



Introduction

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Introduction

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ABSTRACT

In 2018, twenty-four years after the emergence of the so-called Second Republic – more precisely the second party system of the Italian Republic – politics in Italy saw a new earthquake characterised by the fall of the two parties that have ruled the country in recent decades: Forza Italia and the Democratic Party. In parallel, two populist movements – the Five-star Movement and the League – won the general election. Italy thus confirmed its place as the most interesting and surprising political laboratory in Europe. The country has proved to be one where the populist wave has not only been extremely successful, but where a populist coalition came to power promising to implement a new reform agenda (partly) at odds with the priorities of the past and of the European Union. As more than a year has now passed since the general election and the formation of the government, this Introduction highlights what elements of continuity and change feature in 2018 *vis-à-vis* the experience of the Second Republic. We argue that the elements of change in the populist take-over of Italian politics – which, to be sure, exist and are important – still do not appear sufficient to mark a shift to a 'Third Republic'.

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In 2018 Italy experienced a new breakthrough in its political life. Twenty four years after the emergence of the so-called Second Republic – more precisely the second party system of the Italian Republic – Italian politics saw a new earthquake, one characterised by the fall of the two parties that had ruled the country in recent decades: Forza Italia (FI) on the right of the political spectrum, and the Partito Democratico (Democratic Party, PD) on the left. In parallel, two populist movements won the general election in March: the Movimento Cinque Stelle (Five-star Movement, M5s) and the Lega (League).

The general election represented, in fact, the second step in the overall transformation of the Italian party system. The latter saw a first critical destabilisation as a consequence of the election of 2013. At that time, the M5s became the most voted party leading to a tri-polar system where the centre right, the centre left and the M5s represented each about one third of the Italian electorate. The following legislature was then characterised by the attempt to form a grand coalition (between the centre-right and centre-left), followed by a coalition of the PD and minor political parties to its right. The last five years have thus been characterised by a slow departure from austerity; new structural reforms; the stricter regulation of migration, and a (failed) attempt to overhaul the Constitution. In many respects, such a reform agenda has been the latest attempt to address mounting criticism of national (and

EU) decision-makers and increased anxiety concerning the country's economic prospects. Yet, if that strategy has aimed at reinforcing the Second Republic that emerged in 1994, and at stopping the rise of populism, it has largely failed.

The 2018 election, in fact, saw the further success of populism. The M5s rose to 32% of votes, becoming the most-voted party. The League became the largest force in the centre-right coalition; while the two milestones of the Second Republic (FI and the PD) were marginalised. The new populist wave was then confirmed by the formation of a brand new government coalition by the M5s and the League.

Italy thus confirmed that it was the most interesting and surprising political laboratory in Europe. The country has proved to be one where the populist wave has not only been extremely successful, but a populist coalition came to power and agreed on a new reform agenda – (partly) at odds with the priorities of the past and of the European Union. As a consequence, Italy represents a test case for populism. While much has been written about the main reasons for populist electoral success, the case of a populist coalition in power gives us a unique opportunity to see populism in action. The 'yellow/green' government has started taking action destabilising political institutions, international relations and the country's policy agenda. Yet, as we show below, the populist breakthrough has not led to a brand new political system: the Third Republic is still to come.

As more than a year has now passed since the general election and the formation of the government by the League and the M5s, in this introduction we seek to highlight what elements of continuity and change feature in 2018 vis-à-vis the experience of the Second Republic. We focus our attention on salient political events, processes and outcomes – which are analysed in more detail in the articles that follow – taking the general election of March 2018 as our focal point. The positions and strategies of the main actors in the run-up to the elections; the formation and early steps of the populist government, and some of its domestic and international flagship policies are all analysed with the objective of mapping out the 'populist change'. Although any assessment necessarily remains provisional, we argue that the elements of change in the populist take-over of Italian politics (which, to be sure, exist and are important) still do not appear sufficient to mark the shift to a Third Republic.

In the remainder of this introduction, we will show how the radical changes promised by the populists in government have not (yet?) materialised as promised. In this introduction we also propose some hypotheses about the future of Italian politics. More than a clear line of future political evolution, we see alternative scenarios: from the emergence of a populist political system to the return of traditional left-right competition.

Politics: the electoral earthquake and the new political geography

It is hard to overestimate the importance of the changes that occurred in 2018 in the electoral arena. The legislative elections in March provoked a veritable earthquake. As Salvatore Vassallo and Michael Shin show in their article, widely held expectations about the formation of 'grand-coalition' bringing together Matteo Renzi's PD and Silvio Berlusconi's FI failed to materialise. Both parties had a dismal electoral performance: while the PD managed to be competitive only in a shrinking 'red zone' in central Italy, FI

was cannibalised within the centre-right coalition by the previously junior coalition partner, the (Northern) League led by Matteo Salvini. The clear winner of the elections was the M5s, which managed to obtain about one-third of the votes nationally. Yet, the new Italian electoral geography revealed a split country, with the League dominating in the North (despite dropping the traditional 'Northern' qualification from its official label) and the M5s winning almost all of the majoritarian seats in the south of the country.

The election contest centred around three poles – the centre-right coalition, the centre-left coalition and the M5s – replicating the mechanics which had already started to take shape from 2013 onward. Yet, the election results radically changed the political situation. The two parties whose competition characterised all electoral contests in the Second Republic from 1994 to 2018 (albeit with different names and changing political alliances) were relegated to a more marginal position. Silvio Berlusconi suddenly lost his role as the *dominus* of the centre-right coalition – which, to be sure, had already been much weakened by the judicial problems of the elderly leader and his dramatic demise at the height of the financial crisis in 2011 – which was overtaken by the League and his rampant leader Salvini. The defeat of the PD was even more resounding. The Democrats were severely punished by the voters, achieving their lowest ever share of votes with a meagre 18 percent. This crushing defeat provoked a change of leadership – with Matteo Renzi stepping down and bringing to an end his years as leader of the PD (see, for an early assessment, Guidi 2015) – and a deep crisis for the party, which came to be provisionally led by one of Renzi's former ministers, Maurizio Martina.

The article by Patrick Diamond and Mattia Guidi reflects on the existential dilemmas faced by the PD in the context of the crisis of European social democracy. 2018 was arguably the worst year for the Democrats since the foundation of the party. Long gone were the days of the triumphant results in the 2014 European parliament elections, when the PD achieved more than 40 percent of the votes. Renzi's defeat in the constitutional referendum in December 2016 was a dead end for the party, which never recovered in the polls – despite Renzi stepping down as Prime Minister and Paolo Gentiloni taking over in December 2016. The comparative picture is no more reassuring for the socialist family in Europe (i.e. the national parties that belong to the Party of European Socialists). For instance, the French Socialist Party and the German SPD have recently achieved some of the lowest electoral results in their history. The British Labour Party – although in better shape than its continental friends – is unable to lead the Conservatives in the polls. Even in the Scandinavian countries, the traditional hegemony of socialist parties has been seriously undermined.

Undoubtedly, there are important structural factors that have negatively affected the electoral performance of socialist parties in Europe. As the traditional class divide has been waning, and as the process of globalisation (and its crises) has created new divisions between its 'winners' and 'losers' (Kriesi et al. 2006) and, more broadly, between the defence of national political, social and economic ways of life against external actors (Hooghe and Marks 2018), socialist parties have undergone a difficult process of adaptation. In Italy as well as in other countries, their social bases of support have shifted from the working classes to the educated, professional and urban middle classes; and, most worryingly for the parties' future electoral prospects, the latter categories have largely become their core supporters. In their article, Diamond and Guidi critically discuss the suggested causes of the decline of social democracy. While they do not dispute their validity, they are

clear that the worst ever electoral result for the PD cannot be fully imputed to macro-level trends, but is also the product of mistaken policy and strategic decisions by the party leadership.

There are two key policy areas (see further below) where the PD has been seen as incapable of addressing, or unwilling to address, the perception of ‘insecurity’ widely felt by Italian citizens (cf. the polling data in *Osservatorio Europeo sulla Sicurezza 2019*). First, in relation to the economy and the reform of the labour market, Renzi’s government had been promoting a reformist agenda perceived as distant from the core values of the left. As a matter of fact, Renzi himself often waged an open confrontation with the trade unions and some of the symbols of workers’ rights (e.g. article 18 of the Workers’ Statute on unlawful dismissals). While his government was keen to expand civil rights as part of a traditional, socio-liberal, agenda, the same attention was not given to the social rights that form part of more traditional, socialist, agendas. Second, the migration crisis, and the seemingly endless arrival of migrants from Africa on Italy’s shores, put the government in a very difficult position. The more assertive stance taken by the Gentiloni government and by the interior minister Marco Minniti, for instance, were not enough to prevent the latter’s electoral defeat in his Pesaro constituency.

The Democrats also paid a (heavy) political price for having been the institutional backbone of the Italian party and political systems of the Second Republic. Whenever a crisis shook the foundations of the system, the PD embraced a ‘responsible’ attitude and made its contribution to easing the crisis. In a context of low levels of trust in political actors and institutions, economic hardship, declining support for the European Union and a rise of Eurosceptical attitudes (Demos & Pi 2018), the PD came to be seen by a broad segment of the electorate as the expression of an elite detached (if not against) the interests of the ordinary citizen. Therefore, electorally punishing the Democrats meant, to a large extent, placing in question the Second Republic itself, and taking a step into new, uncharted, territory.

As a matter of fact, the electoral success and then the governing alliance between the League and the M5s created something new in Western Europe: the first government formed ‘exclusively’ by populist parties. Of course, as Manuela Caiani systematically shows in her article, the two populisms (in the plural) have important differences. While the League is an exemplary case of an ‘exclusive’ or right-wing type of populism – bringing ‘sovereignism’ and the issue of migration to the forefront of its discourses – the M5s represents an ‘inclusive’ or left-wing type – bringing (back) into the political arena voters disillusioned or left-behind on social and participatory grounds. Her frame analysis – based on the official electoral documents published by the two populist parties, and on original interviews with party personnel – nicely matches the post-electoral survey data of their electorates (ITANES) earlier presented by Vassallo and Shin. While the League’s voters endorse an anti-elitist position and trust a strong leader to deal effectively with the country’s problems, M5s voters place much stronger emphasis on redistribution and social issues. The conclusion is that neither the voters nor the discourses of the two populist parties in government have much in common.

If what divides the two populist parties is stronger than what binds them together, the big question is whether the results of the March 2018 election have really reconfigured the party system of the Second Republic and ended its bipolar dynamics based on alternation between centre left and centre right. To put it differently: is the new cleavage

in Italian politics now one separating the ‘mainstream’ and the ‘challenger’ parties (comparatively, see Hobolt and Tilley 2016)? Or are we seeing the transformation of the old axis of political competition between left and right? Some (preliminary) answers to this question are given in the final section below.

Institutions: the populist government – domestic agendas and European constraints

The formation of the yellow/green government – which was sworn in on 1 June – was not easy, but the new government led by Giuseppe Conte featured some remarkable differences compared to its predecessors. As Luca Verzichelli and Francesco Marangoni argue in their article, the new executive was not only ‘the government of change’ (as self-declared by the two governing parties, hopeful of a radical breakthrough in terms of public policies) but also represented a veritable ‘change of government’ both because of its partisan composition and its personnel.

The foundational document of the new executive – the ‘Contract’ between the M5s and the League, signed on 17 May – represented an attempt to find an uneasy synthesis between the programmatic objectives of the two coalition partners. While the style of the Contract was not very prescriptive, the document had the important function of legitimising the governing alliance between the League and the M5s – both parties asked their members directly to approve it, and they did so overwhelmingly – and made it clear that the government was not a short-lived experiment, but had the ambition of lasting, as an envisaged mid-term review of the Contract’s programmatic content revealed.

The Contract was, of course, an *ex-post* compromise between two parties that had been competitors in the electoral arena; and, for that matter, the new executive was not given the clear electoral mandate granted by the voters to the centre-right or the centre-left coalitions during the Second Republic – at least, in its ideal-typical, majoritarian form. Indeed, the Contract needed a ‘guarantor’ in order for it to be implemented, one such being found in the professor of civil law at the University of Florence, Giuseppe Conte, who had already been listed as a minister in a possible M5s single-party government during the election campaign, but who did not stand as a candidate in the subsequent general election.

In the absence of a ‘political’ prime minister, the centre of political gravity of the new executive lay in the two deputy-prime ministers and party leaders, Luigi di Maio and Matteo Salvini. They reserved for themselves two strategic portfolios: the former kept for himself ‘Economic Development’ and ‘Labour and Social Policy’ (merged together for the purpose), while the latter became the interior minister. Such allocation was in line with the key concerns and priorities of their respective electorates (see the preceding section). It gave the prime minister the (somewhat residual) role of mediator between the two political ‘masters’, with a lower public visibility further underscored by the aggressive communication styles and the massive use of social media by the two deputy-prime ministers; and it raised important questions concerning his autonomy of action.

The unprecedented and difficult process leading to the yellow/green government is confirmed by the length of time needed for its formation. 88 days elapsed before the Conte government was sworn in. This is the longest time ever required for the formation of a government; for, it took Giuseppe Conte five days more than Giuliano Amato in 1992 – when the First Republic was in its twilight under the hammer of the

Clean Hands operation, the killings by the mafia and the difficulties of the lira. This precedent may well indicate how significant, and potentially transformative, the formation of the first populist government was.

If the numbers suggest fascinating comparisons with other key moments in recent Italian political history, the main reason for the protracted period of formation of the new executive was very specific and had to do with the appointment of Professor Paolo Savona – a staunch critic of Germany’s economic policy and the Euro – as Minister of the Economy and Finance. His nomination was vetoed by the President of the Republic, Sergio Mattarella, using his formal prerogatives of appointment of ministers (which, in the past, had been used in a couple of circumstances only, see Pasquino 2015). The institutional tension between the President and the two governing parties became very acute: Mattarella proposed another professor, Carlo Cottarelli, to lead a technocratic executive in the absence of a step back by Savona; while Di Maio raised the prospect of impeachment of the President. Eventually, Savona was moved to a more junior post – that of minister for EU affairs – and Mattarella set aside his objections.

Because of the Eurosceptical positions of the two governing parties and their agenda of radical reform of the EU formally endorsed in the Contract, the President of the Republic further pushed for technocratic appointments to senior government positions. The ministry for economic and financial affairs was finally given to another professor, Giovanni Tria, while the ministry for foreign affairs was assigned to Enzo Moavero Milanesi, who had already served as minister for EU affairs in the technocratic government led by Mario Monti. Because of these appointments, Verzichelli and Marangoni describe the new government as a ‘chimera’, with two party-political components and a technocratic element. Therefore, the new Italian government was both populist and technocratic, bringing together two polar opposites in the idea of representation (cf. Caramani 2017), and making it an even more unusual and, so far, peculiar experience.

The case of Paolo Savona clearly reveals the new relevance of the EU issue in Italian politics. Not long ago one of the most Europhile countries, Italy – both its public opinion and its elites – has dramatically polarised on the EU, particularly since the economic and financial crises. The institutional clash between the populist parties and the President of the Republic on Europe was only the prelude to another bitter divide, pitting the government directly against the European Commission over approval of the budget. The tensions with the EU began to surface as a draft version of the Contract was leaked. The document revealed the intention of the government not to stick to the previously agreed fiscal targets, and to endorse an expansionary fiscal policy. Needless to say, this approach not only alarmed the Commission, but raised eyebrows in financial markets, whose faith in Italy started to decline again. In October, the 10-year BPT-Bund spread reached over 300 basis points, a value unseen since the aftermath of the financial crisis.

The two target constituencies in the ‘People’s Budget’ – citizens with the lowest incomes, for whom the citizenship income had been conceived, and citizens with above-average incomes, for whom the flat tax would be devised – were hard to satisfy simultaneously, given the constraints of economic reality. In addition to that, as Lorenzo Codogno and Silvia Merler argue in their article, the government’s forecasts were based on weak and not very plausible assumptions, such as excessively optimistic estimates for economic growth in 2019–2021. In the end, the row with the Commission resulted in a stalemate: on the one hand, the Italian government revised its deficit target

for 2019 down to 2.04% of GDP (from the original 2.6%); on the other, the Commission did not push to the limit its fight with Giuseppe Conte's executive, refusing to play the role of the government's scapegoat as a new round of European parliament elections was approaching.

While previous governments – for instance, both the Renzi and the Gentiloni governments – had occasionally made criticisms of the EU's policy of austerity, and despite some famous clashes between the EU leaders of the day and Silvio Berlusconi (Carbone 2009), Italy's membership of the Union had never been fundamentally contested. This approach changed radically with the populist government. In their article, Fabbrini and Zgaga carefully compare the Italian position vis-à-vis the EU institutions in the first six months of the Conte government with the previous two executives. Focusing on some key policies – like the redistribution of asylum seekers – they show that the government tried to play hard ball in Brussels. Yet, its action had important limits. For instance, the attempt to build alliances with the Visegrad countries did not work, and the broad objective of changing the governance structures of the EU was not followed up by any concrete plan. Despite such limits, they note that this redefinition of Italy's international alliances – closer to Russia and the illiberal democracies of Eastern Europe than to the EU's founding members – is a major change in Italian foreign policy.

To come full circle, therefore, the label, 'government of change', is certainly appropriate to describe its relationship with Europe. Whether the label is appropriate for other policy areas is what the next section explores.

Society: a brand new reform agenda?

As stressed in the first section, the 2018 election campaign was marked by a debate on a few key issues: migration flows, distributional issues, and the fight against austerity. The populist parties won the election precisely on these issues – which were also the issues responsible for the decline of the more traditional political forces (see Vassallo and Shin, and Diamond and Guidi this issue). Later on, the same items became the top priorities of the 'yellow/green' government.

Domestic policy reforms are probably the clearest evidence of change in Italian politics. The government's migration policy, in particular, was largely consistent with the aggressive tones of the League's election campaign. Matteo Salvini led his own party to become 'the' anti-immigration movement in Italian politics. Since the leader took over as minister of the interior, he has not changed his policy agenda. The combination of closure of Italian ports to migrants, the isolation of NGOs and their rescue operations in the Mediterranean, and the attempts to forge new alliances with the Libyan authorities and those of other African countries (e.g. Niger) to move the line against migrant flows far away from Italy's borders, all represent an innovation in Italian strategy as compared to the past. This was true even if, as stressed by Francesco Strazzari and Mattia Grandi in this issue, the Gentiloni government had already started to implement stricter border controls and a clampdown on NGO operations.

This evident change developed in parallel with changes in the areas of social policy and taxation. Both the M5s and the League declared their intention to put an end to austerity by increasing social spending and reducing taxes. Already at the time of the

election campaign, the Fornero/Monti pension reform of 2011 was at the core of the huge critique advanced by both populist movements. The League opposes the reform and in particular the increased retirement age (with the automatic link to changing life expectancy) and the abrogation of seniority pensions. These measures affect older cohorts of workers that were obliged to work for longer. The M5s was equally critical, demanding an in-depth revision of the pension legislation to improve minimum pensions (with launch of the citizenship income, pensions for over-67s were referred to as citizenship pensions); to cut the most generous ones, and to lower the legal retirement age. Still in the field of welfare policies, the M5s proposed the citizenship income targeted at people at risk of poverty. This was the flagship initiative of the Movement. As stressed by Ferdinando Giugliano in his contribution, the Conte government put these measures on pensions at the core of the budgetary law: about €4 billion in the first year – for a total of about €22 billion in the next three years – are to be spent on the so-called ‘quota 100’ provision, to allow for early retirement (see also Galasso 2019). The government devoted a further €7 billion to the launch of the citizenship income. The welfare reform package thus has some peculiar traits. First, after decades of cost-containment, the latest pension reform is expected to increase pension spending in the short- as well as in the long-term. The launch of the citizenship income represents the most impressive investment in anti-poverty policy. As stressed by Giugliano concerning the introduction of the citizenship income and the new pension reform, and by Tommaso Nannicini et al. concerning the few measures passed in the field of short-time working schemes, the welfare reforms approved by the populist government have increased public spending in the field and have had a mixed distributional effect.

Secondly, the welfare reforms are typical distributive measures characterised by well identifiable benefits and opaque costs (an increased deficit). As stressed by analysts (Gori 2019), the design and implementation of the reforms were largely shaped by short-term electoral aims. The pension reform was targeted at a limited number of workers (older cohorts close to the retirement age and with long careers) while larger groups at risk of poverty in old age in the future (e.g. women and younger cohorts) have not been a priority. The citizenship income has been launched in a few months (before the European elections of 2019) with evident risks of mismanagement and a lack of administrative capacity. In that respect, both measures seem to innovate welfare policies of the past (increased spending vs cost containment). But they also represent the risk of a throwback to the worst long-term problems of the welfare state *all’italiana* inherited from the First Republic: welfare spending captured by electoral interests, managed through inefficient bureaucracies and at risk of clientelism (Graziano 1980; Ferrera, 1984; Ferrera and Gualmini 2004). The impression of a return to the ‘distributive cycle’ of the past seems to be confirmed by the introduction of a flat-tax regime for the self-employed and small firms (the so-called mini flat tax). These categories will pay a 15% tax rate on incomes up to €65,000 per year. The tax reduction risks incentivising hiding income for the purposes of tax avoidance and evasion, with negative consequences for the public finances and increased inequalities (Baldini 2018). This is consistent with one of the long-term problems that affects the Italian political economy: the widespread under-reporting of income by small businesses and the self-employed (Hopkin 2014). While policymakers – whatever their colour – always have in mind the interests of their electoral constituencies, the populist government seems to have privileged

the short-term interests of social groups rather than a grand long-term plan to help the Italian economy to recover.

The further 'hot' topic in the election campaign was labour market (re-)regulation. Here the main target of the populist critique was the Jobs Act. The M5s was particularly critical, and sought votes on the basis of a pledge to overhaul the Renzi reform and to re-regulate labour market conditions to protect workers' rights. Yet, in the words of Nannicini et al. in this issue, the Conte government has not proved to be ambitious in its labour-market reform agenda. Despite the harsh criticism of the Renzi reform, few measures were agreed upon. This is the most evident result of the coexistence of two different populist forces in the parliamentary majority, with some overlapping in their agenda (see the welfare reform above) but also largely divergent strategies.

Conclusions: Italian politics in transition and three future scenarios

As stressed above, all the contributions in this issue point to the extreme interest of the Italian political laboratory and – at the same time – the ambiguous nature of the most recent turn in Italian politics. First, 2018 saw a true populist breakthrough with the new 'yellow/green' coalition that emerged from the elections. Old political parties that represented the pillars of the Second Republic (e.g. FI on the right of the spectrum and the PD on the left) largely declined and were marginalised, while two forms of populist movement (the inclusive populist M5s and the anti-immigrant League) emerged. Each aim at becoming the main pillar of the new political and party systems. Such a dramatic change is reflective of a longer-term process that in fact started in 2013, with the transformation of the then bi-polarity of the Second Republic into tri-polarity (Hopkin 2015). Yet, the new political equilibrium is unstable: the initial months following the election saw a rapid increase in support for the League. Both polls and local elections provided – by contrast – evidence of the growing difficulties of the M5s. Lack of administrative capacities at the local level; weak political leadership, and contradictory decisions at the national level all contributed to the fragility of Italy's largest party.

Secondly, political institutions did not see any paradigmatic change. The post-electoral institutional landscape has seen the emergence of a chimera government – with traits of more explicit political leadership and persistent technocratic traits, which are the evident result of such unfinished transition. In parallel, the tense relationship between the 'yellow/green' coalition and the EU has not led to a rupture. On the contrary, due also to the temporal proximity of the European elections of 2019, the EU and the Italian government found a compromise on budgetary policy. The ongoing tensions on migration did not lead to any major change in EU asylum policy. At the end of the year, the EU/Italy troubles seemed only to have had the result of isolating the latter. Neither a new 'block' of member states allied against austerity, nor a stable anti-migration front had emerged.

More evident signs of radical departure from the past can be found in policy reforms. While in the recent past, many Italian governments prioritised budgetary consolidation, the Conte government put increased social spending at the top of its agenda. The return of distributive policies seems consistent with the risk of a return of the original sin of Italian political economy inherited from the First Republic. In the field of migration, the government has clearly turned towards strict control of the country's borders.

All these trends left open different alternative scenarios for Italian politics. A first scenario, mentioned in the first section above, is that of a complete revision of political competition where the divide is not between left and right but where more prominence is given to the role played by the European Union and to the constraints faced by Italy as a member of the EU club. According to this perspective (e.g. Fabbrini 2018), there are two blocks of parties offering two alternative strategic options for Italy: on the one hand, the inward-looking ‘sovereigntist’ parties; on the other, the outward-looking parties standing for the interdependence of EU states. To use Chris Bickerton’s expression (2012), the former think of Italy as a ‘nation state’, while the latter conceive of it as a ‘member state’. The strong reservations, if not outright opposition to the EU, by the League and the M5s; their open resistance to some of the strongholds of Italian membership of the EU, such as the common currency; and their political need to defy the ‘Brussels elites’ in order to implement (or justify a failure to implement) their governing Contract (see further below) would make this division the fundamental one in the new party system of the Third Republic. In this case, the League would probably gain support with a shift of votes from an M5s much less aggressive in its defence of national identity. In the opposite camp, centre-left and centre-right parties could forge an alliance against the nationalist block.

A second scenario is that of the return, after the probable short-term parenthesis of the populist coalition, of the left-right divide typical of the Second Republic. Based on survey data (ITANES), the traditional left-right divide in Italy appears to be far from having disappeared, as the ‘transnational cleavage’ – to borrow Hooghe and Marks’s definition (2018) – does not emerge as strongly salient for voters. This being the case, the more familiar dynamics characterising the Italian party system in the Second Republic, albeit with new actors and different coalitions, may resurface soon. A similar reading can also be made of the discourses and the strategies endorsed by the main parties. While the League may lead a conservative, right-wing coalition sharing a ‘securitarian’ agenda and a low-tax, *laissez-faire* economic policy, the M5s may coalesce with the PD and the other small parties to its left to pursue a redistributive agenda. In this case, the modernisation strategy – established in the Second Republic and in the shadow of the EU constraints – would probably be abandoned by both coalitions. On the basis of what we have seen in the third section, we could also see the resurgence of distributive cycles.

A less probable variant of this scenario consists of the resurgence of the Second Republic. Both exogenous constraints (e.g. the EU budgetary rules and strict monitoring from the global financial markets) and endogenous problems (persistent economic stagnation) could lead to the most evident failure of populism and the rapid return to the politics of fiscal consolidation and structural reforms. Possibly after some technocratic government to address the most dramatic problems of the country, the political system would go back to moderation and a liberal reform programme shared by the alternative coalitions as a consequence of structural challenges.

A third scenario risks being the most dramatic one for Italy, or at least for the unitary state as we know it. As stressed by Vassallo and Shin, and by Codogno and Merler in this issue, the territorial cleavage has clearly re-emerged in 2018. While regional economic imbalances have always characterised Italy (see Davis 2015), Italian politics has recently heightened the risk (reality for some) of the territorial split between the rich North and the

poor South. The two forms of populism that won the elections were also the representatives of the North (the League) and the South (the M5s) and their main priorities. Among the key facts of 2018, implicitly covered by the articles in this issue, we see the demand for a new division of functions between the state and the regions promoted by Lombardy, Veneto and Emilia-Romagna (see Giannola and Stornaiuolo 2018). The so-called ‘differentiated federalism’ aims at maintaining a larger part of the regional tax surplus in the regions of origin, while reducing in parallel the redistributive capacity of the central state. This would be accompanied by increased regional competencies in the areas of healthcare and education policy, two of the pillars of the central state’s functions. While the fate of this proposal is still uncertain, it seems to be the sign of a potential rupture of the fragile compromise between North and South with possible dramatic effects on the territorial integrity of the country.

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No potential conflict of interest was reported by the authors.

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