure of 9.99 percent. As highlighted, the boost of the budget in this case was merely the consequence of governing coalition's infightings, which caused the bloat of expenditure because of the multitude amendments to the documents, most of which added exactly by coalition partners.

After all, despite the huge correction to spending choices, the government managed to keep its promise and to shrink the deficit already in 2007 to 1.5 percent of the GDP, decreasing also the debt-to-GDP level from 102.6 to 99.8 (see Table A-2.2, Appendix-A). In fact, contrastingly with the evident effort to implement a substantive spending review – one of the very few long-term attempts of the past thirty years¹²⁴ – the majority itself had to surrender to internal conflicts despite its initial intents. The comparison between the statement of the government keynote speaker at the Chamber of Deputies (7th November) and the words of the Prime Minister Prodi a few days later (9th November) is emblematic of the situation. The former maintained that “*a budget policy in two parts, rigor first and growth later, would not have been suitable. Therefore, the manovra not only pursues more rigor but also releases additional funds, and changes their allocation towards higher growth*” (own translation). The latter, instead, condemned this conduct by claiming that “*the country goes insane, and it is not able anymore to look at the future*” (own translation), which perfectly describes the difficulties to carry on a long-term budget policy.

2015 & 2017: A context of 'flexibility' for (unattainable) structural reforms

The 2015 *manovra* is the second of the XVII legislature (2013–2018) and the first one of the Renzi cabinet, since his takeover after only one year of Letta government. The budget laws issued in the five-year period from 2013 to 2017 (*manovre* for 2014–2018) are placed within a renewed context, both at political and economic level.

On the one hand, the 2013 general elections marked a watershed in the Italian political landscape where a new actor (M5S) was able to crumbled the bipolar party system stabilized

sectors, as infrastructures, innovation, research, culture, environment, tourism, and so on, therefore they decided to rearrange them and to make more financial efforts on the human capital development and resources for the research and businesses (Camera, Ass. res. sten. sed. 7/11/2006, p. 136).

¹²⁴ Interview with Chiara Bergonzini (6/12/2019).

since the Nineties, exploiting the protest against the establishment overflow during the economic crisis and its aftermath when Italian political parties reached the lowest peak of popularity (Tronconi 2018). The M5S came out from the ballots as the most-voted party (excluding Italians resident abroad), which managed to enter in parliament 163 representatives. Giving birth to a rather balanced tripolar party system, the kick-off of the XVII legislature confirmed the general perception that a new chapter and a deep transformation of the Italian political landscape was already underway: the establishment of the *Third Republic* (Chiaramonte and De Sio 2019; D'Alimonte 2013).

In this framework, with a draining endeavor to form a government,¹²⁵ the parties in parliament asked the incumbent President of the Republic Giorgio Napolitano for a unprecedented second presidential term, being unable to reach a compromise on his successor. On his side, after accepting this responsibility, Napolitano firmly insisted on the necessity to form a “grand coalition” which eventually took office at the end of April, after more than two months since the elections (Newell 2014). Enrico Letta was appointed prime minister of a surplus coalition made up by 5 parties, the same grand coalition that supported Monti government. While the government would have benefited from the rather advantageous situation – in 2013 the EDP against Italy was closed after the strict fiscal discipline executed by the previous government – it struggled repeatedly to manage intra-coalition conflicts, whose burden impeded any attempt to implement structural reforms.

In February 2014, the Renzi takeover was driven forward by his indisputable victory (67.6 percent of preferences) at the primary election for the PD leadership (8th December 2013). The unavoidable dispute that followed between him and Enrico Letta forced the latter to resign the premiership. During the first months of his government, Renzi – perceived as “the new” by a large part of Italian (Segatti, Poletti, and Vezzoni 2015) – made the PD rising up to the its highest consensus ever (40.8 percent) gained at the European elections (25th May). On the other hand, 2014 was the first year registering a positive sign of the GDP growth after the recession started in 2008. In this regard, even the President of the Republic hoped for the end of the austerity period (4th February) and the government, in a letter to the European Union, called for a waiver of one year of the balanced budget (16th April).

¹²⁵ The center-left coalition headed by Bersani got the highest number of preferences at the lower House (29.2 percent): a tiny difference compared to the right-wing alliance, which had the favor of 29.2 percent of the electorate. Nevertheless, the electoral system granted the winning coalition a “premium” of seats that ensured the majority (D'Alimonte 2013: 115). Oppositely, the House of Freedoms led by Berlusconi won 49.9 percent of preferences at the Senate overdoing the Union of 0.7 points, thereby gaining a relative majority of seats (152 *versus* 147).

Within that rather favorable context, the executive framed the budget for 2015 into a broader set of structural reforms that aimed to deeply renew a few features of the Italian institutional system and to trigger an effective process of spending review. As it is known, the government was concurrently working on different reforms touching the Italian institutional design as the electoral reform, the reform of the Senate, the abolishment of Provinces. Figure A-7.4(a) plainly highlights the consistency with the previous year's budget plan but for a very few spending functions. The endeavors that the government aimed to take in the just mentioned sectors is rather clear both looking at the relative importance of each budget authorization and to the percentage change of expenditure, with a huge effort especially on the reform of the V Title of the Constitution (about the competencies accorded to the different level of government).

These intentions did not undergo substantial changes even after the pessimistic expectations brought about by the European Commission after the analysis of Italy's Draft Budgetary Plan, as required by the new normative introduced with the Two-Pack. Specifically, the Commission recognized a "significant deviation from the required adjustment path towards its medium-term budgetary objective" (Padonan 2014; Relazione NaDEF 2014) and a non-compliance with the SGP (letter sent on the 22nd October by the vice-president and European commissioner Katainen). After a few days, the Italian MoE Pier Carlo Padoan replied assuring more efforts for the reduction of deficit and cutback of tax evasion, to ensure "the structural adjustment to over 0.3 percentage points of GDP in 2015, improving the path towards the MTO" (27th October). Primarily, the corrections drawn in the NaDEF (30th September) and approved by the Council of Ministers (28th October) affected the macro-economic accounts about the level of deficit and indebtedness. As matter of fact, Padoan stressed the long-term perspective of the Italian strategy.¹²⁶

The allocation of expenditure across budget functions drawn in the budget bill emerged from the parliamentary phase barely altered (in terms of relative importance of the policies on the total budget), despite an overall increase of the total expenditure of 3.44 percent. What is worth noticing is that, as happened in 2006, the parliamentary session almost completely overturned the government's will to implement cutbacks in several spending categories, by adding further resources to each authorization through an across-the-board logic but for 'Social Protection'. The amplified commitment in this sector, whose relevance has been enhanced by making the "80 euro bonus" a structural provision, adding further social safety nets, and creating new social assets is ultimately a government's intent rather than the consequence of a redistributive

¹²⁶ Through the resorting to the "flexibility granted by the European (Article 5 of Regulation 1466/97) and national legislation (Article 3, Paragraph 4 of Law No. 243/2012) in order to implement an ambitious package of structural reforms aimed at enhancing potential growth" (Italian Ministry of Finance 2014, own translation).

tendency of the parliament. This emerges from the analysis of the budgetary process throughout the three readings at the Chamber and at the Senate.

Complying with the practices emerged and immortalized since a few years, the budget bill collapsed under a cascade of amendments which, once at the Senate,¹²⁷ did not grant the V Committee enough time to analyze all of them. On a closer inspection, it was mostly the majority's fault. The government, represented by its keynote speaker, submitted ninety amendments while parties belonging to the governing coalition (in particular PD and NCD) presented more than a thousand amendments and sub-amendments¹²⁸ refusing also to withdraw some of them (as repeatedly suggested by the President of the Committee during the discussion) and transforming it to an *omnibus* law.¹²⁹ Because of this, the government resorted to a maxi-amendment protected by the confidence vote, which entirely substituted the previous document, from which about twenty amendments have been scrapped, rousing protests from the opposition.¹³⁰ All in all, once again in a situation of anomalies, normative stretching, and resounding disorders, the government was able to really safeguard only one specific policy goal postponing other structural interventions to following measures. Despite the will to pursue an expansionary *manovra* without ceding in front of the European requirements,¹³¹ the unique circumstances that forced the majority to partially change the accounts was the confrontation with the European Commission. In fact, this concerned merely the level of deficit and debt without altering the allocation of financial resources.

What the *manovra* for 2015 has to do with the one for 2017? First and foremost, both of them have been issued by the Renzi government which, throughout its mandate, was able to remarkably increase voters' support for the PD and their confidence on its conduct and policies but for the institutional reform (probably the most important one) on which the government ultimately crashed against a popular referendum. The majority's long-term perspective on the budget policy advertised in the DEF 2016 is actually rather visible from the magnitude of

¹²⁷ Senato, V Committee, res. som. sed. 18/12/2014.

¹²⁸ Senato, Ass. res. sten. sed. 19/12/2014.

¹²⁹ The President of the V Committee Azzolini have been blamed by some members of the opposition to have allowed the introduction of micro-sectional dispositions (Federico D'Incà) leavening the stability bill and making the discussion impossible (Rocco Palese, FI-PDL) (Camera, Ass. res. sten. sed. 21/12/2014, p. 31).

¹³⁰ Calderoli (LN) shout during the discussion at the Senate against the delay in the presentation of the maxi-amendment, accusing Renzi "have personally decided which measures of the maxi-amendment were admissible and which not, discarding some that were previously approved by the Committee" (19th December) (Senato, Ass. res. sten. sed. 19/12/2014, own translation).

¹³¹ Gianpaolo Galli (PD) during the discussion at the V Committee reminded that the entire political spectrum agreed with the government on the necessity to do not retreat on the expansionary nature of the *manovra* and to do not surrender to any potential *diktat* coming from the European Commission (21st December) (Camera, Ass. res. sten. sed. 21/12/2014).

adjustments foreseen by each *manovra*, which gradually decreased. More precisely, while the first budget bill proposed by Renzi in 2014 changed the total amount of spending of about 2 percent compared to the previous budget law, the budget bill for 2017 expected a tiny transformation respect the previous year's one, namely a growth of 0.07 percent. Even the allocation of expenditure has not been considerably transformed, with the most substantial changes affecting 'General Administration', 'Social Protection' and 'Health'. Yet, despite the different growth rate of each of this budget authorization, their relative importance on the total budget (-0.60, -0.62, 0.59 points percentage, respectively) does not allow to endorse the idea of a considerable shift of policy priorities (see Appendix-A, Figure A-7.5(a)).

The main purpose of the cabinet for that year was indeed an ongoing stabilization of public accounts which had to keep into consideration a strict respect of the European parameters and Italy's previous commitments with supranational institutions. Yet, Renzi called for another waiver in the achievement of the balanced budget and for a renewed flexible application of the SGP rules, with the purpose to carry on with its expansionary plan (Commission 2015a; Commission 2015b; Italian Ministry of Finance 2015). After assessing the risk of non-compliance of the DBP with the SGP, the European Commission eventually granted additional flexibility margins and agreed to postpone the balanced budget in structural terms to 2018 (Baldell et al. 2019). Besides this, the institutional reform that aimed to overcome the symmetrical bicameralism was considered essential to ensure a more stable and effective budget policy and, broadly speaking, the political governance (DEF 2016). In this respect, the whole budgetary process was framed within the campaign preceding the popular vote on a package of Constitutional reforms that Renzi immediately transformed into a popular assessment on himself and his conduct. This crucial aspect hides the explanation of Figure A-7.5(b), where the allocation of expenditure in completely unaltered and rolls out another turning point in the management of the budgetary process in Italy.

While the government already got the favor of the President of the Republic and the parliament on a law-decree attached to the budget (22nd October and 16th November, respectively) – with the usual trick to protect it by asking the confidence vote – what happened after the heavy defeat linked to the referendum shattered the 2016 budgetary process. In detail: as soon as voters rejected the constitutional reform (4th December), Renzi went to the President of the Republic to present his resignation. This was not the first case of an outgoing Prime Minister who decided to step down during the approval phase of the budget. Usually, when this occurred, the President of the Republic asked the premier to complete the budgetary process until the approval of the document before accepting his resignation. In this regard, 2016 was no

exception. In fact, what represented an absolute novelty was Renzi's decision to impede *de facto* the continuation of the exam of the budget bill. Basically, he forcefully sped up the process and coerced the Senate to vote a document it had never discussed before (and the Committee had not finished to analyze) (7th December), impeding the parliamentary debate. Oddly enough, he also decided to resort to the confidence vote – a “shield” in the government's hands which is used to foster the fulfilment of government's political intentions presuming the stability of the government itself (Olivetti 1996) – which however loses any *raison d'être* if the government's life is about to end (Ciaurro 2016). This explains the unaltered allocation of spending which simply represents the umpteenth sprain of parliamentary prerogatives and proved once again the extremely limited power of the parliament over public finance (Di Cosimo 2019). This case is also the most piercing precedent of an even more disastrous budgetary process occurred in 2018 (Bergonzini 2019: 163).

2019: A fight to death with the 'external enemy' toward a standstill

2018 marks a clear novelty in the Italian republican history and in Western democracies' one. This is the first – and sole – budget law issued by a newly elected government entirely composed by populist parties (D'Alimonte 2019): the M5S and the League (former LN) which could count on 50.3 per cent of votes and 56 percent of seats in the lower Chamber. While both parties of the majority came out from the 2018 general elections with a strong support (32.68 for M5S and 17.35 per cent for League), that went to detriment of mainstream parties,¹³² the elections led to a hung parliament (Froio and Castelli Gattinara 2019) and required a lengthy post-electoral bargaining process to form, later, a minimal coalition government.

To have a whole picture: the M5S entered in parliament in 2013 and after a legislature as opposition party, it increased its consensus of 7 percent at the 2018 ballots, gaining the 32.68 percent of votes. Its success is mostly due to the capability to present itself as “outside” from the usual left-right political divide (Ceccarini and Bordignon 2016) and to surf on its non-involvement into institutional party dynamics, as archetypical example of a challenger party (Hobolt and Tilley 2016). The League is currently the eldest party in the Italian party system, despite the major changes experienced during the recent decades. Formerly LN, it progressively transitioned from ethno-regionalism to state-wide nationalism (Albertazzi, Giovannini, and Seddone 2018), and finally became a populist radical right party (Tarchi 2018). Its survival to the alternation of three national leaders (Umberto Bossi, Roberto Maroni and, since 2013, Matteo Salvini) and to major ideological

¹³² Analyses of electoral flows confirm that the success of the Lega was largely to detriment of FI, while the M5S success damaged mostly the PD (De Sio and Paparo 2018).

and organizational changes, allowed it to become the leading party of the right (17.35 percent of preferences) and the most popular and successful radical-right party in Western Europe (Passarelli and Tuorto 2018). With the purpose to smooth over policy divergences, the two parties eventually signed a formal agreement: the Contract for a government of change (so-called *Contratto per il governo del cambiamento*). Aiming to appease intra-coalition conflicts potentially upcoming, the contract brought together two parties with substantially different political stories and policy views. Nevertheless, both parties made a number of electoral statements to please a vast part of voters that, put together, were not manageable to comply with economic and fiscal requirements which Italy previously committed itself to.

After a very few months since taking office, the cabinet had to face its first significant test trying to show its strength and responsiveness to their respective electorates. Chasing the implementation of their favorite policies, the cabinet decided to disregard Italy's commitments about the MTOs, modifying the original accounts foreseen in the DEF and setting deficit levels to 2.4 (2019), 2.1 (2020), and 1.8 (2021) percent of the GDP (27th September). By doing so, the government openly clashed against EU institutions, depicted from the very beginning as the real enemy of Italy's sovereignty, whose negative aura was further supported after the severe critiques by European commissioners to the Italian budget plan (Dombrovskis and Moscovici on 5th October and Juncker on the 6th) and the threat to open the infringement procedure for excessive debt because of "a deviation of the budget from the stability plan to such an extent never seen before" (18th October). The hectic and fierce confrontation between the "Yellow-Green" government and the EU folded out with: a letter with 19 points where the Commission asked the government to modify the budget (23rd October); a renewed request to revise the expected accounts (Commission 2018a) (29th October); a steadfast persistency on the Italian side, which considered the level of deficit "an insurmountable limit" (Italian Ministry of Finance 2018) (13th November); the alarming growth of the spread which reached 336 points (the highest level since 2013); the rejection of the budget by the Commission and the opening of the procedure "for excessive deficit related to the violation of the debt parameter" (Commission 2018b) (21st November). Additionally, also the UPB attacked the government's programmatic stances because of the missed respect of previous budget objectives, meanwhile the President of the Republic rebuked the cabinet asking for a fertile dialogue with supranational institutions. All these circumstances healed the government's attitude, bringing about a substantial correction of financial provisions that eventually made the withdrawal of the infringement procedure possible. More precisely, the government agreed to cut the expected spending for the following three-years period of about 10.25 (2019), 12 (2020), and 16 (2021) billions, setting the deficit at 2.04 per

cent and thereby decreasing the level of debt, at the same time resorting to safety clauses to cover the costs of the “income of citizenship” and the pensions reform, implemented later.

At domestic level, the parliamentary session was even more troublesome and characterized by a repeated use of the confidence vote and several modifications of the budget contents, that raised a few doubts on the legitimacy of the overall budgetary procedure.¹³³ Precisely speaking: the government resorted to a first maxi-amendment to introduce the new responsibilities agreed at supranational level, presenting it to the Senate V Committee during a night session (19th December); once the document was sent to the Chamber, the government kept on working on the budget bill in the Commission making other changes on the text already presented to the Senate thus impeding the beginning of the discussion, and eventually resorting to a second maxi-amendment protected by the confidence vote (22nd December); when back to the Chamber of Deputies, with the risk of the provisional budget approaching, during another night session the V Committee conceded to pass the text to the House without discussing nor voting 350 amendments (as already happened in the Senate), where the majority keynote speaker renounced to the possibility to describe the text in order to speed up the process, while the executive asked again for a confidence vote on a third maxi-amendment (28th December).¹³⁴ On a normative aspect, not only the parliament did not have the time for discussing the budget, but also the government used the confidence vote each time on a document that none of the parliamentary bodies had previously examined and which differed substantially from those analyzed and voted earlier (Bergonzini 2019).

How did this translate in terms of policy decisions? The percentage change of spending across budget functions suggest that the government was sufficiently able to protect its policy choices. Overall, the legislative increases the total budget expenditure of only 0.04 percent with a degree of transformativeness of 0.01. In fact, the feverishly budgetary process saw the government coercing the parliament to approve the final maxi-amendment entirely replacing the original budget protected by the confidence vote, without even discussing it. The tiny total growth and rather small shifts are

¹³³ The *manovra* for 2019 saw to the suppression of the usual parliamentary procedure regulated by the art. 72 of the Constitution (Cavino 2019; Curreri 2019). As matter of fact, the government has not only set an extremely scant timing for the parliamentary exam of the bill in the first place, but it has eventually skipped the exam itself for the sake of time, setting a precedent where the parliament has been forced to obey to the choices of the government. Moreover, the vote on a different text respect to the one issued by the Committee violated the *Iodo Pera-Morando* (Gambale and Perotta 2005; Bergonzini 2014: 82-86). This innovation on parliamentary procedures, came to light during the 2001–2006 legislature, formally survived for fifteen years even though governments have tried repeatedly over years to elude it. Instead, in 2016 the government placed the confidence vote on a text voted by the Council of Ministers because of the occurrence of the government crisis and, immediately after, the government’s resignation did not allow an orderly exam.

¹³⁴ In the extreme disorder of those moments, FI and other minor parties left the works at the V Committee before the vote and PD asked the President of the Committee’s resignation. Moreover, the Chamber rejected the request of the PD to allow another exam of the text by the Committee, in order to have a proper discussion on the contents of the bill.

therefore attributable to a change made by the government itself (rather than by the parliament) while the budget bill was underway. Even the confrontation with European institutions did not alter the spending allocation, but it concerned only macroeconomic accounts. Specifically, ‘Civil Defense’ rose because of the refinancing of programs helping those regions that experienced devastating earthquakes in 2016 and 2017, that rolled over funds already allocated to face hydrogeological instability and recent occurrences as extreme floods and the collapse of the Morandi bridge in Genova (Italian Ministry of Finance 2018; NaDEF 2018). However, the importance of this budget function did not raise substantially respect to other budget domains. As contrast, ‘Social Protection’ increased its relevance out of the total budget, including the foreseen expenditure for the pension reform and for the basic income which however preserved only the framework legislation, transferring further details to a specific decree (Codogno and Merler 2019).

The steps that marked the budget for 2019 tell a story of “first-timer” and “first-times”. The first time of a budget law issued by a government whose parties, which made their fortune (among other issues) on their Eurosceptic argument and anti-élites rhetoric, decided to completely drift from European parameters without even trying to bargain with the Commission (as previously done by other cabinets). The first time of an inflexible interpretation of rules by the Commission itself (Rivosecchi 2019). The first time of a missing validation by the UPB of the budget bill drawn by the executive. The first time of a normative stretching to such an extent that caused the complete alienation of the legislative, even in a strong parliamentary democracy as Italy is. In this respect, the Yellow-Green government was actually able to protect the policy preferences stated in the budget law, impeding *de facto* the analysis of the document.

In this regard, 2019 resembles in all aspect the 2016 *manovra*: this is confirmed by the Figures A-7.5(b) and A-7.6(b) which both exhibit the stillness of the budget bill. Now it is clear why it did happen. Whether this means to implement the electoral stances of both parties, that’s another matter. Budget allocations compared to the previous budget law (Appendix-A, Figure A-7.6(a)) reveal a modest spending increase (2.5 percent of the total amount) and a low degree of transformativeness (0.33), conveying still ongoing path-dependent adjustments in spite of the two parties’ attempt to show themselves as alternative to the “establishment” (Albertazzi and McDonnell 2015). Ultimately, the most emphasized spending function compared to the previous budget (in terms of growth rate) was ‘Civil Defense’ but that followed the necessity to face unexpected events, as already mentioned. Favorite issues of both parties on which they campaigned, as public order and the pension reform (League), and the basic income (M5S) (Vaccari 2019) – the latter two clearly visible from the heightened importance of ‘Social Protection’ – have been actually demanded to ordinary laws that the government issued the following year, as happened for the basic income. Assessing the balance

of power, the whole budgetary process settles on that “*the majority, through its keynote speaker and the Presidents of the Chambers, can comply with any sudden decision of the government about the timing and contents of the parliamentary discussion, potentially avoiding the discussion itself if considered incompatible with the temporary necessity of the government*” (Bergonzini 2019: 163, own translation).

7.2.2 Retrenchment Budgets

As already mentioned, retrenchment and expansionary budget policy are likely to behave differently and to respond to divergent logics, because of the different strategies and mindset used by political actors. As mentioned in Chapter 2, for a long time public expenditure appeared almost uncontrollable by politicians (Derthick 1975; Gist 1977; Schick 1985; 1988; Rubin 1985; 1990) with many policies taking advantage of the expansionary thrust they had during period of economic prosperity, stiffening the possibilities to carry out contractionary policy (Tarschys 1981). Nevertheless, the “permanent austerity” context (Pierson 1998, 2002) and the louder demand for fiscal responsibility particularly after the outburst of the 2008 economic crisis have not changed dramatically governments’ attitudes. Yet, governments have not automatically stopped the expansion of national public accounts and engaged in a long-lasting process of retrenchment and national accounts rebalancing.

This is because cutting expenditure is not a goal in itself for political actors, rather it is usually an instrument to battle budget deficits, to make tax cuts possible and/or to change public priorities (Esping-Andersen 1990). Intuitively, whether there is a sudden or intentional need by politicians, a few factors can counteract the attempt to reduce public expenditure. First of all, cutting existing programs is always more difficult than creating new ones because of the counter-mobilization of the affected interests. Additionally, policy makers themselves pay specific attention to the potential electoral disadvantage of curbing expenditure that may provoke “a clash between their policy preferences and electoral ambitions” (Pierson 1996: 146). However, this might not be always the case, as certain political parties might even win votes for retrenching (Giger and Nelson 2011). According to Ross (1997), three conditions have to be met in order to engage in budget shrinkage, namely intent, ability, and need.¹³⁵

¹³⁵ While the first two are necessary for a government to engage in cutbacks, which are a more purposeful action than increasing spending, the third one is not a sufficient condition but a necessary supplement to the other two. Interestingly, her work demonstrates that leftist parties have been noticeably more effective in imposing curtailments than rightist ones. This happened because left-wing parties have an historical commitment to increase the role of the state and to raise public expenditure which loosen the politics of blame (Weaver 1986) and the accountability pressure, enabling them to engage even in unpopular reforms. The second condition is the government’s ability. In particular, the size of the governing coalition matters a lot in encouraging the government to implement cuttings. Intuitively, the higher

Assuming that parties face divergent incentives for cutting, a plentiful literature has argued about those factors and inducements fostering retrenchment. Political actors pursue different strategies which can facilitate the loss-imposition without incurring in electoral backlash. In this respect, the most common strategy is trying to avoid the blame. Intuitively, cuttings are inherently attended by electoral costs that governments can try to avoid resorting to blame avoidance strategies,¹³⁶ which would allow the government to retrench without succumb to the voters' negative reaction (Giger and Nelson 2011). Incidentally, a few studies have proved that retrenchment is usually realized through across-the-board cuts rather than selective reduction which are surely more politically risky (Di Mascio, Natalini, and Stolfi 2017; Randma-Liiv and Kickert 2017). Studying budget reductions appears to be a difficult task because of the various strategies that political actors may adopt, which are not easy to disentangle.

In this regard, analyzing few contractionary cases might help to shed light on retrenchment policy dynamics and logics behind decisions to cut, further improving the rising but still very limited literature on the Italy case on the implementation of contractionary budget policy (see Cavalieri; Russo and Verzichelli 2018). As previously reviewed, Italy engaged in budget retrenchment mainly during the *phase of convergence* (1992–1997) and only in two other moments, related to the occurrence of a crisis, whether economic (2009) or political (2012). Among these, I selected one case of selective cuts, that is, cuts that affected only a very few spending categories and one case of across-the-board cuts. The two *manovre* under analysis place themselves into different quarters in terms of transformativeness, but they both have a rather high L-kurtosis score (see Figure 7.1). Choosing two extremely different retrenchment strategies, carried out by ideologically opposite coalitions – which however share the adversarial nature due to the challenges issued by minor coalition partners – in a context where the EU influence was similarly pressing, help to single out what factors determine each outcome.

1997: Selective choices imposed by the urgency to save the skin

1996 is the fifth consecutive year in which the parliament intervened on the budget bill cutting the original plan of the government. The retrenchment phase began with the *manovra* for 1993 with a

the number of coalition members the more the likelihood to avoid the blame of loss-imposition. The third hypothesized requirement is the need of implementing a loss-imposition strategy. Yet, rather surprisingly economic indicators, despite being relevant, are mostly politically defined, meaning that factors as deficits and growth have not a significant impact on budget-cutting decisions (Ross 1997).

¹³⁶ There is plenty of works that investigated how governments use blame avoidance strategies to carry out less salient forms of retrenchment (Hacker 2004; Lindbom 2007; Pierson 1994) which look at different stages of the decision-making process when these choices are made, and at the type of targets selected (Hood 2002; Pal and Weaver 2003; Hering 2008).

substantial negative correction (-6.78 percent) that progressively dwindled up to the one for 1997. The sole exception was in 1994 (budget for 1995), when the impact of the parliament was lightly sharper than the other four cases. Actually, the reason has to be found in the fact that Berlusconi I government tried to raise expenditure, making necessary a more incisive correction by the legislative, while technocratic cabinets were more responsible in slowing down expenditure, partially relieving the parliament from substantial corrections. These years correspond precisely to the *phase of convergence* (1992–1997), when governments that came in succession made demanding economic efforts and budget restraints towards the entrance into the monetary union. Admittedly, all the coalitions of this period supported even a harsh budget restraint with the purpose to ensure public account rebalancing towards the EMU (Verzichelli 1999). Among these, whereas 1992 would be an extremely interesting case to study, much has already been written about it and the watershed it marked has been extensively studied (see for instance Verzichelli 1999; Barucci 1995; Pesole 1994, 1996). 1996, as contrast, represents the end of this phase of spending containment and was characterized by the final inclusion of Italy into the first-wave of countries joining the EMU.

At first sight, the outcome of the decision-making processes leading to the 1997 budget is not so different from what happened four years before. Though less impressive than the 1993 budget, also the economic package approved in the last months of 1996 marked a plunge in expenditure that was matched by major distributive transformation. The small negative percentage change of total spending from the budget bill (-0.88) is due to the fact that Prodi I government already planned a spending containment policy compared to the budget issued by Dini government. On the other side, the 1997 budget is remarkably different from previous spending adjustments. Notably, periods of austerity are mostly associated with across-the-board decreases, since the budget-holders, inherently loss averse (Brumby 2007; Kahneman and Tversky 1979), appreciate the baseline budget they already hold more than their potential gains being inclined to protect the status quo (Breunig 2011). This explains why many fiscal retrenchments encouraged governments to distribute cuts evenly among multiple spending categories while loudly advertising that curtailments would have affect everyone equally (Savage 2001). Adopting this “share pain” strategy, budget-holders can avoid the counter-mobilization of interest-holders affected by cutbacks (Clarke and Newman 2012; Jögiste, Peda, and Grossi 2012). As contrast, in 1996 we witness to the shift from an incremental, across-the-board retrenchment policy (Appendix-A, Figure A-7.7(a)) drawn in the budget bill, towards a selective reduction of expenditure (Figure A-7.7(b)) after the parliamentary session. Evidently, this is exemplified by the high degree of transformativeness of the budget taken on by the index (0.43).

Taking a step back, the 1997 budget was the first one prepared by a newly elected multi-party minority government led by Romano Prodi and supported by a broad center-left coalition composed

by four parties. The Olive-Tree coalition won against the Pole of Freedom, the center-right coalition headed by Berlusconi, getting about two percent more of preferences (both at the Chamber and at the Senate). In 1996 the fiscal climate was anything but expansionary. The slowdown of the economic growth, which proved to be much lower than it had been forecasted, made it difficult to fulfil the conditions imposed by the Maastricht Treaty. Nonetheless, whereas Italian leaders hoped to obtain some flexibility from their partners, in July the European commissioner Mario Monti warned that Italy wouldn't have been admitted to join the single currency with the first group of countries with such a weak budget plan. In the DPEF presented in June 1996 (DPEF 1997–1999), a sentence precisely exemplifies how the government framed the necessity for adopting a contractionary fiscal package: “*In dealing with the next two years we shouldn't forget that the way to go is coming to the end, but if we give up now the costs we have endured would be endured in vain, undermining the future of generations*” (own translation). The fiscal targets for the 1997 budget suddenly became more demanding when the Italian government realized that the Spanish one was going to meet the criteria to enter the EMU from the very beginning and without asking for their relaxation. Thus, in September the executive had no choice but to adopt another contractionary fiscal package.

As blatant from the plot (Figure A-7.7), the parliamentary session had a remarkable impact on the budget and cutbacks eventually concerned only two spending functions, most of all ‘Transport & Communication’ and ‘Agriculture & Environment’. This decision was the result of a stubborn conflict within the governing coalition raised by the PRC,¹³⁷ which externally supported the government, that put its veto on cutting pensions. The budget session was characterized by a continuous tension, leading Prodi to declare that he would have step down if the parliament failed to approve the necessary measures to enter the EMU. Furthermore, the leaders of France (Chirac) and Spain (Aznar) accused the Italian government to carry on an unfair political economy and joined their forces to leave Italy outside the group of countries adopting the single currency (1st October). The words of the keynote speaker of the majority are particularly emblematic of such a hectic context. During the parliamentary debate he affirmed that “this is a period of dramatic changes, to which we need to adapt our strategy”. The urgency, due to “*the speedup in the homogenization process of the European countries' budgetary policies; [...] the necessity to provide a strong message, both domestically and internationally, of the government's will to immediately join the EMU*”¹³⁸ became so pressing that the government eventually surrendered to the *diktat* of the Communist Party and secured the entrance of Italy into the EMU resorting to a temporary measure, that is, the so-called

¹³⁷ The PRC already manifested its adversity to the budget plan and voted against the DEF for four times in the V Committee (10th July).

¹³⁸ Camera, Ass. res. sten. sed. 13/12/1996 (own translation).

“Eurotax” (16th November). Basically, this situation of “crisis”¹³⁹ amplified the demand for spending reduction to such an extent that the government was not able to implement a blame avoidance strategy, being constrained to cut massively to achieve its goal. In a case like that requiring immediate action, the time for the bargaining process inevitably shrunk because of a logic of “urgency”, that eased the selection of fewer spending items to cut.

Overall, the financial bill proposed a severe contraction of *Ferrovie dello Stato*, the government-owned rail network operator, and to the ministry of the Environment and postponed to the next two years most important programs and favorite policies. The necessity to find urgent measures to meet the Maastricht parameters, together with the relative strength of the newly elected government, made it possible to operate selective cuts. More precisely, the selectivity of curtailments resulted from the sudden need to reduce public spending more than from a government will. In this regard, the executive chose to focus on those budget functions that were more controllable and had low-priority for all actors involved, perfectly matching the argument developed by the SCM (Padgett 1981).

Both the PRC and Olive-Tree coalition claimed credits for the outcome of this *manovra*. The first one for the block of pension reduction, after which it voted in favor of the budget, though not before obtaining the assurance that the following budget would implement some of its proposals. The second presenting itself as the only political actor which accepted the “inconvenient truth” to drop public spending and fulfilled its unavoidable responsibilities (Hegelich et al. 2011: 114-118). Once ensured the grip of Italy to the monetary union, the following budgets prepared by the Prodi cabinet (those for 1998 and 1999) have been issued in a relatively more relaxed context, with increasing fragmentation and coalitional tensions that, not surprisingly, gave rise to expansionary incremental budget laws (4.91 and 3.46 percent more, respectively) and to the final collapse of the government. All things considered, Prodi was able to rule the crucial issue of that year but failed to solidify an extremely heterogenous majority (Bonini 2016).

2009: Hiding behind urgency to prevent coalitional conflicts

The budget for 2009 is the first retrenchment action after a period of expansionary intervention started in 1998, when the parliament always raised the spending foreseen by the executive, though to a different extent. The XIII legislature, with four highly polarized center-left governments coming in succession, saw a lessened power of the executive *vis-à-vis* the

¹³⁹ Borrowing the definition by Posner and Blöndal, a crisis is “an exogenous event or ‘shock’ bearing down on all actors of the system that requires some kind of policy response” (2012: 20). In this sense, with the government having the object to meet Maastricht parameters, the situation actually resembles a crisis whose response wouldn’t have been postponed.

parliament, which enlarged remarkably the total spending drawn in the budget bill. A somewhat similar effect, albeit with a lower impact, characterized also the XIV legislature, when Berlusconi was in office leading two center-right surplus coalitions. During these five years, the parliament intervened mostly on the total size of the budget, yet leaving almost unaltered the allocation across spending sections. To give a sense of the expansive leap of the legislative, the number of amendment proposed to the budget only at the Senate was 3700 in 2000, 1700 in 2001, 5000 in 2002, 1900 in 2003, 1400 in 2004, 2000 in 2005, 4300 in 2006 (see Bergonzini 2014: 75). 2009 tells a different story both from the previous retrenchment budget analyzed and from the three previous legislatures: a story of spending containment with across-the-board cuts.

Silvio Berlusconi won the 2008 general elections relaunching a “neo-liberal economic revolution” based on the reduction of the public sector. Its newly-appointed government could count on a strong majority of seats both at the Chamber of Deputies and at the Senate. With a coalition made up by only three parties and scarcely polarized, Berlusconi could have benefited of the honeymoon period after the elections to implement its policy agenda. This intention is rather obvious looking at the percentage change of expenditure across budget functions between the 2008 budget law and the 2009 budget bill (see Appendix-A, Figure A-7.8(a)) that shows the government purpose to decrease the expenditure in all budget domains.¹⁴⁰ As written in the DPEF, the main target was the drop of the public machinery’s cost and the stabilization of public accounts in order to foster the economic development, mostly through liberalizations and privatizations: explicated by the slogan “fewer costs, more freedom, more development” (pp. VI–VII). Nevertheless, besides this broad aim, the government lacked clear and precise policy goals (Cavalieri, Russo and Verzichelli 2018). The sole exception clearly evident from the plot is the conspicuous growth of ‘Social Protection’, which gained relevance because of the introduction of a “social card” to help needy persons through discounting on food and bills (Nota Informativa 2009–2011).

The reason is twofold. On the one hand, there was the necessity to meet supranational economic requirements and previous commitments with European institutions. On the other hand, there was the beginning of a phase of passivity undoubtedly due to the first effects of the global financial crisis. As already mentioned, times of austerity emphasize the natural loss-adverse attitude of political actors (Kahneman and Tversky 1979; Brumby 2007) who prefer to leave the status quo unchanged (Krause 2015), adopting a share pain strategy and distributing evenly budget reductions. In such a contractionary context, Berlusconi government’s behavior perfectly fits with this strategy.

¹⁴⁰ It must be noted that a substantial reduction of the budget function ‘Civil Defense’ corresponds to a substantial increase of ‘Housing’, pointing at a simple transfer of funds across categories.

Structural reforms were actually just planned and postponed to the following years, announcing a governmental initiative for a new relevant reform of the whole budget process that was issued in 2009. This choice was driven by the attempt to prevent the burst of conflicts among governing partners. Admittedly, in spite of the solid electoral support and the consistent majority that eventually voted in favor of the budget law, the parliamentary session has been marked by a large number of coalitional disputes that was the beginning of a progressive decline of institutional capability of the government (Marangoni and Verzichelli 2014). This issue is tightly tied with another crucial aspect, linked with the overall budgetary procedure which explains the low degree of the transformativeness index and the very slight effect of the parliament on public accounts drawn in the budget bill.

As described in Chapter 5, 2008 marks a turning point in the overall management of the budgetary process, because it rolled out the so-called “urgency management of the economic policy” (Duilio 2013). As first, the urgent decree (DL. 112/2008) issued in the summer due to the outburst of the economic crisis¹⁴¹ granted the executive and in particular the MoE with an ample leverage to autonomously modify spending authorizations, justified by the necessity to easily implement across-the-board cuts (foreseen by art. 60 of the decree, see Bergonzini 2014). Budget accounts of the final law have been marginally changed after the parliamentary discussion (Appendix-A, Figure A-7.8(b)) because the government concentrated its efforts and intentions on the decree, which included the three-years economic plan and the financial bill. Addressing *Urgent issues for the economic development, competitiveness, public finance stabilization and tax-related equalization*, the document had an impact on several sectors ranging from those mentioned in the title to additional spending domains, as the health system and the management of the Court of Auditors (introduced by amendments), which included also some modifications to the financial law contents. This means that, exploiting its legislative power, the executive modified through decree the norm on public budgeting and the interpretation of the budget law itself.

More precisely, until that moment the budget was considered only a formal symbolic document whereas from that moment forth it was conceived able to alter the financial accounts (Camera 2012). In addition to that, the extremely heterogenous content reinforced doubts on the constitutional legitimacy of the document.¹⁴² In this respect, the overall document for the next three-

¹⁴¹ Replying to the prejudicial of constitutional legitimacy of the decree during a debate at the Chamber of Deputies, Reguzzoni, a member of the majority, maintained that “*whoever claims about the lack of as urgent necessity is fully uninvolved with the real conditions of the country and marches to a different pace from the one of the Italian economy*” (Camera, Ass., res. sten. sed. 02/07/2008, p. 61, own translation). It is worth recalling, as already specified in Chapter 5 that in fact, the decree did not foresee any modifications of the GDP for that year, in this way missing to provide the necessary characteristics of “necessity and urgency”.

¹⁴² The President of the Republic recognized that resorting to an urgent decree would have inevitably and considerably shrunk the budget session timing, necessary to properly scrutinize the budget draft in order to “appease properly the government’s demand and the parliament’s prerogatives” with “the risk to a worrisome obstruction of the

year financial asset was composed by a unique article of 718 clauses (from the original 419 before the *navette*¹⁴³ between the two Chambers (Camera 2012)), approved in 34 days resorting to three confidence votes (one per each discussion) on a maxi-amendment with different contents respect to the text discussed by the Committees.

All in all, on a procedural aspect the 2009 *manovra* exemplifies the gradual shift of the legislative production authority into the executive's hands only, and the conveyance of budget decisions in venues that are far-distant from representative institutions (Bergonzini 2014). On a budget policy aspect, this year highlights the lack of a well-defined budget policy, whose spending choices have been anticipated by the decree without a clear policy plan that, instead, could have respond to the population needs and preferences expressed in the general elections of few months before. Since the government already succeeded to approve the three-year financial plan during the summer, the budget law was deprived of its role of policy tool, merely depicting the previous year one with the sole difference to cut almost all budget items using an undoubted incremental logic. The executive also accepted to withdraw several amendments on which it lacked the majority to survive, thereby managing internal disputes occurred a few times during the parliamentary discussion. Still, the insignificance of the budget law is mirrored by the pattern of continuity between the bill and the law, marking the complete downgrade of the budget policy of even a strong newly-appointed government.

7.3 Discussion

The study carried out in this chapter focuses the attention on few budget decisions of the past years, of which six are expansionary budget policies and two are retrenchment policies. Findings of the statistical analysis (Table A-7.1) highlighted a few meaningful relationships between the selected independent variables and the dependent ones, which however raised doubts about their validity. Arguably, the fact that the decision-making process is a tangled combination of several factors, whose different arrangement shapes the final outcome, might not be perfectly grasped by a statistical model. As matter of fact, independent variables perhaps cause a certain outcome but in a different way or independently from each other (Seawright and Gerring 2008). The qualitative analysis that followed had the specific purpose to narrate the story behind the selected budget laws, in order to figure out

parliamentary activity" (25th June, letter from the President of the Republic to the Presidents of the Houses and to the Prime Minister, www.quirinale.it, Sez. Archivio comunicati e note, own translation).

¹⁴³ *Navette* is the word that identifies the parliamentary passage from the two Houses of the parliament which is required to approve a draft law.

the role of actors in a joint decision-making process and to disentangle the complexity of interacting factors behind policy decisions. Many issues emerged and concerned multiple and different aspects of how the budgetary process and, as consequence, the overall budget policy is ruled by the government in office.

A first issue that stands out outright is the gradual shift of the center of gravity in the government's hands, which progressively depleted the parliament of its scrutinizing function. Despite the many attempts of reform, the emptying of the parliamentary prerogatives happened uniquely because of a series of normative stretching put in place by the government which eventually became commonly-held praxis, until being considered an absolute certainty. In this respect, the greatest part of the *manovre* considered in detail in this chapter are building blocks toward an extreme situation in which the legislative power of even a symmetrical bicameralism becomes almost useless in front of a government that is completely disrespectful of the norms.

That's just what happened in 2003 with the beginning of a new era characterized by the resort to urgent decrees fastened to the budget, and later in 2004 with the first maxi-amendment entirely substitutional of the financial package. The XV legislature saw the climax of procedural disorders: in 2006, an outstanding number of amendments (about 7000, considering those of the majority and those of the opposition) did not allowed an orderly and meticulous procedure and forced the government to introduce a maxi-amendment on a single article made up by more than 1300 clauses, while in 2007 we witness to the first prejudicial of constitutionality because of the allegedly violation of art. 72 of the Constitution.¹⁴⁴ Despite a few mild attempts to bring the parliamentary prerogatives back into the legislative's hands, all these precedents created the premises for a new period characterized by the "urgency management of the economic policy" (Duilio 2013). It started in 2008 with the issue of a law-decree substituting the three-years financial bill, then absorbed by a maxi-amendment composed by a single lengthy clause, different from that analyzed by the Committee and protected by three confidence votes. This practice is still in place and has kept continuously happening until the most recent years, when the parliament has been even more worn by the executive's irreverence. In 2016, the budgetary session was *de facto* interrupted because of the Renzi's will to resign immediately after the referendum, that caused the total lack of analysis of the document. A new custom that occurred again two years later, when the first populist government of the Italian and Western Europe's history deprived again the legislative of its power of control, and forced it to approve a document that none

¹⁴⁴ Art. 72 declares: "Each draft, introduced to one of the Houses is, on the basis of the House regulation itself, examined by a Commission and by the same House, which shall approve each article and the whole text with a final vote. Short-form procedures are allowed for urgent decrees. [...] The regular examination and approval procedure must be applied for all the draft on constitutional and electoral matters, international treaties, and for the approval of the budget" (own translation).

of the parliamentary bodies had previously examined and which differed substantially from those analyzed and voted earlier (Bergonzini 2019).

All in all, the recent budgetary processes confirm the gradual politicization of the decision-making process behind the budget. The approval phase has now become a battlefield where the government can benefit of the 2016 reform of the budgetary process that accords higher independence to the Prime Minister and to the MoE to sets policy goals, thanks to a reinforced top-down approach and to the actual implementation of the Zero-Based Budgeting. Together with this aspect, the growing tensions emerging because of the failure to respect the parliamentary procedures ruling the approval of the budget make the government the absolute monarch of the budget law. Does this growing politicization of the budgetary process serve the executive to steer its mandate and to implement its policy preferences? The answer seems to be negative, in many respects.

The qualitative analysis demonstrates that the budget law comes out from the works in the V Committee and in parliament rather different from the budget bill originally drawn by the executive. In this regard, there is a crucial difference from the *First Republic* famous custom of stagecoach attack, which caused for years the boost of the budget because of the MPs moral hazard and their micro-sectional interests that eventually always required the government to issue a corrective *manovra*. Although this practice has not actually lost ground, it has been revitalized during the *Second Republic* with a more incisive role of governing parties, following the tradition in place since the gradual erosion of the period of consensualism (Cotta and Verzichelli 2007) and most of all since the 1988 reform. In that period, members of the opposition, notably the PCI, were still able to include their amendments in the budget law. The higher centralization of the budgetary process, granted through all the reforms issued particularly in the last twenty years, has increased the leverage of the government to avoid discussing the amendments proposed by opposition parties and to focus only on its targets. In fact, since a few years the government's will falls under a myriad of amendments presented by majority's parties themselves, whose number roughly approximates and sometimes exceeds that of amendments presented by opposition parties, that impedes a meticulous analysis of the newly-introduce contents and forces the government to rewrite the budget through maxi-amendments.

No one single government of the past decades has been exempt, both from the resort to normative stretching and from the collapse of the budget bill under the transformative impact of majority's MPs. It happened either to left-wing or right-wing governments, to solid majority headed by strong leaders or weaker ones, to multi-party minority, minimal winning or surplus coalitions. Not even the "bipolar" era and the period of alternation improved the government's performance in terms of budget policy. The critical issue is that, when governments turn up to face the budgetary session,

they always crash against their hidden internal divergences which emerge explosively. The only way for the majority to suffocate infighting is to avoid a lengthy parliamentary confrontation through the few tricks abundantly described – law-decrees, maxi-amendments, confidence votes – or to impede to the Committees and the parliament to analyze the budget at all, as it happened conspicuously in 2008, 2016, and 2018. This takes place both when the executive states clearly its policy aims (*manovre* for 2004, 2015, and 2019) but also when its intentions are vague (*manovra* for 2005, 2009, and 2017) and pertain to broader or long-term policy goals (*manovra* for 2006).

When looking at the government's intents drawn in the budget bill compared to the budget law of the previous year, cuts tend always to be planned using a “cheese-slicing” approach (Pollitt 2010), which better suits the loss-adverse attitude of political actors who try to avoid the blame by distributing curtailments. Unsurprisingly, spending increases are selective only when the majority has concrete policy goals. In addition to that, as the legislature moves forward the government smooths its spending target – not necessarily as consequence of policy achievements – becoming keener at accomplishing European requirements (as evident also from the statement in the official documents). The almost two months between the submission of the budget bill to the V Committee and the final issue of the budget law change the budget affecting mostly the distribution of additional funds. Thus, spending growths end up being more widespread than the initial purposes, unless the government avoid utterly the discussion on the document. The same happens for budget reductions which, in a fragmented system as the Italian one where decision-makers struggle to develop selective strategies (Di Mascio et al. 2017) remain rather scattered, but in a very few circumstances.

As is known, many Eurozone governments have been reluctant to engage in unpopular measures because they were burdened by infighting and struggled to keep the majority cohesive, and also thread at the same time of being punished electorally (Hübscher 2016). Exceptions happened most of all during moments of crisis, as it was in 1996 (to allow the entrance Italy into the EMU) and in 2004 (with the activation of the early warning by the European Commission). When the necessity to cut either the whole budget or a few spending items suddenly emerged, the government agreed to cut those budget functions that had lower priority or concerned weaker interest groups, notably (in the Italian case) ‘Transport & Communication’ and ‘Economic Affairs’.¹⁴⁵ Encompassing also years of economic downturns which ended up with the boost of public expenditure anyway, I showed that a general context of economic restraint and the very moment when a crisis happens have two different impacts on the budget outcome. On the one hand, periods of economic growth slowdown have medium-term effect on parties’ position towards their spending choices. On the other hand, when a

¹⁴⁵ It is worth recalling that the budget category ‘Economic Affairs’ includes tiny programs mostly implemented through capital grants that depend on investments, thereby more easily subject to extreme variations (see Chapter 4).

sudden necessity to cut comes to the surface, it sparks off an immediate reaction. Taking up the argument about the higher resistance to change posed by institutional frictions (Baumgartner et al. 2009; Jones et al. 2009; Jones, Sulkin, and Larsen 2003) when the context demands more fiscal responsibility, I demonstrated that periods of economic downturn deliver small adjustments of the budget, whereas an unexpected crisis is likely to produce spending upheavals and substantial shifts in the allocation of expenditure.

In this tangled context, the role of the European Union stands out being a watchdog of member states' public accounts mainly interested in the respect of deficit and debt levels and their long-term sustainability. The external constraint, while undeniably establishing a ceiling on the spending capacity of governments, does not affect at all policy choices of the majority and it is not responsible of the degree of transformativeness of the budget. In fact, it is exploited as the most resounding excuse for either governments unable to carry out their policies or lacking a well-defined budget policy. Yet, the external constraint stands out to be already internalized into domestic norms, at least theoretically, because Italy as the other Eurozone countries has adopted recent European norms into its domestic legislation. Nevertheless, this does not mean necessarily to comply with them. In fact, an annual negotiation process between national and supranational institutions occurs almost each year. Following an already well-established script, Italian governments always ask for a waiver in the respect of the balanced budget rule and the European Commission admits the delay, adopting a flexible application of the requirements. This was true until the latest budget analyzed (*manovra* for 2019). In that case, the cabinet preferred to resoundingly crash against the European stances rather than to engage in a constructive dialogue and bargaining process about national accounts. This was the consequence of the government's will to show off its being really different from previous governments, following the populist rhetoric about the non-involvement into "mainstream" dynamics. However, it seems that the only result a government accomplishes when firmly trying to face the European institutions on macro-economic parameters is a costly defeat which forces the government to speed up the domestic process without achieving the goal to have a waiver to implement expansionary budget policy but simply divesting the parliament of its role because of the limited time.

CONCLUSION

The Italian budget law is a “mammut”,¹⁴⁶ according to a well-fitting epithet that scholars of parliamentary law stuck to it. However, despite its size it has moved and changed substantially over the past decades. During the Seventies and Eighties, the centrality of the parliament at driving the Italian economic policy and deciding about the allocation of funds while leaving aside the government as mediator between the different stances of the majority (Giannini 1993; Masciandaro 1996; Franco 1998) gave rise to the “Italian anomaly” (Lupo 1999: 561). An anomaly that, in a few respects, seems to have been overcome after considerable efforts to reform the regulations pertaining to its management. Then why each year the moment of discussion and approval of the budget shakes and panics the Italian politics?

As clarified by Wildavsky already in 1978, “*budgeting is supposed to contribute to continuity (for planning), to change (for policy evaluation), to flexibility (for the economy), and to provide rigidity (for limiting spending)*” (1978: 501). The fact that these purposes are in contrast to each other – “*no process can simultaneously provide continuity and change, rigidity and flexibility*” (Wildavsky 1978: 501) – exposes public budgeting to perennial tensions and dissatisfactions about its management. To answer that question and recognize which tendency and purposes prevail within the budget, one needs to have a broad knowledge of the budget policy and the politics behind it. Encompassing multiple and different angles, this thesis tried to provide an overarching picture of the use and role of the budget policy in Italy and a long-term interpretation of the dynamics surrounding it. If the budget is not merely *a* policy but *the* policy, it is because many and various issues interweave within it and determine the shape and meaning thereof. Thanks to the several insights provided by the study conducted in the previous chapters, it is now possible to arrange the pieces and compose the puzzle of the Italian budget policy of the last thirty years.

First thing first, the budget would serve the government as a policy tool to carry out its mandate through the implementation of its preferred spending choices. In this regard, Forte claimed that “nothing is gratis and when one chooses to give, it also needs to choose from whom to deduct” (1992: 155, own translation). Theoretically, the government tries to be responsive to its electorate by

¹⁴⁶ ‘Dal mammut all’assalto continuo’, Lavoce.info, 20/12/2012, viewed 16/01/2020, <https://www.lavoce.info/archives/3781/legge-finanziaria-iva-irpef-governo-monti-elezioni/>.

allocating more funds to its favorite policies and to those budget domains the government ideologically “own” (Petrocik 1996; Petrocik, Benoit, and Hansen 2003). Does it happen in the Italian case? Is there a systematic difference by ideology in adjusting the budget? The analysis carried out in Chapter 4 suggests that to this is not the case, even looking at government’s intentions through the budget bill. To recall, data used to investigate this aspect have the merit to state the actual will of the government deprived by mandatory spending programs, before the parliamentary session models the eventual outcome of the budget. Focusing on the intentions of the government both concerning the total size of the budget and domain-level spending, it emerges an almost absent ideological tie between partisan ideology and budget categories. A notable difference exists only between technocratic and either left- or right-wing governments and regards primarily the magnitude of the total expenditure. More precisely, technocratic governments have always been in charge of cutting expenditure, serving their role of “last resort” during period of economic distress. This was especially the case of Ciampi (1993–1994), Dini (1995–1996), and Monti (2011–2013) governments, when Italy was facing harsh economic crisis and an even more shattering political turmoil. As matter of fact, those “bookends of the Italian *Second Republic*” (Bosco and McDonnell 2012: 46) marked the transition phases from the *First* to the *Second Republic* (at the beginning of the Nineties), and from the *Second* to the *Third Republic* (approximately in 2011).

At issue-level, differences by ideology are very few and concerns only two categories: ‘Defense’ and ‘Civil Defense’. However, once again the most relevant difference and statistically meaningful results are between technocratic and political (either leftist or rightist) majorities. These findings derive from an OLS regression model which uses the same dependent variable employed for the core analysis of the thesis (Chapter 6), that is, the magnitude of annual percentage changes. Another type of analysis conducted using the median percentage change for each budget domain by ideology (see Appendix-B) reveals instead a link, though slackened, between certain spending items and partisanship. Specifically, left-wing governments are more attached to topic related with the environmental protection, water supply, and housing development whereas right-wing ones are still more disposed to implement issues related to security and defense. However, it is crucial to notice that the ideological relationship involves only discretionary spending categories. These are budget items that do not constitute the main functions of the state, as instead social protection or public administration are, which have the support of all the political spectrum. Complying with findings of previous researches on the divergent behavior of single spending domains (which is related to the attention they receive, the complexity of the topic, organized interests, and their role within the state functioning), partisan spending choices are directed mostly to low-priority and “non-allocational” sectors: those where the leeway of governing parties is higher. While this is true looking at the budget

bill, thus at policy intentions, the same emerges even more blatantly looking at the budget law and at the comparison between the two documents (carried out in Chapter 7). From the qualitative analysis, it stands out that the discretionary nature of certain spending functions determines the decisions about the reallocation of resources after the parliamentary session. This aspect is particularly evident when there is a sudden necessity to decrease expenditure because of a crisis. Exactly because of their discretionary nature, it is more likely that the size of these programs is altered according to the fiscal conditions of the state. As happened in 1996 or in 2004, governments usually decide to cut budget domains with low-priority and protected by weaker interest groups. As contrast, the lack of urgency in most of the time leads Italian politicians to resort mainly to a “cheese-slicing” strategy (Pollitt 2010) in order to avoid the blame for certain decisions.

This reinforces the evidence that purely partisan ideology cannot explain the pattern of budget changes. Admittedly, policy makers do not always hold the control of public finances and struggle considerably to translate their preferences into public policies. Reasons are several and touch different aspects of the functioning of the state. On one side, the budget earmarks funds also for multi-annual spending commitments and inherited policies. Most importantly, institutional frictions that rule the budgetary process are extremely forceful to overcome and lock the pattern of change into the existing scheme. In the case of Italy, the most tough hindrance is surely the symmetrical bicameralism which was originally designed with the clear aim to avoid any potential *coup de main* of the executive. Here the second issue involved in the broad analysis of the Italian budget policy comes out, that is, the role of the parliament *vis-à-vis* the government at shaping the final budget law and, at the same time, protecting the interests of opposition parties. In 1788, *The Federalist Papers* imagined this matter as follows: “*This power over the purse may, in fact, be regarded as the most complete and effectual weapon with which any constitution can arm the immediate representatives of the people, for obtaining a redress of every grievance, and for carrying into effect every just and salutary measure*” (Publius 1788: 58).

In Italy, as abundantly reviewed throughout the thesis, for a long time the “contract” model of the budgetary process (Hallerberg, Strauch, and von Hagen 2007) has not granted the government effective powers to drive the decisions on the budget. The parliamentary arrangement of the budget governance and the multifarious management of its course has always been perceived as one of the main causes for the lack of an adequate and efficient budget policy (Verzichelli 1999: 227). Whereas the unburdened process resulted from about forty years of reforms seemed to have been a positive impact on the budget production, especially concerning the respect of the timing dictated by the Constitution, it is exactly claiming this compliance that the government has shred other parliamentary regulations and even the Constitution itself. On a long-term perspective, the MPs moral hazard and

their capability to transform the budget in favor of micro-sectional interests which constituted the most evident and damaging practice of a few decades ago is still in place, although its execution has moved from the parliament to the government. More precisely, while during the period of “consensualism” opposition parties (especially the PCI) were able to pass their amendments, all the reforming efforts since the Nineties, and even more the enduring transformations of parliamentary practices, have deprived the members of the opposition of this chance, which is nowadays exclusive jurisdiction of the executive.

The optimistic expectation about the improvement of fiscal responsibility (Damonte 2013) after the enhanced role of the pivotal actors (Verzichelli 1999; Stolfi 2010; Di Mascio et al. 2013) (which basically are the keynote speaker of the majority, the Presidents of the two Houses of the parliament, and the President of the budget Committee) has partially become true. According to the set of regulations ruling the budget cycle, these three figures should guarantee the respect of the most important directors on which the budget session is organized: the prohibition to deliberate on other measures with financial nature (so-called *divieto di trattazione di altri affari*) and the safeguard of the substantive law’s contents attached to the budget (so-called *tutela del contenuto proprio*). Nevertheless, the government has markedly expanded its powers resorting to normative stretching, supported by the practice in place since a few years which accords the three most important roles just-mentioned to governing majority’s members. That has led to a new situation where “*in this weird Italian form of government, the government-majority-axis becomes substantially the absolute ruler, particularly in case of strong and solid governments*”.¹⁴⁷

If there is a merit for the improved management of the budget policy, however, it is not of the government, which is already the central actor and the crucial one. The long-lasting fluidity of the budgetary process (D’Alimonte 1989) keeps existing with a renewed face, that is, the unsteady propensity of the government to respect the regulations of the process and the balance of power between the actors involved (Di Cosimo 2019). In this regard, while the budgetary session is certainly more well-structured compared to few years ago, the accumulation of new customs makes the timing of the process (except for the compliance with the 31st December deadline) and thereby the contents of the law highly susceptible to the political circumstances. This arose even more evidently after the economic crisis, which has opened a new phase of political instability, distinctly showing the enduring attempt of the government to endow itself ampler leverage in the policy-making process. Intuitively, the strength of the government impacts on the willingness of the parliament to approve the budget bill even in case when it is not in favor to its contents.

¹⁴⁷ Interview with Chiara Bergonzini (6/12/2019, own translation).

In addition to that, the parliamentary session has been repeatedly suffocated in recent years by flouting the rules as in a “chase to the worst precedent” (Lupo 2007), because of the recurring use of a maxi-amendment entirely substituting the budget bill previously discussed and covered by the confidence vote, which protects and ensures its approval. Accurately, “*the majority [...] can comply any sudden decision of the government about the timing and contents of the parliamentary discussion, potentially avoiding the discussion itself if considered incompatible with the temporary necessity of the government*” (Bergonzini 2019: 163, own translation). Recent attempts to recover from this situation aimed indeed to bring back the barycenter of the decision-making process into the parliament. The 2019 *manovra* is the incontrovertible evidence that the path is steep and fraught with dangers. In fact, not only the government’s faults show no sign of decreasing but those get even more serious, creating an unsteady situation where it is already possible to get along without the parliament (Bergonzini 2019).

This drift highlights that all the transformations of the past decades that characterized the transition from the so-called *First*, *Second*, and *Third Republic* did not concern the management of the budget policy. In fact, the actual trigger was the 2008 economic crisis, whose outburst had a twofold implication. On the one hand, at national level, it has marked the real beginning of a new phase in the budget policy’s direction. Exploiting the sudden need to face the recession as excuse, from that moment on we witness to “*the shift of normative authority in the hands of the executive; the transfer of the key decisions about the economic policy in venues far-distant from the representative ones; the decay of representative institutions and their incompetence both to steer and solve and, more simply, to understand and face financial and economic issues*” (Bergonzini 2014: 49, own translation). That moment represents a turning point which, plainly, have had substantial spillovers on the overall institutional organization, which has impinged also on parliamentary procedures of the budget cycle. In this context, the compliance with procedural norms and the whole parliamentary phase are subject to the government’s propensity to respect the balance of power and each actor’s role. On the other hand, at supranational level, the economic crisis fostered a radical development of the European Union and its economic governance. The rapid sequence of new supranational regulations adopted after the euro crisis (described at length in Chapter 5) has increased the complexity of the process and its density. The twist between these two factors is another aspect which this thesis contributes on.

The quantitative analysis conducted in Chapter 6 revealed that the recession had a remarkable impact on spending adjustments. According to the Punctuated Equilibrium model, budget punctuations are more likely when there is a mounting pressure coming from outside. This was the case in a few occasions, when the need to dramatically cut expenditure couldn’t be postponed, as also

confirmed by the qualitative study in Chapter 7. This happened precisely during the *phase of convergence* (1992–1997) and in the immediate outburst of the crisis (2009). Periods of economic downturn behave differently and do not foster massive adjustments of the budget. On one side, it is because the pressure did not reach the breaking point. On the other side, it seems that the European economic governance already acts as an additional friction. As came to light from the quantile regression, the external constraint alleviates both extreme cuts and extreme increases. I assert that the surveillance on member states' public accounts supported by its blackmail power loosens the burden of mounting external pressure that might show up. Whether it comes about as a learning-process of national policy makers or as the enforced respect of supranational requirements, it depends on how the European role is outlined nationwide. Evidently, the Union already plays the part of a veto player. Beyond the fact that member states' have deliberately chosen to be part of it and that the most stringent regulation as the balanced budget has never been accomplished, its “competitive” or “co-operative” nature (Zohlnhöfer 2009: 99) depends only on the national perception, which in Italy has changed substantially throughout the last three decades.

During the 1990s, from a widespread consensus on the positive role of the European integration (at the beginning of the decade), the Italian political landscape moved towards a growing opposition – though still mild – against supranational institutions, driven forward by mainstream center-right parties (Di Mascio et al. 2019). 2013 marked the turning point of this attitude, made louder by the populist Eurosceptic M5S (Conti and Memoli 2015). Basically, this was one of the consequences that the euro crisis had on the structure of the party competition and party system, namely, the progressive erosion of mainstream parties (Hobolt and Tilley 2016) and the emergence of a pro-/anti-EU narrative (Giannetti, Pedrazzani, and Pinto 2017). This new tendency reached its climax with the appointment of the first populist government (M5S and League) openly against the European Union, after the 2018 general elections. The management of the budget policy mirrors this gradual shift, which has involved also the altered perception of the European Union from “co-operative” to “competitive” veto player. For instance, when firmly asking for a leeway of flexibility, Renzi's attitude towards the EU was still respectful of the Commission's concerns about the risk of non-compliance with the SGP and open to dialogue, which eventually allowed to delay the accomplishment of the balanced budget. Oppositely, the “Yellow-Green” government refused to bargain with the Commission and transformed the discussion and correction phases of the budget document in a seesaw confrontation between the different levels of government, eventually running into the very first inflexible interpretation of rules by the Commission itself (Rivosecchi 2019).

Ultimately, the role of the European Union is merely a watchdog of national macro-economic parameters, not that of a policy maker. As highlighted in Chapter 7, its effect on the allocation of

expenditure across budget authorizations is completely fictional. In fact, the wary eye of the EU is solely on the respect of pre-arranged parameters and previous fiscal commitments, not interfering in any way on public policy decisions. Trying to reconcile the multi-level governance, it is possible to affirm that the higher regime centralization following the 2016 reform is flanked by the higher density of the budgetary process. Ironically, it is precisely the 2019 budget that clearly shows the impossibility to divide the domestic budget decision from the European economic governance and its dissuasive effect. Yet, the improved fiscal responsibility of the government, which I referred to earlier, appears to be exactly the consequence of a sharper and better functioning of the European friction.

As matter of fact, Italy has never witnessed to “third order policy changes” (Hall 1993), namely those paradigmatic modifications that aim to radically alter the outcome of the decision-making process. “First” and “second” order changes, to continue using Hall’s worlds, are instead the norm. The latter in particular have been pursued through the reforms of the budgetary process, new parliamentary practices and supranational requirements that aimed to fulfil more easily the purposes of the budget policy (Verzichelli 1999). Pretending that the main issue was about the fragmentation of the budgetary cycle and a weak role of the government *vis-à-vis* the overblown bicameral system, the reforming process at national level has chased to remove the strong institutional frictions governing the Italian budget. However, they “*did not achieved the expected outcome of centralization and rationalization of the decision, ending up producing the opposite outcome*” (Bergonzini 2014: 51, own translation). The result is that the budget is by now almost unmanageable even for a strong majority, as it was for instance the one supporting Berlusconi II government. Yet, this does not happen any longer because of the parliament but because of the majority itself, which falters under its own infightings. Basically, we substituted institutional frictions with another type of brake. Theoretically, the government would have all the tools to steer a long-term budget policy, sitting at the bargaining table of the European Commission if needed. Practically, its cognitive frictions – and the customs put in place because of these – crush any potential achievement.

This complies with the tenets of the theoretical framework adopted in the thesis. What emerges herein precisely confirms that public budgeting in Italy obeys to the logic of the Punctuated Equilibrium model, where tiny adjustments that slightly depart from the status quo mark the whole pattern of the budget policy and its transformations. This trend is rarely shaken up by dramatic upheavals, the so-called “punctuations” (Jones and Baumgartner 2005b). At the beginning of the thesis I discussed findings of previous researches that showed why an incremental pattern mirrors a more functional decision-making process, while as contrast punctuated changes are the symptom of irrationality. I also reported one of the crucial questions about the course of public governance that

wonders whether it is an erratic or a meticulous process. The analysis carried out in this work suggests that the Italian budget places itself halfway, with a relevant concern to stress. Specifically, at domestic level it seems to lean primarily towards potential fickleness. At supranational level, it appears quite more rational. Obviously, also the European Union had to deal with the necessity of restructuring its governance after the 2008 shock. In that moment, the austerity measures it dictated to members states' approximate policy punctuations that in many situations characterize top-down approaches (see Chan and Zhao 2016).

However, at the end of the day, instability still rules the policy-making. The PET clarifies that institutional frictions operating within the budget venue trap policy changes into the existing pattern of tiny modifications which provoke an error-accumulation process eventually leading to punctuations. Cognitive frictions, which operate at attention level and do not allow information to be proportionally and rationally processed by decision makers, act similarly. That's why hyper-incrementalism lasts. Does it mean that the policy-making process is condemned to be unstable and erratic? It seems not, and whereas human decision-making processes cannot fully get rid of bounded rationality, instability can be also reduced to some extent. As the Italian case shows, the institutional design can help considerably to approach a more functional process, mitigating the occurrence of disruptive transformations.

The analysis conducted in this work found out that the European Union is the most effective actor in assisting governments, which are notoriously informationally inefficient, to smoothly update the need for change without incurring into irrational choices. The most recent developments of the European multi-level governance support the idea of a renewed top-down incrementalism, which appears to be more durable, grants more flexibility to European countries, and is likely to be more functional thanks to the higher stability it fosters. Ultimately, this is likely due to the characteristics of the multi-level governance which involves different levels of government in "jointly" compiling national budgets. In this regard, diversity is the key factor. More diverse groups have a higher capability to understand information and make more thorough predictions and choices than less diverse groups (Surowiecki 2004; Page 2007). The multilayered and collective decision-making process implemented through the strengthening of the European economic governance is the most effective tool nowadays to draw a more functional budget policy, and supports the idea that decision-making processes where many independent decision makers engage in bring stability and reduce the likelihood of punctuated outcomes (Epp 2018).

All in all, Italy experienced two counterposed reforming process of the budgetary procedure. One that has tried at domestic level to empower the government, pursuing the goal of loosening the parliamentary frictions that characterize the decision-making center, and reinforced the deliberative

nature (meaning the fact that political actors debate and choose about a policy proposal within the institution itself and eventually make a decision putting it to the vote) of the process. Another one, at supranational level, which has fragmented the decision-making process and added supranational actors, thereby chasing a collective decision-making strategy. Both of them have been effectively implemented. Yet, despite the stubborn and successful attempts towards the former, the European Union's role is the most relevant variable to alleviate radical changes. This thesis confirms that stratifying a deliberative decision-making process and strengthening its collective nature helps incrementalism and can foster more rational choices.

Cognitive limits remain though, and instability endures. Evidently, as asserted by Wildavsky “the budget is concurrently a prediction and a contract” (1992: 7), which contains policy promises agreed after a process of interaction, bargaining and conflicts among several actors. That's what I showed throughout the thesis. As stressed by the joined-up analysis of Chapter 6 and 7, Italy is characterized by a persisting situation of conflict over the budget, which hasn't showed any sign of decreasing despite all the transformations of the Italian political system. This is a clear sign of the lack of a long-term conception about how to manage the budget policy and which function it exerts and an evident proof of actor's bounded rationality. The types of cognitive shortcomings come to light herein pertain to the partisan nature of the *politics* itself. The fact that coalitional conflicts and government ideological reshuffle are the most decisive and meaningful factors, no matter the party system's fragmentation or the government ideological polarization, tells us that political actors are far from being rational. Making mostly strategic considerations, they either lock the pattern of budget changes into negligible adjustments – when they raise the conflict during the budget session, thereby impeding any potential substantive modification – or trigger excessive transformations – after a full ideological reshuffle of the cabinet. This has not strictly to do with actors' cognitive ability to process information (an aspect that I did not address in this context) but is more simply generated by the competitive characteristic of the political game. Still, the strategic nature of the latter – which may inspire the concept of *partisan*, rather than cognitive, frictions – deals with human perceptions and cognitive choices, giving further support to the Punctuated Equilibrium model.

These aspects involve another crucial issue related with the study of the budget policy, that is, the growing tension between responsiveness and responsibility. I mentioned at the beginning of this section the attempt of governments to be responsive to the electorate, at least when drawing the budget bill and allocating funds for discretionary spending programs. However, as abundantly argued by the classic democratic theory, parties in government should balance responsiveness to their supporters and to the public opinion, and responsibility to domestic and international systemic constraints. Responsibility is precisely the necessity to consider the long-term needs of people and of

the country (going beyond the blind short-term interests seeking for re-election) as well as claims coming from outside national borders (Bardi, Bartolini, and Trechsel 2014). As famously stressed by Mair (2011), parties are currently weltered between the demand for responsiveness and the need of responsibility, which he said that recently more than ever seems to be hardly reconcilable. In this respect, the budget policy constitutes probably to most fertile breeding ground.

Because the actual meaning of public budgeting is – or, at least, should be – to take care of long-term needs of citizens, I think that the only way to carry out an effective budget policy is being responsible. Does it mean that the burden of responsibility does not allow parties to be responsive to their electorate? I think it doesn't. But the “politics of constrained choice” (Laffan 2014) – constrained both by supranational requirements and by the short-sighted attitude of national actors – makes it extremely difficult to implement public policies through the budget. Whether it is the suitable venue for that, it is another issue and I believe it is not, for a few reasons.

On the one hand, the privilege of the budget law lies in the fact that it is constitutionally protected, demanding precise elements and a specific reinforced procedure for its approval, which assists to safeguard the content of the budget itself. In this respect, if for a number of reasons the budget law ends up being a “normal” law subject to the same – or worse – dynamics and confusion of an ordinary law, its higher value loses meaning. Additionally, the bounded rationality and short-term perspective of political actors that merely seek to be re-elected stands out as a major obstacle to the chance of implementing public policies through the annual budget. On the other hand, the expansion of the state began after the second world war had considerable consequences on the policy choices of governments (Webber and Wildavsky 1986), burden by the tendency to “lose control” (Verzichelli 1999: 20) on national accounts because of the intensified worldwide economic competition. Developed countries tried to face the rise of public deficit during the 1970s mostly with fiscal policy measures or by reducing public expenditure (Peters 1991). Later, globalization – if it has not actually brought about a consistent “retreat of the state” (Strange 1996; Garrett 1998; Schulze and Ursprung 1999; Swank 2002) – at least transformed the conditions under which governments draw the economic policy (Cohen 1996; Scharpf 2000a). In Europe, the substantial shift towards fiscal restraint (Posner and Blöndal 2012) emerged more insistently from the Maastricht Treaty and it was further worsened by the recent economic crisis which has fostered more severely the growth of public debt and budget deficit (Attali 2010). These factors, more than forcing or forbidding politicians to implement certain policies (Zohlnhöfer 2009: 106), acted at the decision-making process level.

The recession has explosively showed the pitfalls of the representative democracy which, in many respects, are the consequences of its shortcomings. This arose as the lack of capability to find the optimal synthesis between the representative venues (where the economic and budget policy is

performed) and international rules which most of the time appears cloudy and ambiguous. In this regard, the blurred order that limits countries is not the one “imposed” by the European Union. In fact, the economic requirements it guards serve mainly to protect countries against market speculations because of their own public debt (Pisaneschi 2019). With this tension underway, people’s stances need to be represented through adequate policy instruments within a context recalling the Schmidt’s “politics without policy” (2006). All these things considered, the budget is not probably any longer the best venue to execute the electoral mandate through the implementation of public policies. In that sense, it is rather a *policy* of constrained choices.

Nevertheless, it goes without saying that parties can still try to be more responsive. Ultimately, this seems to be the case of recently emerged populist parties, which had their propulsive thrust in many of the factors mentioned thus far and, in many ways, are related with the overall management of the whole economic policy. However, the limited examples we have about the implementation of a “populist” budget policy suggest that in its first try “the burden of responsiveness lead parties to adopt less responsible behaviors” (Bardi et al. 2014: 245). Eventually, at least in the sole case that was possible to analyze therein, even populist parties yield to partial responsibility. Moreover, in a context of declining party membership, increasing popular disenchantment, reduced scope of electoral competition in policy determination (Mair 2011), lessened electoral role of class position and growing electoral volatility (Dalton 1996), whom should parties be responsive to? And even though parties may manage to reconstruct their social ground and constituency, the crucial issue is still about the functioning of the representative democracy itself.

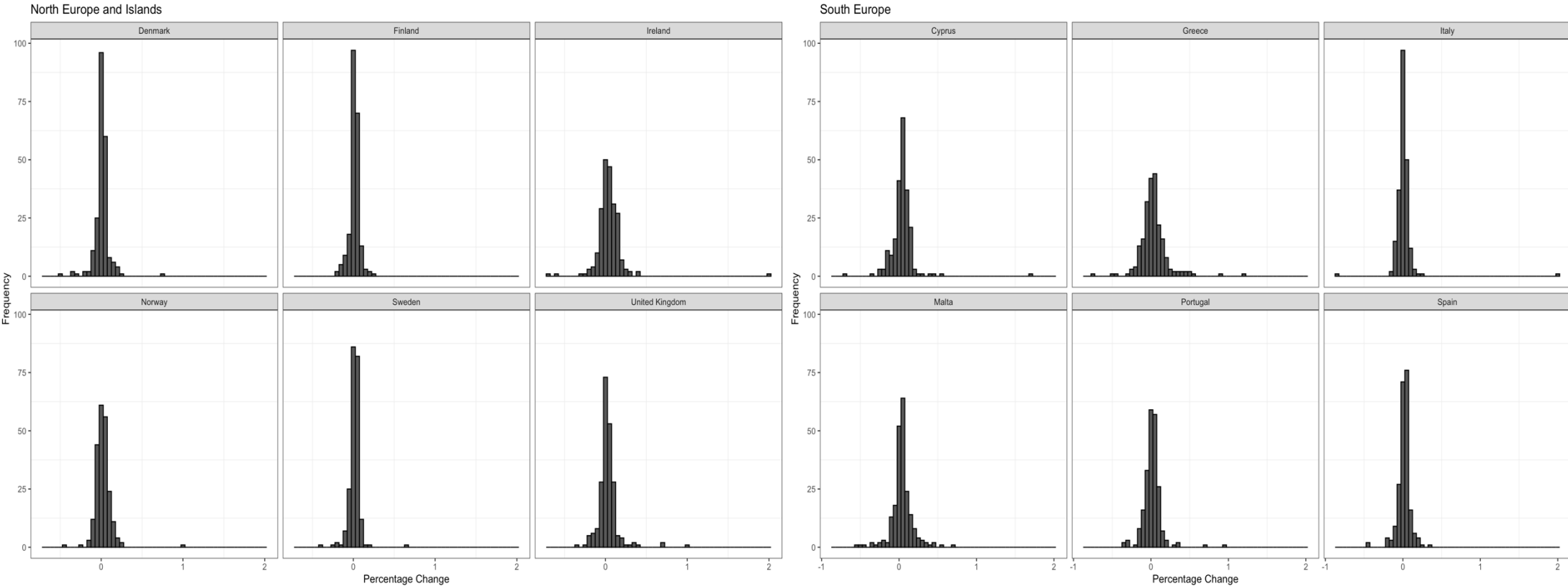
As matter of fact, what stands out outrageously is the mounting suffering of the balance of state powers, accompanied by the critical question about the role of the oppositions and how to protect them against any potential shove of the majority. Concerning the budget, the parliament is now compelled to approve the – alleged – most important document containing its political orientation and policy objectives without even knowing it (Caterina 2019). This happens in a context where it doesn’t seem to be any single authority that actually protects the oppositions. Not even the Constitutional Court (which a part of the oppositions turned to during the 2019 *manovra*) took the defense of the parliament, acquitting the government and its conduct.¹⁴⁸ Rejecting the admissibility

¹⁴⁸ More precisely, part of the PD senators resorted to the Constitutional Court because of the extreme shrinking of the timing accorded to the Chambers for the analysis of the budget: a matter that basically concerns the conflict of powers between branches of the state. With a judgement that raised a few doubts and critiques by experts of parliamentary and constitutional law (among others Bergonzini 2019; Caterina 2019; Curreri 2019; Di Cosimo 2019), the Court stated that despite “*the contraction of the parliamentary session that became necessary because of specific contextual demands, stabilized parliamentary practices, and new procedural rules [...] that hastened the works at the Senate, also because of the necessity to avoid the provisional budget as specified in the Constitution and to respect the European limits*” (own translation), the art. 72 of the Constitution cannot be evoked in contrast of the prerogatives of each Chamber, whose constitutional autonomy is guaranteed by the Constitution itself (sent. 17/2019).

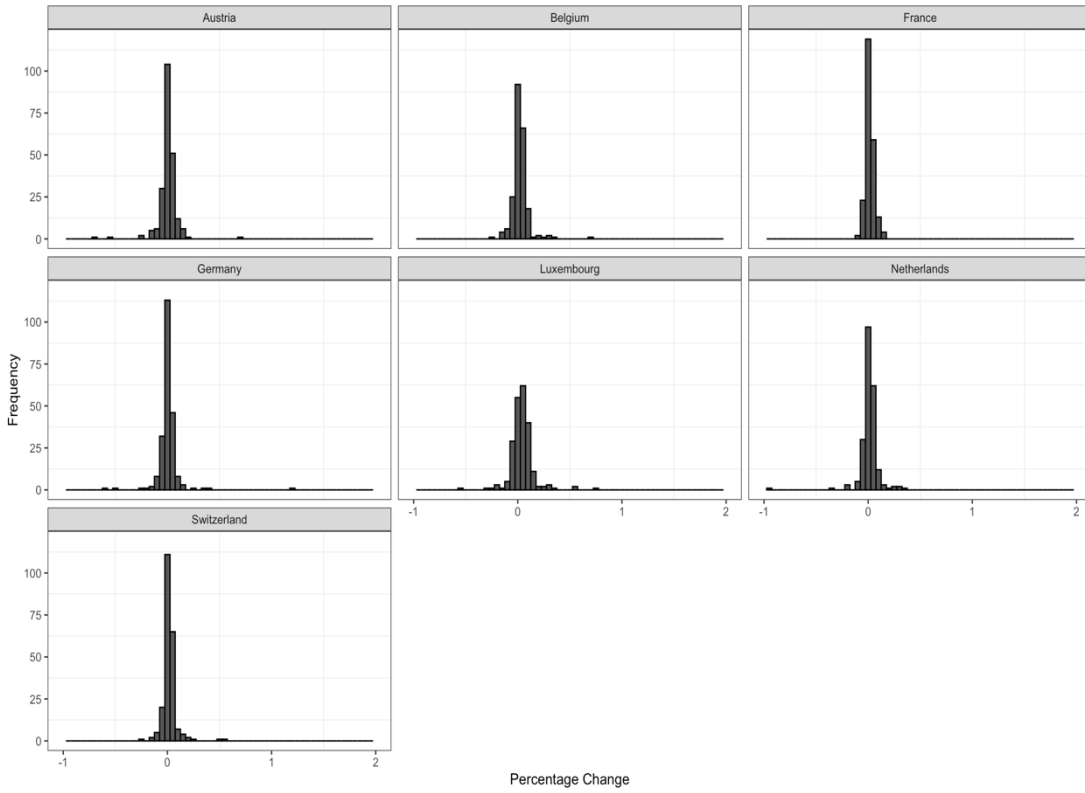
of the appeal, the Court *de facto* created a precedent which is likely to be exploited in similar cases to justify – again – the approval without discussion in a House of the parliament simply because the other one has analyzed *part* of the document (Curreri 2019), which seems a paradox considering the Italian symmetrical bicameralism. This is consistent with the charges brought against the new role of the parliament, become merely a venue for the registration of the majority's choices (Luciani 2019: 43). Evidently, this attitude detaches completely the polity from the long-term needs and social demands of the citizens, adding cascading problems for the representative democracy and the parliamentary system, where the parliament should favor the democratic debate but it is not anymore made able to do it.

APPENDIX-A

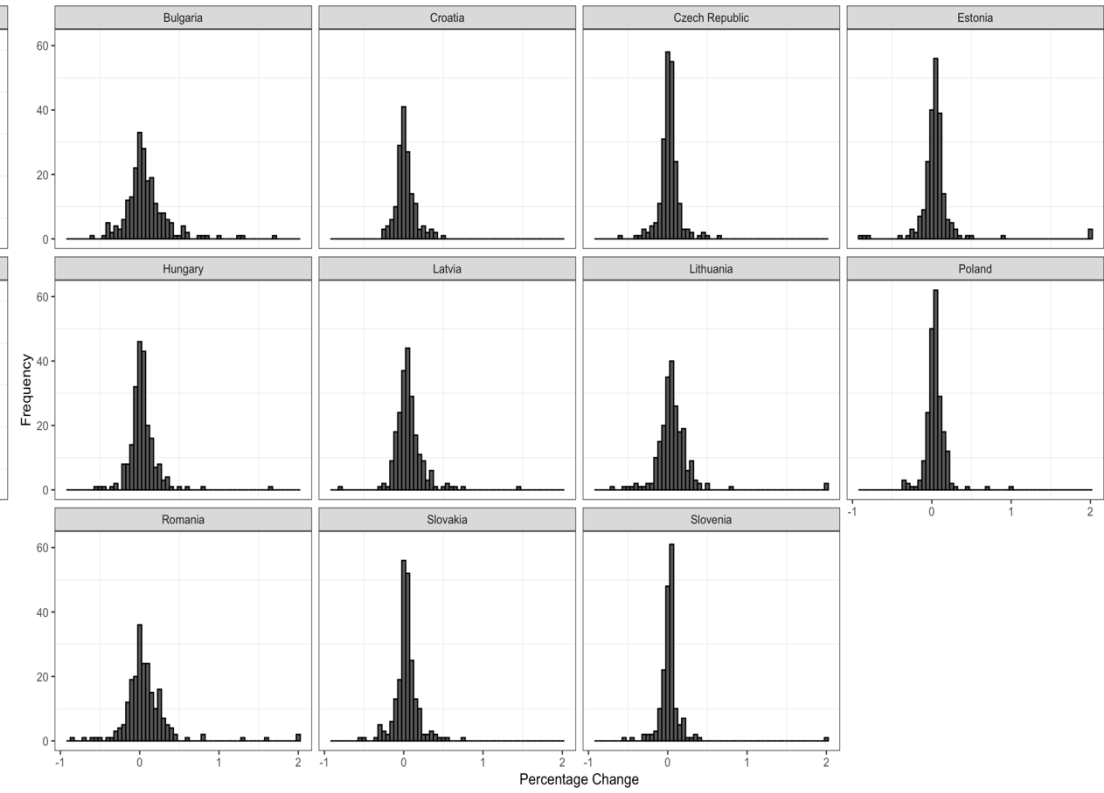
FIGURE A-2.1 Distribution of percentage change in European countries



Continental Europe



Post Communist Countries



Note: countries are grouped differentiating first between Western Europe and post-communist countries, then the former group is split again based on the geographical area each country belongs to. The right side is bounded at 200 percentage change.

TABLE A-2.1 L-kurtosis value by European countries

Country	L-kurtosis	N	Country	L-kurtosis	N
France	0.216	220	Cyprus	0.354	220
Croatia	0.239	180 (2001-)	Malta	0.354	220
Finland	0.264	220	Belgium	0.365	220
Norway	0.266	220	Ireland	0.362	220
Bulgaria	0.290	210 (1998-)	Netherlands	0.376	220
Latvia	0.295	220	Lithuania	0.378	220
Portugal	0.314	220	United Kingdom	0.378	220
Greece	0.320	220	Switzerland	0.379	220
Hungary	0.321	220	Denmark	0.410	220
Poland	0.324	220	Austria	0.431	220
Slovakia	0.325	220	Romania	0.433	220
Spain	0.330	220	Slovenia	0.462	200 (1999-)
Luxembourg	0.333	220	Germany	0.481	220
Czech Republic	0.346	220	Italy	0.573	220
Sweden	0.353	220	Estonia	0.729	220

Note: countries are ordered from the lowest L-kurtosis value to the highest one.

TABLE A-2.2 Main aggregates of national accounts in Italy (1992–2018)¹⁴⁹

Year	GDP	GDP growth	Revenues	Expenditure (%)	Deficit (%)	Debt (%)
1992	836206.0	0.83				
1993	861957.8	-0.85				
1994	911901.3	2.15				
1995	988243.2	2.88	398884	51.6	-7.3	116.9
1996	1045872.7	1.28	463840	51.5	-6.7	116.3
1997	1092357.3	1.83	509838	49.5	-3.0	113.8
1998	1138856.1	1.61	512321	48.2	-3.0	110.8
1999	1175149.5	1.55	533955	47.2	-1.8	109.7
2000	1241512.9	3.71	547437	46.5	-2.4	105.1
2001	1304136.8	1.77	573136	47.3	-3.4	104.7
2002	1350258.9	0.24	589340	46.7	-3.0	101.9
2003	1394693.2	0.15	610602	47.2	-3.3	100.5
2004	1452319.0	1.58	627746	46.9	-3.5	100.1
2005	1493635.3	0.94	641159	47.2	-4.1	101.9
2006	1552686.8	2.00	682977	47.8	-3.5	102.6
2007	1614839.8	1.47	729550	46.8	-1.5	99.8
2008	1637699.4	-1.05	737722	47.8	-2.6	102.4
2009	1577255.9	-5.48	722113	51.1	-5.2	112.5
2010	1611279.4	1.68	732921	49.9	-4.2	115.4
2011	1648755.8	0.57	748331	49.2	-3.7	116.5
2012	1624358.7	-2.81	772259	50.6	-2.9	123.4
2013	1612751.3	-1.72	772488	51.0	-2.9	129.0
2014	1627405.6	0.11	776162	50.9	-3.0	131.8
2015	1655355.0	0.92	787272	50.3	-2.6	131.6
2016	1695590.1	1.11	786020	49.0	-2.5	131.4
2017	1736601.8	1.68	803610	48.7	-2.4	131.4
2018	1765421.4	0.85	816113	48.4	-2.1	132.2

Note: expenditure, debt and deficit are expressed as percent of the GDP.

Source: Eurostat (2019).

¹⁴⁹ Eurostat data do not provide some of the information presented in Table A-2.2 for the period prior to 1995.

TABLE A-4.1 Coding schemes of budget functions (1992–2018)

Functional categories (1992–1997)	I and II level COFOG (1998–2018)
1 - General administration	1 - General administration
2 - National defense	1.1 - Finance, revenues
3 - Justice	1.2 - International aids
4 - Public order and security	1.3 - General services
5 - International relations	1.4 - Basic research
6 - Education and culture	1.5 - R&D on general administration
7 - University and research	1.6 - Public services
8 - Housing	1.7 - Debt
9 - Labor and pensions	1.8 - Money transfer
10 - Welfare/social services	2 - Defense
11 - Health	2.1 - Military defense
12 - Transport and communication	2.2 - Civic defense
13 - Agriculture and food	2.3 - Foreign military aids
14 - Manufactory and commerce	2.4 - R&D on defense
15 - Development of underutilized areas	2.5 - Defense (not otherwise classified)
16 - General economic affairs	3 - Public order and safety
17 - Local and regional finance	3.1 - Police
18 - Civil Defense	3.2 - Firefighting
19 - Special funds (not allocated in advance)	3.3 - Courthouses
20 - Interests on public debt	3.4 - Prisons
21 - General costs (not otherwise classified)	3.5 - R&D on public order and safety
	3.6 - Public order (not otherwise classified)
	4 - Economic affairs
	4.1 - Commerce, labor
	4.2 - Agriculture, fishing, hunting
	4.3 - Fuels, energy
	4.4 - Manufacturing, mining, building
	4.5 - Transports
	4.6 - Communication
	4.7 - Other sectors
	4.8 - R&D on economic affairs
	4.9 - Economic affairs (not otherwise classified)
	5 - Environmental protection
	5.1 - Waste treatment
	5.2 - Wastewater
	5.3 - Pollution control
	5.4 - Environmental protection
	5.5 - R&D on environmental protection
	5.6 - Environmental protection (not otherwise classified)

<p>6 - Housing and community amenities</p> <p>6.1 - Housing development</p> <p>6.2 - Territory arrangement</p> <p>6.3 - Water supply</p> <p>6.4 - Street lighting</p> <p>6.5 - R&D on housing and community amenities</p> <p>6.6 - Housing (not otherwise classified)</p>
<p>7 - Health</p> <p>7.1 - Health devices</p> <p>7.2 - Non-hospital services</p> <p>7.3 - Hospital services</p> <p>7.4 - Public health</p> <p>7.5 - R&D on health</p> <p>7.6 - Health (not otherwise classified)</p>
<p>8 - Recreation, culture and religion</p> <p>8.1 - Leisure activities</p> <p>8.2 - Culture activities</p> <p>8.3 - Publishing, television</p> <p>8.4 - Religious services</p> <p>8.5 - R&D on recreation, culture and religion</p> <p>8.6 - Culture, religion (not otherwise classified)</p>
<p>9 - Education</p> <p>9.1 - Preschool, primary education</p> <p>9.2 - Secondary education</p> <p>9.3 - Post-secondary education</p> <p>9.4 - Higher education</p> <p>9.5 - Education (other)</p> <p>9.6 - Additional services</p> <p>9.7 - R&D on education</p> <p>9.8 - Education (not otherwise classified)</p>
<p>10 - Social protection</p> <p>10.1 - Illness, handicap</p> <p>10.2 - Old age</p> <p>10.3 - Survivors</p> <p>10.4 - Family</p> <p>10.5 - Unemployment</p> <p>10.6 - Residences</p> <p>10.7 - Social exclusion</p> <p>10.8 - R&D on social protection</p> <p>10.9 - Social protection (not otherwise classified)</p>

TABLE A-4.2 Budget changes above 200 percent and related type of change (budget law)

Year	Macro category	Micro category	Median	Mean	Median growth rate	Average growth rate	Percentage change	Type
1998	Welfare**		15101	22793	-0.009	0.68	335.42	Unstable swing
2001	Defense	2.4 - R&D on defense	55.89	156.20	-1.60	12.50	384.42	Sudden peak
2001	Economic Affairs	4.8 - R&D on economic affairs	995.80	922.30	3.04	5325	989.62	Sudden peak
2001	Environmental Protection	5.5 - R&D on environmental protection	88.60	88.01	-2.64	21.40	202.82	Unstable swing
2001	Recreation, Culture & Religion	8.5 - R&D on recreation, culture and religion	69.29	77.49	-3.52	500.52	10138.65	Sudden peak
2002	Education	9.7 - R&D on education	3.71	4.75	-7.79	12.92	229.47	Sudden peak
2003	General Administration	1.4 - Basic research	2361.47	2254.72	0.61	257957	51568.95	Sudden peak
2003	Education	9.4 - Higher education	7382.92	7283.96	0.30	70613.50	1412277.79	Shift across
2003	Education	9.8 - Education (not otherwise classified)	1342.00	1218.00	7.87	33.25	462.82	Sudden peak
2003	Social Protection	10.4 - Family	3021.50	3014.10	2.36	81.20	333.46	Unstable swing
2005	Health	7.1 - Health devices	23.33	25.04	-5.78	290.41	327.22	Unstable swing
2007	Defense	2.5* - Defense (not otherwise classified)	314.63	654.37	3.19	124.09	1849.6	Unstable swing
2007	Public Order & Safety	3.6* - Public order (not otherwise classified)	53.91	233.38	-0.24	2410.32	36226.38	Sudden peak
2007	Economic Affairs	4.9* - Economic affairs (not otherwise classified)	861.10	948.40	-0.82	51.99	295.26	Shift across
2007	Recreation, Culture & Religion	8.6* - Culture, religion (not otherwise classified)	67.85	134.79	-8.76	580.41	8901.51	Sudden peak
2008	Environmental Protection	5.1 - Waste treatment	27.65	38.53	-7.38	51.62	991.16	Unstable swing
2009	Economic Affairs	4.7 - Other sectors	80.33	99.95	-4.04	521.43	10324.72	Sudden peak
2009	Environmental Protection	5.2 - Wastewater	23.98	73.08	-11.60	156643.60	825.29	Sudden peak
2009	Housing	6.6* - Housing (not otherwise classified)	16.10	564.40	10.00	5757.46	13904.91	Sudden peak
2009	Recreation, Culture & Religion	8.4 - Religious services	1025.90	670.30	-0.19	25.82	380.79	Unstable swing
2009	Education	9.3* - Post-secondary education	412.64	285.79	0.39	18.15	291.03	Sudden peak
2009	Social Protection	10.9 - Social protection (not otherwise classified)	7271.40	21074.30	1.52	16.87	284.63	Shift across
2010	General Administration	1.3 - General services	3353.00	3691.00	-4.25	22.07	520.55	Sudden peak
2010	Economic Affairs	4.4 - Manufacturing, mining and building	4629.40	4572.10	0.24	29.46	593.39	Sudden peak
2011	Defense	2.2 - Civic defense	598.37	1241.21	0.95	10.68	664.86	Sudden peak

2011	Defense	2.3* - Foreign military aids	234.00	527.60	-1.10	24.69	479.25	Sudden peak
2011	Housing	6 - Housing ¹⁵⁰	3471.60	3370.70	2.20	22.36	407.4	Unstable swing
2011	Housing	6.2 - Territory arrangement	1309.00	1706.30	4.16	44.92	801.92	Sudden peak
2011	Housing	6.6* - Housing (not otherwise classified)	16.10	564.40	10.00	5757.46	72379.79	Sudden peak
2011	Social Protection	10.1 - Illness, handicap	19742.00	19578.00	1.47	16.76	353.37	Shift across
2011	Social Protection	10.4 - Family	3021.50	3014.10	2.36	81.20	1157.06	Shift across
2011	Social Protection	10.5 - Unemployment	3613.75	6197.00	1.00	220165.00	4403350.8	Shift across
2013	General Administration	1.2 - International aids	772.50	885.70	0.11	19.91	252.46	Unstable swing
2013	Defense	2.2 - Civic defense	598.37	1241.21	0.95	10.68	1216.13	Sudden peak
2014	Environmental Protection	5.2 - Wastewater	23.98	73.08	-11.60	156643.60	120144.56	Unstable swing
2014	Health	7.4 - Public health	437.90	483.06	2.64	72.15	845.59	Sudden peak
2015	Economic Affairs	4.3 - Fuels, energy	42.84	142.92	-9.54	86.18	2022.45	Sudden peak
2015	Health	7.1 - Health devices	23.33	25.04	-5.78	290.41	4147.65	Sudden peak
2015	Social Protection	10.7 - Social exclusion	4248.64	4648.00	18.37	58.42	814.81	Unstable swing
2016	Defense	2.2 - Civic defense	598.37	1241.21	0.95	10.68	403.66	Sudden peak
2017	Environmental Protection	5.1 - Waste treatment	27.65	38.53	-7.38	51.62	283.67	Unstable swing
2017	Housing	6.3 - Water supply	369.50	394.30	1.27	18.67	415.51	Unstable swing
2017	Health	7.1 - Health devices	23.33	25.04	-5.78	290.41	1650.66	Unstable swing
2017	Health	7.4 - Public health	437.90	483.06	2.64	72.15	537.26	Unstable swing
2018	Environmental Protection	5.2 - Wastewater	23.98	73.08	-11.60	156643.60	3011995.93	Sudden peak
2019	Economic Affairs	4.9* - Economic affairs (not otherwise classified)	861.10	948.40	-0.82	51.99	373.62	Unstable swing

Note: the column 'Year' identifies the budget for the following year, that means, year 1998 identifies the budget issued in 1997 with the forecasts for 1998.¹⁵¹

* Indicates those categories whose financing does not cover the whole period considered. All of them (except for 2.3 and 9.3) gain financial resources not otherwise classified and have been created with the budget law for 2003.

** The change in Welfare spending in 1998 concerns a macro category classified according to the coding in place until that year.

¹⁵⁰ This change in the only one affecting a macro-category, therefore it is not considered in the assessment of micro-categories but it is evaluated later with macro-categories.

¹⁵¹ The same is for Table A-4.4, Table A-4.5, Table A-4.6, Table A-4.7, Table A-4.8.

TABLE A-4.3 Budget changes above 200 percent: sudden peaks only (budget law)

Year	Macro category	Micro category	Median	Share of the total	Average growth rage	Percentage change
1998	Welfare		15101	12.56	0.68	335.42
2001	Defense	2.4 - R&D on defense	55.89	0.05	-1.60	384.42
2001	Economic Affairs	4.8 - R&D on economic affairs	995.80	0.1	3.04	989.62
2001	Recreation, Culture & Religion	8.5 - R&D on recreation, culture and religion	69.29	0.009	-3.52	10138.65
2002	Education	9.7 - R&D on education	3.71	0.001	-7.79	229.47
2003	General Administration	1.4 - Basic research	2361.47	0.16	0.61	51568.95
2003	Education	9.8 - Education (not otherwise classified)	1342.00	0.14	7.87	462.82
2007	Public Order & Safety	3.6* - Public order (not otherwise classified)	53.91	0.3	-0.24	36226.38
2007	Recreation, Culture & Religion	8.6* - Culture, religion (not otherwise classified)	67.85	0.11	-8.76	8901.51
2009	Economic Affairs	4.7 - Other sectors	80.33	0.01	-4.04	10324.72
2009	Environmental Protection	5.2 - Wastewater	23.98	0.01	-11.60	825.29
2009	Housing	6.6* - Housing (not otherwise classified)	16.10	0.25	10.00	13904.91
2009	Education	9.3* - Post-secondary education	412.64	0.05	0.39	291.03
2010	General Administration	1.3 - General services	3353.00	1.07	-4.25	520.55
2010	Economic Affairs	4.4 - Manufacturing, mining and building	4629.40	0.36	0.24	593.39
2011	Defense	2.2 - Civic defense	598.37	0.008	0.95	664.86
2011	Defense	2.3* - Foreign military aids	234.00	0.12	-1.10	479.25
2011	Housing	6.2 - Territory arrangement	1309.00	0.22	4.16	801.92
2011	Housing	6.6* - Housing (not otherwise classified)	16.10	0.19	10.00	72379.79
2013	Defense	2.2 - Civic defense	598.37	0.08	0.95	1216.13
2014	Health	7.4 - Public health	437.90	0.03	2.64	845.59
2015	Economic Affairs	4.3 - Fuels, energy	42.84	0.01	-9.54	2022.45
2015	Health	7.1 - Health devices	23.33	0.0003	-5.78	4147.65
2016	Defense	2.2 - Civic defense	598.37	0.04	0.95	403.66
2018	Environmental Protection	5.2 - Wastewater	23.98	0.005	-11.60	3011995.93

Note: * indicates those categories whose financing does not cover the whole period considered.

TABLE A-4.4 Budget changes above 200 percent and related type of change included in the analysis (budget law)

Year	Macro category	Micro category	Percentage change	Type
1998	Welfare		335.42	Unstable swing
2001	Economic Affairs	4.8 - R&D on economic affairs	989.62	Sudden peak
2001	Environmental Protection	5.5 - R&D on environmental protection	202.82	Unstable swing
2003	Education	9.8 - Education (not otherwise classified)	462.82	Sudden peak
2003	Social Protection	10.4 - Family	333.46	Unstable swing
2005	Health	7.1 - Health devices	327.22	Unstable swing
2009	Recreation, Culture & Religion	8.4 - Religious services	380.79	Unstable swing
2009	Education	9.3* - Post-secondary education	291.03	Sudden peak
2010	General Administration	1.3 - General services	520.55	Sudden peak
2010	Economic Affairs	4.4 - Manufacturing, mining and building	593.39	Sudden peak
2011	Defense	2.2 - Civic defense	664.86	Sudden peak
2011	Defense	2.3* - Foreign military aids	479.25	Sudden peak
2011	Housing	6.2 - Territory arrangement	801.92	Sudden peak
2013	General Administration	1.2 - International aids	252.46	Unstable swing
2014	Health	7.4 - Public health	845.59	Sudden peak
2015	Social Protection	10.7 - Social exclusion	814.81	Unstable swing
2016	Defense	2.2 - Civic defense	403.66	Sudden peak
2017	Environmental Protection	5.1 - Waste treatment	283.67	Unstable swing
2017	Housing	6.3 - Water supply	415.51	Unstable swing
2017	Health	7.4 - Public health	537.26	Unstable swing
2019	Economic Affairs	4.9* - Economic affairs (not otherwise classified)	373.62	Unstable swing

Note: * indicates those categories whose financing does not cover the whole period considered.

TABLE A-4.5 Budget changes above 200 percent and related type of change (budget bill)

Year	Macro category	Micro category	Median value	Median growth rate	Percentage change	Share of the total	Type
2000	Social Protection	10.4 - Family	2921.76	1.17	640.44	0.04	Unstable swing
2001	Economic Affairs	4.8 - R&D on economic affairs	976.45	1.66	1196.72	0.11	Sudden peak
2001	Environmental Protection	5.5 - R&D on environmental protection	87.29	-2.22	429.19	0.001	Unstable swing
2002	Economic Affairs	4.7 - Other sectors	77.48	0.01	321.51	0.02	Sudden peak
2002	Environmental Protection	5.1 - Waste treatment	19.65	-1.43	565.74	0.01	Sudden peak
2004	General administration	1.4 - Basic research	2313.37	0.50	99996.15	0.31	Sudden peak
2004	Environmental Protection	5.5 - R&D on environmental protection	87.29	-2.22	291.17	0.01	Unstable swing
2004	Education	9.4 - Higher education	7044.75	-0.27	1220.17	1.15	Shift across
2004	Education	9.8 - Education (not otherwise classified)	1297.9	5.60	1406.19	0.25	Sudden peak
2005	Health	7.1 - Health devices	23.33	-4.05	411.09	0.008	Unstable swing
2005	Social Protection	10.1 - Illness, handicap	19447.57	1.31	20378.65	2.54	Shift across
2005	Social Protection	10.2 - Old age	26889	3.04	237.64	5.15	Shift across
2005	Social Protection	10.4 - Family	2921.76	1.17	405.41	0.42	Sudden peak
2005	Social Protection	10.7 - Social exclusion	1761.4	5.91	925.55	0.92	Sudden peak
2006	Education	9.7 - R&D on education	3.91	-5.47	277.25	0.0005	Sudden peak
2009	Environmental Protection	5.1 - Waste treatment	19.655	-1.43	1230.45	0.01	Unstable swing
2009	Recreation, Culture & Religion	8.4 - Religious services	1025.92	-0.94	339.51	0.14	Unstable swing
2009	Education	9.3* - Post-secondary education	409.3	1.93	328.43	0.05	Sudden peak

2010	General Administration	1.3 - General services	3229	-2.94	462.66	0.98	Sudden peak
2010	Economic Affairs	4.4 - Manufacturing, mining and building	4262	5.77	635.09	0.03	Sudden peak
2011	Defense	2.2 - Civic defense	599.51	-0.40	665.70	0.08	Sudden peak
2011	Housing	6.2 - Territory arrangement	1292.6	7.48	800.32	0.22	Sudden peak
2013	Defense	2.2 - Civic defense	599.51	-0.40	886.01	0.08	Sudden peak
2013	Defense	2.3* - Foreign military aids	187.1	-0.73	521.53	0.15	Sudden peak
2014	Health	7.4 - Public health	388.90	-0.99	439.34	0.01	Sudden peak
2015	Environmental Protection	5.2 - Wastewater	24.82	-4.5	534220.91	0.003	Sudden peak
2015	Social Protection	10.6* - Residences	0.00	24.75	383.66	0.02	Sudden peak
2016	Defense	2.3* - Foreign military aids	187.1	-0.73	377.49	0.13	Unstable swing
2016	Health	7.1 - Health devices	23.33	-4.05	2819.50	0.0001	Sudden peak
2016	Health	10.7 - Social exclusion	1761.4	5.91	212.65	1.32	Unstable swing
2017	Environmental Protection	5.1 - Waste treatment	19.65	-1.43	283.50	0.003	Unstable swing
2017	Housing	6.3 - Water supply	367.1	-0.83	413.93	0.09	Unstable swing
2017	Health	7.4 - Public health	388.90	-0.99	780.02	0.14	Unstable swing
2019	Economic Affairs	4.9* Economic affairs (not otherwise classified)	862.9	0.93	320.98	0.54	Unstable swing

Note: * indicates those categories whose financing does not cover the whole period considered.

TABLE A-4.6 Budget changes above 200 percent and related type of change included in the analysis (budget bill)

Year	Macro category	Micro category	Percentage change	Type
2000	Social Protection	10.4 - Family	640.44	Unstable swing
2001	Economic Affairs	4.8 - R&D on economic affairs	1196.72	Sudden peak
2001	Environmental Protection	5.5 - R&D on environmental protection	429.19	Unstable swing
2004	Environmental Protection	5.5 - R&D on environmental protection	291.17	Unstable swing
2004	Education	9.8 - Education (not otherwise classified)	1406.19	Sudden peak
2005	Health	7.1 - Health devices	411.09	Unstable swing
2005	Social Protection	10.4 - Family	405.41	Sudden peak
2005	Social Protection	10.7 - Social exclusion	925.55	Sudden peak
2009	Environmental Protection	5.1 - Waste treatment	1230.45	Unstable swing
2009	Recreation, Culture & Religion	8.4 - Religious services	339.51	Unstable swing
2009	Education	9.3* - Post-secondary education	328.43	Sudden peak
2010	General Administration	1.3 - General services	462.66	Sudden peak
2010	Economic Affairs	4.4 - Manufacturing, mining and building	635.09	Sudden peak
2011	Defense	2.2 - Civic defense	665.70	Sudden peak
2011	Housing	6.2 - Territory arrangement	800.32	Sudden peak
2013	Defense	2.2 - Civic defense	886.01	Sudden peak
2013	Defense	2.3* - Foreign military aids	521.53	Sudden peak
2014	Health	7.4 - Public health	439.34	Sudden peak
2016	Defense	2.3* - Foreign military aids	377.49	Unstable swing
2016	Health	10.7 - Social exclusion	212.65	Unstable swing
2017	Environmental Protection	5.1 - Waste treatment	283.50	Unstable swing
2017	Housing	6.3 - Water supply	413.93	Unstable swing
2017	Health	7.4 - Public health	780.02	Unstable swing
2019	Economic Affairs	4.9* - Economic affairs (not otherwise classified)	320.98	Unstable swing

Note: * indicates those categories whose financing does not cover the whole period considered.

TABLE A-4.7 Coding schemes of budget functions (1992–2018)

Functional categories (1992–1997)	II level COFOG (1998–2018)	Matching of the two categorization schemes
1 - General administration 19 - Special funds (not allocated in advance) 21 - General costs (not otherwise classified) 5 - International relations	1.1 - Finance, revenues 1.2 - International aids 1.3 - General services 1.4 - Basic research 1.5 - R&D on general administration 1.6 - Public services	A - General Administration
20 - Interests on public debt	1.7 - Debt	B - Public Debt
2 - National defense	2.1 - Military defense 2.3 - Foreign military aids 2.4 - R&D on defense 2.5 - Defense (not otherwise classified)	C - Defense
18 - Civil Defense	2.2 - Civil defense	D - Civil Defense
4 - Public order and security	3.1 - Police 3.2 - Firefighting 3.5 - R&D on public order and safety 3.6 - Public order (not otherwise classified)	E - Public Order
3 - Justice	3.3 - Courthouses 3.4 - Prisons	F - Law courts & Prisons
16 - General economic affairs 14 - Manufactory and commerce	4.1 - Commerce, labor 4.3 - Fuels, energy 4.4 - Manufacturing, mining and building 4.7 - Other sectors 4.8 - R&D on economic affairs 4.9 - Economic affairs (not otherwise classified)	G - Economic Affairs

12 - Transport and communication	4.5 - Transports 4.6 - Communication	H - Transport & Communication
13 - Agriculture and food 15 - Development of underutilized areas	4.2 - Agriculture, fishing, hunting 5.1 - Waste treatment 5.2 - Wastewater 5.3 - Pollution control 5.4 - Environmental protection 5.5 - R&D on environmental protection 5.6 - Environmental protection (not otherwise classified)	I - Agriculture & Environment protection
17 - Local and regional finance	1.8 - Money transfer	J - Local & Regional levels of government
8 - Housing	6.1 - Housing development 6.2 - Territory arrangement 6.3 - Water supply 6.4 - Street lighting 6.5 - R&D on housing and community amenities 6.6 - Housing (not otherwise classified)	K - Housing & Community amenities
9 - Labor and pensions 10 - Welfare/social services	10.1 - Illness, handicap 10.2 - Old age 10.3 - Survivors 10.4 - Family 10.5 - Unemployment 10.6 - Residences 10.7 - Social exclusion 10.8 - R&D on social protection 10.9 - Social protection (not otherwise classified)	L - Social Protection
11 - Health	7.1 - Health devices 7.2 - Non-hospital services	M - Health

	<ul style="list-style-type: none"> 7.3 - Hospital services 7.4 - Public health 7.5 - R&D on health 7.6 - Health (not otherwise classified) 	
6 - Education and culture	<ul style="list-style-type: none"> 8.1 - Leisure activities 8.2 - Culture activities 8.3 - Publishing, television 8.4 - Religious services 8.5 - R&D on recreation, culture and religion 8.6 - Culture, religion (not otherwise classified) 9.1 - Preschool, primary education 9.2 – Secondary education 9.3 - Post-secondary education 9.5 - Education (other) 9.6 - Additional services 9.8 - Education (not otherwise classified) 	N - Education, Culture & Religion
7 - University and research	<ul style="list-style-type: none"> 9.4 - Higher education 9.7 - R&D on education 	O - University & Research

TABLE A-5.1 Coalitional conflicts and conflicts on the budget by government

Year	Government	N. days in office	N. total conflicts	N. conflicts (tot)	N. conflicts (budget)	Degree of tot conflict	Degree of conflict on budget
1992	Amato I	305	123	67	11	40.33	16.42
1993	Ciampi	377	70	70	20	18.57	28.57
1994	Berlusconi I	251	52	52	7	20.72	13.46
1995	Dini	487	78	78	24	16.02	30.77
1996	Prodi I	886	186	51	16	20.99	31.37
1997	Prodi I	886	186	72	11	20.99	15.28
1998	Prodi I	886	186	63	3	20.99	4.76
1999	D'Alema I-II	553	124	85	5	22.42	5.88
2000	Amato II	411	60	45	3	14.60	6.67
2001	Berlusconi II	1412	172	20	0	12.18	0.00
2002	Berlusconi II	1412	172	34	4	12.18	11.76
2003	Berlusconi II	1412	172	64	9	12.18	14.06
2004	Berlusconi II	1412	172	42	7	12.18	16.67
2005	Berlusconi III	389	28	22	3	7.20	13.64
2006	Prodi II	722	105	41	12	14.54	29.27
2007	Prodi II	722	105	58	3	14.54	5.17
2008	Berlusconi IV	1287	244	45	4	18.96	8.89
2009	Berlusconi IV	1287	244	76	5	18.96	6.58
2010	Berlusconi IV	1287	244	63	3	18.96	4.76
2011	Berlusconi IV	1287	244	60	13	18.96	21.67
2012	Monti	529	52	48	5	9.83	10.42
2013	Letta II	300	41	34	4	13.67	11.76
2014	Renzi	1024	108	31	1	10.55	3.23
2015	Renzi	1024	108	43	1	10.55	2.33
2016	Renzi	1024	108	32	2	10.55	6.25
2017	Gentiloni	536	49	49	4	9.14	8.16
2018	Conte	214	42	42	7	19.63	16.67

TABLE A-5.2 The Italian budgetary process: Timeline of domestic and supra-national deadlines

European Semester and Italian Budgetary Process Timeline

	November	December	January	February	March	April	May
European Commission	Publication of the AGS						Assessment of national fiscal and structural plans and adoption of CSRs and EARs
EU Council	Debate and orientation on AGS						
European Parliament	European Dialogue						
European Council	Endorsement of AGS						
Member States	Drafting of SCPs and NRPs, taking into account the AGS					Submission of the SCPs and NRPs	
Italy		1. Begin of the financial year (L.196/2009, art. 20) 31. Possible submission of bills related to the financial plan	15. MoE presents indicators and targets on wealth, based on the current budget to the parliament (L.196/2009, art. 10, co. 10-ter)	1. ISTAT broadcasts on GPD and net debt of public administrations of the previous year	10. MoE presents and approves the DEF, (considering the SCP e NRP) 10. Advise to the <i>Conferenza permanente per il coordinamento della finanza pubblica</i> 30. Submission of the SCP and the NRP to the EU; RGS receives accounts from the ministries to compile the <i>Rendiconto</i>	31. MoE submits the <i>Rendiconto Generale dello Stato</i> of the previous year to the Court of Auditors 31. Decision on 3-year spending targets for each ministry	

	June	July	August	September	October	November	December		
European Commission									
EU Council	Finalization and adoption of CSRs and EARs								
European Parliament									
European Council	Endorsement of CSRs and EARs								
Member States									
Italy	<p>15. Document on 3-year spending targets for each ministry submitted to the parliament</p> <p>30. MoE submits to the parliament the <i>Rendiconto generale dello Stato</i> of the previous year</p> <p>30. MoE submits a supplementary document of the DEF with possible corrective measures to the parliament</p>			<p>20. Executive presents the NaDEF before the parliament (integrates comments by the Ecofin)</p>		<p>15. Executive submits the DBP to the Commission and Eurogroup</p> <p>20. Executive submits the budget bill and a supplementary document with 3-year effects on public finance to the parliament</p>		<p>30. Assessment of the Commission on the DBP</p> <p>31. End of the financial year: deadline for the approval of the budget bill</p>	

TABLE A-5.3 Dimensions of the index of executive planning

Index of executive planning (0–15)

Constitutional constraint	<p>0 = no constitutional constraint</p> <p>1 = broad constitutional constraint (planned by L. 468/1978)</p> <p>2 = specific constitutional constraint (introduced by L. Cost. 1/2012)</p>
Legal <i>enforcement</i> overseeing potential violation of the balanced budget rule	<p>0 = no legal enforcement in case of violation</p> <p>1 = specific mechanism to punish the violation</p>
Zero-Based Budget	<p>0 = lack of norms that try to overcome the standard of incremental budgeting</p> <p>1 = presence of norm on the zero-base budgeting (L. 243/2012)</p>
Agenda-setting power of the Minister of Finance	<p>0 = no power of agenda-setting at all</p> <p>1 = limited power constrained by the Prime Minister and/or other core executive actors (L. 362/1988)</p> <p>2 = structural power of agenda-setting (L. 94/1997)</p>
Autonomous decision-making power of the Minister of Finance	<p>0 = no power of change</p> <p>1 = possibility to change spending authorizations already decided by the parliament within the same program (DL. 112/2008)</p> <p>2 = possibility to cut autonomously spending authorizations (L. 163/2016)</p>
Budget norms (broad or specific spending items) ¹⁵²	<p>0 = no regulation</p> <p>1 = presence of a general regulation on governmental role over spending item (L.62/1964)</p> <p>2 = specific regulation for spending items (L. 468/1978)</p>
Structure of negotiations in cabinet	<p>0 = no rules</p> <p>1 = sort of ‘decatalogue’ on negotiation within the cabinet (L. 362/1988)</p> <p>2 = specific regulations on negotiation in cabinet (L. 163/2016)</p>
Elements included in the budget documents presented to the legislature	<p>0 = absence of legislative requirements</p> <p>1 = general budget priorities and mid-term (3 years) fiscal policy objectives (L. 362/1988, Public Finance Decision)</p> <p>2 = long-term budget priorities and fiscal policy objectives</p>
Mandatory financial backing	<p>0 = no obligation to specify financial backing assets in case of expenditure deviations</p> <p>1 = obligation to state financial backing assets</p>

¹⁵² This is derived drawing upon a study by Lienert (2005), who applied the same classification.

TABLE A-5.4 Index of executive planning (1992–2018)

Index of executive planning (0–15)

Year	Constitutional constraint	Legal enforcement of balanced budget rule	Zero-Base Budget	Agenda-setting power of MoF	Autonomous decision-making power of MoF	Budget norms	Negotiation in cabinet	Budget and fiscal objectives before the legislature	Mandatory financial backing	SUM
1992	1	0	0	1	0	2	1	1	0	6
1993	1	0	0	1	0	2	1	1	0	6
1994	1	0	0	1	0	2	1	1	0	6
1995	1	0	0	1	0	2	1	1	0	6
1996	1	0	0	1	0	2	1	1	0	6
1997	1	0	0	1	0	2	1	1	0	6
1998	1	0	0	1	0	2	1	1	0	6
1999	1	0	0	1	0	2	1	1	0	6
2000	1	0	0	1	0	2	1	1	0	6
2001	1	0	0	2	0	2	1	1	0	7
2002	1	0	0	2	0	2	1	1	0	7
2003	1	0	0	2	1	2	1	1	0	8
2004	1	0	0	2	1	2	1	1	0	8
2005	1	0	0	2	1	2	1	1	0	8
2006	1	0	0	2	1	2	1	1	0	8
2007	1	0	0	2	1	2	1	1	0	8
2008	1	0	0	2	1	2	1	1	0	8
2009	1	0	0	2	0	2	1	1	0	7
2010	1	0	0	2	0	2	1	1	0	7
2011	1	0	0	2	0	2	1	2	0	8
2012	2	0	1	2	0	2	1	2	0	10
2013	2	0	1	2	0	2	1	2	0	10
2014	2	0	1	2	0	2	1	2	0	10
2015	2	0	1	2	0	2	1	2	0	10
2016	2	0	1	2	2	2	2	2	1	14
2017	2	0	1	2	2	2	2	2	1	14
2018	2	0	1	2	2	2	2	2	1	14

TABLE A-5.5 Dimensions of the index of legislative approval

Index of legislative approval (0–15)

Budget session	0 = no formal budget session 1 = formal budget session limiting the time for spending decisions (L. 468/1978)
Limits to bicameralism	0 = limitations to bicameralism by the budget session 1 = no limitation
Committee role	0 = screening process within the committee according to the usual legislative procedure 1 = dedicated screening within the Committee with additional technical requirements
Amendment limitation	0 = no limitation 1 = vague limitation subject to general norms (L. 468/1978) 2 = specific limitation on budgetary norms
Leverage for amendment presentation	0 = time limit for the presentation which constrains the majority 1 = possibility to present amendments at any time of the budgetary session
Amendment off-setting	0 = no power of the President of the Chambers to withdraw amendments (L. 468/1978) 1 = power enforceable only in a specific moment of the budgetary cycle 2 = power enforceable during the whole budgetary session
Re-proposal of amendment discarded by the Committee	0 = admissible 1 = not admissible
Budget amendment can lead to fall of the government	0 = no 1 = yes
Possibility to introduce other financial measures beside the budget	0 = prohibition for the government to introduce other financial measure exploiting its legislative power 1 = possibility just to present financial backing assets attached to the budget law 2 = possibility without specific boundaries to the contents
Maxi-amendment	0 = non-use 1 = use of maxi-amendment(s) attached to the budget 2 = use of maxi-amendment that entirely replaces the budget law
Vote on total size of the budget	0 = no 1 = yes (L. 208/1999)

TABLE A-5.6 Index of legislative approval (1992–2018)

Index of Legislative approval (0–15)

Year	Budget session	Limit to bicameral	Commit tee role	Amendment limitation	Amendment presentation	Amendment off-setting	Amendment re-proposal	Fall of government because of amendment	Other financial measures	Maxi-amendment	Vote on all budget	SUM
1992	1	0	1	1	0	1	1	0	1	0	0	6
1993	1	0	1	1	0	1	1	0	0	0	0	5
1994	1	0	1	1	0	1	1	0	0	0	0	5
1995	1	0	1	1	0	1	1	0	0	1	0	6
1996	1	0	1	1	0	1	1	0	1	1	0	7
1997	1	0	1	1	0	1	1	0	0	1	0	6
1998	1	0	1	1	0	1	1	0	0	1	0	6
1999	1	0	1	1	1	1	1	0	0	1	1	8
2000	1	0	1	1	1	1	1	0	0	1	1	8
2001	1	0	1	1	1	1	1	0	0	1	1	8
2002	1	0	1	1	1	1	1	0	0	1	1	8
2003	1	0	1	1	1	1	1	0	1	1	1	9
2004	1	0	1	1	1	1	1	0	1	2	1	10
2005	1	0	1	1	1	1	1	0	1	2	1	10
2006	1	0	1	1	1	1	1	0	1	2	1	10
2007	1	0	1	1	1	1	1	0	1	2	1	10
2008	1	0	1	1	1	1	1	0	2	2	1	11
2009	1	0	1	1	1	1	1	0	2	2	1	11
2010	1	0	1	1	1	1	1	0	2	2	1	11
2011	1	0	1	1	1	1	1	0	2	2	1	11
2012	1	0	1	1	1	1	1	0	2	2	1	11
2013	1	0	1	1	1	1	1	0	2	2	1	11
2014	1	0	1	1	1	1	1	0	2	2	1	11
2015	1	0	1	1	1	1	1	0	2	2	1	11
2016	1	0	1	1	1	1	1	0	2	2	1	11
2017	1	0	1	1	1	1	1	0	2	2	1	11
2018	1	0	1	1	1	1	1	0	2	2	1	11

TABLE A-5.7 Dimensions of the index of external constraint

Index of external constraint (0–10)

<p>Legal base of supra-national requirements</p>	<p>0 = no legal base</p> <p>1 = presence of supranational requirements with macro-economic guidelines for convergence (Maastricht Treaty)</p> <p>2 = effective presence of macro-economic guidelines (SGP)</p> <p>3 = pre-set common timeline for economic coordination and budgetary discipline focusing on long-term objective (European Semester)</p> <p>4 = common budgetary objectives (Fiscal Compact)</p>
<p>Character of the requirements</p>	<p>0 = no requirements</p> <p>1 = convergence of the budgetary process on common parameters (Maastricht treaty)</p> <p>2 = general binding requirements whose disregard brings an early warning procedure (SGP)</p> <p>3 = binding requirements including the analysis of national public expenditure (Six-Pack)</p> <p>4 = binding requirements including the analysis of long-term draft plans and of consistency with previous recommendation (Two-Pack)</p>
<p>Supra-national monitoring as <i>ex post</i> check</p>	<p>0 = no</p> <p>1 = yes</p>
<p>Supra-national monitoring to the whole budgetary process</p>	<p>0 = no</p> <p>1 = yes</p>

TABLE A-6.1 Quantile regression results for the four models (dependent variable in absolute value)

	Model 1 Testing Hypotheses	Model 2 Domestic Factors	Model 3 External Shocks	Model 4 Full model
20th percentile				
Constant	6.86 (5.33)	5.35 (5.59)	1.36 (0.50)**	5.76 (8.17)
Parliamentary Fragmentation	-0.63 (0.58)	-0.30 (0.57)	—	-0.63 (0.93)
Gov Ideological Polarization	0.09 (0.32)	-0.19 (0.34)	—	-0.02 (0.38)
Budgetary Process Centralization	-0.01 (0.25)	-0.09 (0.21)	—	0.06 (0.29)
European Constraint	-0.37 (0.43)	—	—	-0.44 (0.45)
Technocratic Government	—	1.05 (1.90)	—	0.97 (2.02)
Partial Ideological Shift	—	0.20 (1.49)	—	0.25 (1.53)
Complete Ideological Shift	—	-0.20 (1.06)	—	-0.42 (1.15)
Gov Conflict on the Budget	—	0.01 (0.05)	—	0.02 (0.05)
GDP growth	—	—	-0.01 (0.23)	0.03 (0.25)
Economic Crisis	—	—	0.97 (1.06)	-0.17 (1.56)
40th percentile				
Constant	17.61 (6.58)**	13.20 (6.97)*	5.39 (0.64)***	19.29 (9.74)*
Parliamentary Fragmentation	-1.28 (0.71)†	-0.38 (0.71)	—	-1.41 (1.12)
Gov Ideological Polarization	0.01 (0.42)	-0.40 (0.42)	—	-0.15 (0.47)
Budgetary Process Centralization	-0.05 (0.31)	-0.24 (0.26)	—	-0.08 (0.35)
European Constraint	-0.81 (0.54)	—	—	-0.78 (0.56)
Technocratic Government	—	1.70 (2.38)	—	2.48 (2.49)
Partial Ideological Shift	—	0.65 (1.93)	—	0.00 (1.95)
Complete Ideological Shift	—	2.74 (1.39)*	—	2.07 (1.45)
Gov Conflict on the Budget	—	-0.04 (0.06)	—	-0.04 (0.06)
GDP growth	—	—	-0.07 (0.29)	0.13 (0.33)
Economic Crisis	—	—	0.72 (1.39)	-0.99 (1.89)

60th percentile

Constant	43.05 (9.17)***	44.83 (9.42)***	11.57 (0.89)***	39.51 (12.19)***
Parliamentary Fragmentation	-3.44 (0.97)***	-1.90 (0.96)*	—	-2.12 (1.49)
Gov Ideological Polarization	0.18 (0.60)	-0.64 (0.59)	—	-0.10 (0.66)
Budgetary Process Centralization	-0.10 (0.40)	-1.01 (0.34)**	—	-0.40 (0.45)
European Constraint	-2.06 (0.71)**	—	—	-1.23 (0.82)
Technocratic Government	—	0.79 (3.20)	—	1.74 (3.37)
Partial Ideological Shift	—	0.38 (2.83)	—	0.02 (2.87)
Complete Ideological Shift	—	7.07 (2.66)**	—	6.13 (2.75)*
Gov Conflict on the Budget	—	-0.23 (0.11)*	—	-0.25 (0.12)*
GDP growth	—	—	0.89 (0.48)*	0.75 (0.57)
Economic Crisis	—	—	7.32 (2.47)**	3.30 (2.59)

80th percentile

Constant	75.70 (26.99)**	71.85 (26.99)**	29.07 (2.37)***	43.20 (25.70)†
Parliamentary Fragmentation	-5.76 (2.61)*	-2.86 (2.41)	—	-0.01 (3.25)
Gov Ideological Polarization	-1.31 (1.79)	-2.53 (1.80)	—	-0.85 (2.22)
Budgetary Process Centralization	0.48 (1.14)	-0.73 (1.09)	—	0.92 (1.02)
European Constraint	-3.53 (1.79)*	—	—	-3.19 (2.17)
Technocratic Government	—	-3.12 (5.86)	—	-5.03 (6.72)
Partial Ideological Shift	—	7.10 (7.47)	—	3.88 (8.26)
Complete Ideological Shift	—	16.68 (6.55)*	—	17.50 (6.20)**
Gov Conflict on the Budget	—	-0.62 (0.23)**	—	-0.74 (0.24)**
GDP growth	—	—	0.24 (1.18)	-0.98 (1.57)
Economic Crisis	—	—	12.04 (4.93)**	7.69 (6.50)

Note: statistical significance with p-value < 0.1 (†), 0.05 (*), 0.01 (**), 0.001 (***).

TABLE A-6.2 Quantile regression results for the four models (dependent variable in real value)

	Model 1 Testing Hypotheses	Model 2 Domestic Factors	Model 3 External Shocks	Model 4 Full model
5th percentile				
Constant	-1.70 (0.51)***	-1.58 (0.57)*	-0.46 (0.04)***	-0.85 (0.58)
Parliamentary Fragmentation	0.19 (0.04)***	0.06 (0.04)	—	0.06 (0.06)
Gov Ideological Polarization	-0.06 (0.03)†	0.06 (0.03)*	—	-0.05 (0.04)
Budgetary Process Centralization	-0.03 (0.02)†	0.02 (0.02)	—	-0.03 (0.02)
European Constraint	0.18 (0.03)***	—	—	0.13 (0.04)***
Technocratic Government	—	0.28 (0.21)	—	0.18 (0.23)
Partial Ideological Shift	—	-0.26 (0.22)	—	-0.03 (0.17)
Complete Ideological Shift	—	-0.13 (0.07)†	—	-0.04 (0.07)
Gov Conflict on the Budget	—	0.01 (0.00)*	—	0.00 (0.00)
GDP growth	—	—	0.00 (0.02)	0.00 (0.01)
Economic Crisis	—	—	-0.36 (0.10)***	-0.25 (0.12)*
30th percentile				
Constant	-0.41 (0.09)***	-0.41 (0.10)***	-0.05 (0.00)***	-0.50 (0.12)***
Parliamentary Fragmentation	0.03 (0.01)***	0.03 (0.01)**	—	0.04 (0.01)***
Gov Ideological Polarization	0.00 (0.00)	0.02 (0.00)***	—	0.00 (0.00)
Budgetary Process Centralization	-0.00 (0.00)	0.00 (0.00)**	—	-0.00 (0.00)
European Constraint	0.02 (0.00)***	—	—	0.02 (0.00)***
Technocratic Government	—	-0.00 (0.02)	—	0.00 (0.03)
Partial Ideological Shift	—	0.00 (0.02)	—	-0.00 (0.02)
Complete Ideological Shift	—	0.01 (0.01)	—	0.02 (0.01)
Gov Conflict on the Budget	—	-0.00 (0.00)	—	-0.00 (0.00)
GDP growth	—	—	0.00 (0.00)	0.00 (0.00)
Economic Crisis	—	—	-0.05 (0.02)**	0.02 (0.02)

70th percentile				
Constant	0.02 (0.07)	0.00 (0.07)	0.04 (0.00)***	-0.00 (0.12)
Parliamentary Fragmentation	0.00 (0.00)	0.00 (0.00)	—	0.01 (0.01)
Gov Ideological Polarization	0.00 (0.00)	0.00 (0.00)	—	-0.00 (0.00)
Budgetary Process Centralization	-0.00 (0.00)	0.00 (0.00)	—	-0.00 (0.00)
European Constraint	0.01 (0.00)*	—	—	0.01 (0.00)*
Technocratic Government	—	-0.00 (0.03)	—	0.01 (0.03)
Partial Ideological Shift	—	0.01 (0.02)	—	0.01 (0.02)
Complete Ideological Shift	—	0.03 (0.01)*	—	0.03 (0.02)†
Gov Conflict on the Budget	—	-0.00 (0.00)	—	-0.00 (0.00)
GDP growth	—	—	0.00 (0.00)	0.00 (0.00)
Economic Crisis	—	—	-0.02 (0.01)	0.00 (0.02)
95th percentile				
Constant	1.28 (1.41)	1.00 (0.87)	0.65 (0.08)***	2.09 (0.85)**
Parliamentary Fragmentation	-0.09 (0.15)	0.02 (0.07)	—	0.17 (0.06)***
Gov Ideological Polarization	0.06 (0.06)	0.02 (0.08)	—	0.09 (0.05)†
Budgetary Process Centralization	0.01 (0.04)	-0.01 (0.03)	—	0.01 (0.04)
European Constraint	-0.07 (0.06)	—	—	0.14 (0.06)*
Technocratic Government	—	-0.18 (0.22)	—	0.13 (0.20)
Partial Ideological Shift	—	-0.08 (0.23)	—	0.27 (0.20)
Complete Ideological Shift	—	0.34 (0.43)	—	0.25 (0.41)
Gov Conflict on the Budget	—	-0.02 (0.01)	—	0.02 (0.01)†
GDP growth	—	—	0.05 (0.04)	0.07 (0.04)
Economic Crisis	—	—	0.06 (0.27)	0.06 (0.19)

Note: statistical significance with p-value < 0.1 (†), 0.05 (*), 0.01 (**), 0.001 (***).

TABLE A-7.1 OLS regression results using as dependent variable the percentage change of the total and the degree of transformativeness

Effect of the covariates on DV1 and DV2

	Percentage change of the total	Degree of transformativeness
Constant	-1.65 (0.83)	0.53 (0.25)
Parliamentary Fragmentation	-0.54 (0.50)	-0.03 (0.53)
Budgetary Process Centralization	0.65 (0.11)	-0.00 (0.88)
External Constraint	-1.62 (0.02)*	-0.04 (0.89)
Election year	-1.91 (0.16)	-0.01 (0.28)
Year prior to elections	-2.45 (0.10)	-0.09 (0.07)
Gov Ideological Polarization	1.60 (0.00)**	0.06 (0.96)
Gov Conflict on the Budget	-0.02 (0.71)	0.00 (0.27)

Note: statistical significance with p-value < 0.1 (†), 0.05 (*), 0.01 (**), 0.001 (***)

TABLE A-7.2 Summary statistics of each annual *manovra* (1992–2018)

Descriptive Statistics

Year	Mean	Median	Variance	Min	Max	Tot change (a)	Sum change (b)	Index of transfor (c)	L-kurtosis (d)	Entropy change (e)
1993	-3.33	-2.01	10.89	-30.73	11.45	-6.78	8.09	0.41	0.23	1.52
1994	-0.45	0.01	1.61	-3.70	2.27	-0.48	1.02	0.10	0.32	0.07
1995	-4.72	-2.14	11.52	-42.85	4.67	-2.68	6.07	0.14	0.60	-0.40
1996	-0.19	-0.04	0.42	-0.88	0.53	-0.10	0.33	0.01	0.12	-0.02
1997	-3.72	-0.71	11.75	-37.63	6.88	-0.88	6.40	0.43	0.48	-1.61
1998	3.81	1.57	6.46	-5.80	16.76	4.91	5.41	0.29	0.06	-0.55
1999	6.03	2.46	11.86	-4.49	44.44	3.46	6.73	0.18	0.50	0.24
2000	6.64	2.73	9.57	-1.55	32.11	6.22	6.94	0.51	0.22	-0.38
2001	9.25	1.89	18.21	-10.39	61.72	2.10	11.25	0.44	0.42	1.44
2002	0.45	0.36	4.60	-8.90	7.62	0.81	3.62	0.19	0.10	0.34
2003	42.53	4.41	149.94	-10.08	562.49	1.55	47.89	0.60	0.86	1.21
2004	3.37	2.52	6.09	-9.23	13.66	2.23	4.99	0.16	0.20	0.13
2005	5.48	1.40	15.12	-9.03	53.91	1.43	8.25	0.27	0.49	0.91
2006	0.61	-0.61	15.45	-31.34	44.34	0.15	7.31	0.24	0.76	-0.18
2007	19.92	10.41	26.37	1.24	89.69	9.99	19.92	0.55	0.25	1.99
2008	6.17	2.67	6.94	-0.61	23.12	5.36	6.29	0.36	0.09	-0.10
2009	0.15	-0.00	1.63	-3.10	4.80	-0.19	0.77	0.06	0.73	-0.01
2010	1.65	0.11	2.91	-0.07	10.32	1.98	1.66	0.11	0.33	-0.23
2011	2.05	1.06	3.41	-1.76	12.19	0.95	2.36	0.09	0.32	0.38
2012	-1.37	-2.36	15.34	-25.22	44.32	-1.39	8.77	0.21	0.57	0.56
2013	8.55	0.41	17.56	-2.68	48.67	1.01	9.60	0.24	0.32	1.89
2014	7.96	1.61	12.93	-0.81	42.83	2.16	8.08	0.15	0.32	1.23
2015	4.05	2.29	4.31	-0.68	11.65	3.44	4.28	0.23	0.08	0.08
2016	29.43	2.07	96.44	-14.76	363.50	2.55	31.54	0.22	0.87	0.47
2017	0.00	-0.08	0.51	-0.75	1.59	0.00	0.26	0.01	0.66	-0.03
2018	0.33	0.02	0.88	-0.41	2.85	0.01	0.50	0.02	0.40	0.07
2019	1.45	0.15	4.35	-0.15	16.52	0.04	1.49	0.01	0.80	0.07

TABLE A-7.3 Description of the most important independent variables for the selected *manovre*

Year	Government	Type of coalition	Ideological polarization	Parliamentary Fragmentation	Budget Process Centralization	EU constraint	Conflict on budget	Deficit	Debt	Tot change	Index of Transformat	L-kurtosis
2004	Berlusconi II	Surplus, 4 parties	2.18	5.45	17	5	14.06	-3.3	100.5	2.23	0.16	0.20
2005			2.18	5.45	18	5	16.67	-3.5	100.1	1.43	0.27	0.49
2007	Prodi II	Minimal winning, 7 parties	4.40	5.09	18	5	29.27	-3.5	102.6	9.99	0.55	0.25
2015	Renzi	Minimal winning, 5 parties	4.77	3.52	21	10	3.23	-3.0	131.8	3.44	0.23	0.08
2017			4.77	3.52	25	10	6.25	-2.5	131.4	0.00	0.01	0.23
2019	Conte I	Minimal winning, 2 parties	2.60	2.68	25	10	16.67	-2.1	132.2	0.04	0.01	0.80
1997	Prodi I	Multi-party minority, 4 parties	3.82	6.07	13	3	31.37	-6.7	116.3	-0.88	0.43	0.48
2009	Berlusconi IV	Minimal winning, 3 parties	0.65	3.08	19	5	8.89	-2.6	102.4	-0.19	0.06	0.73

Note: the column 'year' identifies the budget according to its official name, that is, the budget for 2004 was introduced and approved in 2003.

FIGURE A-7.1 Budget changes across spending functions: (a) budget law for 2003-budget bill for 2004; (b) budget bill for 2004-budget law for 2004

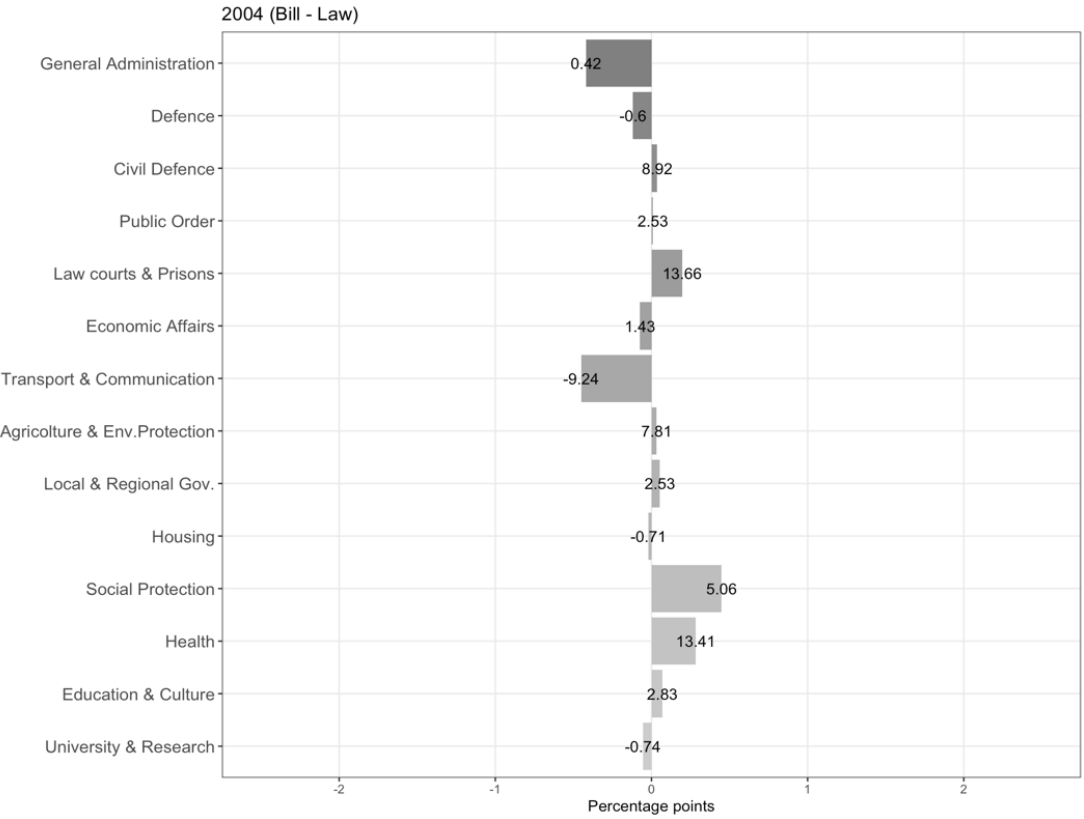
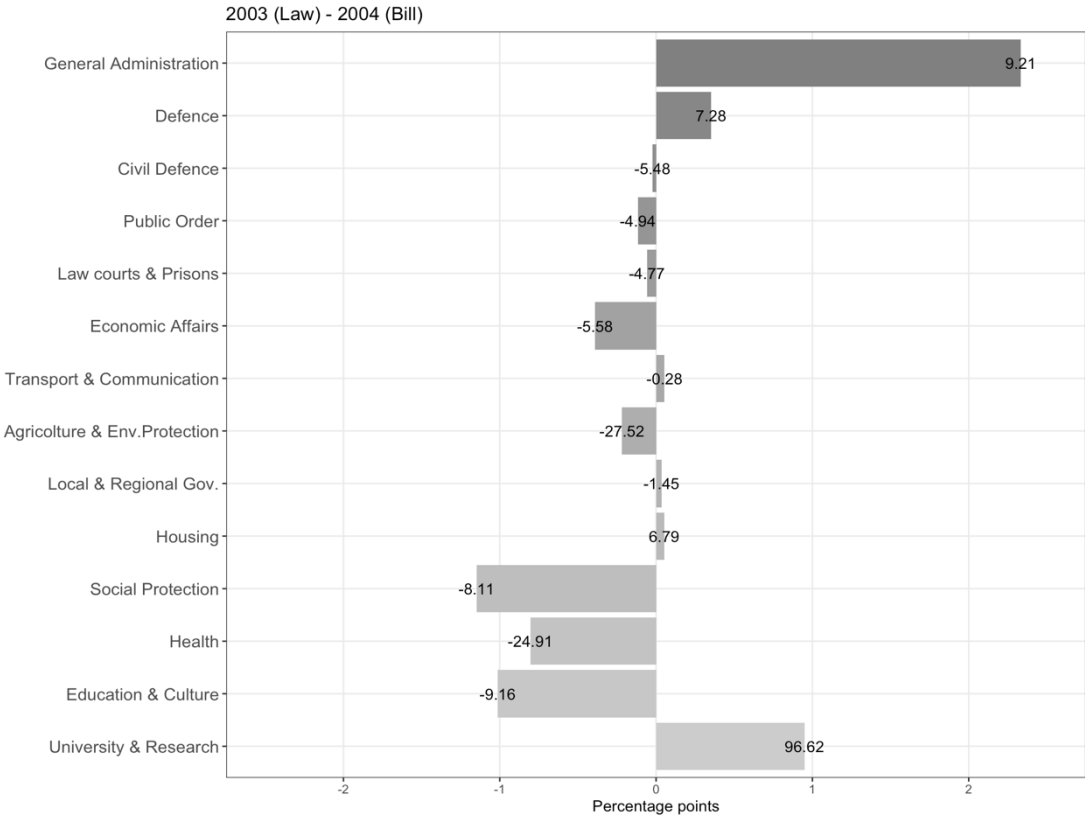


FIGURE A-7.2 Budget changes across spending functions: (a) budget law for 2004-budget bill for 2005; (b) budget bill for 2005-budget law for 2005

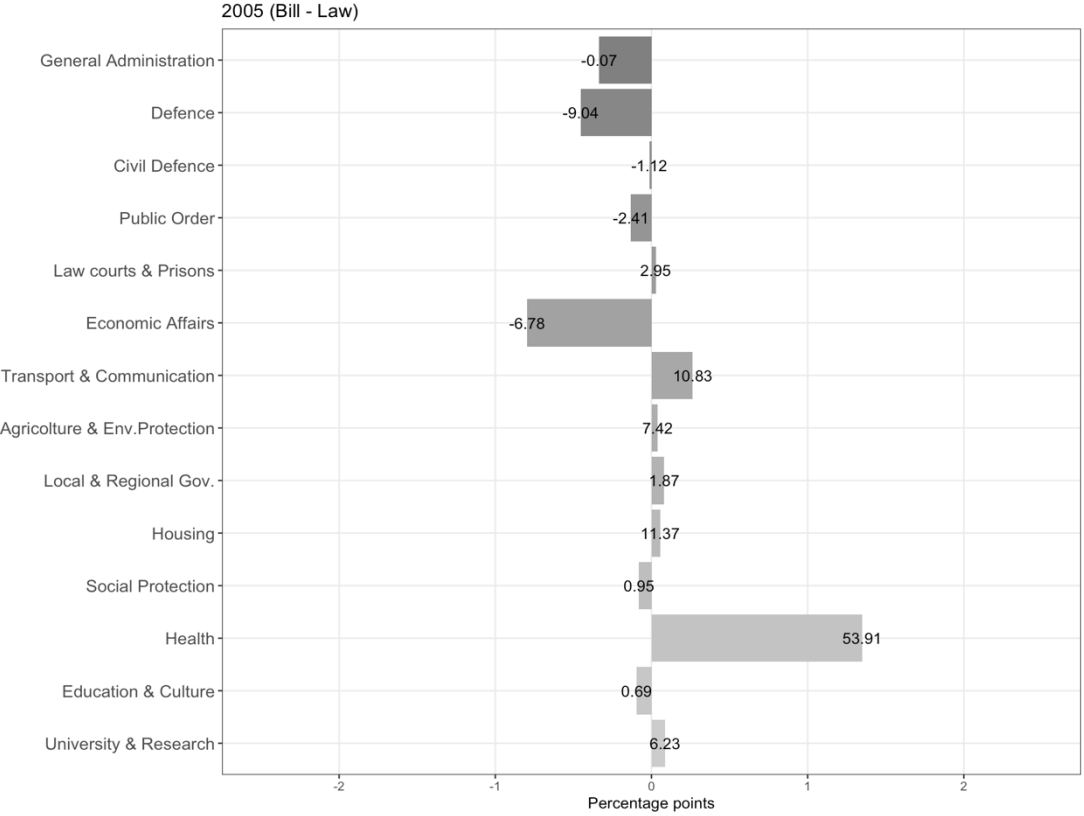
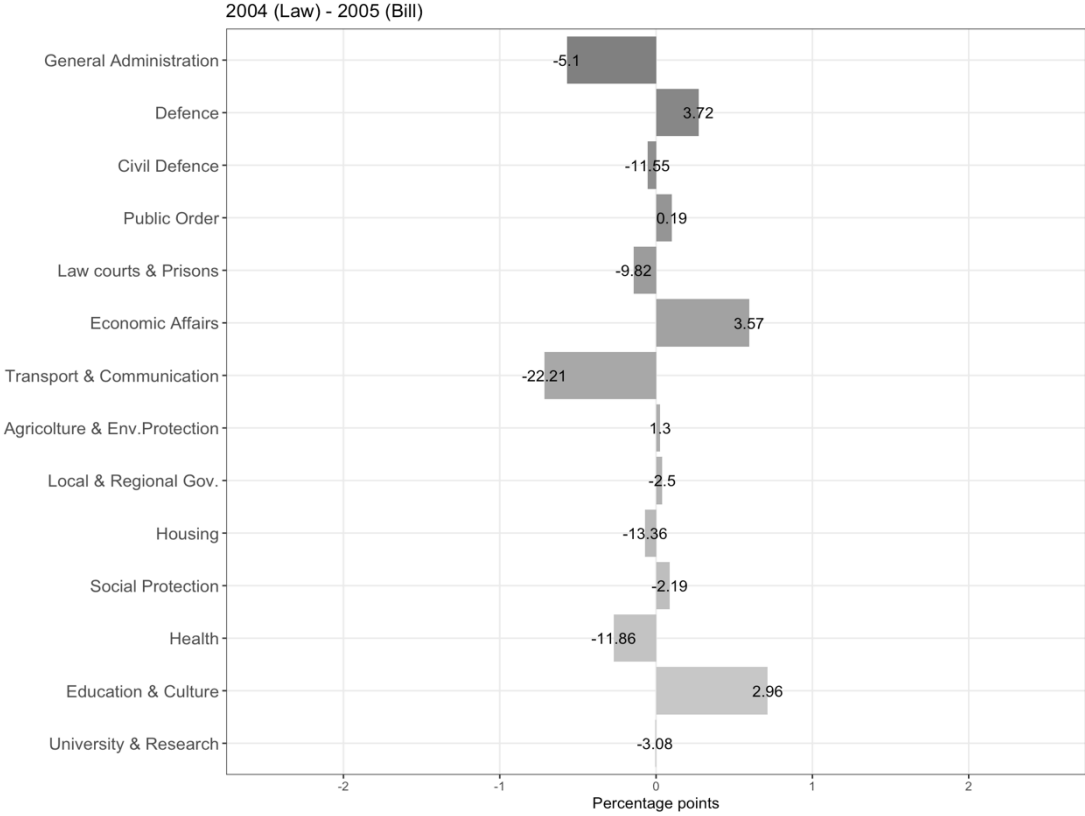


FIGURE A-7.3 Budget changes across spending functions: (a) budget law for 2006-budget bill for 2007; (b) budget bill for 2007-budget law for 2007

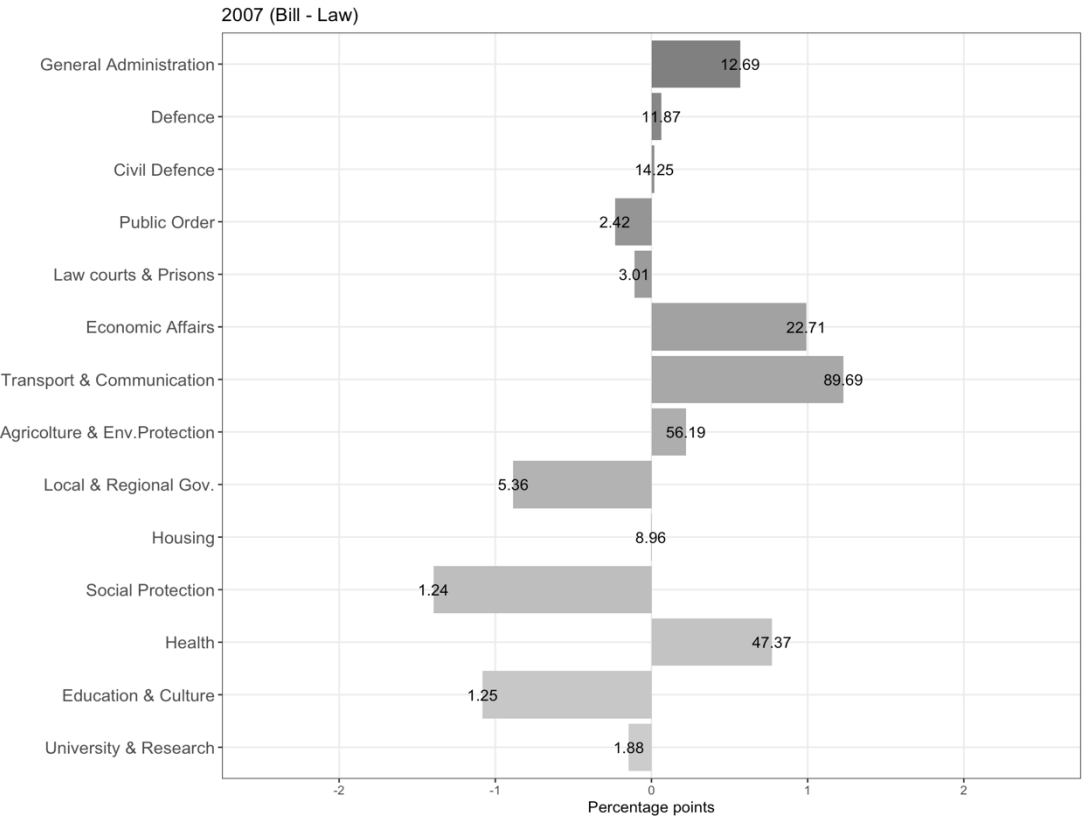
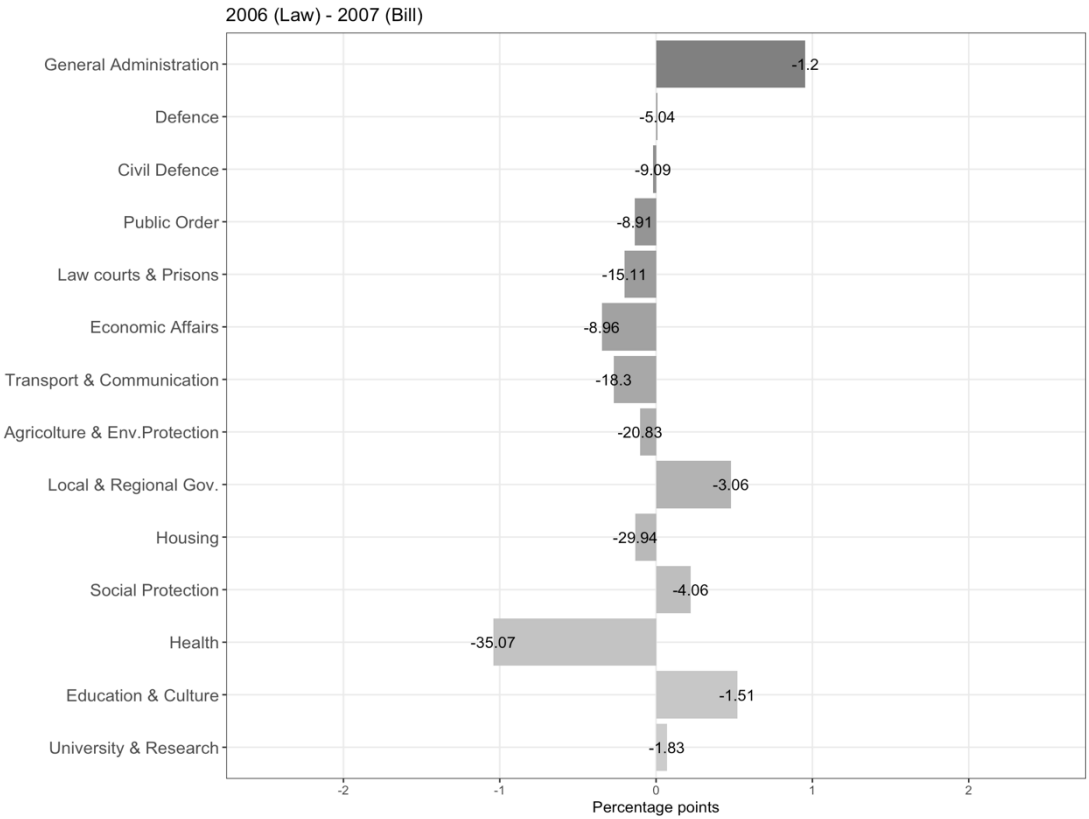


FIGURE A-7.4 Budget changes across spending functions: (a) budget law for 2014-budget bill for 2015; (b) budget bill for 2015-budget law for 2015

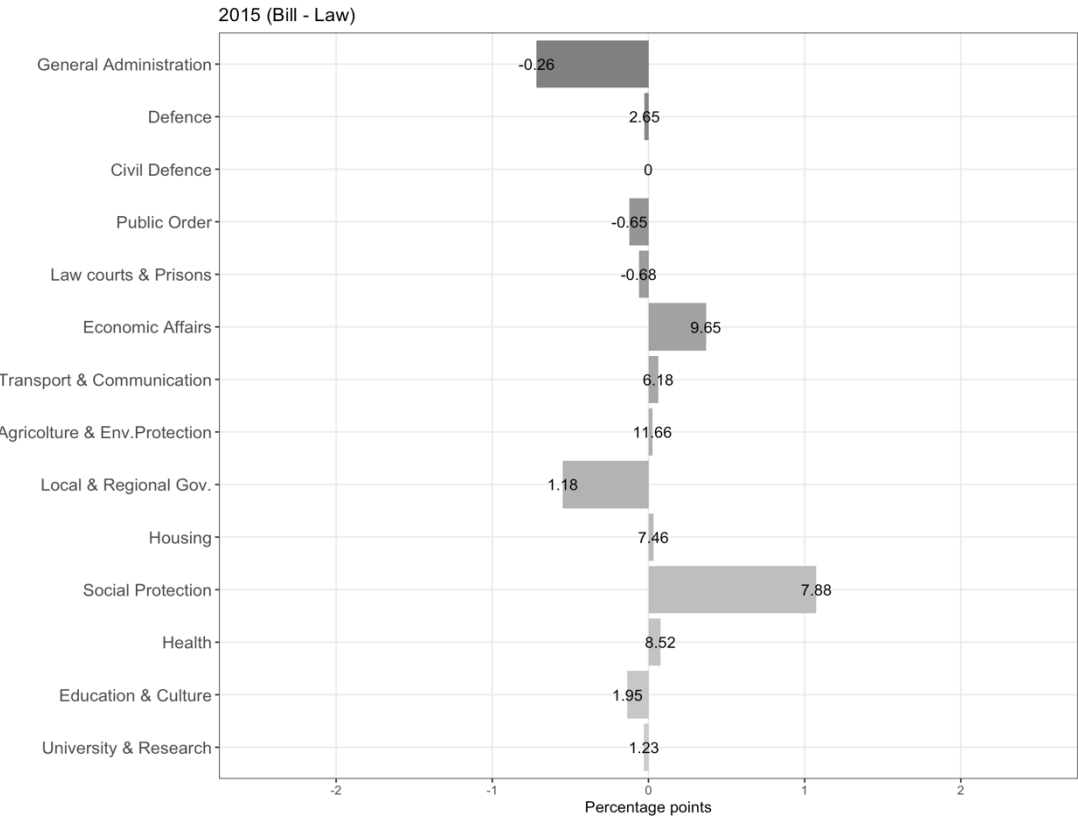
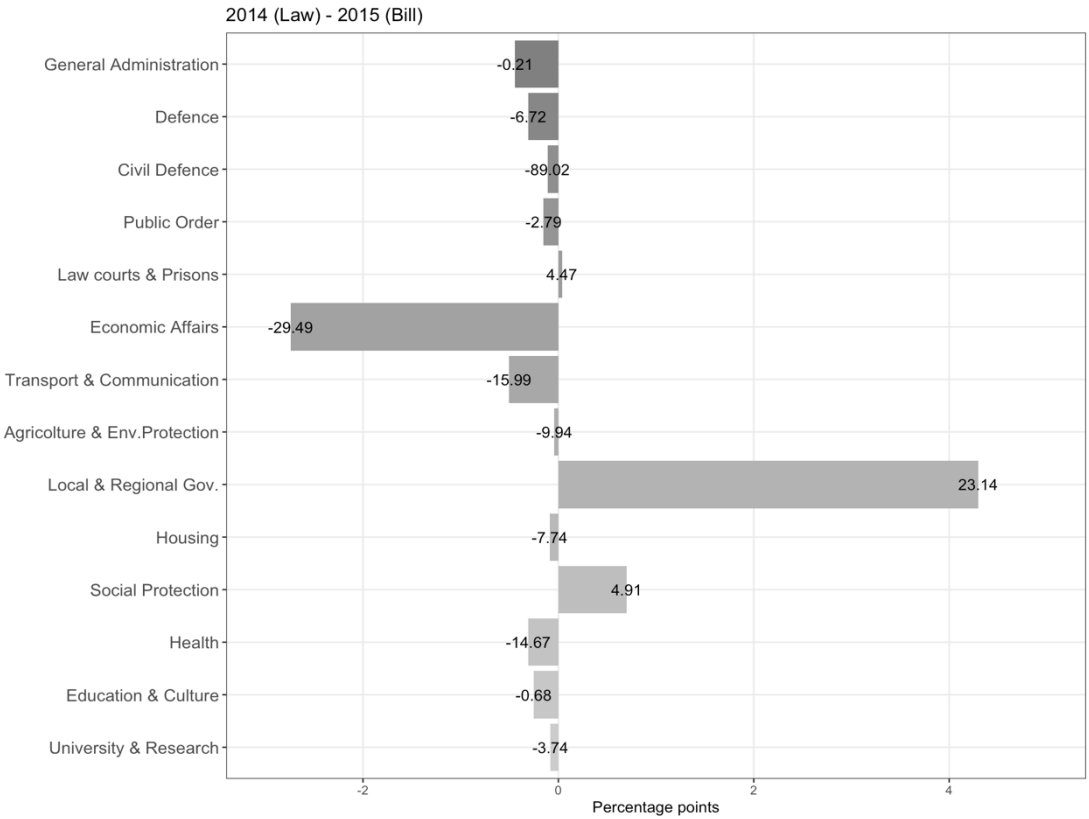


FIGURE A-7.5 Budget changes across spending functions: (a) budget law for 2016-budget bill for 2017; (b) budget bill for 2017-budget law for 2017

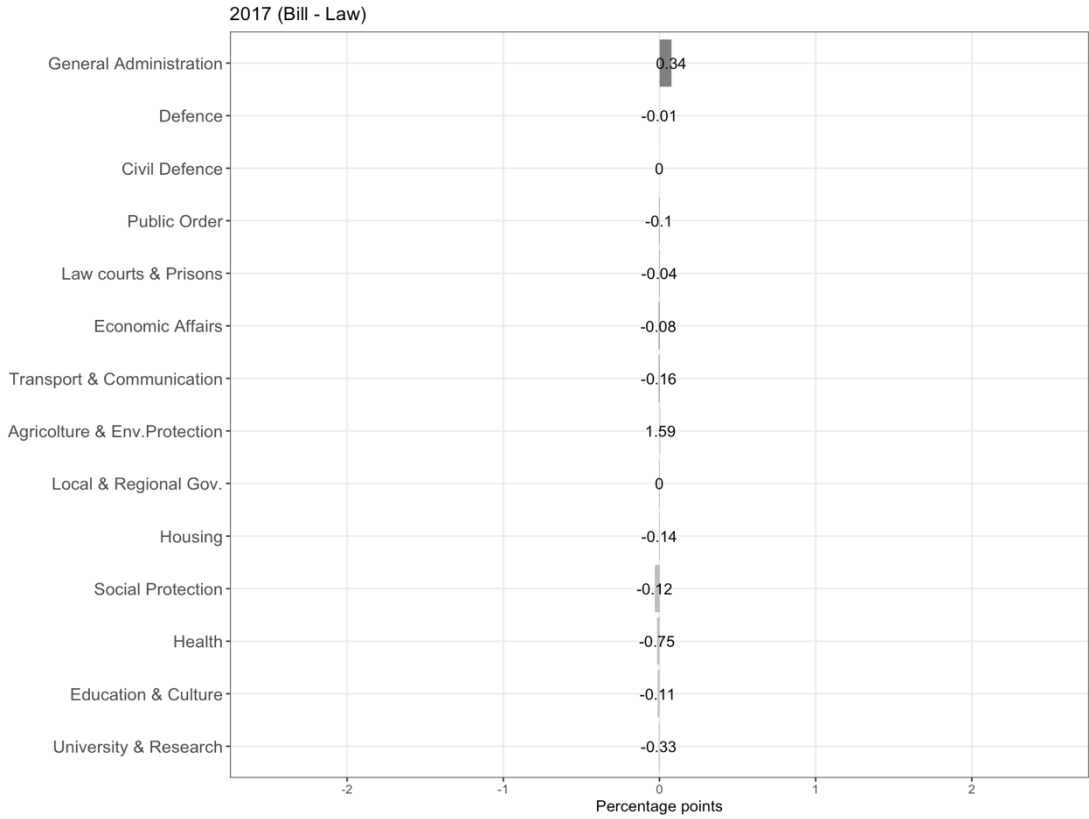
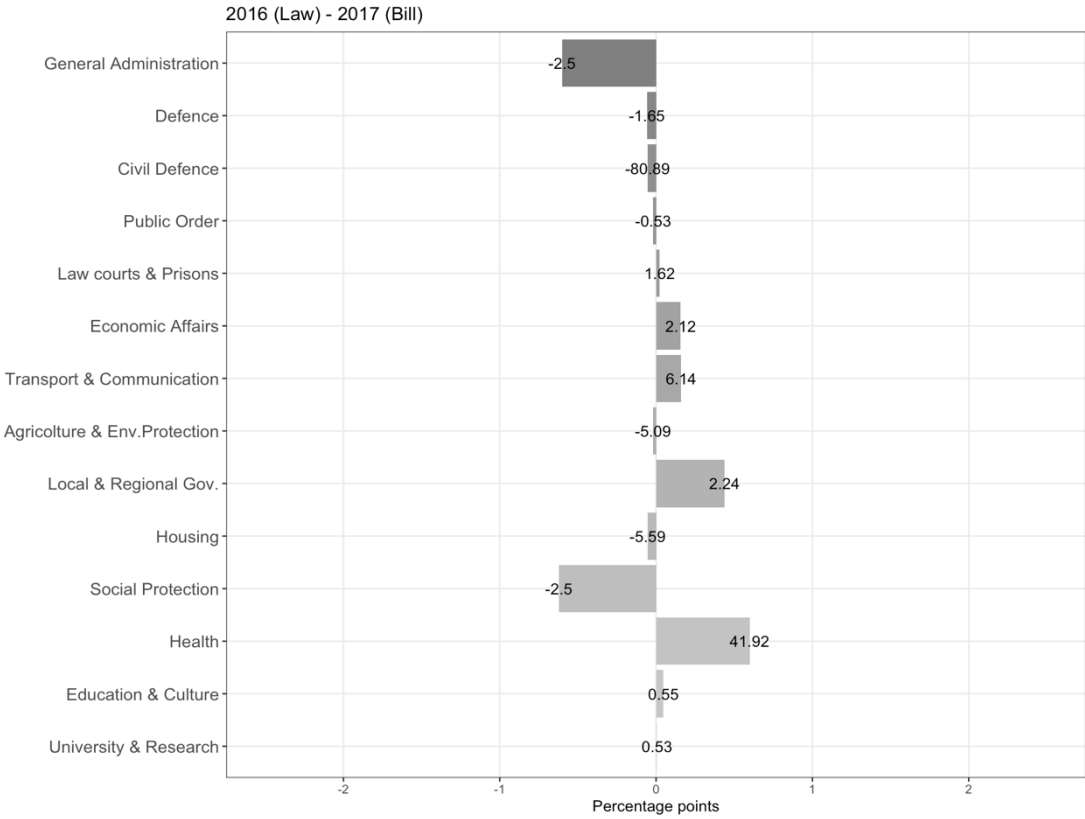


FIGURE A-7.6 Budget changes across spending functions: (a) budget law for 2018-budget bill for 2019; (b) budget bill for 2019-budget law for 2019

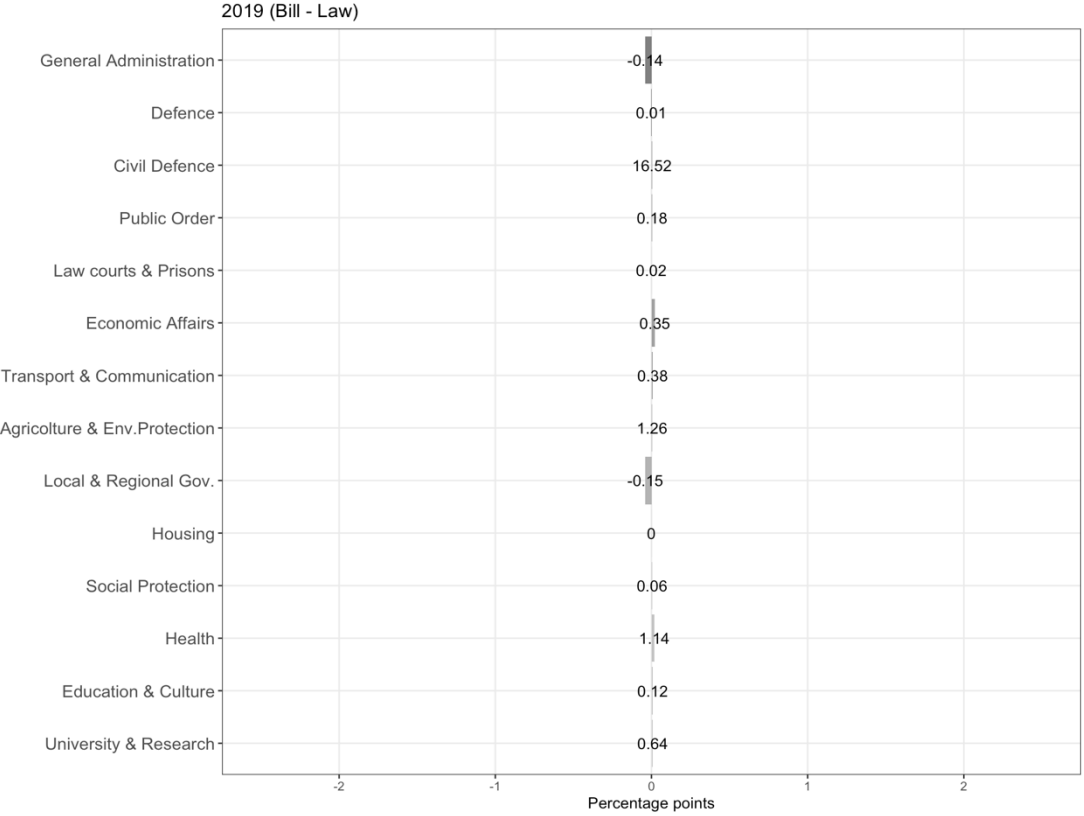
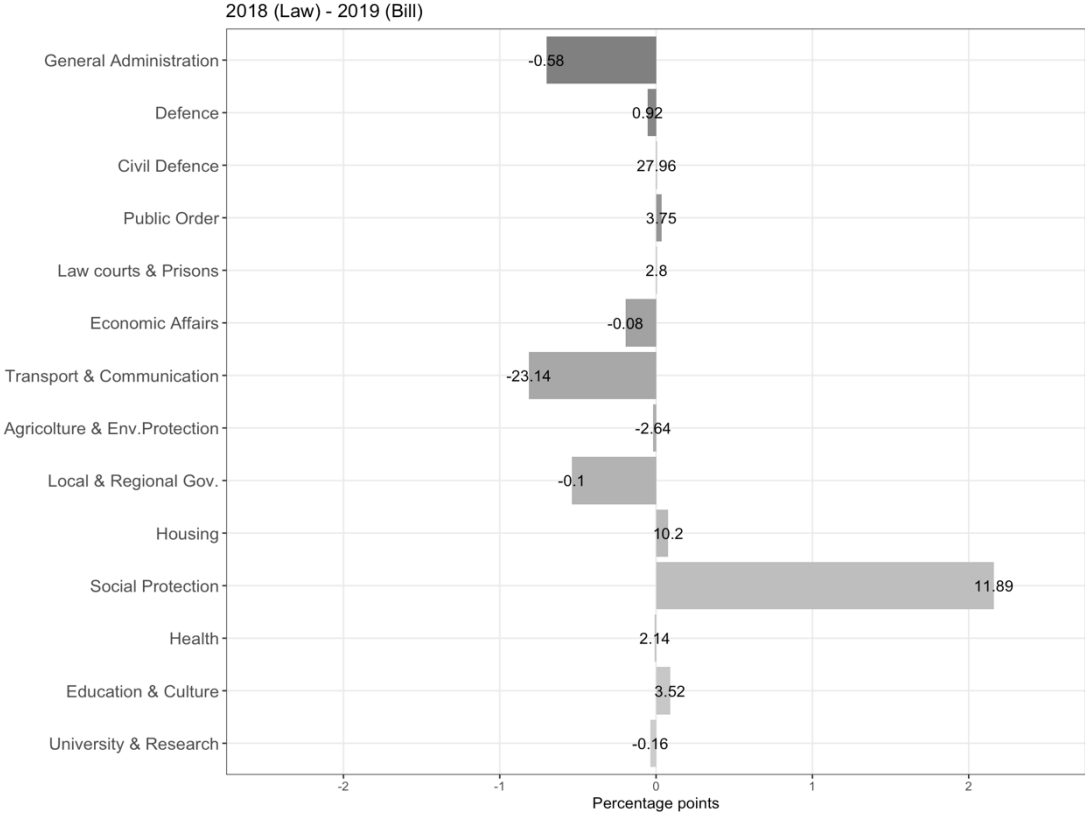


FIGURE A-7.7 Budget changes across spending functions: (a) budget law for 1996-budget bill for 1997; (b) budget bill for 1997-budget law for 1997

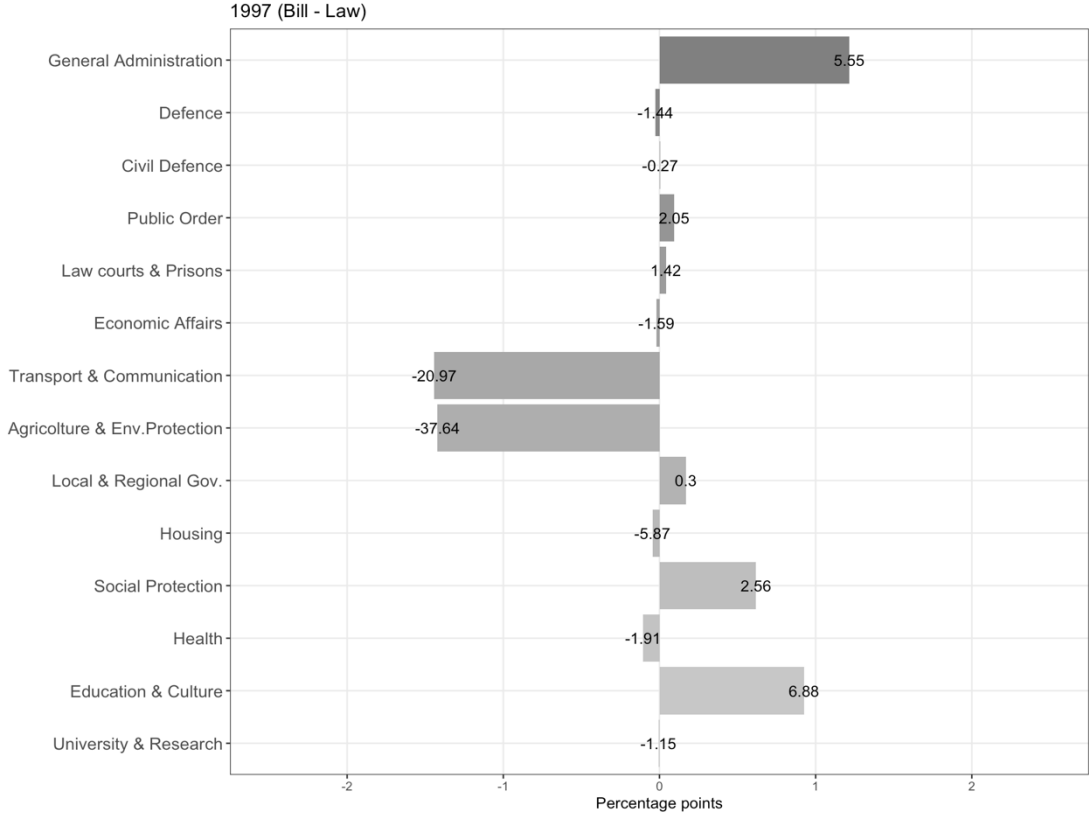
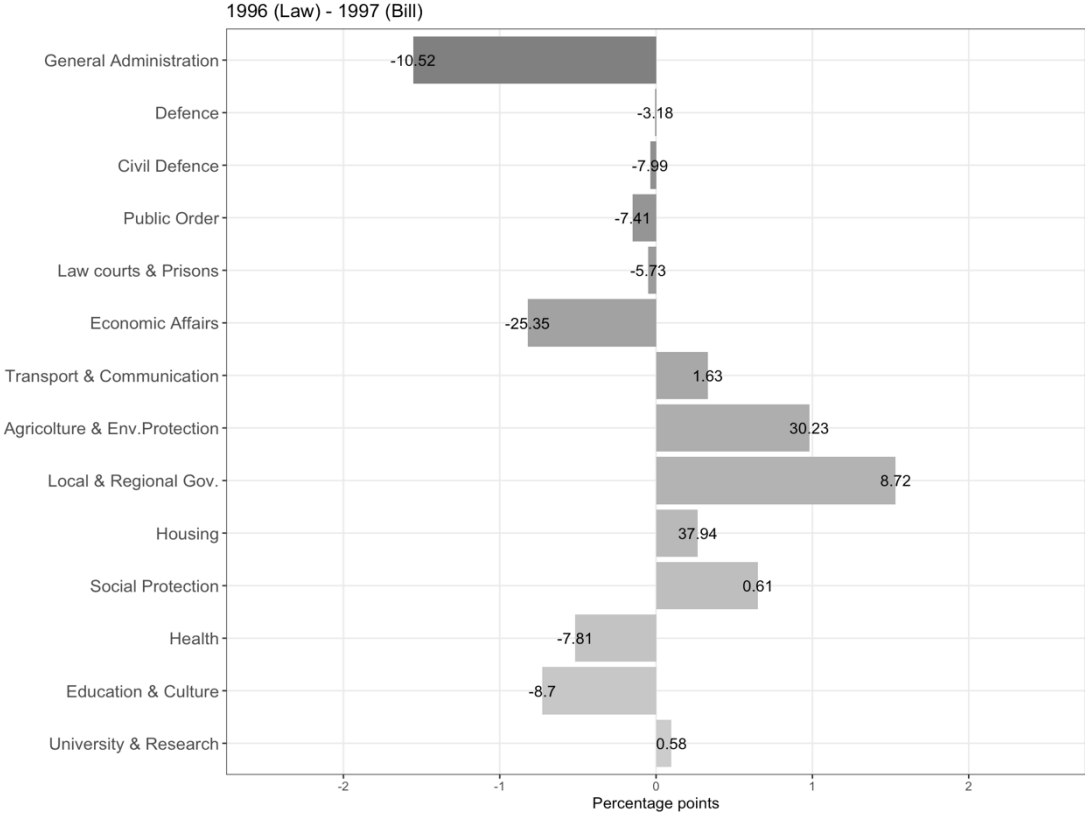
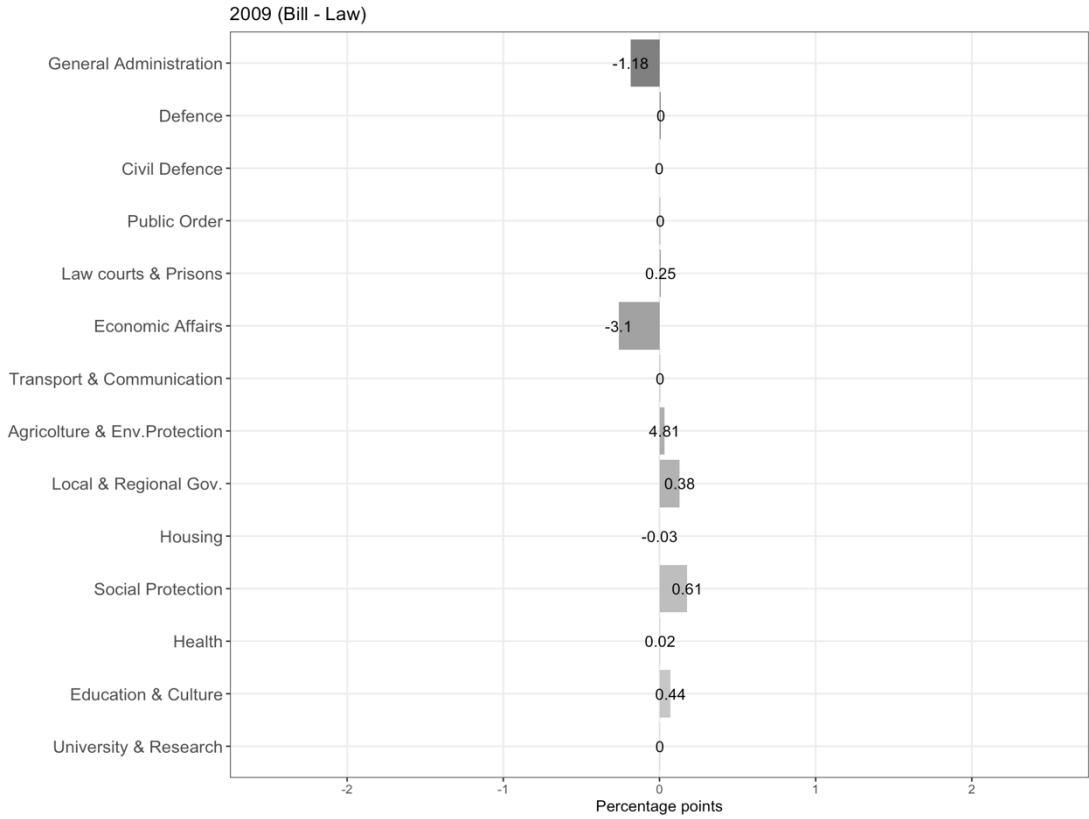
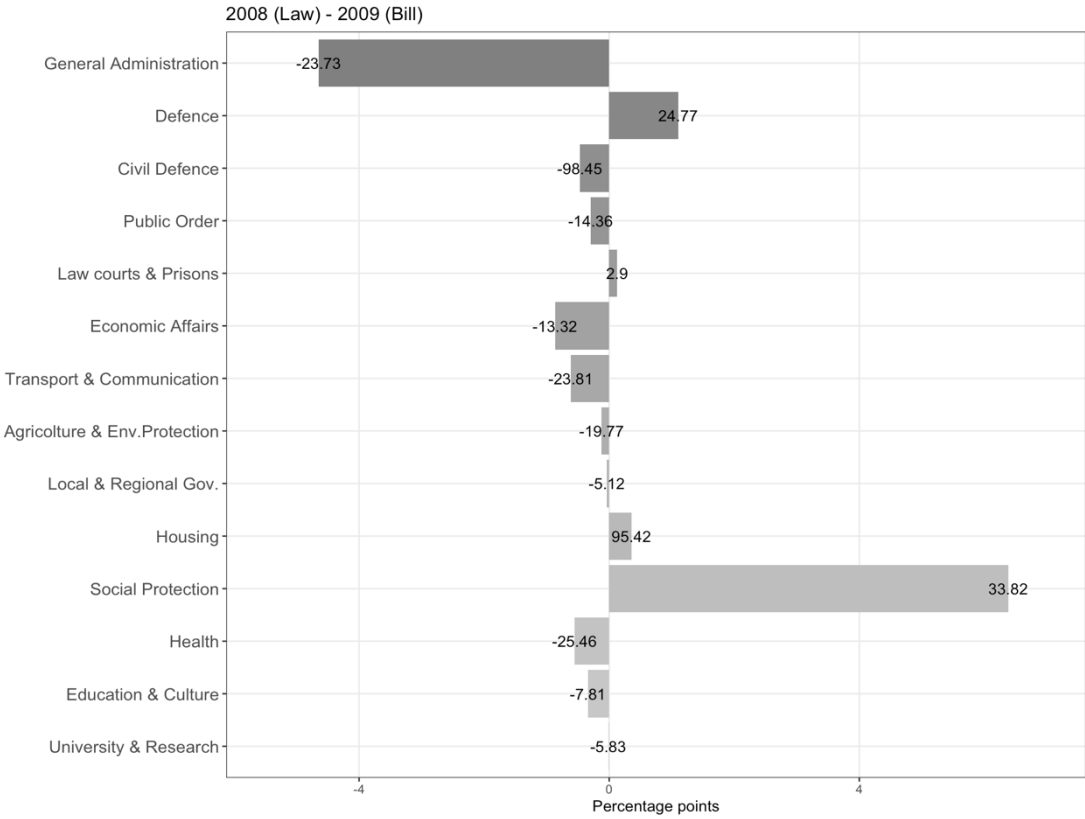


FIGURE A-7.8 Budget changes across spending functions: (a) budget law for 2008-budget bill for 2009; (b) budget bill for 2009-budget law for 2009



APPENDIX-B

This section presents an alternative method to measure the effect of government ideology on domain-specific spending choices. In Chapter 4, I used the percentage change as dependent variable and ran an OLS regression model to estimate the impact of being a technocratic, leftist or rightist majority on the size of spending adjustments. An alternative choice is to use the median changes of each budget function as dependent variable and to compare them across groups based on partisanship. Here, I employ this method.

First of all, because the distribution of changes for each budget domain is not normally distributed, thus missing to meet the requirement for a test of variance between three independent groups (ANOVA), I use its non-parametric counterpart namely the Kruskal-Wallis test¹⁵³ (Hollander, Wolfe, and Chicken 2013; Kruskal and Wallis 1952) and run it for each spending function.

¹⁵³ This test compares mean ranks (Lehmann 2006) (although it is commonly-held to say that we compare medians, because mean ranks approximate the median under similar distributions) among more than two groups to verify if the population probability distributions are equal (H_0) or not (H_1).

TABLE B-4.1 Percentage change of budget functions by government ideology

<i>Budget Function</i>	Left-wing Gov		Right-wing Gov		Technocratic Gov		Kruskal-Wallis p-value
	mean (sd)	median (IQR)	mean (sd)	median (IQR)	mean (sd)	median (IQR)	
<i>General Administr.</i>	5.28 (27.2)	1.03 (16.5)	9.21 (72.9)	0.68 (25.8)	-12.3 (22.5)	-4.77 (23.0)	0.16
<i>Defense</i>	-3.46 (79.5)	-2.00 (29.6)	-1.53 (25.1)	0.51 (12.4)	83.0 (215.0)	-2.62 (11.5)	0.16
<i>Civil Defense</i>	-8.27 (28.7)	-4.62 (18.5)	50.1 (209.0)	-0.59 (26.0)	309.0 (500.0)	27.4 (437.0)	0.08†
<i>Public Order</i>	-4.01 (20.6)	0.22 (8.9)	-7.77 (29.7)	0.06 (7.0)	1.73 (8.2)	1.11 (6.2)	0.87
<i>Law courts & Prisons</i>	-0.32 (5.02)	0.61 (5.2)	1.28 (5.9)	1.19 (7.5)	-4.89 (0.3)	-4.89 (0.2)	0.26
<i>Economic Affairs</i>	29.7 (169.0)	1.44 (34.7)	9.81 (104.0)	-2.35 (41.9)	-2.88 (15.7)	-5.45 (17.0)	0.25
<i>Transport & Communication</i>	10.9 (50.0)	1.75 (39.7)	-9.49 (26.9)	-9.04 (34.6)	-3.24 (8.1)	-4.18 (6.4)	0.30
<i>Agriculture & Env. Protection</i>	15.7 (78.2)	0.89 (37.7)	17.3 (160.0)	-7.99 (36.1)	-13.3 (14.1)	-7.12 (22.7)	0.06†
<i>Local & Regional Gov.</i>	3.96 (12.8)	6.55 (11.6)	9.04 (22.3)	2.55 (6.63)	-0.57 (20.9)	-7.72 (20.0)	0.69
<i>Housing</i>	21.9 (79.1)	6.29 (26.5)	16.0 (138.0)	-1.50 (29.8)	-19.0 (27.8)	-22.1 (31.3)	0.04*
<i>Social Protection</i>	19.5 (85.8)	4.23 (18.6)	22.2 (135.0)	0.22 (32.0)	6.26 (15.2)	1.28 (9.73)	0.56
<i>Health</i>	26.5 (137.0)	-1.90 (17.9)	-1.65 (68.3)	-1.93 (24.0)	-15.6 (19.5)	-5.98 (18.7)	0.18
<i>Education & Culture</i>	1.41 (27.8)	-0.14 (10.6)	19.8 (149.0)	-1.41 (12.9)	-4.48 (29.0)	-5.89 (13.4)	0.06†
<i>University & Research</i>	-3.48 (7.6)	-1.72 (5.6)	-9.29 (39.1)	-3.52 (20.7)	-15.4 (35.6)	-3.00 (20.7)	0.68

Note: statistical significance with p-value < 0.1 (†), 0.05 (*), 0.01 (**), 0.001 (***)

Looking at the average change by ideology for each macro-function, only four cases out of fourteen display statistically significant results between groups, specifically ‘Civil Defense’, ‘Agriculture & Environmental Protection’, ‘Housing’ and ‘Education & Culture’. Because the p-value of the Kruskal-Wallis test does not indicate which groups diverge between each other, the table below shows the results of a post-hoc analysis through the Dunn test, which is the most appropriate test when groups have unequal number of observations (Zar 2010).

TABLE B-4.2 Post-hoc comparison of statistically significant differences of budget functions by ideology

<i>Spending Function</i>	Government Ideology		
	Left – Right p-value (adj.)	Left – Technocratic p-value (adj.)	Right – Technocratic p-value (adj.)
<i>Civil Defense</i>	0.60 (0.60)	0.02* (0.07)	0.05† (0.08)
<i>Agriculture & Env. Protection</i>	0.06† (0.10)	0.05† (0.16)	0.33 (0.33)
<i>Housing</i>	0.06† (0.10)	0.02* (0.08)	0.22 (0.22)
<i>Education & Culture</i>	0.31 (0.31)	0.02* (0.06)	0.07† (0.10)

Note: statistical significance with p-value < 0.1 (†), 0.05 (*), 0.01 (**), 0.001 (***)

Statistically meaningful differences exist particularly between left-wing and technocratic governments. In two cases out of four – ‘Agriculture & Environmental Protection’ and ‘Housing’ – leftist governments increase expenditure substantially more than technocratic ones, which instead tend to curb funds for the same categories. In these two cases, the difference between left- and right-wing ideology is also statistically significant, as rightist cabinets behave similarly to technocratic ones and mostly reduce funds. As contrast, ‘Civil Defense’ is diminished by both left- and right-wing governments while technocratic cabinets markedly raise it, thereby justifying the statistically significant p-values for the comparison between left/technocratic and right/technocratic. The same happens for ‘Education & Culture’ on which technocratic governments incredibly reduce expenditure while leftist and rightist cabinets only decrease it slightly. P-values of other spending functions are not statistically significant therefore it is not advantageous to try to elicit information about the different attitude of governments by ideology.

To sum up, the ideological budget seems to be present to a very low extent among Italian governments and only when certain budget domains are concerned, that is, discretionary budget functions that do not pertain to the most important roles of the state. These tell us that left-wing governments are closer to topics related to the environment safeguard and the management of the territory (as water supply and housing development). Instead, rightist majorities are still more disposed to implement issues related to security and defense while neglecting social protection and public services, as transports and university. This has very little to do both with the dramatic upheavals singled out in Chapter 4 – which are temporary measures occurring after an attention-accumulation process that eventually emerge into the necessity to take political action by the government, despite its ideological stance – and with the OLS regression model of the same

chapter, which uses rests on another reasoning and a different dependent variable. Intuitively, employing the average change of each budget function by ideology as dependent variable means to adopt a different perspective, and to level out some outstanding modifications which do not necessarily reflect on spending decisions of parties in offices. Overall, complying with findings of previous researches on the divergent behavior of single spending domains, partisan spending choices are directed mostly to low-priority and discretionary sectors, where the leeway of governing parties is wider. However, this seems not sufficient to argue that ideologically driven spending choices are effectively in place in Italy.

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