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# The Government Contract

between the League and the Five Star Movement in Italy:

the Exchange between Political Sovereignty and Economic Statism

## Resumen

El gobierno de coalición del Primer Ministro Giuseppe Conte nació después de las elecciones parlamentarias de marzo de 2018, como resultado, no de la proximidad ideológica, sino de una elección racional, un intercambio estratégico entre las dos partes. La derechista **Lega** aceptó cierto aumento del gasto público solicitado por su socio populista, y el movimiento **Cinque Stelle** aceptó algunos límites a los flujos migratorios promovidos por su socio xenófobo. El sistema político italiano, que desde la década de 1990 se había caracterizado por un pluripartitismo moderado y una competencia centrípeta, sufrió un impulso hacia la radicalización. El experimento terminó en el verano de 2019 y se formó un gobierno dominante entre la izquierda moderada (**Partido Democrático**) y la radical (**Movimiento de Cinque Stelle**).

## Palabras clave

**Polarización, Populismo, Sistema Político Italiano.**

## Abstract

The coalition government of Prime Minister Giuseppe Conte was born after the parliamentary elections of March 2018 as an outcome not of ideological proximity, but of rational choice, a strategic exchange between the two parties. The rightist League accepted some increase of the public expenditure requested by its populist partner, and the 5 Star movement accepted some limits to immigration flows, promoted by its xenophobic partner. The Italian political system, which since the 1990's had been characterized by moderate pluri-partitism and a centripetal competition, after 2018 has suffered a push towards radicalization. The experiment ended in the summer of 2019, when League decided to break the previous contract with 5 Star Movement, and a mainstream government between moderate (Democratic Party) and radical (5 Star Movement) left was formed.

## Keywords

**Polarization, Populism, Italian Political System.**

## Introduction

Electoral growth and the rise to power of radical and/or populist parties and leaders (characterized by opposition to the current political system) in several Latin American and European countries, has led to the study of these phenomena and to the introduction of some key interpretations of the political change that has also swept through even European democracies. These political changes, with different goals, are interrelated, if we consider that, in addition to the electoral choice and the functioning of the parliament, the party systems influence governments' behaviors. These changes have also affected the Italian political system, the study of which is the focus of this article. The main research questions of the empirical analysis are the following:

- ◆ Is the system of moderate, multi-party and centripetal competition (of the Italian political system in recent decades) now destined to give way to a structure subjected to political radicalization?
- ◆ Which effect did radical positions have at the beginning, middle, and fall of the recent 5SM-League coalition government?
- ◆ How can we explain the birth of this government, as well its end?

The study presents two hypothesis, which are closely related. First: the 5SM and the League are political parties that occupy the extreme positions on the right/left axis, remaining democratic actors, of course. They are both radical political forces: one on the right, the other one on the left of the political spectrum. Starting from this first hypothesis, it follows that the political system has shown a radicalization. The 2018 election competition was centrifugal. The governmental alliance was the outcome of that radicalization. This article addresses these different research questions: after the introduction, the second paragraph discusses the analytical approach, focusing on political preferences and ideologies. The third part carries out a survey of the studies on populism, starting from the different conceptual categories. The analytical approach is the basis of the empirical research on the Italian case, exposed in the fourth and fifth part. Finally, the last section shows the conclusions of this inquiry.

## The political culture of the radical (populist) left and the radical (xenophobic) right

In order to study the phenomenon of radicalization, it is important to summarize the classification of democratic political cultures put forth by Fossati (2017), who has identified the features of *left-wing radicalism* (populism) and *right-wing radicalism* (xenophobia). Political cultures may be defined as coherent sets of ideas (or ideologies) and interests (Fossati 2017). The author has identified four models of political cultures in contemporary Western democracies: the *conservative*, the *liberal*, the *social democrat* (constructivist), and the *socialist* (Manichean).

**Rightist conservatism** has focused on the defense of two main interests: the defense of security of its citizens and the application of moderate *laissez faire* economic institutions. Conservators have always been in favor of capitalism, but they tried to defend national producers (with moderate trade and investments' protectionism) and to oppose blind privatizations, that would increase investments of foreign firms. Security has been applied both to the fight against criminal individuals/organizations and to the limits to foreign immigration flow. In sum, in conservatism, interests are more relevant, and subsequently favor the consolidation of a nationalist ideology.

**Liberal parties** have always focused on the defense of values, such as human rights, democracy, free market, and national self determination. Liberals promoted both civil

and political rights in Western democracies, and have supported the free movements of goods and people. They have always promoted a symmetric integration of immigrants that must respect the laws of the guest country; then, foreign countries should apply reciprocity to the legislation on immigrants coming from the West. In economy, liberals have promoted radical *laissez faire* reforms, by supporting privatizations and foreign investments. Liberals have also promoted cultural pluralism, being in favor of federalism, and/or secessions, if some minorities with different cultural identities promote national self-determination through referenda. Liberals have been in favor of single-nations states, as cultural pluralism is preferred to state interests. In sum, liberalism starts with the defense of some values (democracy, radical *laissez faire*, federalism), and then consolidates the interests of actors like business groups or pro-human rights NGOs.

The **leftist moderate** political culture has consolidated *constructivist* values. These have been the strategies of *social-democrat* parties: they have always promoted solidarity among classes, to be defended through the welfare state. After 1989, the main value of moderate left has become multiculturalism. It has been applied to decisions concerning both Third World migration flows towards the West, and armed conflict resolution processes outside the West. Constructivists have promoted free immigration flows, through an 'asymmetric' integration process with immigrants, who are not asked to respect the laws of the guest country; then, reciprocity is not asked to foreign governments when they must defend the rights of Western immigrants in the Third World. Then, multiculturalism has been applied to conflict resolution processes, by neglecting national self-determination and referenda outside the West, and by promoting pluri-national states, based more on consensus pacts than on federalism. The ideology of the moderate left has also been called 'political correctness'. In economy, the constructivist left has accepted free market, even if it should be corrected by a strong state governance: welfare state in domestic politics and foreign aid in world politics. Thus, this political culture also starts from values (solidarity through welfare state and politically correct multiculturalism) and then consolidates interests: of unions, of NGOs on migrations or foreign aid.

The **leftist neo-Marxist** philosophy (without the violent inclination of communism), based on third-worldism and passive non-violence, has led to a *Manichean* ideology (Fossati 2017). Pre-1989 Manicheism has consolidated a 'socialist' political culture, whose parties were in favor of democracy (instead of violent communists), but against capitalism and wanted to nationalize the private property. These objectives have never been reached within Western democracies, and if socialist parties won the elections, they turned into social-democrats. Only communist regimes have applied fully socialist institutions, but after the crisis of both institutions in 1989, and especially after the 2008 economic crisis, that void was filled by populism. In Latin America, populism was applied after the 1929 economic crisis and the Second World War. Democratic governments (like Peron in Argentina or Allende in Chile) partially applied socialism (in the energy or in the agriculture sector) during the Cold War, and coupled it with trade protectionism and populism, that was based both on a strong expansion of public expenditure and money supply, and deep redistributive policies, that had a very negative economic impact.

After 1989, two other *hybrid* political cultures materialized. **Neo-communism** promoted a post-modern synthesis between non-violent socialism and revolutionary communism. In fact, neo-communists are not directly violent, but appreciate the *violence of the others* (the underdogs): Castro, Chavez, Chiapas rebels. Neo-communism has been stronger in the Cold War but persisted in the 1990's, but then declined. Another hybrid, between conservatism and Nazi-Fascism, has recently materialized in the West: the **xenophobic**

**radical right.** This ideology is deeply against political correctness and foreign immigration flows, especially from Islamic countries. Xenophobic parties are not directly violent, but their discourse is very ambiguous and deeply intolerant, and the application of their values may lead to the *violence of the others*, which is never criticized. Labeling the right as nationalistic or *sovereignist* is not enough, as these values are shared with conservative parties. However, these two hybrid political cultures are still within the limits of Western democratic values, even if at the very edge.

In sum, according to Fossati (2020), populism is not above the left-right cleavage, and only concerns radical leftist parties. Populism must have both economic (the increase of public expenditure) and political dimension: the so-called *plebiscitarianism*. This dimension is the direct relation between leader and masses. In fact, several rightist (liberal, conservative or xenophobic) parties and leader, that are usually labeled as populist, have never promoted the increase of the public expenditure, even if they are plebiscitarian.

This research considers the possibility of placing **M5S** populism on the extreme left, and Salvini's League on the extreme right of the political spectrum. This first hypothesis (see the *Introduction*) will be tested through the policies of the government, which came to power in June 2018 and was presided over by Giuseppe Conte.

## Populism in social and political studies. The concept of populism

Populism has been studied from different perspectives and, according to Chiapponi (2014), there are basically **three ways** in which scholars have tried to reconstruct meaning and empirical evidence of the phenomenon. The first goal was to *study populism as a political regime*, then as a *set of symbolic elements* and, the third, looked at populism as a *specific communicative style*. Studying populism as a political regime has mainly meant reflecting on the democratic or authoritarian nature of populism. This first perspective has been embraced by authors such as Kornhauser (1959), Germani (1982), Canovan (1981) and Mair (2002). Studying populism as a symbolic construction has led us to reflect on the values and beliefs that guide the actions of populist figures. The contributions of Worsley (1969), Canovan (2002), Meny and Surel (2002), Taggart (2000), Kitschelt (1995) are certainly indicative of this approach. Finally, the study of populism as a communicative style has required focusing on the logic of building political discourse and the roles of political leadership. This last perspective is present in the studies of Knight (1998), Weyland (1999), Canovan (1981) and Taguieff (2003).

However, all of the studies on the subject show the search for the elements that characterize the phenomenon of *populism*. Starting from Chiapponi (2014), he identifies **three characteristics**. The first element is the *ethicization of the people*, according to an image in which all people are endowed with intrinsically positive qualities and they are legitimized to govern. The second element is an *anti-elite stance against political elites*, but also against economic, financial, and cultural elites as well. The third characteristic is an *anti-institutional orientation* marked by the rejection of the rules of the game of the representative democracy. An ethically "just" people is opposed to elites who are incapable, and corrupt, and who "betray" the popular mandate. In this respect, there is a prejudice against parliamentarism because it prevents, with its formulas and its rules, the people from governing. The principle of representation is seen as the failure of popular sovereignty. The populist orientation assumes a *government of the people* to the letter, rejects the checks and balances of liberal democracy, and opposes the presence of intermediaries between people and decision makers, in particular political parties. Instead, it favors a direct bond between the people and the elites and has a unanimous conception

of the will of the people that marginalizes pluralism (Chiapponi, 2014). According to Tarchi (2015) populism is, rather than an ideology, a mentality that identifies the people as an organic totality, artificially divided by hostile forces. It attributes natural ethical qualities to them, compares their realism, hard work and integrity to the hypocrisy, inefficiency and corruption of the political, economic, social and cultural oligarchies, and claims its supremacy, as a source of legitimization of power, above all forms of representation and mediation (Tarchi, 2015:77). Ultimately, three elements characterize populism. The first one is *an idea of the people as a homogeneous community* endowed with intrinsic ethical and practical qualities, intended as a source of power. The second element is the *opposition between people and corrupt and incapable oligarchies*, and the third one is the *reassuring nature of the populist message*, that aims to alleviate the pains of the people by pointing to a better future that will become reality through the actions of the populists (Tarchi 2015). For Revelli (2017) the elements of populism are respectively:

- ◆ The **low versus high opposition**, which cuts across the political world without cultural or ideological differences and tends to represent the people against the elites. The oligarchy or a small group of people considered to be the *usurpers* and who would have as a corollary a post-ideological orientation, the so-called *neither right nor left*.
- ◆ A **“moral” attitude**, or in Manichaeic terms, **“good against evil”**: honesty against usurpation.
- ◆ **The personalization and the identification with a charismatic leader**. According to Anselmi (2017), populism identifies a homogeneous community. It expresses an anti-establishment attitude, and supports a charismatic leader in direct relationship with the community, and has a Manichean argumentative and communicative style aimed at generating political polarization.

Muller (2016) states that

populism is a particular moralistic imagination of politics, a way of perceiving the political world that sets a morally pure and fully unified, but ultimately fictional people against elites who are deemed corrupt or in some other way morally inferior (pp. 19-20).

Also as regards the affirmation of populist parties, the literature presents more than one vision: opposing interpretations that show the genesis of populism as a consequence of the phenomena of modernization that, in recent decades, have seen the birth of two types of *losers*: cultural and economic. The first interpretation links populism to cultural disorientation, caused by the emergence of post-materialist values starting in the 70's, and brought to a boiling point by the problem of immigration. The second one sees the genesis of populism as consequence of economic hardship, the result of the transformation of the post-industrial society, which has created many losers and few winners. Yet another interpretation of the start of populism in democracy is based on political alienation (Corbetta 2017). From this perspective, populism draws its nourishment from political crises, such as the inefficiency of government, the disruptive effects of the great scandals on trust in the institutions, the crisis of political parties and of the party system. These crises are capable of generating the perfect enemy of populism, namely the political elite (Chiapponi 2014). In this regard, it is easy to see that in the analysis of the Italian context, in the first phase of the studies on populism, attention was focused on Berlusconi and the League. Both phenomena have been interpreted as expressions of new politics, significantly linked to profound destructuring processes of the old party and political-institutional systems. They have also been linked to the idea of the people

(in the ethno-regionalist version for the League, and plebiscite in the case of **Forza Italia**) of a charismatic leader, and of a discursive style aimed at polarization. Ultimately, the discourse of the League and Berlusconi gave shape to a security-focused populism, located on the right side on the left-right axis. These represent, then, not only a neo-populist expression of the crisis of representative democracy, but also the conflicts of the new process of modernization connected to globalization (Antonelli 2018).

Then, there is a wide literature of both economists and political scientists that have linked populism to the expansion of public expenditure. Dornbusch and Edwards (1989) have defined macro-economic populism as that economic approach that emphasizes growth and income distribution and deemphasizes the risk of inflation and deficit finance, external constraints and the reaction of economic agents to aggressive non-market policies. Drake (1982) has linked the definition of populism to economic nationalism in Latin America, which was deeply against *laissez faire* reforms, promoted by the IMF (International Monetary Fund). Then, Conniff (1999) argued that neo-liberalism and neo-populism remained antithetical to each other in Latin America also after 1989. Edwards (2019) recently re-asserted the clear distinction between liberalism and populism. Thus, according to all these authors, populism is not 'above the left-right' cleavage, but is precisely the ideology of the radical (even if mostly democratic) left.

In fact, according to Fossati (2020), right-wing leaders and parties can be called plebiscitarian, but not populists, because the increase in public spending is lacking. In order to label a party as populist, it is necessary to consider both the economic aspect (the increase in public spending) and the political one (the plebiscitarian link between leaders and the masses). Radical populism usually leads to the crisis of democracy (see Peron in Argentina, Allende in Chile and Garcia in Peru) or to authoritarianism (Chavez and Maduro in Venezuela), while moderate populism (Correa in Ecuador, Morales in Peru and Cristina Kirchner in Argentina) is compatible with democratic values, even if with some illiberal content.

At last, literature shows that the Manichean vision is also present in the radical right (Mudde, 2004; Mudde and Kaltwasser, 2013). But the radical right (sovereignist, plebiscitarian, xenophobic) lacks the component of the strong increase in public spending. This allows to exclude the radical right parties from the family of populist parties, without prejudice to both the Manichean and the plebiscitarian dimensions.

In sum, populism is based on the following features, that emerge from the comparative literature:

- ◆ a Manichean ideology with a binary cosmology of the world
- ◆ the expansion of the public expenditure with damaging effects (very high inflation rates) on the economy
- ◆ charismatic leaders making plebiscitary appeals to the population, with a limited role of intermediate actors (interests groups or parties) and institutions (parliaments or governments)
- ◆ a high mobilization process from above leading to a strong movimientismo of the lower sectors of the population (Fossati 2020).

The conceptual analysis, advanced in this article, starts from the main definitions that have been recently elaborated in the political science literature. However, it adds the increase of the public expenditure, that had already been identified as the main feature of populism in the debate of the 1970's and 1980's, especially in the researches on Latin America, and before populism could become so widespread in Europe. Adding the in-

crease of public expenditure reduces the actors that can be labeled as populist (Sartori 1980), precisely in order to avoid *conceptual stretching*. Thus, radical right parties, that do not want to increase public expenditure, but have a strong stance against immigration flows, are not populist, but xenophobic. These two categories of radical (populist and xenophobic) parties are both similar and different. They share the Manichean vision of the world and the direct link between leader and masses, that is to say the so-called *plebiscitarianism* (Fossati 2020). Thus, extreme right parties, that are usually labeled populist, are called *plebiscitarian xenophobic parties*, according to my and Fossati's definition. When they govern, there is not any attempt to expand public expenditure, on the contrary of the radical left populist parties. Radical right parties' main political objective is to promote strong identity policies against immigration flows; thus, they may be called *xenophobic*.

A more selective concept of populism could help to understand what happened in the Italian political system during Conte's *yellow-green* government.

## **The Contract for the Government of Change A summary of ideological and policy discrepancies**

1. *Contract for the Government of Change* (pdf). Available on [download.repubblica.it](http://download.repubblica.it) (May 18, 2018).

The *yellow-green* government was formed by the two winning parties in the elections of 2018. Five Star Movement got 32,7% of votes for the Chamber of Deputies and 32,2% for the Senate. The League was the most voted party of the right coalition with 17,4% (Chamber of Deputies) and 17,6% (Senate). Democratic Party (with 18,7% and 19,1%) and Forza Italia (with 14% and 14,4%) were defeated, given that they lost many votes compared to the previous elections of 2013 (DP -6,5%; FI -7,5%). The **Contract for the Government of Change**<sup>1</sup>, signed on May 18<sup>th</sup>, 2018 by the League and the 5SM, consists of a sum of ideas and policies. The document identifies thirty points. They are the sectors of policy chosen by the government as areas of initiatives. These ones are the most relevant:

- ◆ Public debt and deficit.
- ◆ Fiscal intervention.
- ◆ Immigration and security policies.
- ◆ Labor policies.
- ◆ Pensions.
- ◆ Social inclusion policies and citizenship income.
- ◆ Regionalism.
- ◆ Infrastructure policy.
- ◆ European Union.

This empirical section aims to ascertain the similarities and differences of position between the two political parties. To this purpose, first of all, the objectives and intentions set out in the **Government Contract for Change** will be presented. Subsequently, the empirical evolution of the two coalition parties will be analyzed starting from June 1<sup>st</sup>, 2018, the day the *yellow-green* government took office.

## Policy initiatives outlined in the *Government Contract*

### Public debt and deficit.

The **Government Contract** sets two objectives. The first is a public debt reduction program to be pursued not through austerity, but through measures that stimulate gross domestic product (GDP) growth. The second objective relates to deficit policies. In this regard, it is expected (through the renegotiation of EU treaties and European standards) a multi-year program aimed at ensuring the financing of the proposals covered by the **Government Contract** through the saving of resources by cutting waste, managing debt and implementing appropriate and limited use of the deficit.

### Tax

First of all, the initiative aims to sterilize the EU safeguard clauses which would, if applied, increase the value added tax (VAT) rates and excise duties. Secondly, it lays out a tax exemption and simplification program for families, businesses and VAT holders. The adoption of courageous and revolutionary reform measures is envisaged, with a view to reduce the tax burden and improve the relationship between financial administration and taxpayers. The key concept is the 'flat tax'. This reform aims to introduce two fixed tax rates (15% and 20%), with a deduction system to guarantee the progressiveness of the tax. The principle of the *no tax area* remains untouched.

### Immigration

The **Government Contract** proposes a review of asylum and immigration policies within the EU. The objective is to reduce the pressure of immigration flows on external border states, to examine the European missions in the Mediterranean which penalize Italy, especially the clauses that provide for the landing of ships used for operations in ports without sharing responsibility with other European countries. The request is that the **Dublin Regulation**<sup>2</sup> will be passed and that the principle of fairly sharing of responsibilities will be respected through the mandatory and automatic relocation of asylum seekers between EU Member States. Finally, revisions are proposed for the procedures for awarding refugee status (or its revocation) as well as the establishment of specific types of crimes.

### Labor

The **Government Contract** proposes a legislation that establishes a minimum hourly wage for all categories of workers and industries in which the minimum wage is not set by collective bargaining. Likewise, a structural reduction of the *tax wedge*<sup>3</sup> is deemed necessary. Finally, the intention is to promote the reform and strengthening of employment centers, to introduce policy to combat job insecurity, build more stable working relationships, and promote job training.

2. The *Regulation of Dublin* (1990) establishes the principles that regulate the member State responsibility regarding the reception of migrants. The signing of the Dublin agreement created the conditions for the introduction of the so-called *one-stop clause*. This clause identifies the first country to which an asylum request is forwarded as the only State entity competent to deal with this request. The first regulation was followed by the 2<sup>nd</sup> *Regulation* (2003) and the 3<sup>rd</sup> *Regulation* (2013) of Dublin.

3. The *tax wedge* is the difference between the net pay (how much a worker takes home after taxes) and the cost incurred by the company (how much that worker costs the company).



## Pensions

4. The expression *Fornero reform* (or *Fornero law*) indicates the pension reform promoted by the Monti government (November 2011-April 2013) on the proposal of the Minister of Labor and Social Policies, Elsa Fornero. See Art. 24° of Legislative Decree 6, December 2011, N° 201 (*Disposizioni in materia di trattamenti pensionistici*).

The revision of some aspects of the *Fornero law*<sup>4</sup> is planned. An important objective is to give workers the opportunity to retire when the sum of their age and number of years of tax contributions is at least 100 (*number of one hundred*).

### Basic Income and citizenship pension

The aim is to introduce an income subsidy for Italian citizens who are in need. The disbursement amount (set at 780 euros) is established on the basis of the risk of poverty threshold, calculated on both a recipient's income and assets. The disbursement of the basic income presupposes an active commitment by the beneficiary, who must adhere to job offers from employment centers. A basic pension is also provided for those who live below the minimum poverty threshold. A supplement is proposed for the pensioner who has a check of less than 780 euros per month.

### Institutional reforms (differentiated regionalism)

In terms of regionalism, the commitment is to favor the assignment of greater autonomy to all the regions that reasonably request it, in accordance with art. 116°, third paragraph, of the Constitution. In this sense, the commitment is to conclude the negotiations (already underway) between the government and the regions. The **Government Contract** specifies that the recognition of additional responsibilities have be accompanied by the transfer of the resources for their exercise.

### Infrastructure policy - High-Speed Train (HST)

With regard to the Turin-Lyon high-speed line, the *Government Contract* establishes a commitment to fully discuss the project in the application of the agreement between Italy and France.

### European Union

The government announces that Italy will request the full implementation of the objectives established in 1992 with the Maastricht Treaty, and confirmed in 2007 with the Lisbon Treaty. It identifies the following objectives:

- ◆ strengthening the role and powers of the European Parliament
- ◆ decision-making coordination between Europe and Italian regional representation
- ◆ the return of responsibilities to States, if they are better handled at this level.

According to the **Contract**, it is also necessary to review the system of market rules, in order to, on the one hand, eliminate predatory pricing and other decisions detrimental to the interests of small industry within the EU and, on the other hand, promote the marked of excellence Italian production. Regarding to the EU budget, in the perspective

of the seven-year plan, it is established the initiative to renegotiate, in order to make it coherent with the **Government Contract**. Together with the other European partners, Italian government calls for a review of European economic governance structures (monetary policy, stability and growth pact, fiscal compact, the European Stability Mechanism, procedure for excessive macroeconomic imbalances, etc.). Moreover, the government specifies that it will oppose any excessive weakening of protections of citizens' rights that may arise from cooperation treaties between the EU and other countries. Finally, the government document asks that the EU explicitly recognize that Italy represents an external geographical border, which has to be adequately protected, and that EU amends the mechanisms for managing EU funds pre-assigned to Italy.

## **Easier said than done** **The dynamics of** **conflict, exchange,** **delegation and veto**

### **Labor**

5. See Law Decree 12 July 2018, N° 87 (*Disposizioni urgenti per la dignità dei lavoratori e delle imprese*) enacted in Law August 9th 2018, N° 96.

Under the new legislature, the first important act of the **Government of Change** was the so-called **Dignity Decree**<sup>5</sup>. The deputy prime minister Di Maio, minister of labor and social policy and minister of economic development, promoted it with strong determination. The use of legislative decree, which over the years seems to have been interpreted as almost an ordinary instrument of lawmaking, even in this case constituted the fastest way to implement the government's plan. In addition, in the particular approach of the political majority, the legislative decree was the most immediate way for the 5SM to respond, in terms of media visibility, to the activism of its government partner with respect to relevant issues, such as immigration and security (Di Noia, 2018:4). Although the decree deals with various subjects, its focus is the employment policy. More precisely, the employment provisions have affected the fixed-term employment contract: they have changed the **Jobs Act**<sup>6</sup> rules, introduced by the Renzi government (Feb. 2014-Dec. 2016). The maximum duration of fixed-terms contracts falls from 36 to 24 months. The decree reintroduces the *reasons*, an obligation for companies (in case of the contract renewal after the first 12 months) to provide the reasons why that renewal is essential. The reasons have to fall within one of the three conditions provided for by the same decree:

6. See Legislative Decree June 15th 2015, N° 81 (*Disciplina organica dei contratti di lavoro e revisione della normativa in tema di mansioni, a norma dell'articolo 1°, comma 7, della legge 10 dicembre 2014, N° 183*).

- ◆ temporary and objective needs, which are unrelated to the ordinary activities of the company
- ◆ replacement of other workers
- ◆ temporary, significant and non-foreseeable increases in ordinary business activity.

If the fixed-term contract exceeds 12 months and the reasons are absent, than its renewal is automatic, indefinitely. The maximum number of extensions drops from 5 to 4. The new rules are effective from November 1<sup>st</sup>, 2018. In the event of unlawful dismissal, the maximum unemployment benefits rise from 4 to 6 months. An tax increase of 0,5% is expected, compared to 1,4% (already provided for by the Fornero law) on the taxable income for social security purposes, paid by the entrepreneur, for subordinate, fixed term employment relationships (in case of renewal of fixed-term contracts, including the outsourced labor contracts). The aim of these measures was to encourage the entrepreneurs towards the use stable contractual forms. For entrepreneurs, however, it marked a negative sign, a return to rigid and greater constraints for companies, and elements that penalize labor. In particular, **General Confederation of Italian Industry's** criticisms focused on the protocol for fixed-term contracts. According to the entrepre-

neers, the restrictive rules were a step towards the wrong direction, just as the job market was showing signs of recovery (Barone 2018). The decree came into force on July 14<sup>th</sup>, 2018 and became fully operational from November 1<sup>st</sup>, following the end (October 31<sup>st</sup>) of the transitional period. The added fixed-term contract regulations and increased social security contributions, after a few months, led to the rekindling of the conflict between the two coalition parties. The divergence of opinions and interests, resolved through a *delegation* in favor of the coalition member with stronger electoral weight at the beginning of the legislature, became evident in June of 2019. After success in the 2019 European elections, Salvini decided to collect the protests from General Confederation of Italian Industry and small business owners from the Northern electoral districts that have always been party strongholds. Between May and June of 2019, the conflict over labor policy, born at the beginning of the legislature, resurfaced. The National Social Security Institute Report data (from the first quarter of 2019) showed a sharp decline of the number of renewals of fixed-term contracts and a collapse of the outsourced labor. In June of 2019, these empirical data prompted the League deputies to prepare a bill containing the provision to entrust to unions the task of formulating additional reasons with respect to the three conditions indicated in the ‘dignity decree’ in order to recover a part of flexibility. This change of position became a strong point of friction between two parties, given that for the 5 Star Movement the *dignity decree* and its effects on the quality of labor had represented a measure of high symbolic value. Approved at the beginning of the legislature, the decree showed the ability of the 5SM to drive all government’s policy (Tucci, 2019).

## Immigration

Actually, at the beginning of the legislature, it was precisely the choice of attitude towards the EU, which led to the emergence of very significant conflicts within the coalition. After the establishment of the government, the League emphasized a critical orientation towards the EU. Salvini proposed an alliance with the Hungarian prime minister Orban, leader of the so-called **Visegrad group (V4)** made up of Hungary, Poland, the Czech Republic and Slovakia. During the migration crisis that exploded in 2015, Orban proposed a radical anti-immigration strategy, against revising the Dublin agreements and managing migration flows collectively (Fabbrini, 2018a). This issue will be the point of strength on which the leader of the League will build the success of his party: immigration has, in fact, called into question the identity of national citizenship and raised issues that affect security (Fabbrini, 2018b). On the contrary, the 5SM was internally divided in respect of this issue and it was difficult to find a united voice, a condition that facilitated a *delegation* to Salvini.

The result of this delegation was the so-called **Security Decree** or **Salvini Decree**<sup>7</sup>. Faced with the opposition to the decree by a group of 5SM parliamentarians, the government chose to resort to the confidence vote, both in the Senate (163 votes for, 59 against), and in the Chamber of Deputies (336 votes for, 249 against). Amended by the manifestly unconstitutional elements, the signing of the decree was accompanied, on October 4<sup>th</sup>, by a letter from president Mattarella to the prime minister on the risks of constitutional violation that the decree could generate in the implementation phase. The law includes forty articles, fifteen of which are dedicated to immigration policy. In this matter, the review was quite extensive. The provisions concern: the request for asylum, humanitarian protection, stays in the repatriation centers, citizenship, free legal assistance,

7. See Law Decree, October 4<sup>th</sup>, 2018, N° 113 (*Disposizioni urgenti in materia di protezione internazionale e immigrazione, sicurezza pubblica, nonché misure per la funzionalità del Ministero dell’Interno e l’organizzazione e il funzionamento dell’Agenzia nazionale per l’amministrazione e la destinazione dei beni sequestrati e confiscati alla criminalità organizzata. Delega al Governo in materia di riordino dei ruoli e delle carriere del personale delle Forze di polizia e delle Forze armate*) enacted, with amendments, in Law, December 1<sup>st</sup>, 2018, N° 132.

8. See Law July, 30<sup>th</sup> 2002, N° 189 (*Modifica alla normativa in materia di immigrazione e di asilo*). This law established the SPRAR, the Ministry of the Interior Service for the local management of reception, assistance and integration projects for asylum seekers. Through the same law, the Ministry of the Interior established the coordination structure system (a central information, promotion, consultancy, monitoring and technical support service for local authorities) entrusting its management to the **National Association of Italian Municipalities (ANCI)**.

9. See Law Decree, June 14<sup>th</sup>, 2019, N° 53 (*Disposizioni urgenti in materia di ordine e sicurezza pubblica*) enacted in Law, August 8<sup>th</sup>, 2019, N° 77.

asylum **seeker and refugee protection system (SPRAR) centers**<sup>8</sup>. With regard to asylum requests, the number of crimes that invalidate requests for political asylum were increased, and now lead to immediate expulsion. Regarding the second point, the law introduces the abolition of humanitarian protection: in the event of humanitarian emergencies, it guarantees a residence permit to foreign citizens who request it. Furthermore, the times for detention in repatriation centers were doubled (from a maximum of 90 days to 180 days). The new rules formulate the revocation of citizenship: if a person was considered a possible danger to the State, the revocation of citizenship could be prompted in the event of a definitive conviction for terrorist offenses. In addition, an application for citizenship may be rejected even if submitted by someone who has married an Italian citizen. Moreover, there is the revocation of free legal aid for migrants if their appeal against the refusal of humanitarian protection is declared inadmissible. The SPRAR centers received new rules: the small centers that host migrants, with the backing of cities, will no longer be able to welcome asylum seekers, but only unaccompanied minors and those who have already received international protection. Finally, the funds for repatriation were funded with € 500,000 for 2018, €1.5 million for 2019 and € 500,000 for 2020. However, the security decree left the problems of controlling illegal immigration and repatriation intact. In June 2019, the government approved a second text, called **Security Decree bis**<sup>9</sup>, which introduced sanctioning rules for non-governmental organizations (NGOs), engaged in rescues at sea, which violate the prohibitions on entry into Italian territorial waters.

### **2019 Budget Law: public debt and deficit**

Conversely, the heart of the 5SM political platform was the citizenship income. With regard to the fiscal budget (September 2018) a sort of pact was established between the League and the 5SM: support for the legislative decree on security and immigration in exchange for a common front to check more resources and go beyond the 2% deficit to start the citizenship income. The strategy of the Ministry of economy and finance (MEF), which was run by minister Tria, was to quantify the deficit for 2019 within the maximum threshold of 1,6%, a figure already agreed upon with the European Commission. This line wanted to ensure a descending trajectory of the debt and defusing the VAT clauses (12-13 billion), in order to shelter Italy from EU infringement procedures and market turbulence. Anyway, the political confrontation between minister Tria and the two deputy premieres Di Maio and Salvini hypothesized an increase to 1,9%, if not more than 2% (Pesole, 2018). The budget for 2019 was a decisive step for the Five Stars: the availability of resources to launch the citizenship income was an essential element to strengthen the bond with their voters, especially in the South. This ignited the conflict with minister Tria who, faced with the request to increase the deficit with respect to GDP to 2,4%, feared an exit from the government, and was then forced to surrender. Concerns over the country's financial equilibrium, the negative reactions of financial markets and the European Commission not only attracted the attention of the MEF, but also that of President Mattarella, and of national and international institutional actors, such as the governor of the Bank of Italy and the European Central Bank president, Mario Draghi. At the end of October, president Draghi expressed concerns that such a high level of spread (around 300) would have caused serious damage to the credit system (Palmerini, 2018a and Palmerini, 2018b). The update note of the **2018 Economic and Financial Document (EFD)**, approved by the Cabinet on September 27<sup>th</sup>, 2018, establishes a deficit reduction profile for a three-

year period: 2,4% (2019), 2,1% (2020), and 1,8% (2021). The budget raised many doubts about sustainability, against 1,6% GDP growth, and aroused negative judgments of the Bank of Italy, the Court of Auditors and the Parliamentary Budget Office, and these institutions are an integral part of European procedure. The possible negative assessment of the budget summary by the European Commission, and the effects that this result would have on the markets, were at the center of the concern of the prime minister Conte, engaged in work of conviction at the EU headquarters, and of the President Mattarella. In mid-October, the European Commission sent a warning letter to the Italian government, due to a drastic increase in the GDP deficit. All heads of government of the Eurozone member states (Fabbrini, 2018c) recalled (through the Commission) our country to respect the three rules of the Stability and Growth Pact: nominal deficit budget within the 3% of GDP threshold, balance of the structural deficit, and public debt no more than 60% of GDP. On October 23<sup>rd</sup>, the Italian programmatic budget was formally contested: the Italian government had three weeks to correct the budget for 2019 by aligning it with the stability pact, under penalty of an infringement procedure for excessive debt in relation to the violation of the debt rule. This procedure, never applied before, would remain in force until the debt went down (Bastasin, 2018a). The recommendations of President Mattarella, during the parliamentary examination, made possible the development of constructive dialogue with the EU institutions (Palmerini, 2018c). The resilience of the EU, the reaction of distrust of the markets and the severe criticisms leveled by social players (both domestic and European politicians and institutions) led the government to enter into negotiations, which, after two months, saw a reduction in the nominal deficit from 2,4 to 2,04%. On December 22<sup>nd</sup>, the government presented to the Senate a maxi-amendment that fully replaced the draft budget law for 2019. The law was approved without a prior assessment by the **Senate Budget Commission** (Fabbrini, 2018d). After the vote of confidence on December 28<sup>th</sup>, and the signing of the president Mattarella, the budget came into force on January 1<sup>st</sup>, 2019, preventing the application of the provisional exercise. The cost and financial risk of anti-EU positions, after two months of negotiations with the European institutions, was considered superior to the political advantages, even if the agreement - matured in the framework of the end of the mandate of the European institutions - was limited to verifying the minimum accounting requirements (Bastasin, 2018b). The conflict that took place in the autumn of 2018 between the yellow-green government (growth based on more debt) and the EU (defense of containment and debt reduction rules) ended with a difficult compromise, waiting for the European elections for the recommencement of the Parliament and the formation of the new Commission. It would re-emerge the following autumn, during the approval procedure for the budget law for 2020.

### **Citizenship income and *number of 100*.**

Mid-January 2019 witnessed the launch of the two measures that, during the electoral campaign, played a crucial role in gaining electoral consensus of the two governing parties: citizenship income and the so-called *number of one hundred*. League's position on the citizenship income (as expressed by undersecretary Giorgetti) was that of distrust, due to the charitable nature of the measure. This position was shared with the unions, especially CGIL, due to the mixed nature of the measure (contrasting poverty and labor policies). The critical views of the three main labor unions were also affected by the fear that the government's initiatives (in matters such as the citizenship income, *number of*

10. See Law December 30<sup>th</sup>, 2018, N° 145 (*Bilancio di previsione dello Stato per l'anno finanziario 2019 e bilancio pluriennale per il triennio 2019-2021*); Law Decree January 28<sup>th</sup>, 2019, N° 4 (*Disposizioni urgenti in materia di reddito di cittadinanza e di pensioni*) enacted in Law March 28<sup>th</sup>, 2019, N° 26. The decree introduced a basic income and pension, as well as an early retirement policy known as the *number of 100*. The budget law for 2020 (Law December 27<sup>th</sup>, 2019, N° 160) confirmed the two measures.

11. See [https://www.ansa.it/sito/notizie/economia/2020/02/17/spesa-reddito-sotto-4-miliardi-nel-2019\\_c309db81-45cb-43bf-a3c3-7b370fd27fa7.html](https://www.ansa.it/sito/notizie/economia/2020/02/17/spesa-reddito-sotto-4-miliardi-nel-2019_c309db81-45cb-43bf-a3c3-7b370fd27fa7.html).

12. See <https://www.inps.it/nuovo-portaleinps/default.aspx?itemdir=52405>.

13. See *Rapporto sulla politica di bilancio 2020*. Available on line at <https://www.upbilancio.it/rapporto-sulla-politica-di-bilancio-2020/>.

*one hundred*, and minimum wage) would hurt their function of representation, which constituted their *raison d'être* (Palmerini, 2019a). The **citizenship income**<sup>10</sup> constitutes a measure of active labor policy, fighting poverty, inequality and social exclusion. The perception of income is associated with a path to work and social reintegration, as specified by a pact for work or a pact for social inclusion, which the beneficiary is required to sign. Despite the government pact, there were many significant restrictive amendments proposed by the League before the decree was converted into law (Barbieri, 2019). Only a few amendments were accepted before the law was approved by a confidence vote. According to estimates, the policy included around 3,6 million individuals and 1,3 million households. For this measure, the government allocated 7,1 billion for 2019 (5,6 billion to be paid to applicants and 1,5 billion to upgrade employment centers), 8 billion for 2020 and 8,3 billion for 2021. However, the implementation has showed that the number of requests forwarded was significantly lower than the government's expectations. Data from the National Social Security Institute Observatory, updated for January 2020, showed that approximately 4 billion and 358 million euros have been paid on basic income and pensions, respectively. The calculation is the sum of the amounts disbursed for the subsidies starting from the start-up month (April 2019). The important element is that, in 2019, the disbursement remained below the four billion threshold, resulting in 3 billion 849 million euros, compared to the 5.6 billion allocated in the budget for 2019: a savings of almost 1.8 billion was therefore accrued. The applications accepted by INPS were 1 million 119 thousand for basic income and pensions. Among the families that were awarded the benefits, benefits to 60 thousand families have stopped. So the families receiving basic income (933 thousand, for 2,4 million individuals) and pensions (126 thousand with 143 thousand people involved) are, overall, 1 million, 59 thousand, corresponding to 2 million, 562 thousand individuals. The average monthly amount received is 496 euros<sup>11</sup>.

The decree, in addition to regulating the basic income, contains provisions for the *number of 100*. It should be noted that, although initially the two government parties proposed different combinations of the minimum age and years of contribution requirements (League: mix 64/36; 5SM: mix 59/41), the purpose to reform the **Fornero law** was similar. For both parties, the reform of the **Fornero law** had been an important issue of the 2018 electoral campaign. The possibility of accelerating the exit from the labor market for those who had reached a specific age and social security conditions, in the vision of both parties, would have favored generational turnover and youth employment. On this shared basis, the decree introduces the possibility of retiring with the mix of 62 years of age and 38 years of social security contributions, in addition to the traditional retirement channels provided for by the **Fornero Law** (i.e. early retirement and old-age pension). The measure has an experimental profile: it applies to those who achieve the aforementioned requirements by December 31<sup>st</sup>, 2021<sup>12</sup>. The government has allocated about 20 billion in total for this 3-year measure (3,8 billion for 2019; 7,8 billion for 2020; 8,3 billion for 2021). However, in 2019, the applications submitted for *number of one hundred* were less than expected (36% of qualifying subjects did not apply) and the cost savings were considerable: the expenditure for early pensions was €2,6 billion and savings were €1,2 billion. For 2020, the Parliamentary Budget Office has confirmed the government's forecasts with its savings estimates of 2 billion out of the 7,8 initially planned. The alarm is instead for 2021, the year in which, those who have not applied in the previous two years, could decide to retire early with a *number of 100*. For 2021, the government has estimated 8,3 billion for the *number of 100* but, at the same time, expects savings of 1,3 billion. The cost would be 7 billion, but the Parliamentary Budget Office expects savings of only 600 million euros<sup>13</sup>.

14. *HST (High-Speed Train)* indicates 235km of railway infrastructure with advanced features, dedicated to the transport of goods and people between Turin and Lyon. It is intended to support the historical line that passes through the Frejus railway tunnel. This high-speed line was conceived in the 1990s, and has been under construction since the early 2000's.

From February 2019 onwards, the negotiations between the two parties began to break down and, by the first half of August, conflict crystallized on three policies: first, the **High-Speed Train (HST) Torino-Lione**<sup>14</sup>; second, the law for regional autonomy; third, the budget plan for 2020.

### **HST Torino-Lione.**

On the first policy, it should be noted that the **Government Contract** affirms the government's commitment to re-examine the feasibility of the project, in order to verify the expected costs and benefits of the project. A technical commission was entrusted with the task of developing a cost-benefit analysis, and the report was delivered on February 11<sup>th</sup>, 2019. The strategy of mediation, based on the cost/benefit analysis, proved ineffective and did not prevent a conflict between two different and unbridgeable political identities. In the analysis commissioned by the government, the costs exceeded the benefits, but the League presented its counter-analysis showing pro-HST results. This was the first case of breach of the contract signed in June 2018 (Palmerini, 2019b). Then, a period of inactivity began: it was ended by a public statement of the prime minister on July 23<sup>rd</sup>, 2019. The prime minister, Giuseppe Conte, gave the go-ahead for the resumption of construction on the HST, thanks to the increase in EU funds for the completion of the project and for the national section, leading to, on the one hand, the triumph of Salvini and, on the other hand, the disappointment of the 5SM. To contain the protest of his supporters, Di Maio asked for a vote by the parliament to block the resumption of construction, with the knowledge that the parliamentary strength of the 5SM would be completely insufficient to achieve the result, given the contrary vote of the League and the oppositions (DP and Forza Italia) (Bartoloni, 2019). Work on the Italian section of the Turin-Lyon line started again in December 2019, after more than a year of suspension.

### **Regionalism**

The second policy was the differentiated (or asymmetric) regionalism. This refers to the assignment of special conditions of autonomy to regions. The further forms of autonomy can be recognized:

- ◆ in all matters that the art. 117<sup>o</sup>, third paragraph, assigns to the concurrent legislative jurisdiction
- ◆ in a further limited number of subjects reserved by the same art. 117<sup>o</sup>, second paragraph, to the exclusive legislative jurisdiction of the State (the organization of justice of the peace; general rules of education; protection of the environment, ecosystem and cultural heritage).

The assignment of these enhanced forms of autonomy must be established with a reinforced law, which, from a substantial point of view, is formulated on the basis of an agreement between the State and the Region, having acquired the opinion of local authorities, in compliance with the principles pursuant to art. 119<sup>o</sup> of the Constitution on financial autonomy; while, from a procedural point of view, it is approved by the Chambers with an absolute majority of the members. The issue of the recognition of forms

15. The referendum questions are analyzed at <https://www.interno.gov.it/it/speciali/referendum-costituzionale-4-dicembre-2016>.

16. See [https://www.camera.it/leg17/522?tema=lautonomia\\_differenziata\\_delle\\_regioni\\_a\\_statuto\\_ordinario](https://www.camera.it/leg17/522?tema=lautonomia_differenziata_delle_regioni_a_statuto_ordinario).

17. See Law Decree, April 30<sup>th</sup>, 2019, N° 34 (*Misure urgenti di crescita economica e per la risoluzione di specifiche situazioni di crisi*) enacted Law, June 28<sup>th</sup>, 2019, N° 58; Law Decree, April 18<sup>th</sup>, 2019, N° 32 (*Disposizioni urgenti per il rilancio del settore dei contratti pubblici, per l'accelerazione degli interventi infrastrutturali, di rigenerazione urbana e di ricostruzione a seguito di eventi sismici*) enacted in Law June 14<sup>th</sup>, 2019, N° 55.

of *differentiated autonomy* pursuant to article 116, third paragraph, of the Constitution was brought up in the debate over the relationship between the State and the Regions after the non-confirmatory outcome of the constitutional *referendum* of December 4<sup>th</sup>, 2016<sup>15</sup>. Following the initiatives undertaken by Lombardia, Veneto and Emilia-Romagna, the government opened negotiations with the three Northern regions. The first two regions held a consultative *referendum* on October 22<sup>nd</sup> 2017 on the assignment of further norms and special conditions of autonomy. In both regions, the result of *referendum* was favorable to autonomy. On October 3<sup>rd</sup>, 2017, the regional assembly of Emilia-Romagna approved a resolution (pushed by the president of the region) to begin the procedure required by the third paragraph of art. 116° of the Constitution to sign the agreement with the government. The three regions and the government entered into a preliminary agreement for the assignment of greater forms of autonomy on February 28<sup>th</sup>, 2018. Subsequently, other regions started a dialogue with the government on this topic. One of the most delicate points of the negotiation was that of the financial resources to accompany the process of strengthening regional autonomy<sup>16</sup>. Regarding this issue, in February 2019, the League promoted the law on stronger autonomy, which provided for the sharing of taxes (personal income tax and VAT) of the Northern regions (Lombardy, Veneto, Emilia Romagna). The risk was an imbalance of resources between North and South and the 5SM opposed the plan. However, decisions on the HST and on stronger regional autonomy were postponed until after the European elections of May 26<sup>th</sup>, 2019, while the economic slowdown and any financial risks came back to the foreground of debate.

## **2020 Budget Law: public debt and deficit**

The third policy concerned economic reforms, which had always been the priority of Salvini, because of his constituencies in the North. The lack of expected GDP growth led to launch two new decrees<sup>17</sup> before the EFD for 2020 was prepared. The difficulties were in the fact that the resources (23 billion) will have to be found so that the increase in VAT is avoided. The General Accounting Office dossier on the budget showed that in 2019 the share of pensions and social assistance spending increased significantly, above all due to the funds for financing the citizenship income the *number of one hundred*. The data show that current Italian public expenditure came to, in 2019, 45,5% of GDP, with an increase of 0,7% compared to 2018. The trend is in contrast with the same figure in the Eurozone, and the wider area of the EU (Trovati 2019).

The conflict between the League and the Five Stars also characterized the electoral campaigns that saw heated competition between the two parties. Three regional elections fell in the first year of the yellow-green government. The center-right coalition won the elections in Abruzzo, Sardegna and Basilicata, and Salvini's League was the leading party of the coalition. Moreover, the elections marked the decline of the 5SM: all the data showed the transfer of votes from the 5SM to the League (D'Alimonte, 2019a). The electoral campaigns pushed the 5SM even more to the left and the League to the right. In the European elections of May 26<sup>th</sup>, the opposition between Salvini and Di Maio continued: first on the right, to win the electorate of Forza Italia, and second on the left, in search of the votes coming out of the DP. The League won 34% of the electoral consensus and launched a pressure against its governmental alliance, which would contribute to provoke a governmental crisis.



Thus, within the government coalition the conflict increased: the possibility of distributing benefits was gone, because the next budget law would not allow for it (factoring in the deficit the 'number of one hundred' and the citizenship income). During the preparation of the 2020 budget law -on which many expectations were hung, such as the reform of the income tax according to a reduction in the number of tax rates (League proposed flat tax)- the EU Commission sent a letter to Italy on May 29<sup>th</sup>. The EU Commission made a request for clarification on the reasons for the increase in public debt between 2017 and 2018. Minister Tria replied to this letter (while Di Maio defended the new welfare policies: the citizenship income and the *number of 100*) indicating market stabilization, reductions in spending coming from welfare policies, whose savings (8-10 billion over three years) would contribute to reducing the Italian deficit. The cost savings indicates, for both measures, a significantly lower amount of budget requirements (by about 20%) compared to the projections based on the 2019 budget. The letter accompanied the **Report on relevant factors** that the EU Commission would have to study and verify. As in the previous year, at stake was the risk of an infringement procedure for excessive debt, the opening of which would be up to the Council, on the recommendation of the Commission. Checking would start precisely from the overrun of the 2018 debt objectives (Perrone and Trovati, 2019; Colombo and Rogari, 2019; Rogari, 2019, Romano and Trovati, 2019). To make the debate with Brussels less difficult, the data released by the MEF were better than expected and which showed a deficit reduction. On June 3<sup>rd</sup>, prime minister Conte called on the two coalition parties to take responsibility, on pain of his resignation. The distance between the League and the Five Stars had become clearer than ever: a relationship complicated after the European elections delivered 34% of the votes to Salvini's party. League pressed for the measures of its program: strengthened autonomy for the regions of the North, the HST Turin-Lyon, and a flat tax. Above all, Salvini's party considered priority measures for the next budget the single rate of 15% for family incomes up to 50 thousand euros and a gradual reduction of the tax rate in force for companies. With regard to this topic, the Five Star Movement counter-proposed three different rates for employees and retirees. The priority for the 5SM was instead the minimum wage, a measure that the League would introduce only for those outside the collective agreement. These divergences were obviously destined to weigh on the budget law currently being prepared which, according to President Conte, would nevertheless have to maintain the balance of the accounts, since *the European rules remain in force until we succeed in changing them* (Perrone, 2019). Conte and Tria continued negotiations with the EU, maintaining budgetary discipline in the face of the imposition of an infringement procedure for excessive debt. This is the main juncture in order to grasp the future events that led to the government crisis. On June 5<sup>th</sup>, the EU Commission -with its Report on the public accounts of the member states of the European Union (EU)- announced that it considered justified the opening of an infringement procedure for excessive debt. However, this decision will be up to the finance ministers of the European governments (Ecofin) who will have to meet in July and to decide by qualified majority. The outcome will depend on Italian choices: the current year's public accounts adjustment and a convincing financial adjustment for next year would avoid an infringement procedure. But Di Maio confirmed the inviolability of the citizenship income and 'number of 100', while Salvini - bolstered by the European electoral result - categorically excluded the hypothesis of a corrective budget and insisted on the introduction of the flat tax and the missing increase of VAT in the deficit in the next budget (Fiammeri 2019). The key point, for president Conte and minister Tria, was how to conduct negotiations with the EU (which called for the reduction of the 2019 deficit through a corrective 2020 budget respected the rules) in order to avoid

18. See Draft Law July 12<sup>th</sup>, 2018, N° 658 (*Disposizioni per l'istituzione del salario minimo orario*) presented by Senator Nunzia Catalfo of the M5S. The proposal establishes a minimum hourly wage of 9 euros gross, including tax contributions and social security payments. Available online at <https://www.senato.it/service/PDF/PDFServer/DF/339903.pdf>.

the infringement procedure, starting from the irrevocable requests of the two majority parties. In other words, the government's activity presented two different directions. On the one hand, Conte and Tria were engaged to negotiate a spending review with EU institutions and, on the other hand, the two vice premier, Salvini and Di Maio, were engaged to request policies in deficit. Salvini focused on the flat tax in deficit, and Di Maio reiterated the immediate implementation of the minimum wage<sup>18</sup>. On June 19<sup>th</sup>, the Cabinet started the adjustment of the accounts to be presented in Brussels: bill was finalized with the adjustment of the budget forecasts, which the MEF presented to the Chamber in June, on the basis of the consistency of the active and passive surpluses. It was about 6 billion to rebalance the 2019 accounts without a real corrective measure, in order to avoid the infringement procedure. In addition, Conte and Tria confirmed that the Italian government's cash flow estimates are better than those predicted by the EU Commission: there is additional revenue and lower-than-expected expenses from the application of citizenship income and *number of 100*. Salvini returned to press the government with an *ultimatum* on the flat tax and the request to reduce taxes by at least 10 billion on the 2020 accounts. He also asked for acceleration of the differentiated autonomy and the HST. The aim was to achieve concrete results for the North under the threat of dissolution of the coalition and the holding of early elections. The Cabinet of June 26<sup>th</sup> discussed the MEF's 2019 deficit reduction plan of around 8 billion euros, in view of the negotiation with the EU. The reduction of the deficit-GDP ratio provided for three points.

- ◆ The cut of 2 billion of expenditures from the budget of the ministries (the clause of the expenditure foreseen in the 2018 documents).
- ◆ A greater revenue: 3 billion euros of higher tax revenues and dividends of the investee companies.
- ◆ The saving of 3 billion euros of lower expenses (compared to the budgeted ones) coming from *number of 100* and the citizenship income.

These measures reduced the deficit *in a natural way*, according to the words of minister Tria, and bring it back to about 2% within the security level of the deficit, removing the obstacles for an agreement with the EU (Rogari and Trovati, 2019). On July 2<sup>nd</sup>, the government presented the budget adjustment plan: the adjustment launched by Italy (of 7,6 billion euros, equal to 0,42% of GDP) convinced Brussels, which finally deemed the 2019 budget trend acceptable and promoted the closure of the proposal for an excessive debt sanction. The Tria-Conte decision to include in the public finance balances the lower expenses for citizenship income and the *number of one hundred* avoided the opening of an infringement procedure and marked a clear success. The League-5SM executive had to downsize its commitments, both in December 2018 and in June 2019. Once the risk of the infringement procedure has been overcome, Matteo Salvini returned to ask for autonomy for the Northern regions, but the divergence with the 5SM on the competences to be transferred and on the new equalization fund was very pronounced. The conflict became particularly acute in the field of school education, when the possibility for the regions to finance the teachers' salaries was canceled after the exclusion from the regionalization of the recruitment of teachers (Trovati and Tucci, 2019) and cultural heritage, in which the rift concerned the transfer of competences to monuments and archaeological areas. The other thorny item was the distribution of resources, which if they came from extra revenue produced by the regions of Lombardy and Veneto, the 5SM would like them to be distributed to other regions for the same functions transferred to the two Northern regions (Fiammeri and Trovati, 2019).

At the same time, the conflict over tax reform re-emerged into the conflict on the budget plan and it brought to two incompatible positions. League wanted to introduce tax reform. The 15% flat tax, divided into three groups of family income, supported by Salvini, did not convince the 5SM, nor the Economy Minister, who instead put forward the (less expensive) hypothesis of the reduction of the personal income tax rates. According to the 5SM, it should also be accompanied by the expansion of the no tax area and the introduction of the family coefficient (Pogliotti and Rogari, 2019). Instead, Di Maio proposed that the budget plan should introduce the legal minimum wage, which was opposed by the League. Despite their differences, at the same time a possible agreement on the minimum wage was identified: an intervention on the tax wedge to sterilize the burdens on companies due to the introduction of the minimum wage, which must however comply with EU regulations. In addition, the 9 euros per hour could include wages, such as the 'thirteenth paycheck' and the severance pay (Mobili and Tucci, 2019). However, with respect to this issue, companies and unions have always expressed their opposition. On the one hand, due to the risk of increases in the cost of labor for companies and, on the other hand, due to possible negative effects with respect to national collective bargaining contracts that offer greater protections, not only of a remunerative nature.

Then, in July, the case of the alleged Russian funding of Salvini's party exploded. Objectively, it was a reason for the leader weakening, as he demonstrated how he was no longer able to threaten a crisis, given the uncertainty of the results of a judicial investigation. This judicial initiative also exposed him to a tough confrontation with the premier, who decided to report to parliament distinguishing his behavior from that of the North League vice premier (Palmerini, 2019c). Meanwhile, the League had to decide how to vote with respect to the new EU Commission and Ursula von der Leyen's candidacy for the presidency of the European body. The European parliamentarians of the 5SM voted in favor, together with those of the Democratic Party and Forza Italia. On the contrary, the League parliamentarians voted against, as did the parliamentarians of Fratelli d'Italia. The 5SM votes were decisive for the appointment of Ursula von der Leyen (Pelosi, 2019). The difficulties in the sharing of power between the two political parties became more and more frequent. The Brussels vote will be destined to have great influence over future differences. It marked the first major misalignment between the two parties in their orientation towards the EU.

The table 2 summarizes the divergences between the two parties of government respect of selected issues.

**Tab. 2 – Issues: League and 5SM policy positions**

	League	5SM
<b>Public debt/deficit EU</b>	Objections to EU target	Objections to EU target
<b>Vote for the president EU Commission</b>	Vote against Von der Leyen	Vote for Von der Leyen
<b>Tax reform</b>	Flat tax rate at 15%	Reduction income tax rates
<b>Immigration/ Security policies</b>	Closed ports and expulsion of illegal immigrants	Ambiguous position
<b>Labor policies</b>	Reduction labor cost Pro <i>status quo</i> for fixed-term contracts	Right to a minimum wage More restrictions
<b>Pension policy</b>	Exit flexibility Number of 100 (age=62 contribution=38)	Exit flexibility Number of 100 (age=59 contribution=41)
<b>Social policies</b>	Starting income from work which is a loan	Citizenship income
<b>Regional autonomy</b>	Regionalization of the school Fixed participation in national taxes	Against Regionalization of the school Equalization fund between the regions
<b>HST Turin-Lyon</b>	Pro HST	Halt HST

There are therefore many reasons of a government crisis on the initiative of the League, despite the inadequacy of the electoral calendar. Anyway, the ultimate conflict was bound to be budget law. Salvini declared that the flat tax should be enacted, but the 5SM refused that measure; instead, Di Maio proposed to implement a fiscal reform with three tax rates (to favor medium-low incomes) and the minimum wage law. The agreement was not reached and the government crisis was declared by Salvini on August 8<sup>th</sup>, 2019.

## The Italian case: What changed?

Whether or not the emergence of a moderate, centripetal and bipolar political system, which first emerged in the mid-1990's, has moved into a new phase of polarization along the right/left axis, is the second issue (see the *Introduction*) examined in the study of the Italian case. The second hypothesis analyzes the effects that the placement (extreme and opposite on the left-right axis) of the two political forces (5SM and League) has had on the structure of party competition. It allows to address the logic behind the formation of the yellow-green government, and to identify which theory of government coalitions best explains the structure of the government born in June 2018.

## Extreme polarized multipolarism, bipolarism and *quadrille*

In order to tackle the second issue, the study will review the main evidences available from the political science literature on the Italian party system, albeit briefly. Although a simplification, it is possible to distinguish two phases in the evolution of the party system after World War II. The first phase (often referred to as the **first republic**) took place between 1945 and 1992 and accompanied the consolidation process of Italian democracy. The second phase, the so-called **second republic**, began in 1994, after the defeat of the traditional party system, in place between 1992 and 1993. In the 2013 and 2018 elections, a new important party appears on the political scene: the Five Star Movement. After the 2018 elections, this party will govern together with the League from June 2018

until August 2019. The 5SM will be the first party of the government coalition led by the prime minister Giuseppe Conte.

## **The First Republic**

Since 1948, the highly structured party system has been fundamental for the consolidation of Italian democracy (Morlino, 2003). Parties had established themselves together with strong social and political divisions, and a proportional electoral law with a very low representation threshold. These features allowed the development of a large number of parties, within an extreme and polarized multi-party system. During the second post-war period, these political parties (especially the mass parties) went through ideological, programmatic, strategic and organizational changes, while overall party organization survived, albeit with different structural models. The **Christian Democrats (CD)**, the **Italian Communist Party (ICP)** and the **Italian Socialist Party (ISP)** were the largest and most popular parties, while medium and small parties with different ideological orientations, such as the **Republicans (IRP)**, the **Liberals (ILP)**, and the **Radicals (RP)** emerged. These smaller parties were opinion parties, and were capable of gathering votes on specific issues. The **Social Democrats Party (ISDP)** was considered a hybrid between a mass and opinion party, while the **Social Movement (ISM)** was structured according to the classic mass party model. Thus, the *multiparty* system was centrifugal, with a strong center represented by the relative majority party (the CD) capable of giving life to governments with the support of small parties, which were significant because of their coalitional potential (ILP, IRP, ISDP and ISP); then, there was an ascending left (the ICP) and a reduced right (the Italian Social Movement). Since in the early 1980's, different sections of a new political movement (League) have emerged in the North of Italy and, in 1990, its leader Umberto Bossi has unified them in a single party: North League. Their electoral success first came in the 1990 local elections and then with the 1992 national elections (Ignazi, 1997).

The absence of governmental centralization characterized parliamentarism of the *first republic*: parliament maintained its autonomy from the executive, and the executive from his president (Fabbrini, 1994). For a long period of the republic's history, parliament represented an arena for the accommodation of the elites of the various parties, constituting the privileged seat for a pragmatic search for agreements between the government and the opposition parties (the ICP) (Di Palma, 1978). In the absence of a bipolar system, the selection of the prime minister was never bound by the elections results. The government majority was the result of constant post-electoral bargaining and the choice of the prime minister always went to the one who would have ensured the agreement between the parties (almost never a party leader), which operated in a very constrained context precisely because it was not homogeneous. Precisely for this purpose, the prime minister, more than conducting and guiding the general policy of the government, has always played a mediating role between the various actors of the government, and the government coalition has been interpreted as the projection of the leadership of the coalition parties<sup>19</sup>. Italy has experienced a *disconnected, multiple direction*, that is a proliferation of governmental sub-structures, each endowed with its own decision-making autonomy, demonstrating the weakness of the government as a collective actor (Calise, 1987; Cotta, 1987; Cotta and Isernia, 1996).

<sup>19</sup> For an analysis of the turnover rates of members of parliament and members of the government, the contents of the government programs and the language used in the policy speeches by the executives of the so-called *first republic*, see Villone and Zuliani (1994).

## The Second Republic

The political system underwent a change between 1992 and 1993, as a result of the serious crisis which, after 1989, affected Italy. The two causes were the collapse of communism in Eastern Europe (1989-1990) and the explosion of the judicial investigations against political corruption (1992-1993). The first external event led to a change in the international balances that had contributed to the shaping of the Italian institutional and party political framework in the second post-war period and weakened the ideological opposition of political competition during the 'first republic'. On the one hand, we witnessed the transformation of the ICP into the **Democratic Party of the Left** and, on the other hand, the loss of the role traditionally played by the Christian Democracy of *a barrier against communism*. For their part, the judicial investigations into political corruption, revealing the wide boundaries of the degeneration of the relationship between politics and economic interests, caused a rapid and deep delegitimization of the political class (Grilli di Cortona, 2007). Faced with party defeat, the so-called *technical governments* (Amato and Ciampi governments) were established between 1992 and 1994, and they were characterized by significant changes in the relations between the government and the parties and between the prime minister and ministers (Fabbrini, 2000).

The political scenario that emerged from the early elections of 1994 showed the restructuring of a new party system: new players and new competitive rules, as all the traditional parties of the **first republic** had by now disappeared or changed. A new winner-take-all electoral system with proportional correction was put in place: the 3/4 of the seats in Parliament were allocated through single-member constituencies and 1/4 of the seats through a proportional rule, with a 4% threshold. This system has pushed parties to form electoral and governmental coalitions. The 1993 electoral reform led to centripetal competition and favored the start of bipolarism (Pappalardo, 2000; Di Virgilio, 2005). It involved a change in favor of low or moderate ideological distance between voters and relevant parties, absence of a third pole placed in the center, high volatility of votes within and between left and right, the possibility of access to power for all political forces, and possible alternative government formulas (Sartori, 1976). Thus, the new system had abandoned polarization and led to bipolarism, favored by the formation of right and left coalitions, and alternative governments (Morlino, 2005). The multiparty system had become limited and moderate, with a centripetal competition between two poles: the radical right (the North League) and the moderate right (Forza Italia), against the moderate left (the Democratic Party of the Left) and the radical left (Communist Refoundation). Bipolarism prevailed over two decades, and moderate forces managed to limit the destabilizing pressures of the League and Communist Refoundation (CR).

20. The *bipolarism index* is the sum of the seats (or votes) of the two strongest coalitions (Chiaromonte and Emanuele, 2014).

Within the **second republic**, the 2006 elections showed the highest index of bipolarism<sup>20</sup>. On the one hand, Berlusconi's People of Freedom and, on the other hand, Veltroni's Democratic Party developed a full bipolar competition. Since the 2008 elections, bringing out a system that Chiaromonte (2010) defined as *limited bipolarism*. This represented an innovation after the *fragmented bipolarism* of 1994-2001, characterized by the presence of many small parties with the strong power of blackmail on coalitions. However, those two electoral alliances of center-right and center-left, with their respective leaderships, received a strong challenge by the 5SM, that gained 25,6% of the votes, in the early elections of 2013. In that circumstance, the Movement completely reduced the bipolar frame established since 1994 (Pombeni, 2016:279).

The 2013 elections, with the extraordinary success of the 5SM, led to a change of the party system, whose diagnosis is different according to its different classification as

either an *above the left/right cleavage*, or a radical leftist party. According to the first group of scholars, the 5SM is post-ideological and therefore cannot be placed along the right/left axis. The party system after 2013 would therefore have become *tripolar*, with the right (the Freedom Coalition with Forza Italia and the League), the left (the Democratic Party) and the 5SM. The Five Star Movement erased post-1994 bipolarism. Due to its post-ideological attractiveness, the 5SM became a strong third pole, even in terms of identity. It has been observed that the 5SM is not comparable to the other parties, as it isolates itself from any traditional ideological identification between right, left or center, managing to become a political subject able to represent the country in transversal way without any geographical connection (Chiaramonte and Emanuele 2014: 9). The entry into parliament of this new political actor hindered the victory of the two coalitions that had faced each other for twenty years. Thus, populism won, also because of the apathy and the disengagement of the electorate, due to persistent distrust toward politics in recent years. The new generations voted for the 5SM, which used the new means of communication that inevitably entered politics (Cotta and Verzichelli, 2008:262-263). The combination of these conditions represented a new shock to the Italian party system, characterized by a rate of party innovation, the lowest level of bipolarism in the history of Italy and a record for electoral volatility. The electoral success of the Five Star Movement may have been favored by several factors: the ideological decline of the parties in the **second republic**, the promotion of governments lacking a direct connection with popular sovereignty (the Monti government), the personalization of leadership with parties by the weak and light organizational structure, and the financial crisis of 2008.

Many scholars have labeled the Five Star Movement as populist, according to its unitary conception of people, the dichotomy between pure citizens and corrupted (Italian and European) elites, the emphasis on direct democracy, the antagonism towards institutions (Tarchi, 2015; Chiapponi, 2017). However, some authors suggested to distinguish the 5SM from other parties, like the League, that have been labeled as populist as well. The 5SM is different as it is ecologist, pacifist, participatory; all these features are strongly different from those of the so-called populist right (Revelli, 2017). Moreover, the League's conception of people is very nationalist and anti-immigration, while the 5SM political objectives and its values are oriented towards common or public goods (Biorcio, 2015). These two parties share some positions: the critique of 'strong powers', establishment and political elites; the protest against the priority towards European Union; the defense of lower sectors of the population; the negative evaluation of previous governments' performance; the foresight of an uncertain future for the middle and lower classes (Biorcio e Natale, 2018:96). Both parties want to favor political change, but their programs and policies are different (Passarelli e Tuorto, 2018:136). Thus, many scholars have emphasized both similarities (in their protests) and differences (in their ideologies and programs). The electorate of the two parties shows that the League and the 5SM are voted by citizens that are different and not similar: not only according to their socio-demographic dimensions, but especially for their political preferences. The League's electors are strongly against migration flows and European Union, but are always pro-market in economy. The 5SM's electors are more heterogeneous and diversified in their political positions (Passarelli and Tuorto, 2018:142-144). In few years, the 5SM highly increased its electoral consensus, deeply influencing electoral competition among parties (Diamanti, Bordignon and Ceccarini, 2013; Tronconi, 2018). Few years after its birth in 2009, the 5SM reached 25% of votes in the political elections of 2013. Its electoral base has been stabilized under both the socio-demographic and the political dimension: after 2013, the 5SM's elector was similar to the *average* Italian elector (Ceccarini e Bordignon, 2014). Instead, until

21. Followers strongly support direct democracy and mobilization by internet; *gauchists* are left electors.

2010-2011, the 5SM's electorate had some exceptional and specific features. It was mostly composed by males; it had a medium-high level of instruction; the average age was below 45 years; it came from Northern Italy (and especially from the *red regions*); the ideology of its electors was leftist, with a strong participatory vision of politics. After the 2013 elections (the first national challenge for the 5SM) the average data on age, education level, economic conditions have become more heterogeneous, also according to the territorial distribution of its electors. Southern Italian and Isles' electors increased in 2010-2011 and in 2013, while those of the North, and especially of the North-West, decreased. After a first period of strong expansion in the North, in 2013 the 5SM became *national* in all Italy and especially in Sicily and Sardinia (Ceccarini and Bordignon, 2015). These trends have been recently confirmed (Corbetta, 2017). The 5SM's electors can be divided into three ideological groups. In 2015, 35% of the electors refused the distinction among right, left and center. In 2010, 48% of the electors were leftist, while 11% were rightist; in 2012 rightist electors increased to 28%, and they were nearly one third of the total in 2015 (Ceccarini and Bordignon, 2016). In sum, the empirical researches showed that at beginning the 5SM mostly attracted leftist electors, while after 2013 different social sectors, with opposite political preferences, and coming from many Italian regions, voted for the Five Star Movement (Diamanti, 2014; Ceccarini and Bordignon, 2016; Pedrazzani and Pinto, 2017). In the 2018 elections, five different groups of the 5SM electors emerged. At the beginning, leftist electors (followers and *gauchists*)<sup>21</sup> were 75% of the 5SM electorate, but they decreased at 45% in 2013 and 30% in 2018. However, leftists are majoritarian among the 5SM's activists and those who vote in the 5SM's internet platforms. Then, there are the *rational* electors, and those who consider the 5SM as the *less worse* choice. In 2018, these two categories became the 60% of the electorate. Finally, there are the electors that have been disappointed by the Democratic Party: in 2018, they represented the 13% of the total. Thus, in the most recent elections, leftist electors decreased, while center and rightist voters increased, together with those who refuse a precise ideological choice (Biorcio and Natale 2018:58-61). In 2018, the League increased three times his votes of 2013, capturing many former Forza Italia's electors. Sociodemographic data of electors (gender, age, education, occupation, religion) confirmed a long-term trend, with few qualitative changes (Passarelli and Tuorto, 2018:84). Female voters increased, like the average age of electors, which was next to the exit from labor market. The educational level was lower; there were more autonomous and private sector (especially of large firms) workers. The League's electors has still an intermediate religious identity level. Then, there also was a relevant change in the ideological preferences of the League's electors. In the 1990s, they were close to the center, but in the 2000's there was a shift towards the right, and in 2018 this trend continued, pushing electors towards the extreme right. The League's leaders became more radical too. The right-left cleavage is highly legitimated by the League's electors, and only 15,9% of them refuse an ideological choice. The 5SM's not-ideological electors are 39,1%. Many scholars have labeled extreme right, radical left and post-ideological parties as populist. In 2018, the League's electors showed to like a plebiscitarian relation with their leader, especially in order to push politicians to renovate their role and to represent their electors in a better way (2018:97).

According to Fossati (2020), the 5SM would have simply replaced Communist Refoundation in the ideological space of the radical left. After the failure of socialism in 1989, Communist Refoundation gained the votes of the radical electorate in the 1990's, but then declined. That political void was filled by populists, precisely because the expansion of public spending in favor of the poorest sectors of the population represents the 'next best thing' to socialism. In sum, the discourse of the post-ideological nature of the



5SM would have been an instrumental way, in order to attract rightist electors, many of whom voted for the 5SM. Rightist League and leftist 5SM represented ‘the low’ of the electorate (Ostiguy 2017). Those two radical parties mobilized electors against ‘the two high’: moderate right (Berlusconi’s Forza Italia) and moderate left (Democratic Party). The differences between the low and the high are related with socio-cultural origin of the electorate. This is the typology elaborated by Fossati (2020).

**Tab. 1**—A typology on political ideologies, applied to Italy

Sociocultural Origin	Political Ideology	
	Left	Right
<b>High</b>	Social-democrat parties (DP)	Conservative or Liberal parties (Forza Italia)
<b>Low</b>	Populist parties (5SM)	Xenophobic parties (League)

*Source: Fossati (2020)*

In December 2017, the **North League** changed its name (becoming the **League for Salvini**), while in the 2018 political elections it presented itself as League. Forza Italia’s crisis changed the balance within the right, and while in the 90s and 2000s, Bossi’s North League was always the weakest member of the right-wing coalition, in the 2010s Salvini’s League clearly overtook Berlusconi’s party, also taking advantage of the decline of its leader. In recent years, the League has increasingly characterized itself as a radical (*sovereignist* and xenophobic) right-wing party. **Alleanza Nazionale**’s disappearance also left a political void on the right, whose leader (Giorgia Meloni) was unable to fill (D’Alimonte, 2019b). The League presented *We’re with Salvini* campaign in the South, in many regional elections; then, a single symbol has been exhibited throughout the national territory in 2018. The North League voters coexist with the League voters in the South, but the issue of the differentiated autonomy within Italy has complicated Salvini’s government choices (D’Alimonte, 2019b).

In the 2018 elections, the two most radical parties (on *the low*) defeated the two moderate ones (on ‘the high’). Previous bipolarism failed because of the lack of agreement between the two right parties (League and Forza Italia) and between the two left parties (DP and 5SM), and for the first time, in Italy, a coalition government was formed between the two *low*: the radical right and the radical left. In 2017, a new mixed electoral system was introduced<sup>22</sup>. It allocates the 2/3 of the seats of parliament with a proportional formula. In the 2018 political elections, the strategies of party competition changed: the new rules have pushed towards a centrifugal polarization, which has replaced the centripetal competition. The main parties remained four, but in the 1990’s and in the 2000’s there were two ideological *political* coalitions: radical and moderate left against radical and moderate right. In 2018, a *sociological* coalition was launched, with an alliance between radical right and radical left against both moderate left and moderate right. Thus, the system had four (and not two or three) poles/parties: from an ideological point of view, there was a sort of *quadrille*, because parties’ strategies were mostly independent from the left vs right coalitions’ dynamics, and thus the competition became centrifugal. The two radical parties (League and 5SM) had become stronger than the two moderate ones (Forza Italia and the DP). In the 1900’s and 2000’s, the opposite precisely happened, and

**22.** See the electoral Law, November 3<sup>rd</sup>, 2017, N° 165 (*Modifiche al sistema di elezione della Camera dei deputati e del Senato della Repubblica. Delega al Governo per la determinazione dei collegi elettorali uninominali e plurinominali*).

the completion was centripetal. At the same time, an alliance between moderate right and moderate left has not materialized; otherwise, there would have been a tripolar political system.

The vote of March 4<sup>th</sup>, 2018 saw the success of the right coalition, with about 37% of the votes, but the Five Star Movement was the most voted party with 32% of the votes. The electoral turnout (72,93% for the Chamber of Deputies and 72,99% for the Senate) was the lowest in the Italian republic's history. The growth of the 5SM was higher in the Italian provinces characterized by higher unemployment rates and which are almost all in the South. Salvini's National League became the top right force with 17,5% of the votes, strengthening its presence in the North and penetrating the regions of the former red zone and the South. Its vote was highest in the provinces where the presence of foreigners is greater. Forza Italia hit a historic low, at 14%, lost the leadership of the right and accentuated its decline. Even the defeat of the Democratic Party (at 19%) was clear: it lost the South and revealed the disappearance of the center-left, without prejudice to the persistence of a moderate electorate distributed among the various parties sensitive to credible proposals. For the Five Star Movement the most important factor of success was economic precariousness, for the League it was identity fears (D'Alimonte, 2018).

The government agreement between the 5SM led by Di Maio and Salvini's League, which resulted in the establishment of the *yellow-green* government on June 1<sup>st</sup>, 2018, was not an agreement between two populist parties. It was a pact between two different radical (the xenophobic/sovereignist League and the populist 5SM) parties, with very different values and beliefs, which represent different constituencies and interests and therefore have different objectives.

## **Birth, life, and end of the League-5SM government: the exchange between political sovereignty and economic statism**

The empirical analysis presented in the previous paragraphs confirmed the decision to place Salvini's League on the right and the 5SM on the left of the democratic political-party spectrum. The 5SM has increasingly developed its Manichean left-wing populist ideology, with a strong orientation towards increasing public spending to benefit the poorest sectors of the population. The League has turned into a radical right-wing xenophobic party, such as the Fidesz party of Orban in Hungary, which has put the fight against immigration first, to strengthen its sovereignist ideology (also in conflict with the EU). At the same time, there was the electoral weakening of moderate parties: DP on the left and Forza Italia on the right.

The birth of the yellow-green government in June 2018, chaired by Giuseppe Conte, naturally denied the ideological hypothesis in the coalition building, which should have led to either a right wing (between the League and Forza Italia) or a leftist (between DP and 5SM) government. The former *did not have the numbers*, while the latter was made difficult by the fact that the 5SM had based its electoral campaign on an anti-Renzi and anti-DP stance. The two parties were therefore neither ideologically, nor programmatically compatible. Therefore, the government was born following the cost/benefit calculation made by the leaders of the two parties: the yellow-green coalition was the most effective example of the so-called *minimum winning coalition*, based on the minimum number of parliamentarians or parties needed to reach a parliamentary majority. This hypothesis derives from the rational theory of political behavior. It postulates, as the main purpose of political-party action, the acquisition of government offices, and therefore deduces that the behavior of political actors is oriented to minimize the size of the government coalition, in order to reduce the coefficient based on to whom assign the offices (Riker 1962). Directed by prime minister Conte, it seems to be a strategic alliance, based on

an exchange of votes necessary to always reach a majority, in the presence of a double delegation (e.g. the 5SM is silent on the security decree and the League is silent on the citizenship income) more important given the absence of shared public policies. The exchange allows a low profile on the abstention votes and maximum visibility on the victories and, in the absence of sanctions imposed by the EU or by the financial markets, the alliance was quite stable, even if always on the verge of breaking. The coalition attrition began immediately after the launch of the government, increased with the electoral victories reported by League during the municipal, regional and finally European elections, until reaching the maximum intensity in July 2019.

The crisis led to the fall of the government for ideological reasons, and not electoral, given the definitive closure of the September electoral window, which should have spurred the crisis to begin at least by July; however, this did not happen. Therefore, assuming that the aim of the actors of a government coalition is (in addition to optimizing the conquest of government positions) to achieve its policy objectives, the dissolution of the government was the *payback* of the ideological hypothesis against the winning minimum coalition. In fact, the acquisition and maintenance of public offices are not the only one purpose of political parties. They are also oriented to increase, or at least to maintain, the support of the voters and that of their militants and followers, precisely through the achievement of the promised policy objectives. The process that will lead to the decomposition of the majority is therefore the impossibility of building a compromise between diametrically opposed options on fiscal policy for the year 2020. This conflict, which affects the ideological and programmatic identity of the Northern League, has added to other conflicts, less divisive though important.

In any case, we will see if in the future the coalition between radical left (5SM) and moderate (DP) left will resist the impact of the next challenges (not only the electoral ones). If the growth of the two radical poles (the League on the right and the 5SM on the left) will be confirmed in the next elections, and if, at the same time, it will not be possible to form a government of either the two rights or the two lefts, the two possible outcomes will be the rebirth of the yellow-green coalition, or the transition to an ungovernable phase of the Italian political system.

At last, what can we learn about populism? There are both moderate and radical populisms (Fossati 2020). The most relevant empirical evidence of this case study is that Italian radical populist policies have strongly been obstructed by the EU. The most intense conflict has been with the EU. For two consecutive years, when the budget law had to be approved in parliament, the government's expenditure programmes forced the EU to envisage the opening of a debt infringement procedure against Italy. In both cases, thanks to the persuasive capacity of the domestic and European institutions, and the alarm of the financial markets, conflict with Europe found a settlement. M5S and Lega reduced deficit claims and sanctions to Italy were suspended. It is possible to argue that in Europe, given the EU constraints, radical populism (like, for example, in Venezuela with Chavez and Maduro) is unlikely to develop.

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