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Italy's Political Upheaval and the Consequences of Inequality

Italy's political upheaval is a major factor in current European politics. After 20 years of rather unstable centre-right and centre-left government coalitions, as well as episodes of a 'grand coalition' after the 2011 crisis, the Five Star Movement (M5S) received 33% of the vote and Lega obtained 18% in the 2018 election. Together they launched a short-lived government coalition that collapsed in the summer of 2019. It was followed by a new government – with the same Prime Minister, Giuseppe Conte – supported by M5S, Democratic Party, Italia Viva (the new party of Matteo Renzi) and Sinistra Italiana. In the European elections of May 2019, Lega received 34% and the M5S slipped to 17% of the vote. During this time, abstention from voting in the general elections doubled to 25% in 2018 and the consensus for mainstream parties – considering the total of centre-right, centre-left and centrist forces – that have governed the country has gone from well above 50% of all electors in 2006 to less than 30% in 2018.¹

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1 Post-election comments are in M. Pianta: Fear, loathing and poverty: Italy after the 2018 elections, *openDemocracy*, 10 March 2018, available at <https://www.opendemocracy.net/en/can-europe-make-it/fear-loathing-and-poverty-italy-after-2018-elections/>; M. Pianta: Italien: Liberal-populistische Politik, in: *Wirtschaftsdienst*, Vol. 98, No. 6, 2018, pp. 396-399; M. Pianta: Europe's vote and Italy's right-wing bloc, *openDemocracy*, 29 May 2019, available at <https://www.opendemocracy.net/en/can-europe-make-it/europes-vote-and-italy-right-wing-bloc/>. In the Scuola Normale Superiore (SNS) voting database used here – described in F. Bloise, D. Chironi, M. Pianta: Inequality and voting in Italy's regions, Territory, politics, governance, special issue on Inequalities, territorial politics, nationalism, forthcoming – votes for mainstream parties are the sum of electors of *Forza Italia* (in 1994, 1996, 2001, 2006, 2018) and *Popolo della Libertà* (in 2008 and 2013); the Democratic Party (in 2008, 2013, 2018) and its predecessors, *Partito Democratico della Sinistra* (in 1994 and 1996), *Democratici di Sinistra* (in 2001), *Uniti nell'Ulivo* (in 2006); and various Centrist parties. Data used in this article combine the SNS electoral database for regions with INPS Losai data on employee incomes and the Bank of Italy's survey on household income and wealth.

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Instability in electoral behaviour is likely to continue as a result of a variety of factors, including the breakdown of traditional political allegiances, new ideological and cultural divides, the importance of leadership and novel forms of political communication. But underneath these political dynamics, can we identify the economic conditions that are associated with such political upheaval? In particular, what is the legacy of the crisis that started in 2008 and has been followed by a decade of recession and stagnation? What are the consequences of inequalities in income and wealth? What is the impact of unemployment and casualisation of the labour market?

In this contribution, first, major trends in income and wealth are summarised, showing the overall impoverishment that has taken place in Italy, in particular among employees. Second, some associations with voting behaviour are explored, summarising the findings of a recent study where the outcomes of Italy's general elections from 1994 to 2018 at the regional level are related to economic factors and inequality.² Finally, two lessons for the current European debate on political upheaval are proposed.

Italy's impoverishment

All Italy's economic indicators, from per capita income to productivity, document a long-term stagnation; no overall improvement has taken place compared to the levels before the 2008 crisis. Aggregate values, however, conceal the rise in disparities; data on individual incomes, wealth and employment are needed to provide an accurate picture of the economic conditions of the Italians, which may shed light on recent political changes.³

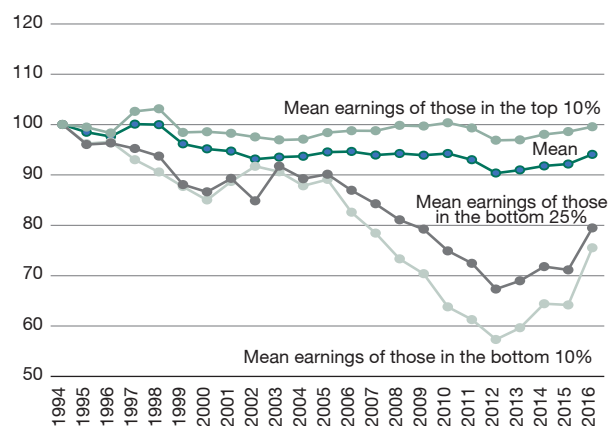
First, we consider labour income – the earnings of employees in the private sector (before taxes and transfers, in real terms, based on INPS social security archives). The large majority of Italian workers are in this group, and public sector employees have experienced a similar trend in wages. **Figure 1** shows that labour incomes have decreased consistently over the period of 1994-2016 for all

2 See F. Bloise et al., op. cit.

3 For an overview of Italy's inequalities, see M. Pianta: Nove su dieci. Perché siamo (quasi) tutti peggio di 10 anni fa, Rome 2012, Laterza. For explanations of the drivers of inequality in Europe, see M. Franzini, M. Pianta: Explaining inequality, London 2016, Routledge; and C. Rouch: Inequality in post-industrial societies, *Structural Change and Economic Dynamics*, special issue on 'The political consequences of inequality', forthcoming.

Figure 1
Gross real earnings of employees in Italy

index 1994=100



Source: INPS Losai data on incomes of employees in the private sector, deflated with the consumer price index.

income groups, except for the richest 10%, who in 2018 had the same real income as in 1994. Losses in real incomes are less than 10% for the richest half of employees, but are greater than 20% for the poorest 25%. Behind the appearance of stagnation, the reality for 90% of Italian employees has been impoverishment. Such detailed data are not available for the self-employed; their income is often under-reported and generally shows higher growth for the richest deciles and a similar fall for the poorer ones.⁴

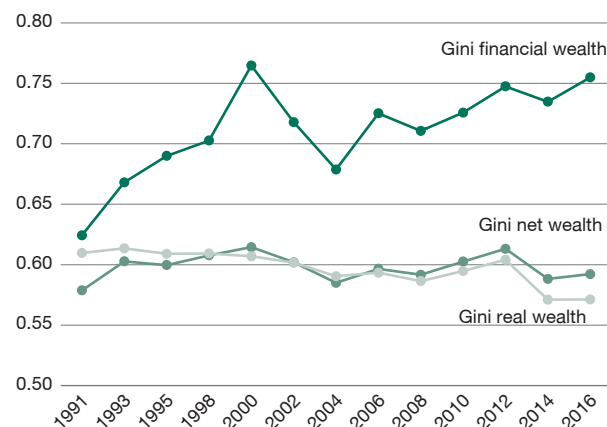
Second, we consider total household income – not just labour – after taxes and transfers, obtained from the Bank of Italy's survey (where very high and very low incomes are underestimated). Overall income inequality had first declined (the Gini index went from 0.31 in 1994 to 0.28 in 2008), but the crisis had the effect of increasing disparities (the index was back to 0.30 in 2016), which are greater and increased faster in metropolitan areas and in the South.

Third, Italy's rate of unemployment had progressively declined since the late 1990s, to reach 6.1% in 2007, just before the start of the crisis; in 2014, it peaked at 12.7% with a modest fall to 10.6% in 2018.⁵ The doubling of unemployment is made more dramatic by the extremely high values of joblessness among the youth and in the regions of the South. Moreover, among those classified as employees in the private sector in our database, the share

4 F. Alvaredo, E. Pisano: Top Incomes in Italy 1974-2004, in: A.B. Atkinson, T. Piketty (eds.): Top Incomes over the Twentieth Century, Vol. II: A Global Perspective, Oxford 2010, Oxford University Press.

5 Eurostat.

Figure 2
Gini indices on Italy's net, real and financial wealth, 1991-2016



Source: Bank of Italy's survey on Household Income and Wealth.

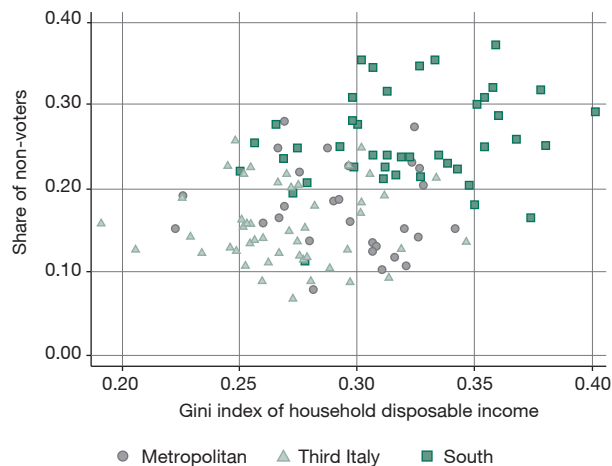
of those with temporary contracts increased from 12% to 22%; and a parallel increase has emerged in part-time contracts. The result is a widespread casualisation and a strong downward pressure on wages.

Fourth, we have to look at changes in wealth, another key dimension of polarisation, documented by the Bank of Italy's Survey on Household Income and Wealth. According to 2010 data, the richest 10% of Italy's households hold 45% of all wealth (as opposed to 27% of all incomes). The poorest 50% of Italy's households own 10% of all wealth.⁶ Figure 2 shows that the Gini index of inequality of net wealth is around 0.6, with a stable trend (the level is twice as high as the Gini index for incomes), but disparities in financial wealth have grown massively, with a Gini that goes from 0.62 to 0.75 between 1991 and 2016 (unaffected by the 2008 crash). Financial wealth is extremely concentrated (the lowest deciles have zero financial wealth) and appears as a driving force of inequality. While high but stable disparities in real wealth are associated with the widespread home ownership that is typical of Italy, the flow of incomes generated by highly concentrated financial wealth – profits, rents, capital gains, etc. – is the other side of the impoverishment of labour incomes.

In the last two decades, the economic conditions of Italians have been characterised by extensive impoverishment, casualisation and high unemployment, with inequality driven by lower wages, higher profits and financial wealth. What political consequences can be identified?

6 M. Pianta: Nove su dieci..., op. cit.

Figure 3
Shares of non-voters and Gini household income inequality index in Italian regions, 1993-2018



Source: F. Bloise, D. Chironi, M. Pianta: Inequality and voting in Italy's regions, Territory, politics, governance, special issue on Inequalities, territorial politics, nationalism, forthcoming.

Disparities and voting

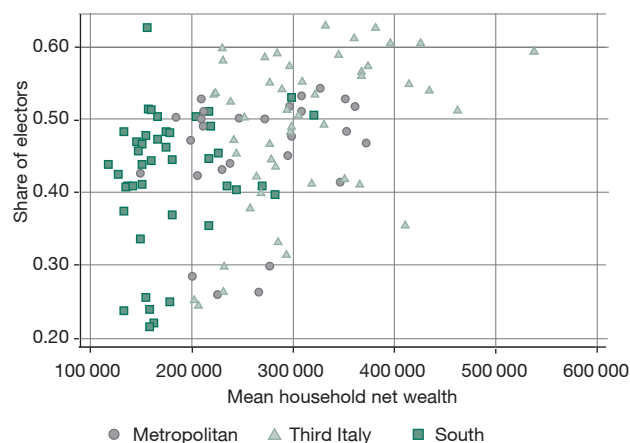
In a recent study, we have related voting behaviour to economic conditions using regions as units of analysis.⁷ Italy's regions tend to be characterised by distinct political cultures and voting behaviour; moreover, they are large enough to provide significant insights in the patterns of inequality in incomes and wealth. In order to summarise the diversity of Italy's regions, we grouped Metropolitan regions (the regions of Turin, Genoa, Milan and Rome), the 'Third Italy' (including North-East and Central regions) and the South.⁸ Metropolitan regions concentrate the country's economic gains and have the country's highest income levels, and high inequality. 'Third Italy' regions have intermediate income levels and the lowest inequalities. Southern regions have the lowest income levels and the highest inequality. These three groups are highlighted in the Figures below, documenting the polarisation of Italy's regions in terms of both economic conditions and voting.

Voting behaviour is summarised by the share of non-voters (a major indicator of disaffection with electoral poli-

7 F. Bloise et al., op. cit.

8 Metropolitan regions include: Piedmont, Lombardy, Liguria, Latium; 'Third Italy' regions include: Trentino Alto Adige, Veneto, Friuli-Venezia Giulia, Emilia Romagna, Tuscany, Umbria, Marche; and Southern regions include: Abruzzo-Molise, Campania, Puglia, Basilicata-Calabria, Sardinia, Sicily.

Figure 4
Shares of electors for mainstream parties and mean household net wealth in Italian regions, 1993-2018



Source: F. Bloise, D. Chironi, M. Pianta: Inequality and voting in Italy's regions, Territory, politics, governance, special issue on Inequalities, territorial politics, nationalism, forthcoming.

tics); the share of votes for the mainstream parties (those who have been in power in the last two decades); and the share of votes for M5S and Lega, the new anti-élite, 'outsider' parties.⁹

Figure 3 maps the Gini indices of inequality in household incomes (incomes from all sources, not just labour, after taxes and transfers, estimates of the Bank of Italy's survey) and the share of non-voting in Italy's regions. A clear positive association is evident; greater inequality goes along with lower participation in elections. Different types of regions are clearly visible, with the South showing the highest levels of both variables, and many 'Third Italy' regions lying at the opposite end of the distribution, with low abstention and low inequality.

Conversely, higher Gini inequality indices are related to fewer votes for mainstream parties. Income inequality brings with it disaffection to politics in general, and to ruling parties in particular.

Figure 4 shows a strong positive relation between mean net wealth and support for mainstream parties; wealth is the only variable that is positively associated with such votes, with many regions of the 'Third Italy' at the top of both distributions and many regions of the South with the lowest wealth and the lowest support for mainstream parties. Higher assets and economic privilege are related to

9 For parties, we use the share of electors rather than the share of voters, taking the rise of non-voters into account in all variables.

stronger votes for the political forces that have ruled the country.

A regression analysis has been carried out to explore relationships between economic conditions and voting behaviour – non-voting, share of electors supporting mainstream parties, M5S and Lega.¹⁰ Our findings show that,

- The rise in non-voting is closely associated with overall inequality, income polarisation, the rise of part-time jobs and unemployment.
- Consensus for mainstream parties is driven by high household average net wealth alone, and it is negatively affected by the concentration of poor employees, lower median incomes, higher part-time jobs and higher unemployment.
- The Lega has greater consensus in those regions where the incomes of the middle class are pushed down and get closer to those of the poor, and where the distance between the middle class and the richest employees is lower. The share of the vote for Lega is also higher in those regions where there is lower average wealth and a larger share of precarious jobs.
- Voting for the M5S is strongly associated with income poverty and casualisation, reaching very high values in Southern regions, where both variables are particularly high.

These findings suggest that the worsening economic conditions of most Italians are indeed related to Italy's political upheaval, with an impact on rising abstention from voting the distancing from mainstream parties and specific factors driving the success of 'anti-élite' parties.

Two lessons for Europe

Two broad lessons could be drawn from this exploration of the Italian case. The first one concerns the understanding of political upheaval as a 'populist wave'. Explanations of populism have pointed out the role of political factors, with the inability of mainstream parties to represent citizens' interests,¹¹ or have emphasised cultural factors, with the loss of status of previously strong social groups in post-industrial urban economies.¹² The consequences

¹⁰ For details, see F. Bloise et al., *op. cit.*

¹¹ C. Rovira Kaltwasser, P. Taggart: Dealing with populists in government: a framework for analysis, in: *Democratization*, Vol. 23, No. 2, 2016, pp. 201-20.

¹² R. Inglehart, P. Norris: Trump, Brexit, and the Rise of Populism: Economic Have-Nots and Cultural Backlash, Faculty Research Working Paper Series No. RWP16-026, 2016, University of Michigan.

of economic distress have been explored in terms of a populist reaction of those 'left behind' in a context of falling relevance of class-based voting.¹³

These long-term patterns have been investigated by Thomas Piketty for France, Britain and the US over the 1948-2017 period, using post-electoral individual surveys.¹⁴ He finds a 'class-based' party system in the 1950s and 1960s, with poorer and less educated people mainly voting for left-wing parties. Since the 1970s-1980s, the left vote has moved towards more educated and richer social groups. In the 2000s and 2010s, well-educated élites tend to vote for the left, while high-income/high-wealth élites still vote for the right. Poorer and less educated social groups have turned to non-voting, as many of them do not feel represented by the existing party system.

These trends, however, do not shed light on the drivers of political upheaval. Some studies of populism have explored its economic basis, but a major problem is the lumping together of right, left and anti-élite parties in a single populist bloc. Acemoglu et al. define populism as a political strategy for redistributive policies typical of left-wing politics,¹⁵ now adopted also by conservative parties. Guiso et al. investigate 57 populist parties in 26 European countries with European Social Survey data, finding that lower income, financial distress and economic insecurity associated with globalisation and labour market competition from immigrants can be identified as drivers of the populist vote.¹⁶ Algan et al. consider 'anti-establishment' parties in Europe and find that increases in unemployment lead to greater support for such forces and to lower trust in parliaments and parties.¹⁷

While some of these drivers of populism are coherent with our findings for Italy, political upheavals can hardly be understood as a generic 'populist wave'. In Italy the vote for

¹³ H. Kriesi: The Populist Challenge, in: *West European Politics*, Vol. 37, No. 2, 2014, pp. 361-378; H. Kriesi, T. Pappas (eds.): *European Populism in the Shadow of the Great Recession*, Colchester 2015, ECPR Press; G. Jansen, G. Evans, N.D. de Graaf: Class voting and Left-Right party positions: A comparative study of 15 Western democracies, 1960-2005, in: *Social Science Research*, Vol. 42, No. 2, 2013, pp. 376-400; S.B. Hobolt, J. Tilley: Fleeing the centre: the rise of challenger parties in the aftermath of the euro crisis, in: *West European Politics*, Vol. 39, No. 5, 2016, pp. 971-991.

¹⁴ See M. Pianta: Fear, loathing and poverty..., *op. cit.*; M. Pianta: *Italian: Liberal-populistische Politik*, *op. cit.*; M. Pianta: *Europe's vote...*, *op. cit.*

¹⁵ D. Acemoglu, G. Egorov, K. Sonin: A Political Theory of Populism, in: *The Quarterly Journal of Economics*, Vol. 128, No. 2, 2013, pp. 771-805.

¹⁶ L. Guiso, H. Herrera, M. Morelli, T. Sonno: Demand and supply of populism, CEPR Discussion paper No. 11871, 2017.

¹⁷ Y. Algan, S. Guriev, E. Papaioannou, E. Passari: The European Trust Crisis and the Rise of Populism, in: *Brookings Papers on Economic Activity*, Vol. 48, No. 2, 2017, pp. 309-400.

the Lega is rooted in the impoverishment of the middle classes, combined with a clear shift to the right in terms of ideology, identities and political agendas. The vote for M5S is rooted in poverty and precarity, with mixed political cultures.¹⁸ There is a high political volatility, and over the last year a significant part of previous M5S voters turned to the Lega, fuelling the shift to the right of Italy's politics. Rather than a generic 'populist wave', there are distinct political processes that have led to the rise of far right parties all over Europe, to the strengthening of some left forces mainly in Southern Europe and to the emergence of few anti-élite parties, with Italy's M5S being the most notable case.¹⁹ What is more relevant now in Italy and in many European countries is the rise of the far right that needs to be investigated, also in its economic and social drivers.

The second insight from the evidence on Italy is that we should investigate more carefully the policies carried out by governments and their impact on voters. As argued elsewhere,²⁰ Italy's mainstream parties have followed the 'neoliberal consensus' and have carried out austerity policies that have prolonged the recession, failed to restore growth, worsened unemployment and lowered the incomes of most Italians. At the same time, they have implemented policies that protect the wealth of the higher classes. The 'economics of privilege' appears as the hallmark of policies by both centre-right and centre-left governments, including the reduction – and in some cases abolition – of real estate taxes, inheritance taxes and more favourable tax treatment of financial income. In parallel, both centre-right and centre-left governments have increased casualisation of the labour market, weakened union power and national labour contracts, thereby contributing to lower wage dynamics. In the case of mainstream parties, support from the wealthy as well as the loss of the middle and working classes, and the youth, may be far from irrational behaviour.

In sum, we find evidence that economic conditions matter at the ballot box, inequalities of incomes and wealth do have political consequences and the policies of governments do have an impact on voting behaviour. Political upheaval, with the dangerous rise of the far right – in Italy and Europe – is likely to be stabilised when politics and policies again turn their attention to the priorities of the

majority of impoverished voters, with a focus on reducing inequalities, unemployment and casualisation.

18 L. Mosca, F. Tronconi: Beyond left and right: the eclectic populism of the Five Star Movement, in: *West European Politics*, Vol. 42, No. 6, 2019, pp. 1258-1283.

19 For more details about left anti-austerity parties, see D. della Porta J. Fernandez, H. Kouki, L. Mosca: *Movement Parties in Times of Austerity*, Cambridge 2017, Polity.

20 M. Pianta: *Nove su dieci...*, op. cit.