

Budget punctuations and budgetary regimes in Italy

Federico Russo
(University of Siena)
Federico.russo@unisi.it

Luca Verzichelli
(University of Siena)
Luca.verzichelli@unisi.it

Paper to be presented at the 5th Annual Conference
of the Comparative Agendas Project (CAP)
June 14-16, 2012
Reims, Sciences-Po Campus, France

Preliminary draft, definitely not for quotation!

1. Introduction

This article examines how national budget has changed in Italy since the beginning of the republican period (1948), in order to discuss some alternative propositions concerning the explanation of the most significant budget reductions and expansions.

More precisely, we intend to use a significant case study with the purpose to connect different conjectures developed in a number of pieces of extensive research, both in the field of the comparative analysis of fiscal institutions and within the community of scholars who employ the data and the framework of comparative policy agendas. The recent literature from this latter approach (Jones et al. 2009) has shown that changes in public expenditures generally follow a non-gaussian distribution, being characterised by long periods of small incremental adjustments and relatively few instances of great change. Breunig (2011) has made a significant step forward in the analysis showing, by way of a comparative and multivariate analysis, that the logic of attention may be responsible for the acceleration of cuts and expansions. This recent improvements pave the way to a number of possible in depth explorations, which can be roughly conducted in two methodologically opposite perspectives: the intensive "case-based" analyses of budgetary punctuations (Baumgartner, Foucault and Abel 2009 for a good example) and the broad comparative verifications of some more selective hypotheses challenging the classic theory of budgetary incrementalism on the basis of alternative arguments such as the impact of institutional and partisan "veto powers" (Tsebelis 2002) and the "logic of attention" (Jones and Baumgartner 2005).

Our effort, based on the first outcomes of the research unit on budgetary politics working within the context of the Italian *Comparative Agenda Project* team, follows the first suggestion, proposing a long term analysis of budgetary punctuations in Italy. This case study has therefore two main aims: on the one hand, it provides a theoretically oriented interpretation of the Italian case, combining the analytical framework developed for comparative studies with the insights proposed by country experts. On the other hand, by assessing how the evolution of public expenditures in Italy fits the punctuated equilibrium model, this study serves the purpose of theory development, trying to define more precise interpretative hypotheses about the explanation of major budget changes in a democracy which has always been presented as a paradigmatic example of inefficiency and scarce control over public finance.

As a matter of fact, the analysis of budget punctuations in the Italian public expenditures is particularly interesting, since the Republican period has experienced different types of "budget

regime”, here defined as the combination of macro- and micro-institutional settings which may shape the budgetary process producing characteristics and recurrent policy outcomes (Wildavsky 1964; 1986). Indeed, the literature on the Italian political system tells us that the age of full democratization (1948 onwards) presents a phase of relative political stability (the so called first republic, until 1994) which did not solve the persistent problems of budgetary control. Actually, the degree of control over the main public finance aggregates was progressively declining during this period, thus forcing the government of the early nineties to put a robust policy of retrenchment into action, in order to respect the ambitious criteria fixed since 1989 to enter the Economic and Monetary Union (Hallerberg 2004). However, if we look to the budget regime, we discover that many relevant micro- and macro-institutional reforms have been adopted starting in the aftermath of the fiscal crisis of the mid-seventies (Verzichelli 1999), introducing some progressive elements of rationalization in the budgetary process. To put it in other words, the timing of budgetary efficiency, which is the typical dependent variable of the works on *fiscal institutions*, and the timing of yearly aggregate budget changes, which is the typical dependent variable in the works on budgetary punctuations, are not overlapping although probably connected each other. In this paper we just want to explore such a linkage and to start a comprehensive interpretation of budget punctuations in the light of the long term evolution of the *budget regime*.

Differently from our previous explorations, devoted to the individuation of the recent evolution (Russo and Verzichelli 2011a) or to the description of long term budget punctuations in Italy (Russo and Verzichelli 2011b), our goal is now to refine the grid of interpretative hypotheses dealing with the explanation of budgetary punctuations in Italy. We build our exploratory framework on the recent literature focussing the punctuated equilibrium logic in the context of budgetary long term trends. In particular, we will move from the discussion developed by Breunig (2011) of Wildavsky's theory of incrementalism in the attempt to reach a comprehensive interpretation of the (relative) accelerations of budget changes in Italy. In this perspective, we argue that micro- and macro-institutional arrangements can determine a strong factor impacting on budgetary control, which should be matched to other classic arguments like the complexity of political coalition (number of *partisan* veto actors), the political orientation of the governmental decision makers and the effect of the economic cycle.

Having this interpretative framework in mind, after a short introductive analysis of historical trends we will focus here exclusively the data about the period of full democratization, thus avoiding the noises produced on budget changes by warfare and by dramatic regime changes. The nature of the

data and the characteristics of the dependent variable - here defined as the impact of budget punctuations during the republican age in Italy - will be discussed in the next section. Section 3 will present more in details our research questions and hypothesis, while the main empirical findings are discussed in section 4. In the conclusion we could finally assess how the theoretical framework adopted can advance our knowledge of the Italian case and in which direction the theory needs to be refined and expanded.

2. General trends in Italian public expenditures

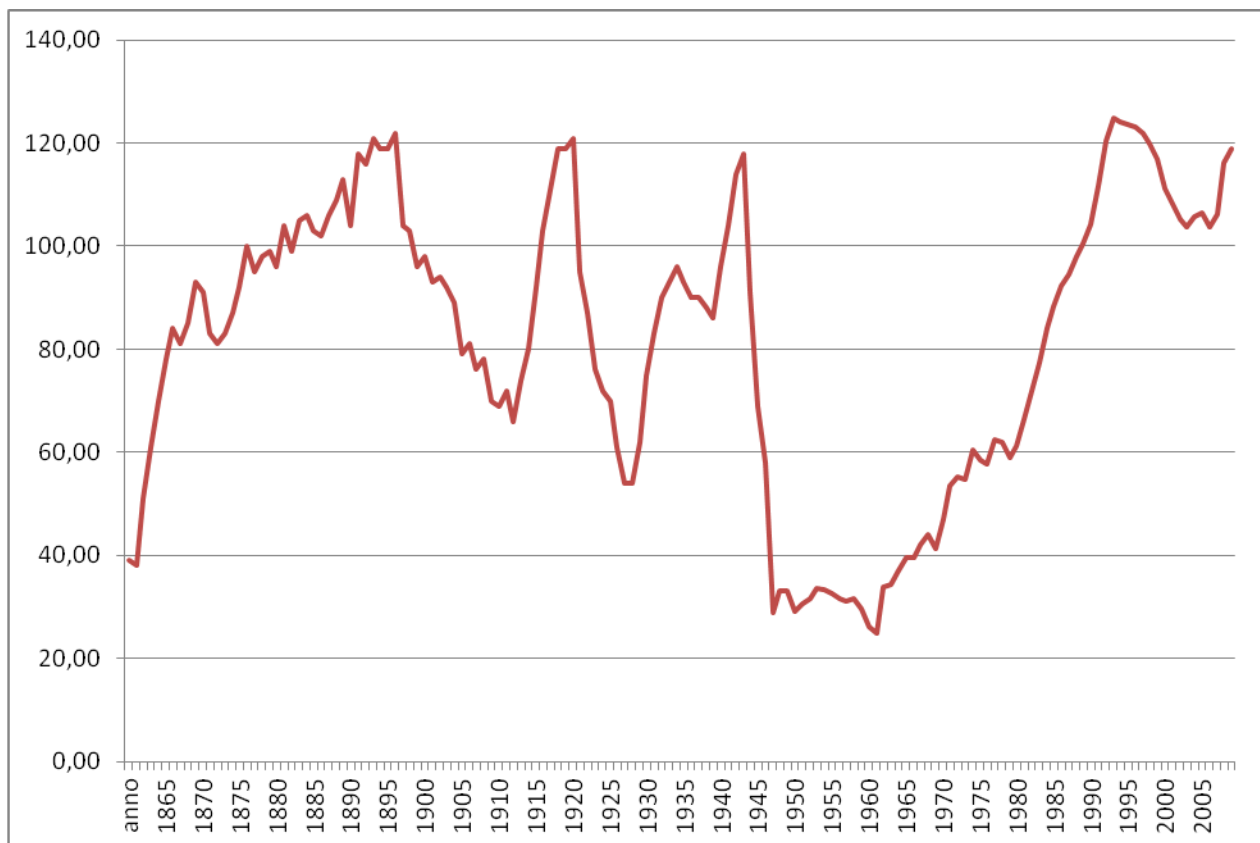
In 2011 Italy has celebrated the 150's anniversary of its foundation as an unitary state. After about sixty years of democratic development and increasing consolidation of the rule of law, the abrupt interruption of the democratic experience due to the establishment of a Fascist dictatorship deprived the country of the most essential liberties for more than twenty years. After that, the Italian political system went back to the democratic rule with the elections of a constituent assembly (1946) and, two years after, with the establishment of a parliamentary democracy. Since then, a difficult political, economic and social equilibrium and a particularly fragmented and polarized party system made of this country a peculiar case of *difficult democracy* (Allum 1973; Spotts and Wieser 1986; Lapalombara 1987). However, the political system lived more than forty years of stability, since the beginning of the nineties, when the crisis of the so called *first republic* (1992-1996) marked an important turning point. The consolidation of a new bi-polar party system has initially reduced the extent of political fragmentation and they have relatively increased the rate of governmental stability, although some high degrees of uncertainty and conflict still remain central features of the Italian politics (Cotta and Verzichelli 2007; Newell 2010).

Notwithstanding such an evident history of discontinuity in the political system, or perhaps just because of it, a peculiar record during the one and a half century history of the Italian state has been the persistence of a status of emergence in its public finance. Historians and economists have at length explained the difficult situation of the Italian budgetary politics since the times of the foundation of the unitary political system: the necessity to pay the cost of a permanent warfare against the Austrian empire and the structural divide between the vivid (but territorially limited) industrial economy of the North and the performances of the *backward society* in the Southern area (Banfield 1958; Putnam 1993) are the most important factors determining the persistence of a huge public debt and structural deficits in the management of the public resources. When the Italian state was born, it received the legacy of the public debt of the Kingdom of Sardinia (the

constitutional monarchy which had ruled in Piedmont and other Italian territories, whose political leadership had led the process of unification) and, during the first decades of the new experience, the same debt was multiplied because of the costs of the independence wars against Austria and the attempt to participate to a late wave of colonization, in order to push the new state within the inner circle of the *European powers*.

In the course of the first half of the XX century, the experience of Fascism and two terrible wars determined other deep and uncontrolled expenditures, and a phase of *structural deficits* was then characterizing the years after the oil crisis of the early seventies. As a matter of fact, the Italian political system has been considered as one of the most illustrious victims of the *fiscal crisis of the state*, since it could never be able to overcome its huge debt: its entrance in the EMU area was indeed possible only because of a positive trend in the reduction of the budget deficit, although the overall amount of the public debt has been continuously noticeably higher than 100% of the annual GDP. As one can see in the next figure, only during the couple of decades corresponding to the "economic boom" (1950-1970) the Italian public debt was completely under control. This entails a lot of implications for the study of the determinants of strong budgetary changes.

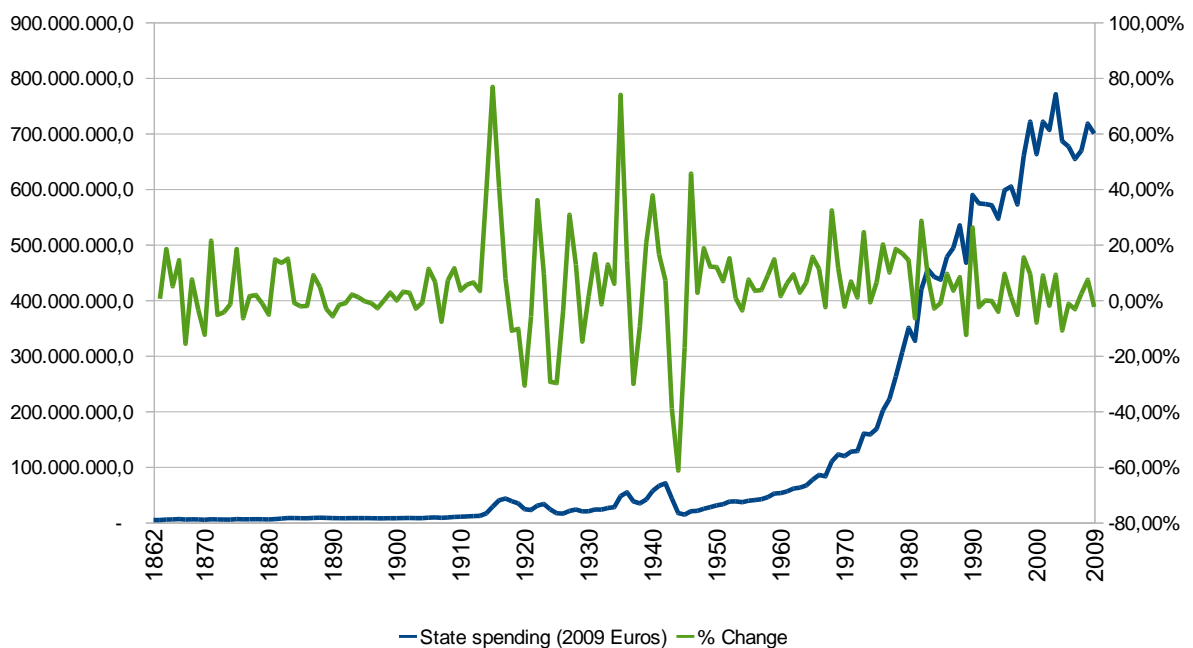
Figure 1. Public debt in Italy.



In the light of what we have said above, one can understand how interesting can be the case of Italy when conceived in a comparative discussion contrasting the classic *incremental* theory of budget (Wildavsky 1964) to other arguments developed by the comparative analysis of fiscal institutions.

In particular, what seems to be interesting to be explained is the magnitude of sudden budget changes in times of "normal budgeting" or "expected incrementalism". The republican period offers the opportunity to explore such kind of situations: as the next figure clearly shows, the budget changes after 1945 have been under control, at least in comparison to the figures of the first half of the XX century (Figure 2). However, we can clearly identify relevant changes and some years of nervous adaptation in the pattern of overall public expenditure.

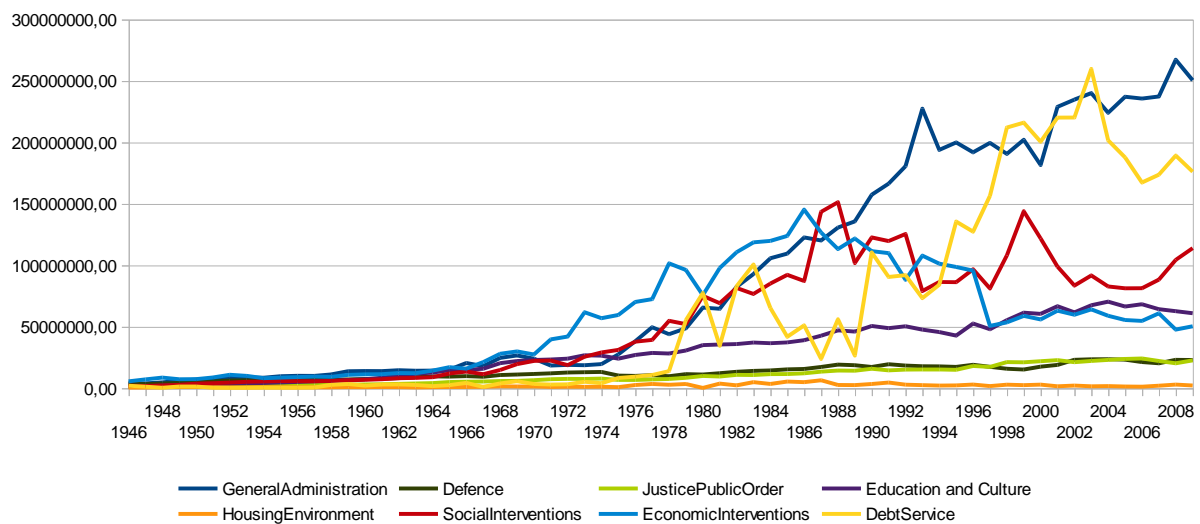
Figure 2: Italian state spending per year in constant Euros and % change (1862-2009)



Our analysis will be therefore conducted starting with the re-birth of democratization in Italy and with the beginning of republican age (1948). This will allow us to consider the whole period of the interventist state (in 1980, public expenditures reached the the significant threshold of 40% of the GDP, in line with the aggregate values of a number of European "welfare-oriented" democracies), during which a wide set of redistributive policies and state participations were introduced, expanding the size of the public budget (Figure 3).

Finally, the political and macro-economic changing conditions appeared at the beginning of the nineties have determined a partial revision of the pattern of public expenditure in Italy. Such a new cycle, which is still at work, has to be investigated considering the constraints (particularly, the rules imposed within the EMU area with the Maastricht convergence at first and then with the Stability and Growth Pact) but also the necessity to avoid the full dismantling of a costly welfare organization which is a fundamental pillar of the Italian political system (Newell 2010).

Figure 3. Evolution of public spending by function (1946-2009) in millions of Euro (constant prices).



3. Questions and hypotheses

The story of budgetary policies and budget regime in Italy, which we have briefly resumed in the previous section, makes this case study particularly interesting because it allows us to look to the interactions among complex contextual factors and to the different effects of budget regime on the dynamic of public expenditures. In particular, the persistence of a high structural debt, the lack of an effective alternation in power during the second half of the twentieth century and the parliamentary practices employed to buy popular support with particularistic fiscal legislation (in particular the so called micro-distributive *leggine* - little laws directly voted by the parliamentary committees) have favored the emergence of a problem of effectiveness of the budgetary process and, as a consequence of it, the introduction of a progressively tighter budget regime. From the seventies onwards, the guardian of expenditures in the Italian government tried to contrast

parliament's attempts to expand public expenditures in an incremental and uncontrolled way reinforcing governmental control over the budgetary process. This regulatory trend took further momentum at the beginning on the nineties, when the ability to control the main fiscal aggregates became a prerequisite for EMU accession.

This short historical account introduces a number of interesting cognitive questions: to what extent Italy can be conceived as a *different case*, looking to the outcomes of its budgetary process? Are the pace and the nature of incremental budgeting in this country somehow comparable to what occurred in other European democracies? Are the tails of budget changes explainable with the same factors used in the recent comparative literature? Applying some of the assumptions presented in the recent comparative analysis developed by Breunig (2011), we can produce an in depth analysis of the Italian republican age, built on the contrast between a *partisan* theory of government and a challenging theory grounded on the macro and micro institutional constraints. The first assumption concerns importance of the *core executive* and, particularly, the policy capability of the *expenditure guardians* having a predominant role *in* the cabinet (i.e. ministers of Economy and Prime ministers). Our argument is that the introduction of reforms which strengthen their institutional capabilities increases the possibility to get more pronounced and less incremental budget changes. Recent empirical works in this field of studies have raised a number of different and somehow alternative arguments, concerning the impact of *fiscal institutions*. A first divide is between those who argue a decisive role of macro-institutional variables, at the core of the interpretative model developed mainly by economists (Roubini and Sachs 1989; Persson and Tabellini 2004) and those focusing on a more sophisticated set of variables, namely internal practices of parliament, rules on amendments, role of the different "guardians of expenditure" etc. (Strauch and von Hagen 2000) . Our first hypothesis will focus on the role of micro-institutions- i.e. structure and practices budgetary process, parliamentary resources vis-a-vis capabilities of the core executives, which have experienced a continuous change during the republican period.

Secondly, we want to explore the role of budget expansions and contractions, to assess whether they follow different logics. Comparative studies focusing on the dynamics of public expenditures (for instance Breuning 2006) have highlighted that most (if not all) distributions of yearly budget changes are skewed to the right: this demonstrates that it is easier to produce extreme budget increases than extreme cuts, that are more often done "at the margin". The standard account of the Italian case is at odd with this argument: the parliament is generally portrayed as the promoter

of incremental and continuous budget expansions, where several governments of the recent alternation period (since the early 1990s) have been responsible of severe budget cuts.

A further critical argument, dividing the interpretative approaches about the relationship between nature of coalitions and budgetary outcomes is the role to be attributed to different ideological and cultural approaches. Government's ideology can be linked to the dynamics of public expenditures in two ways: on the one hand Breuning (2011) hypothesizes that Left oriented governments, by expanding expenditures, adopt more punctuated budgets than conservative governments. This argument is rooted on two assumptions: that left oriented governments increase spending and that cutting public expenditures is more difficult than expanding them. The second assumption coincides with our second hypotheses, and is generally confirmed by comparative analyses. However, some country-studies have somehow undermined the solidity of the first assumption, questioning the link between government's ideology and the growth of public expenditures (see Baumgartner et al. 2009). On the other hand, not only the absolute position of governments but also positional shifts caused by alternations can cause budget punctuations: when a new government is elected it is likely that it will adapt spending to its priorities. As a consequence, a positive relation between positional shifts caused by alternation and budget punctuations is likely to hold.

Several important arguments remain unexplored: for instance, in this paper we will not explore the composite nature of coalition governance in Italy, partially transformed after the emergence of a system of alternation. Elsewhere, it has been argued that the new cycle of political alternation and more generally the evolution of the coalition governance have contributed to change the patterns of public spending control (Verzichelli and Cotta 2000). However, by taking into account the ideological distance between subsequent governments and the evolution of the Italian budget regime we capture some of the influence of the alternation phase.

In an extremely sketchy way, from the arguments we have explored in this section we can generate three broad hypotheses. The first one has to do to the nexus between budget "performance" and opportunity to employ strong *policy changes* having budgetary effects; the second is related to the nexus between the economic cycle and budget changes; the third is linked to the governmental shift and it can have two sub-propositions, respectively based on the ideas of alternation and political orientation. Let's formulate our working hypotheses:

H1: The higher the institutional "costs" due to enforcement of core executive control of the budget, the more likely the presence of budget punctuations;

H2: Growing public expenditures and resource availability will lead to more evident budget punctuations (while a good control of the budget in times of retrenchment leads to basically incremental adjustments);

H3: Shifts in government's (and/or shift of the governmental ideological position) will produce programmatic budget changes and consequent budget punctuations;

4. Data and empirical trends

The most commonly adopted way to classify public expenditures according to their function is the "Classification of the functions of government" system, abbreviated as COFOG: this system was developed in 1999 by the Organisation for Economic Co-operation and Development and has three levels of detail (divisions, groups and classes). The first level, divisions, measures the broad objectives of governments. Unfortunately, the Italian National Statistical Office (Istat) only provides the COFOG classification of Italian public expenditures since 1990. As this paper is concerned with the whole republican period, an alternative source need to be considered, the functional classification of state spending provided by the Italian Ministry of Finance¹ in 2011 covering the whole unitary period up to date (from 1862 to 2009). This classification is similar to the first level of the commonly used COFOG classification, but it has only eight categories instead of ten: General Administration, Defence, Justice and Public Order, Education and Culture, Housing and Environment protection, Social interventions, Economic interventions, Debt reimbursement.

The first dependent variable is budget punctuation, defined as the distribution of yearly percentage change across all governmental budget functions (with the exception of the Debt service function) and measured through the Kurtosis score and the L-kurtosis. The rationale for excluding Debt reimbursement is that the relative expenditures depend on the stock of existing

¹ This source of data presents some comparability issues. The COFOG classification has been officially adopted only in 1998, and the national official institute of statistics (Istat) has extended this classification backwards providing data on functional spending since 1990. From 1968 to 1997 official budget documents adopted a different functional classification system, dividing state spending in 22 categories. From 1862 to 1967, the Ministry of Finance provided a functional classification of state spending comprising 12 categories. A second issue concerns the definition of fiscal years: before 1966 the fiscal year did not coincide with the calendar year, but ended in July. The first problem was addressed reclassifying state spending in eight macro categories which are identical to the first level of the COFOG classification with two exceptions: Economic affairs and Environment protection are collapsed together in the category "Economic actions and interventions" and the categories Social protections and Health are collapsed in the category "Social actions and interventions". The pre 1966 fiscal years have been transformed into calendar years by summing half of the spending of two successive years (that is, assuming spending equidistribution during each fiscal year).

debt and on the interest rates, two variables which are not under direct governmental control. Kurtosis is often used to measure the presence of tall peak and fat tails in (symmetric) distributions, and has a value of 3 for normal distribution and greater than 3 for leptokurtic distributions. L-kurtosis is a more sophisticated measure because is less sensitive to outliers and has better properties with small samples (Withers and Nadarajah 2011): the typical value for normal distribution is 0,123, while greater values identifies leptokurtic distributions.

The second dependent variable is yearly percentage spending growth, measured at both the functional and the overall level. To control for inflation, spending is measured at constant prices.

Measuring the political orientation of political actors on a left-right axis is a rather complex task, and scholars have developed several competing measures. Among these approaches, the one followed by the Party Manifesto Project group is to code the content of electoral manifestoes taking into consideration the position of each party on a number of sub-dimensions (Budge et al. 2001). Another well established approach is to ask country experts to rate each party's position: for instance, this is the approach adopted by Castle and Mair (1984) and more recently by Benoit and Laver (2006). In this paper we adopt two measures of political orientation, the RILE score calculated in the Manifesto Project (Volkens et al. 2011), and the left-right position adopted in the ParlGov project (Döring and Manow 2011) which combines different expert surveys. Both measured are available at the party level, so they are translated to the cabinet level by weighting each government party's position with its share of government's seats in the lower house. As budgetary decisions display their effects in the following year, for each year we consider the government in charge during the budgetary session of the previous autumn.

As concerning the measures of *the budget regimes*, we have opted for a simplified version of two sub-indexes (index of *executive planning* and index of *legislative approval*) already used in the context of the literature on fiscal institutions in Europe (Hallerberg, Strauch, Von Hagen 2007, 2009). Differently from the most recent pieces of specialist research we have focused only on the central phases of the budgetary process (formulation within the executive and legislative adoption of budget measures). Indeed, we argue, on the basis of the literature on Italian budgetary politics (Verzichelli 1999), that the *technical* phase of budget design and the implementation performance by the different administrative units have not dramatically changed in comparison to the capability of executive planning and to the legislative stage of budget measures.

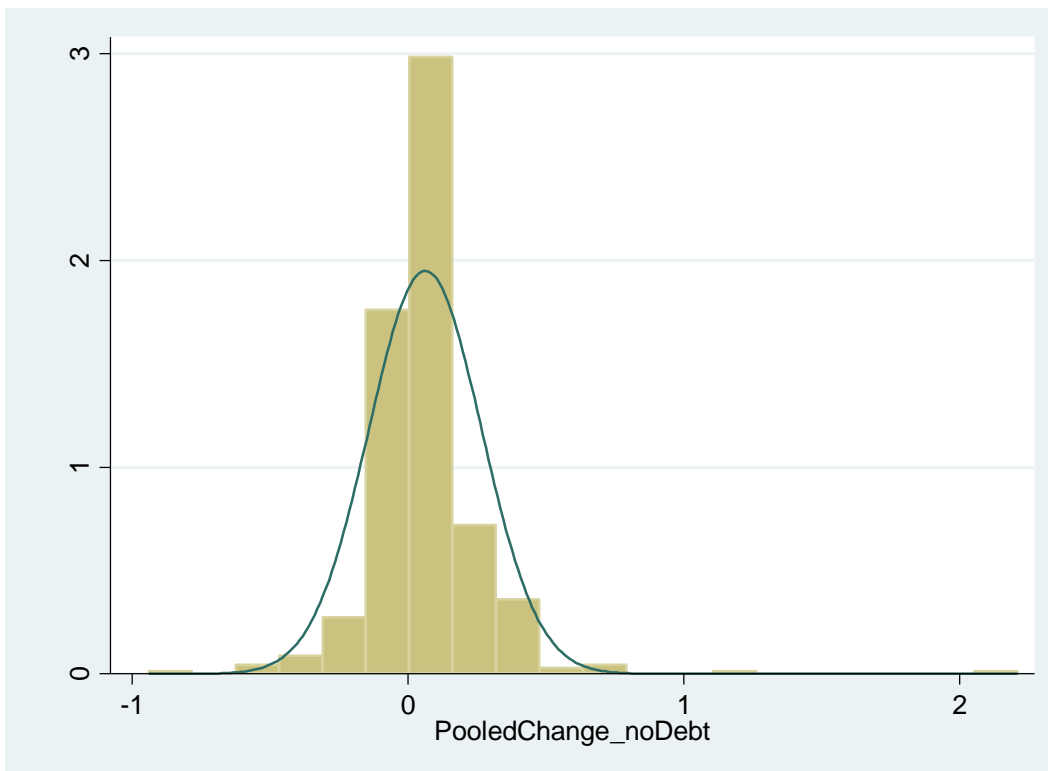
Moreover, we also have to say that, for the purposes of this exploration, we have reduced the complexity of our indexes, concentrating our attention on some specific aspect of executive capability of planning and legislative (de)fragmentation of budget. In details, our first index is built (see the appendix) on the following indicators: 1) presence of general constraints over budget legislation; 2) Agenda setting power of Minister of finance; 3) presence of specific norms on budgetary policies; 4) Structure of negotiations in cabinet. Our second indicator is based on: 1) presence of Budget session; 2) limitation to amendment; 3) Possibility that budget amendment can lead to fall of government; 4) Vote on total size of budget.

Our indexes are anyway consistent to other exploration done, using a broader set of indicators, on the performance of fiscal institutions in Italy (Lienert 2005; Wehner 2006). Moreover, our simplification is explained by the nature of our cognitive question: here we do not look for strong comparative evidences of variations, but we are interested in understanding the effective impact of long term adjustment of the budgetary process and institutions. In other words, we are aiming at measuring the progressive establishment of a (potentially) effective system of fiscal governance, looking to its capability to determine (or not) substantive and not "incremental" budget changes.

The first descriptive finding is that considering all programmatic budget changes since 1947, we can conclude that Italy is not a deviant case in the comparative perspective. The distribution of budget changes is clearly leptokurtic, with a very pronounced peak, slim shoulders and fat tails. The distribution is not symmetric, but rather skewed to the right; budget cuts are more incremental than budget expansions. At this very general level the Italian case fits quite well the "A General Empirical Law of Public Budgets" described by Jones and colleagues (Jones et al. 2009). It is interesting to note the level of L-kurtosis is similar to that found by Breuning (2006) for Germany (L-0,42), and the shape of the distribution resembles more those of parliamentary systems (Denmark, Germany and UK) than that of the United States.

Figure 3. Histogram of all budget changes in Italy, excluding Debt service (1947-2009)*

L-kurtosis=0,442, Excess Kurtosis = 30



*Percent Change for Housing in 1980 was excluded from the analysis due to a possible measurement error.

Before analyzing the evolution of expenditure dynamics during time, it is worth to have a look at the dynamic of spending in some of the different functions we can put under control. There are not a-priori expectations on the functions where spending changes are likely to be more or less punctuated, so this analysis is purely explorative. General administration, Defence and Education have a low level of L-kurtosis, close to the value of the normal distribution: these are the functions for which budget changes follow a rather incremental logic. On the contrary, Housing and Environment, Justice and Public Order, and Social Interventions exhibit the most punctuated changes. In general, sectors governed by long term programs are more likely to be incremental, while functions that address more salient issues are more punctuated. Finally, the high value of kurtosis for the Debt function probably reflect the volatility of interest rates. In summary, different functions seem to be governed by different logics, but to shed some more light on this subject it will be necessary to bring in the analysis some other variables, such as the level of attention given to different topics by social, political and institutional actors.

Table 1. L-kurtosis and descriptive statistics for yearly percent change of public spending by function

	L-kurtosis	Mean yearly change	Std.Dev	Min	Max
General Administration	0,164	7,63%	13,81%	-23,35%	40,51%
Defence	0,150	3,25%	8,21%	-22,62%	22,26%
Justice and Public Order	0,259	5,40%	8,76%	-14,14%	41,19%
Education	0,159	6,85%	9,66%	-9,22%	44,24%
Housing and Environment	0,672 (0,256)*	37,10%	238,80%	-94,50%	1886,57% (221,0%)*
Social	0,240	8,16%	18,09%	-37,01%	64,52%
Economic	0,211	4,94%	16,73%	-47,03%	46,96%
Debt	0,363	30,91%	96,72%	-76,84%	399,80%

* Percent change for Housing and Environment function in 1980 was excluded from the analysis due to a possible measurement error.

According to table 2 the evolution of budget change dynamics during time followed a discontinuous trend. The change was rather incremental in the fifties and in the seventies, while the level of punctuations rose quite dramatically in the seventies and in the eighties. Finally, in the nineties and in the first decade on the new millennium the level of punctuation decreased sharply, but still remaining on a higher level if compared to the years of the economic boom (1950s and 1960s).

Unfortunately, the measures of government's ideological position are weakly correlated (Pearsons' Rho = 0.15). However, it seems quite clear from both measures that positional shifts reached their maximum in the last decade, a period characterized by a rather incremental budgeting dynamic. The second hypothesis states that expenditures growth is likely to lead to budget punctuations, while budget contractions are conducive of a more incremental budgeting style. The evolution of budgeting style from the 1970s onwards is consistent with this hypothesis (L-kurtosis scores decline in the last two decades, when governments were forced to control budget expansions to meet the criteria for the EMU): however, in the 1950s and in the 1960s expenditures were steadily increased in a rather incremental style. Finally, institutional costs in terms of core executive control of the budget have been rising continuously in the republican period. The correlation with budgetary dynamics works in the expected direction until the 1990s, when a further concentration of power in the hands of the executive did not produce more punctuations.

This exploration suggest that none of these factors in isolation can explain the dynamics of budgetary politics. With regard to public expenditures, in the republican period there have been three distinct phases, each lasting for about two decades; a first period of incrementalism was followed by an extremely punctuated phase which paved the way for an incremental comeback.

In order to fit the Italian case, the institutional framework must be combined with some insights derived from the punctuated equilibrium literature. Institutions do not operate in a vacuum, but their effect is probably mediated by the economic phase: in the conclusion, the Italian case is briefly interpreted in the light of this interaction.

Table 2. L-kurtosis for yearly percent change of public spending (all functions except Debt) and several independent variables by decades

	L-kurtosis	Average yearly change in LR position	Average yearly change in Rile score	Average yearly expenditures growth (%)	Executive Planning	Legislat. Approval
1950-1959	0,198	0,267	1,324	6,80%	1,00	0,00
1960-1969	0,224	0,164	0,619	9,33%	1,25	0,00
1970-1979	0,384	0,218	2,159	10,00%	1,55	0,10
1980-1989	0,439*	0,096	1,364	4,89%	2,20	1,40
1990-1999	0,268	0,524	1,145	4,84%	4,00	3,00
2000-2008	0,265	0,814	3,411	-0,09%	4,50	4,00

*Percent change for Housing and Environment function in 1980 was excluded from the analysis due to a possible measurement error.

6. Conclusion

In this paper we have developed an example of case-based intensive analysis of budget punctuations in Italy, trying to evaluate the potential factors explaining major cuts and expansions in the light of the evolution of different contextual (economic and political) and institutional framework.

Although still very initial, our research looks interesting since a significant and potentially deviant example (i.e. a democratic polity with a slow policy making and structural problem of budgetary inefficiency) can be analysed in a rather intensive way, matching arguments coming from different traditions of research. Moreover, despite the studies on the evolution of the budgetary process (De Giorgi and Verzichelli 2008) and of its recent outcomes (Hallerberger 2004) such an intriguing case is not present in the recent comparative assessments (in particular, in the pioneering research conducted by Breunig).

Our main implications are the following:

In relation to the first hypothesis (the higher the institutional costs due to enforcement of core

executive control of the budget, the more likely the presence of budget punctuations), data show an only apparently contradictory shape: until the mid-seventies the lack of executive control over budgetary process comes together with a substantially *incremental* character of the expenditures. Later, the establishment of a first core of fiscal institutions seems to develop some kind of relatively "punctuated" budget changes but all in the direction of the major expenses: in particular, the important welfare enlargement of the mid-seventies produce clear and sudden increases of the quota of public expenditures in a number of chapters of the budget.

However, the consolidation of such a set of institutional devices, during the nineties, determines the return of a different form of incremental budgeting, this time oriented to the preservation of a logic of *effectiveness in the budgetary control*. Here, the degree of effectiveness of central fiscal institutions (governmental planning and legislative concentration) has reached its (relative) best score but there is no more room for sudden budget expansion.

In relation to the second hypothesis (growing public expenditures lead to budget punctuations) the evidence is rather controversial, although we have to say that the most recent period shows an interesting trend: in fact, during the years of the Euro take over, the clear reduction of resources due to the policies of retrenchment has determined a new phase of *decrementalism* (see below). This would probably mean that under a given threshold of resources availability it is impossible for any type of government to conduct a budgetary policy oriented to selective cuts and relative expansions.

The third hypothesis, stating that government's ideological shifts lead to budget punctuations, is not supported by this broad longitudinal account. As a matter of fact the recent alternation phase is characterized by sudden ideological shifts and rather incremental budget changes: whether this is a consequence of a more important financial constraint or a proper falsification of the hypothesis is unclear. Only a detailed quantitative analysis can provide a satisfactory answer to this question.

Beyond giving some indications about the plausibility of our theoretical arguments and highlighting the necessity to focus more on their interactions, this paper has generated some final remarks on the Italian case. In order to give a contribution to the historical explanation of the Italian case, we can draw a rough periodization: we should indeed talk of three distinct periods: a period of "expenditure incrementalism", characterized by low degrees of executive planning e legislative concentration, a second period (1970-1990) of "budgetary uncertainty" during which the evolution of a new budget process has brought to some punctuations but with no major effects in terms of budget discipline, and a third period of "virtuous incrementalism" during which

the introduction of a strong executive control and the parallel reduction of resources have determined a process of "decremental changes with a few moments of punctuations.

Although we are aware of the modest robustness of our inferences and their absolutely provisional explanatory implications, we argue that demonstrating the usefulness of a broad interpretative grid based on a combination of different data, focusing on the institutional characters as well as on structural and political variables. Our explorative results are rather promising and induce us to keep the direction of the intensive research. The next step in our research agenda will therefore consist in the construction of an systemic model of interpretation of long term budget changes in Italy. Such a model will take in count the evolution of budget regime (keeping our main focus on the central phase of the process, that is to say budget formulation and legislative adoption), the effect of political and economic conjunctures, the presence of partisan veto points, the ideological dimension and the *politics of attention*.

References

- Allum, P. (1973) *Italy-Republic without government?* London: Weidenfeld and Nicolson.
- Banfield, E. C. (1958) *Moral Basis of a Backward Society*, The Free Press.
- Baumgartner, Frank R., Martial Foucault, and Abel François. 2009. Public Budgeting in the French Fifth Republic: The End of La République des partis? *West European Politics* 32, 2 (2009): 401–419.
- Baumgartner, Frank R., Martial Foucault, and Abel François. 2006. Punctuated Equilibrium in French Budgeting Processes. *Journal of European Public Policy* 13 (7): 1082–99.
- Bawn, K and F. Rosenbluth (2006), *Short versus Long Coalitions: Electoral Accountability and the Size of the Public Sector*, *American Journal of Political Science*, Vol 50,2, pp. 251-265.
- Blais, André, Donald Blake, and Stephanie Dion (1993), 'Do Parties Make a Difference? Parties and Size of Government in Liberal Democracies', *American Journal of Political Science*, 37:1, 40–62.
- Breunig, Christian, 2011, Reduction, stasis and expansion of Budget in Advanced Democracies, *Comparative Political Studies*, n. 40: 8, 1060-1088.
- Budge, I., Klingemann, H., Volkens, A., Bara, J., Tanenbaum, E. with Fording, Richard C., Hearl, Derek J., Kim, Hee M., McDonald, M., Mendez, S. (2001): *Mapping Policy Preferences. Estimates for Parties, Electors, and Governments 1945-1998*, Oxford: Oxford University Press.
- Cotta, M. and L. Verzichelli, (2007), *Political institutions in Italy*, Oxford University Press.
- De Giorgi, E. and L. Verzichelli (2008), 'Still a Difficult Budgetary Process? The Government, the Legislature and the Finance Bill', *South European Society & Politics*, Vol. 13, No. 1, pp. 87–110
- Döring, Holger and Philip Manow. (2011). Parliament and government composition database (ParlGov): An infrastructure for empirical information on parties, elections and governments in modern democracies. Version 11/07 – 26 July 2011.
- Dyson K. (ed.) (2002), *European States and the Euro. Europeanization, Variation, and Convergence*, Oxford, Oxford University Press.
- Dyson, K - K. Featherstone (1996), Italy and EMU as a 'Vincolo Esterno': empowering the technocrats, Transforming the State, in «*South European Society and Politics*», 2, pp. 272-299
- Hallerberg, M. (2004) *Domestic budgets in a United Europe. Fiscal governance from the end of Bretton Woods to EMU*, Cornell University Press, Ithaca
- Hallerberg, M. R. Strauch and J. von Hagen, *the design of fiscal rules and forms of governance* in European Union countries, in *European Journal of Political Economy* 23, 338-359.
- Hallerberg, M. R. Strauch and J. von Hagen, *Fiscal Governance: Evidence from Europe*. Cambridge: Cambridge University Press, 2009.
- Jones B. Jones, F. Baumgartner, C. Breunig, C. Wlezien, S. Soroka, M. Foucault, A. Francois, C. Green-Pedersen, C. Koski, P. John, P. Mortensen, F. Varone, and S. Walgrave. (2009) "A General Empirical Law of Public Budgets: A Comparative Analysis," *American Journal of Political Science*, Vol. 53, No. 4, Pp. 855–873.
- Jones Brian D., Frank R. Baumgartner (2005) *The politics of attention. How governments prioritizes problems*, Chicago, The University of Chicago Press
- Lienert, I. (2005) 'Who controls the budget: The legislature or the executive?', IMF Working Paper, no. 115
- Newell, J. (2010), *The politics of Italy*, Cambridge University Press.
- Persson, T. and G. Tabellini (2004), 'Constitutional rules and fiscal policy outcomes', *American Economic Review*,

- Poterba J.M. - von Hagen J. (eds.) (1999), *Fiscal Institutions and Fiscal Performance*, Chicago, The University of Chicago Press.
- Putnam, R. D. (1993), *Making democracy work, Civic Traditions in Modern Italy*, Princeton University Press.
- Roubini N. - Sachs J. (1989), Political and Economic Determinants of Budget Deficits in the Industrialised Democracies, in «European Economic Review», n. 1, pp. 903-938.
- Russo, Federico and Luca Verzichelli, (2011a), Public expenditures and political earthquakes. An analysis of the Italian case between 1990 and 2007. IV Annual Conference of the Comparative Agendas Project (CAP), University of Catania.
- Russo, Federico and Luca Verzichelli, (2011b), Le punteggi della spesa pubblica italiana in prospettiva storica. Rapporto di ricerca, CIRCaP, mimeo.
- Santagata W. (1995), *Economia, elezioni, interessi. Una analisi dei cicli economici elettorali in Italia*, Bologna, Il Mulino.
- Strauch R.R. - von Hagen J. (eds.) (2000), *Institutions, Politics and Fiscal Policy*, Dordrecht, Kluwer Academic Publishers.
- Tanzi e Schuknecht (2007), *La spesa pubblica nel XX secolo. Una prospettiva globale*, Firenze University Press.
- Tsebelis, G. (2002), *Veto players. How political institutions work*, Princeton, Princeton University Press.
- Verzichelli, L. (1999), *La Politica di bilancio*, Bologna, Il Mulino.
- Verzichelli, L. and M. Cotta (2000), Italy: From “Constrained” Coalitions to Alternating governments? in W. Müller and K. Strøm, (eds.), *Coalition Governments in Western Europe*, Oxford: Oxford University Press, pp. 433-497
- Volgens, A., Lacewell, O., Lehmann, P., Regel, S., Schultze, H. & Werner, A. (2011): *The Manifesto Data Collection. Manifesto Project (MRG/CMP/MARPOR)*, Berlin: Wissenschaftszentrum Berlin für Sozialforschung (WZB)
- Von Hagen, J. and I. J. Harden (1996), *Budget processes and commitment to fiscal discipline*, *European Economic Review*, v. 39, pp 771-779.
- Wehner, J. (2006) ‘Assessing the power of the purse: An index of legislative budget institutions’, *Political Studies*, vol. 54, no. 4, pp. 767–785.
- Wildavsky, A. (1964), *The politics of the budgetary process*, Little Brown
- Wildavsky, A. (1986), *Budgeting: A Comparative Theory of Budgetary Processes*, Little, Brown.
- Withersa, Christopher S. & Nadarajahb, S. (2011). *Bias-reduced estimates for skewness, kurtosis, L-skewness and L-kurtosis*, *Journal of Statistical Planning and Inference*, Volume 141, Issue 12, December 2011, Pages 3839–3861

Appendix

Index of Executive planning

General constraint	0 = No constitutional constraints 1 = Broad constitutional constraints 2 = Specific constitutional constraints
Agenda setting of Minister of finance	0 = No power of agenda 1 = limited power constrained by PM and/or other core executive actor 2 = Structural powers of agenda
Budget norms (broad or for specific spending items)	0 = No regulation 1 = General regulation on governmental role over spending items 2 = Specific regulation for spending items
Structure of negotiations in cabinet	0 = No rules 1= “Decalogue” on negotiation in cabinet 2= Strict regulations on negotiation in cabinet

Index of Legislative approval

Budget session	0 = No 1 = Budget session for formal budget limiting time for spending decisions
Re-proposal of amendments already discarded in committee	0= admissible 1 = Not admissible
Amendment limitation (floor)	0 = No Limitation 1 =Limitation subject to general norms 2 = Specific limitation on budgetary norms
Amendment off-setting	0 = No 1 = Yes
Budget amendment can lead to fall of government	0 = No 1 = Yes
All expenditure passed in one vote	0 = No 1 = Yes
Vote on total size of budget	0 = No 1 = Yes