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## **WHY AUSTERITY?**

AN ANALYSIS OF THE COALITION OF ITALIAN PARTIES  
AND SOCIAL PARTNERS THAT SUPPORTED THE  
ESTABLISHMENT OF THE MONTI CABINET

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### *Abstract*

The international financial crisis has hit southern European countries remarkably hard. As a consequence, governments have introduced economic austerity in order to cope with such a difficult situation. Perhaps most important, left-wing and right-wing parties have contributed to the implementation of these economic policies. Given this unexpected consensus, this thesis examines the Italian case study. In particular, it aims to understand why Italy's most important conservative party, progressive party, trade unions, and trade association all supported the establishment of the Monti cabinet, a technocratic government whose objective was to put into effect economic austerity. In accordance with power resources theory and the insiders-outsiders model, this research argues that the determinant of their conduct is the interests defended by each of the five organizations. Then, employing a text analysis inspired by Fairclough's critical discourse analysis, it researches the official discourses given by the leaders of the five organizations. The results show that the conservative party and the trade association aimed to protect the interests of employers whereas the progressive party, and trade unions intended to defend the interests of workers that are not affected by unemployment or by the lack of employment protection. That being so, the five organizations all supported the institution of the Monti cabinet because its program included measures that would have favored these two groups. In essence, the central argument is that in the aftermath of the international financial crisis economic austerity was introduced in Italy because it would have served the interests of employers and protected workers.

*Keywords: austerity, debt crisis, insiders-outsiders model, Italy, Monti Mario, power resources theory.*

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## 1. INTRODUCTION

### *1.1 Aim and research question*

Southern members of the European Union are the most affected by the international financial crisis that began in 2008. The difficulty in borrowing that many countries faced, and the conditions set by the so-called troika, the name that groups the European Central Bank, the European Commission and the International Monetary Found, urged governments to introduce radical reforms that have affected important areas such as taxation, pensions, and labor policies. Austerity measures are by their very nature unpopular. Nonetheless, different parties of all political options contributed to implementing these policies. This common phenomenon is striking. In fact, as maintained by Moury and De Giorgi (Moury & De Giorgi, 2015), one would expect differences between parties that represent distinct interests to be more radical on social and economic issues. On the contrary, parties agreed on the plans presented to save southern European countries which are “*clearly related to socio-economic issues and innately salient*” (Moury & De Giorgi, 2015, pp. 4-5).

To be specific, right-wing and left-wing parties have supported the implementation of economic austerity in Greece, Italy, Portugal, and Spain. In Greece at first the social democratic party, the Panhellenic Socialist Movement, introduced severe budget cuts. When the conservative party New Democracy won the election social democrats participated in a large coalition government the which continued the same economic policies. By the same token, Portuguese center-right government was assisted by the Socialist Party in the effort to pass austerity measures that were negotiated with international lenders. Quite the reverse, Spanish socialist and conservative parties did not cooperate on the socio-economic legislature. Nonetheless, both the Spanish Socialist Workers’ Party and the conservative People’s Party implemented severe austerity measures when they were in control of the incumbent government. Lastly, Italian centre-left and center-right parties supported two governments: the Monti cabinet and the Letta

cabinet. The first was a technocratic government, whereas the second was a large coalition government. In spite of this difference, both the executives implemented austerity policies.

Besides, several studies examine the political dynamics in southern European countries since the beginning of the 2008 crisis. De Giorgi, Moury and Ruivo (De Giorgi, Moury, & Ruivo, 2015) call attention to the level of conflict between the Portuguese government and the opposition: while mainstream and traditionally pro-European parties are less critical than usual of incumbent government, more radical and Eurosceptic parties are more adverse. This dissimilarity points out the importance of the exclusion from power, and of the role played by international actors that influenced opposition's willingness to collaborate. Similarly, Palau, Muñoz Márquez and Chaqués-Bonafont (Palau, Muñoz Márquez, & Chaqués-Bonafont, 2015) assert that the introduction of drastic reforms has diminished the level of cooperation between government and opposition in Spain. In fact, the unpopularity of austerity policies encourages the opposition to go against the government in order to improve its own electoral performance. Lastly, Gemenis and Nezi (Gemenis & Nezi, 2015) underline how Greek government parties that acted responsibly in order to cope with the crisis deceived their constituents. This led to fragmentation, polarization and, perhaps most important, to the collapse of a long-established party system.

In these studies ideology and strategy appear to be the most important determinant of parties' conduct. However, it is not clear whether or not parties favored their constituencies when they supported economic austerity. That being so, in this thesis I examine the Italian case study, and I attempt to explore whose interests were defended by parties and social partner that supported the establishment of the Monti cabinet. The Monti cabinet was the government of Italy from November 2011 to April 2013, and it was the only technocratic government that implemented austerity measures in a southern European country. Perhaps most important, Italy's most important parties and social partners all agreed on its institutions. In particular, these organizations were: the conservative party People of Freedom (PDL, *Popolo della Libertà*), the progressive Democratic

Party (PD, Partito Democratico), the Italian General Confederation of Labor (CGIL, Confederazione Generale Italiana del Lavoro), the Italian Confederation of Worker's trade unions (CISL, Confederazione Italiana Sindacati Lavoratori), and the Italian employers' federation (Confindustria, Confederazione generale dell'industria italiana). Considering this unexpected consensus on a government that was going to introduce austerity policies, the research question of this thesis is: why did the five aforementioned organizations support the establishment of the Monti cabinet?

Then, drawing on power resources theory and the insiders-outsiders model I argue that the five organizations endorsed the appointment of Monti as Prime minister because his proposed reforms would have favored both employers and workers who hold protected employment. Actually, my first hypothesis is that PDL and Confindustria supported the establishment of the Monti cabinet because this would have benefitted employers. Secondly, I hypothesize that PD, CGIL, and CISL supported the establishment of the Monti cabinet because this would have benefitted workers that are not affected by unemployment or by the lack of employment protection because these categories represent organizations' core constituencies. In other words, I take as hypothesis that the five aforementioned organizations selected two specific groups they wanted to favor, and they supported the institution of the technocratic government because its policies would have favored these two groups. This implies that economic austerity was implemented in Italy because it would have benefitted employers and protected workers. On that account, I employ a text analysis inspired by Fairclough's critical discourse analysis in order to understand whose interest were advocated by the leaders of the five organizations when they expressed their endorsement to Monti.

### *1.2 The choice of the case study*

Having described the aim and the research question of this thesis, it is important to exactly explain why the establishment of the Monti cabinet is the case study of

this research. There is little doubt that the recent international financial crisis has had severe consequences at the political and economic level in southern European countries. In Greece, Italy, Portugal and Spain the crisis put great pressure on the political and economic systems. Actually, it is not unexpected that their systems share some controversial features. As Bellucci, Costa Lobo and Lewis-Beck write, *“on the political side, they have often been characterized by weakly institutionalized party systems, whose electorates nevertheless show restricted electoral volatility, along with ideological voting and electoral patronage... [while] on the economic side, their structures appear weaker than their Nordic counterparts, with uneven economic developments typical of dual economies, large state economic involvement and reduced social mobility”* (Bellucci, Costa Lobo, & Lewis-Beck, 2012, p. 470). In a word, these countries share weak economic and political systems. In addition, these weaknesses have led to similar political and economic outcomes: all the countries were in the depths of recession, right-wing and left-wing parties contributed to the implementation of austerity measures that were required to ensure financial stability, and all political systems experienced a period of instability which followed the introduction of economic austerity.

That being so, the distinctiveness of this thesis' case study makes it particularly suitable for a study on the broad political support for austerity measures that has been witnessed in southern Europe. The most relevant feature of the Italian case consists in the fact that the government which took crucial decisions in order to cope with the economic crisis was a technocratic cabinet supported by a large parliamentary coalition. As Marangoni and Verzichelli (Marangoni & Verzichelli, 2015) highlight, in 2011 the Italian political system was characterized by an adversarial parliamentary model which emerged in the early 1990s. However, in November 2011 Italy's most important parties supported the establishment of a non-partisan government when the crisis reached its peak. Hence, political parties that were legitimated by democratic elections gave up some of their control on the government when critical decisions had to be made. In point of fact, the new Prime minister was largely free to choose his ministers since the traditional

coalition constraints did not affect the process of government formation. Besides, those parties that opposed the Monti cabinet were weak and politically isolated. Therefore, what makes the Italian case study especially relevant is that the most important political parties apparently put aside their old disagreements and formed a coalition in order to support the establishment of a technocratic government. Even though I do not argue that Italian parties renounced to all of their power as their support to the technocratic cabinet had a strong influence on Monti's economic policies, they made a crucial decision that was unique in southern European countries. Consequently, it seems probable that the key determinant of party's conduct, which I assume was the interests of two selected groups, can be easily noticed considering the importance of their choice.

One may say that the Monti cabinet was not the only technocratic solution to the economic crisis as a government under the leadership of former vice-president of the European Central Bank Lucas Papademos was formed in Greece. Yet, as Gemenis and Nezi (Gemenis & Nezi, 2015) argue, the Papademos cabinet can only be loosely categorized technocrat as the low number of technocrats indicates that ministries were decided as a result of intra-party bargaining. Moreover, the Papademos cabinet lasted for few months while the Monti government remained in office for over one year, thus it was a more far-reaching experience.

### *1.3 The choice of the actors*

Once explained the significance of the establishment of the Monti cabinet, one may ask why does this thesis take into account the five aforementioned organizations. Considering the large political support for economic austerity, the motives that pushed PDL and PD to support the establishment of the Monti cabinet are pivotal for this research. They were Italy's main parties, and they represented the most significant political options. Still, why should this thesis examine the conduct of the Italian employers' association Confindustria, and of the unions CGIL and CISL? Two reasons justify the choice of these three organizations. Firstly, they all have well-defined constituencies. For this reason, it

is assumed, reasonably enough, that they speak in support of their constituents' interests. Consequently, their conduct can be easily compared to those of political parties.

Secondly, their support was very important for previous technocratic governments. As Baccaro (Baccaro, 2003) highlights, in the early 1990s these associations played a major role in the policy process as their cooperation with each other and with the government produced significant agreements. In particular, the Ciampi cabinet signed a tripartite agreement with Confindustria, CIGL, CISL as well as Italy's third major union, the Italian Labor Union, in July 1993. Under a shared sense of imminent economic crisis, this agreement confirmed the abolition of wage indexation that was temporarily introduced one year before. Furthermore, it instituted national-level wage consultations that were aimed to link wage increases to government's macroeconomic objectives indicated in the yearly budget law. The accord signed in 1993 was a success for the union movement as it redefined industry and territorial level bargaining. Against this new architecture, Confindustria had advocated a single center of collective bargaining although its proposal was not successful. Moreover, in 1995 the Dini cabinet and the three trade unions agreed on a reform of the pension system, which is the most important component of the Italian welfare state. On that occasion, Confindustria did not take part in the talks. In spite of that, an agreement was reached so that pensions benefits were no longer determined in accordance with past income. Rather, benefits were associated to social security contributions in order to reduce pension expenditures. In a nutshell, this agreement made possible to reduce Italy's budget deficit.

The outcomes of these negotiated agreements were significant even though they were less economically successful than expected. The Ciampi cabinet and the Dini one were technocratic governments. They were established in order to cope with severe economic and political crisis, and thanks to the aforementioned accords they accomplished their task. As Baccaro writes, "*the Italian political economic authorities were able, first, to pull out the country out of a difficult socio-economic crisis, and then to rally the necessary consensus needed to qualify*

*for the second phase of the European Monetary Union”* (Baccaro, 2003, pp. 689-690). To cut a long story short, the two technocratic cabinets that came before Monti’s one benefited from the cooperation of Confindustria, CGIL and CISL when they introduced important economic reforms. On this account, these three organizations should be taken into consideration in a study regarding the establishment of the Monti cabinet. Although their endorsement was not mandatory as the one of the parties that granted Monti the support of a parliamentary majority, they might have changed the events because of their influence on the political and economic systems.

#### *1.4 Structure of the thesis*

The introduction described the aim, the research question, and the reasons that lie behind the choice of the case study and of the actors considered. Then, chapter 2 contains a detailed account of the events that led to the establishment of the Monti cabinet, and of the research that covers this subject. Chapter 3 presents the theoretical framework of this thesis. Power resources theory and the insiders-outsiders model are outlined, and the two hypotheses I formulated are explained in accordance with the theories. Chapter 4 gives a justification and a description of the method. Chapter 5 examines and discusses the speeches made by the leaders of the five organizations in order to give an explanation for their support to the technocratic government. Finally, chapter 6 summarizes the evidence, and it provides suggestions for further studies.

## 2. BACKGROUND

### *2.1 The Italian political system and its developments from the 2008 general election to the establishment of the Monti cabinet*

Italy is a parliamentary republic as stated in the Constitution of 1947 (Morbidelli, Pegoraro, Reposo, & Volpi, 2009). The head of state is the President of the Republic. The President is elected by the parliament and by a small number of regions' delegates, and he or she represents national unity. Besides, the President's role is distinguished by some ambiguities. In particular, he or she appoints the government and terminates the legislature. Therefore, the President acts as a mediator and actively intervenes in the public debate in the case of political crisis. Nonetheless, the President never becomes a political leader, and he or she never determines the country's political agenda. Furthermore, as Volpi emphasizes (Morbidelli et al., 2009), President's capacity to terminate a legislature is ultimately subject to the will of the parties that are represented in the parliament.

A specific situation in which the President plays a key role concerns the establishment of technocratic governments. As it has been mentioned in the introduction, during the early 1990s Italian political system was experiencing a severe crisis. The fall of the Soviet Union, corruption scandals, and the difficulties experienced by Italy's major parties lead to the rise of new political actors, and to a new frame of Italian politics. During this period, the President of the Republic promoted the establishment of two technocratic governments: the Ciampi cabinet in 1993, and the Dini cabinet in 1995. These two cabinets were meant to deal with the impasse of the political system, and to cope with a severe economic crisis. In both cases, the President participated in the determination of governments' members and programs. Although, as Volpi explains (Morbidelli et al., 2009), President's behavior was not in contrast with the Constitution because the President did not impose his political views, and his confidence to the cabinets did not replace parliament's vote of confidence.

Similarly to the Fourth French Republic, the Italian Constitution gives the parliament the ability to determine government's fate whereas the government is much weaker than the parliament. To be specific, government's own power is limited to some specific cases while the Prime minister's main role is to coordinate the actions of his or her ministers. In 2005, a center-right coalition passed an electoral reform in order to strengthen government's power. Despite the fact that the Constitution was not modified, voters were allowed to explicitly express their preference about the government. Furthermore, the government itself began to make an extensive use of their power to pass laws. Nonetheless, as Volpi (Morbidelli et al., 2009) points out, these changes did not increase governments' stability because political coalitions they were supported by were undermined by significant disagreements. In addition, Volpi underlines that the instability of the Italian political system is due to the fact that important dissents can be found within the same party. Moreover, different parties do not share similar values therefore they do not give legitimacy to their opponents.

As one may expect, many of the weaknesses highlighted in Volpi's analysis are closely connected to the establishment of Monti cabinet. In April 2008, the center-right coalition led by Silvio Berlusconi won the Italian general elections with a large parliamentary majority. The winning coalition consisted of only two parties: PDL, a conservative party founded by Berlusconi himself that was popular among entrepreneurs and self-employed professionals (Buzzanca, 2008), and the Northern League. For this reason, the fourth Berlusconi cabinet that was formed after the election appeared to be "*the strongest ever in Italian history*" (Chiaromonte & Maggini, 2013, p. 641).

On the other side, only three parties constituted the parliamentary opposition to Berlusconi's cabinet. The largest of party of the opposition was PD, a center-left party that was well liked by white-collar workers and retired workers (Buzzanca, 2008; "Primarie Pd, il sondaggio di Candidate & leader selection," 2013). In addition, the opposition consisted of the Italy of Values party, a centrist party created by the former prosecutor Antonio Di Pietro, and of the Christian party

Centrist Union, lead by Pier Ferdinando Casini who was a former ally of Berlusconi.

In the beginning, Berlusconi's popularity was high, and his cabinet was stable. However, as Chiaramonte and Maggini (Chiaramonte & Maggini, 2013) write, both Berlusconi's popularity and governments' stability declined rapidly. A number of sexual scandals focused public attention on Berlusconi's private life. Moreover, Berlusconi and his ministers were often portrayed as corrupted. Consequently, the cabinet suffered from a lack of legitimacy (Zamponi, 2012)., Disagreements inside the ruling parties were also determinant. In 2010 Gianfranco Fini, the co-founder of PDL, lead a split within his own party. The new movement, named Future and Liberty for Italy, moved to the opposition. Berlusconi had to rely on a smaller parliamentary majority after this division. His cabinet somehow overcame this problem because some deputies of the opposition acknowledged their support in exchange for minor governmental offices while others were promised well-paid positions or an almost certain election in the future (G. Pasquino & Valbruzzi, 2012). Still, the majority did not appear to be reliable enough to rule Italy as the economic crisis was worsening.

Eventually, Berlusconi resigned because the debt and economic crisis aggravated. In summer of 2011 concerns were raised about the sustainability of Italy's sovereign debt. As Chiaramonte and Maggini explain, "*when the prospects of a Greek default became real, Italy fell under the spotlight too and international investors reassessed the risk on its sovereign debt... [thus leading to] a sharp increase in interests paid on the bond issued to finance debt, that would not have been sustainable for much longer*" (Chiaramonte & Maggini, 2013, p. 643). At the same time, even though Berlusconi's cabinet retained the confidence of the parliamentary, it did not show governmental capabilities (G. Pasquino & Valbruzzi, 2012; Zamponi, 2012). The government's inactivity proved that Berlusconi was unable to introduce and implement policies that were crucial in order to deal with the crisis, and national and international actors were concerned by Italy's situation. In consequence, interest rates on the Italian sovereign debt

increased very steeply putting pressure on Italy's ability to borrow money to finance its budget.

On November 7<sup>th</sup>, 2011, as Berlusconi's popularity was at its lowest, a vote at the House of Deputies indicated that only 304 members of the parliament still supported Berlusconi's cabinet, while the absolute majority is 316. Despite the fact that this was not an actual vote of no confidence, this event showed that Berlusconi could no longer resort to a parliamentary majority to legitimize his incumbency (G. Pasquino & Valbruzzi, 2012). As Marangoni and Verzichelli write, "*one should remember here that the collapse of the fourth Berlusconi government... was ultimately due not to any no confidence parliamentary vote, but to a political compromise largely inspired by Italy's European partners and diplomatically managed by the president of the Republic, Giorgio Napolitano*" (Marangoni & Verzichelli, 2015, pp. 38-39). In other words, European partners put pressure on the Italian political system because they were convinced of Berlusconi's incapability. In a similar way, national actors asked for effective measures against the economic crisis. This led the parliament to withdraw its confidence to Berlusconi's government while Giorgio Napolitano, the President of the republic, managed the political crisis.

The result of Napolitano's management of the crisis was the appointment of Mario Monti as Prime minister. As Pasquino and Valbuzzi (G. Pasquino & Valbruzzi, 2012) explain, Napolitano had carefully prepared the succession to Berlusconi. Napolitano nominated Monti as senator for life on November 9<sup>th</sup>, 2011. Despite the fact that this act was not a mandatory in order to appoint Monti as Prime minister, it was "*a clear symptom of what Napolitano intended to do next*" (G. Pasquino & Valbruzzi, 2012, p. 615). At that time, Monti was an internationally recognized and respected economic professor who had been European commissioner for competition. For this reason, the persons who advocated for the establishment of a new government were confident that he would have been able to address Italy's economic and financial crisis.

Once appointed as Prime minister, Monti formed an entirely non-political cabinet called 'the government of professors' by the Italian press. Moreover,

Monti's nonpartisan cabinet set itself equally independent of all political parties that were present in the parliament. Nevertheless, the newly appointed government received the vote of confidence of parties that represented all political options. As a matter of fact, PDL, PD, Future and Liberty for Italy, and the Centrist Union supported the cabinet until December 2012. In contrast, the Northern League and Italy of Values constituted the opposition.

The support to the Monti cabinet was not limited to the large coalition. The public opinion and social partners shared a feeling of 'national unity' spread by mainstream media (Zamponi, 2012). In particular, Italy's most important unions had a positive attitude towards the new government. CGIL, a leftist trade union, appreciated Monti's efforts to 'save Italy'. By the same token, CISL, a catholic-inspired union, had a positive attitude towards the new government. Besides, it is important to underline that the members of both CGIL and CISL were retired workers and public sector employees for the most part (Confederazione Generale Italiana del Lavoro, 2015; Confederazione Italiana Sindacati Lavoratori, 2011). Furthermore, Confindustria, the powerful organization representing Italian employers, had a very favorable stance on the Monti cabinet.

Needless to say, the Monti government was expected to act effectively against the debt and economic crisis. Pasquino and Valbruzzi (G. Pasquino & Valbruzzi, 2012) list the objectives of the government's policies. First, Monti's economic policies should have aimed to reduced the spread between Italian and German bonds. Perhaps not surprisingly, this was Monti's most important aim. Second, the government was expected to reform and redesign the domestic market in order to make it more competitive. Lastly, the Monti cabinet should have restored Italy's prestige in Europe since this had fallen sharply in the years of Berlusconi's cabinet. All these tasks had to be accomplished before April 2013, which was the supposed end of the legislature. In short, Monti was required to act resolutely and quickly. His cabinet then implemented severe austerity measures that were "*almost universally considered the only way to save Italy*" (Zamponi, 2012, p. 422).

## *2.2 Previous research*

The experience of the Monti cabinet is the subject of a relatively scarce number of papers. In spite of that, these studies provide useful insight that helps to build this thesis' argument. To begin with, Marangoni and Verzichelli (Marangoni & Verzichelli, 2015) examine the attitude of the large coalition that sustained Monti's cabinet during its 13 months in office, and they highlight its internal tensions. Having established that Monti's program contained measures already present in both center-right and center-left political camps, the study emphasizes the strong link between representatives' membership to a pro-European party and their support to government's bills. In other words, pro-European parties such as PD and the Centrist Union were more likely to work together with the government because they wanted to act in accordance with the measures proposed by European authorities. On the other hand, despite being formally pro-Europe, PDL adopted a more critical stance towards European commitments that corresponded with a progressive detachment from Monti's agenda.

A second element that is highlighted in Marangoni and Verzichelli's paper concerns party delegation to the technocratic government. According to their analysis, parties limited the usual bargaining model, and the policymaking process was characterized by a high degree of personalization. The Prime minister was directly involved in much of governmental legislative actions, and his legitimacy was based on his skills as an authoritative technocrat to a great extent. This granted the government a considerable autonomy and made possible to achieve some crucial policy goals without too many compromises. Although, the individual and collective behavior of the members of the parliament shows that there were profound tensions within the large coalition. In particular, European-related policies were disputed and the government often used a special procedure in order to pass its bills avoiding obstructionism.

Pasquino and Valbuzzi (G. Pasquino & Valbuzzi, 2012) also dedicated a study to parties' resistance to economic reforms. Their most relevant conclusion is that Italian parties are the weak link in Italy's political system. In fact, Pasquino and

Valbuzzi's analysis points out the tensions, conflicts and splits that have undermined both right-wing party PDL and left-wing party PD. As stated by the authors, Italian parties "*are not serving decently Italian democracy because of their nature, their cohesion, their internal organization and their visions, if any, are solely inadequate*" (G. Pasquino & Valbuzzi, 2012, p. 627). As a result, the political system is unstable, and non-partisan cabinets are frequently established. In fact, since the early 1990s the Italian solution to major economic and political crisis is the formation technocratic governments. Moreover, non-partisan governments can do what partisan governments are unable or unwilling to do. Actually, according to Pasquino and Valbuzzi's account, non-partisan governments have a "*programmatically short but quite productive life*" (G. Pasquino & Valbuzzi, 2012, p. 620). This because political parties delegate to technocrats the policymaking process since they do not want to take the blame for unpopular measures.

Even though Pasquino and Valbuzzi appear to be too much confident about technocrats' governmental capabilities, they also highlight a democratic problem that arises with the formation and the functioning of non-partisan governments. These cabinets lack accountability to voters because their components usually do not run in elections. Therefore technocrats may be accountable to history, but they are not to the electorate. However, Pasquino and Valbuzzi correctly argue that the establishment of technocratic governments, especially of the Monti cabinet, did not imply a suspension of Italian democracy and Italian politics. To be specific, parliamentary democracy continued to function "*without any interruption and constraint*" (G. Pasquino & Valbuzzi, 2012, p. 624). Parties lost the initiative to some extent, although they did not have much of it. Moreover, the majority of the Italian population had a positive perception of the Monti government, whereas Italians had little confidence in political parties. Lastly, the Monti cabinet and the other technocratic governments were established in accordance with the Constitution. Even though the Prime minister and the members of the cabinet were not chosen in the elections, the new government received the parliament's vote of confidence in order to fulfill its democratic requirements. In a nutshell, in

accordance with this thesis' argument, Pasquino and Valbuzzi's research demonstrate that political parties played a crucial role in the establishment of the Monti cabinet and that democracy was not suspended in Italy.

Culpepper (Culpepper, 2014) is perhaps more convincing as he claims that Pasquino and Valbuzzi's account of Monti's supposed efficacy is incorrect. As Culpepper explains, the technocratic cabinets of the 1990s negotiated with social partners in order to legitimize their reforms. By the same token, partisan governments achieved welfare state reforms through social pacts or compromises with political parties representing different interests. Just the opposite, Monti rejected this strategy as he justified his austerity plan by referring to economic constraints or European commitments. Moreover, he relied on political parties to obtain parliamentary confidence, but it did not build his legitimacy on them. By the same token, he did not include interest groups in the policymaking process to increase his social support. That being so, the Monti cabinet is a clear example of unmediated democracy which Culpepper defines as "*a situation in which neither political partisanship nor corporatist intermediation connects a government to the society on whose behalf it is adopting reforms*" (Culpepper, 2014, p. 1266).

Hence, Culpepper examines whether Monti's unmediated democracy was actually democratic. Similarly to Pasquino and Valbuzzi, he argues that the Monti cabinet has the same democratic legitimacy of party governments. This because Monti was always subject to the decisions of elected parties. Furthermore, the public opinion granted legitimacy to his technocratic cabinet because parties were unable to cope with the crisis. Nevertheless, and this is the most important argument of Culpepper's research, the widespread support for an effective government had some crucial limitations. Culpepper points out that "*Italian political leaders adopted austerity reforms through a system of unmediated democracy because of the underlying interest group conflict in the Italian economy*" (Culpepper, 2014, p. 1268). Thus, the establishment of the Monti cabinet overcame this contrast to a certain degree. Nevertheless, only a part of the original reform program was successfully achieved. The parliament quickly passed Monti's emergency budget in December 2011. The budget included

significant tax increases and spending cuts, and it was quickly approved without having been negotiated with social partners and parties. On the contrary, Monti's liberalizing reforms were "*substantially less successful – as measured by their ambitions – than were the budgetary changes*" (Culpepper, 2014, p. 1273). The attempts to open some domestic markets to more competition, and to liberalize the labor market provoked fierce opposition. Self-employed professionals and organized workers "*frontally assaulted*" (Culpepper, 2014, p. 1273) Monti's reforms. In addition, both PDL and PD put pressure on the government, and they eventually persuaded Monti to reduce the scope of his reforms as he knew that all laws had to pass through the parliament. In sum, as Culpepper writes, the experience of Monti's unmediated democracy indicates that the support of political parties or interest groups is pivotal in the policymaking process. Even though Pasquino and Valbuzzi understand technocratic governments as the key to prevailing over the shortcomings of democratic politics, the opposition to Monti's reforms shows that this is not the case. The attempt to challenge the privileges of social groups failed because the government did not mobilize the needed support for its policies. Technocrats had no roots in society, and their authority was not sufficient to mobilize the public in favor of the reforms. Analogously, parties did not campaign in favor of government's policies. Only the emergency budget passed because parties felt that there was no other option than to accept austerity measures.

To come to the point, Culpepper claims that "*Italy is unlikely to be reformed by a government that is not somehow anchored to society through political parties and interest groups*" (Culpepper, 2014, p. 1278). Initially, the public supported the establishment of the Monti cabinet because it felt that the debt crisis had to be immediately addressed. Although, a government can introduce durable reforms only if it is supported by a majoritarian social coalition. In any other way, the efforts to change the Italian economy will always conflict with powerful minority interests.

In drawing things to a close, three conclusions can be derived from the reading of all these papers. First, the debt and economic crisis played a major role in the

establishment of the Monti cabinet. A special set of circumstances led parties and interest groups to think that austerity was the solution to the problems that Italy was facing. Furthermore, it is very unlikely that the conservative party PDL and the progressive party PD might have supported the introduction of severe austerity measures if the economic crisis was not so acute as they were both afraid of deceiving their constituencies. Second, the technocratic government led by Monti was formed in order to overcome the impasse that resulted from parties' unwillingness to take unpopular decisions. This occurrence did not violate the principles of democracy. Actually, the Monti cabinet took office because it received PDL and PD's vote of confidence. However, and this is the third point, the non-partisan nature of the cabinet did not overcome disagreements about some economic policies reforms. Even though austerity measures were easily introduced, Monti encountered a fierce opposition when he tried to pass his liberalizing reforms. PDL, PD, and trade unions halted those measures that they believed would have damaged their constituents. Taking into consideration these elements, it becomes clear that political parties and social partners were always concerned about the interests of their core constituencies. Before November 2011 parties did not dare to implement austerity measures because the economic crisis had not reached its peak yet. By the same token, once Italy had pulled through the most critical months, parties and unions blocked Monti's reforms. One may say that Italian parties and social partners put aside their partisan interests when they perceived the danger of the economic crisis. In other words, it may seem that these organizations acted in Italy's interest in November 2011. However, as it has been explained in the introduction, this thesis argues Italian parties and social partners intended to protect the interests of two selected groups as they supported the establishment of the Monti cabinet.

### 3. THEORETICAL FRAMEWORK

#### *3.1 Power resources theory and the first hypothesis*

As it has been explained in the previous chapters, parties, and social partners that represented different interests all supported the establishment of the technocratic government led by Monti. Furthermore, they were aware that the new cabinet was going to introduce austerity policies that are commonly considered to be unpopular. One may find this conduct unexpected given the fact that Italian parties pay close attention to voters' approval. In addition, the ideological differences, and the distinct constituencies of these organizations make the Italian case study case even more contradictory. Yet, power resources theory may help to understand the conduct of the conservative party PDL, and the Italian employers' association Confindustria, which are assumed to defend employers' interests.

Power resources theory focuses on how political parties and other actors are generally expected to act with regard to economic policies. As Korpi (Korpi, 1980, 2006; Korpi, O'Connor, & Olsen, 1998) describes, this theory argues that in Western societies inequalities in the distribution of worldly goods can be witnessed in the outcome of distributive conflicts. People of different social positions cooperate in the production process. However, the conditions according to which cooperation and distribution of the products of cooperation take place are not "*naturally given*" (Korpi, 2006, p. 172). That being so, power resources theory focuses on the distributive conflict between employers and employees because this conflict reflects basic splits in employment and the labor market. To be specific, according to Korpi's account, "*because of differences in the ways that socioeconomic class is related to types of power resources controlled by citizens as well as to patterns of life-course risk among individuals differently positioned within socioeconomic structures, welfare state development is likely to reflect class related distributive conflict and partisan politics*" (Korpi, 2006, p. 168).

Power resources theory assumes that major power resources in capitalist economies are related to their class structures. Therefore, there are two main types

of power resources. As Korpi writes, “*on one hand, power resources based on the control over means of production and, on the other hand, power resources based in organizations which can coordinate the human capital’ resources of individual wage-earners into collective actions, that is primarily unions and political parties*” (Korpi, 1980, p. 298). Moreover, the most sizeable difference between power resources is that economic resources can be deprived from their owners and transferred to other actors. It goes without saying that labor cannot be relocated. This implies that economic resources are concentrated to a high degree and that employees are generally subordinated to employers who control large capitals.

Even so, the efficacy of labor resources can be enhanced through collective action. As Korpi explains, differences in the control over resources “*tend to generate interactions between class, life-course risks, and resources, so that categories with higher life-course risk tend to have lower individual resources to cope with risk*” (Korpi, 2006, p. 168). In a nutshell, workers face a higher risk than employers in spite of the fact that they have fewer resources to cope with it. This negative correlation between risk and resources push employees to ask for a more favorable distributive process. This can be achieved as a result of collective action. Consequently, political parties that are based in groups that have scarce socio-economic resources and mainly rely on labor power are expected to advocate developments in welfare state that are aimed to modify the unbalanced conditions and outcomes of the market’s distributive process.

Power resources theory thus assumes that state’s intervention in the distributive process reflects the distribution of resources in different societies. Actually, in capitalist democracies the state enters in the distributive process in many ways. Social policies have a considerable effect on equality in terms of living conditions among citizens. For instance, social policies reduce inequalities when they provide help to those individuals who have acknowledged needs. More universalistic measures that target a larger part of the population providing normal standards and income compensation also have a redistributive effect since they provide access to all citizens to health care, or they contribute to full employment.

Hence employers and the working class seek to influence social policies because of their importance in the distributive conflict. Likewise the outcome of the distributive process, social policies reflect the distribution of power resources in capitalist societies. However, public policies are not exclusively affected by power resources. As Korpi points out, “*other factors, such as business cycles and the international situation, must be assumed to affect the actions of the state as well as the distributive process*” (Korpi, 1980, p. 298). In spite of that, social policies continue to be pivotal for the outcome of the distributive process, which is defined first and foremost as “*a multi-dimensional pattern of inequalities in the distribution of welfare or levels of living including income, health, education and housing*” (Korpi, 1980, p. 298).

On this account, power resources theory expects the interests of employers and, in general, of economically well-endowed groups to be in conflict with those of employees. As Korpi claims, the micro foundations of this conflict can be found in the fact that expanded social citizenship rights have profound effects on the distributive conflict because they “*tend to constraint the efficacy of economic resources while broadening the efficacy of labor power*” (Korpi, 2006, p. 174). Therefore, those groups that control major economic resources prefer to set the distributive process within the market in order to favor their position. As Korpi writes, employers’ preference is explained by the fact that economic resources constitute a strategic asset in the market context. This because they can easily dissolve the power of labor thanks to their concentration. However, power resources theory does not assume that employers always oppose social policies that favor the working class. Rather, they are less likely to initiate policies that expand social citizenship rights. Therefore, in cases of positive-sum conflicts they may agree to these policies as the trade-off in the bargaining with employees.

Following this theoretical outline, one may associate power resources theory with the Marxian theory. Hence, it is important to underline that, despite some similarities, power resources theory is distinguished from other approaches to distribution inspired by the Marxian theory. In particular, those of the Leninist variety take for granted the fact that power resources are fundamentally

distributed in a dichotomous pattern. As a result, the capitalist class is in control of all resources while the working class has a role of minor importance in the distributive process. On the contrary, power resources theory assumes that in capitalist democracies the distribution of power resources differs between states and that it could also change over time. In other words, the distribution of power resources is not stable or dichotomous. Therefore, the distributional process, its outcome, and its pattern are a variable.

Yet, power resources theory has also been subject to critics. As a matter of fact, Mares (Mares, 2003) argues that even though significant achievements were made thanks to power resources theory, this theory does not help to understand the role played by employers in the development of modern welfare states. According to her opinion, *“an important limitation of the power resource scholarship is the strong disjunction between the theoretical claim that class conflict is crucial for the understanding of social policy development and the empirical analysis of this conflict”* (Mares, 2003, p. 4). Hence, while power resources studies have often proven empirical evidence of the fact that labor-based parties have supported the expansion of welfare state, employers’ opposition is *“often assumed, rather than documented”* (Mares, 2003, p. 5). In spite of that, the first hypothesis of this thesis assumes that power resources theory is correct when it claims that employers promote policies that decrease workers’ power. In fact, I hypothesize that PDL and Confindustria supported the establishment of the Monti cabinet because this would have benefitted employers in the distributional conflict with employees. This because one can reasonably expect that both PDL, a conservative party that is largely voted for by entrepreneurs, and the Italian employers’ association would defend the interests of employers. Moreover, Monti’s austerity policies and liberalizations would have reduced citizenship rights. For instance, a liberalized labor market would have brought considerable advantages to employers and diminished employees’ power. Then, given the fact that both PDL and Confindustria supported the establishment of the Monti cabinet, it seems plausible that power resources theory explains the reason that influenced the conduct of these two organizations.

### *3.2 The process of dualization, the insiders-outsiders model, and the second hypothesis*

Even though power resources theory may describe PDL and Confindustria's conduct during the acutest stage of the crisis, it seems that it does not account for the reasons that lie behind left-wing party PD, and unions CGIL and CISL's support to the newly established technocratic government. The idea that in November 2011 they accepted a technocratic government whose program put together austerity measures and liberalizations because this would have favored the working class is puzzling. In particular, the newly appointed Prime minister indicated his will to liberalize the labor market. This conflicts with what power resources theory says because a liberalizing reform that loosens state regulation would reduce workers' strength in the distributive conflict with employers. Furthermore, cuts to the welfare state would have had a negative effect on wage earners who had fewer resources to deal with life-related risks.

That being the case, the insiders-outsiders model, which argues that social-democratic parties and unions prefer to defend the interests of protected workers, seems more suited than the power resources theory to account for PD, CGIL and CISL's conduct. One may argue that the use of two distinct theories interferes with a comparison of the actions taken by the parties and organizations that are examined in this thesis. This would be unquestionably true if theories were against each other. However, insiders-outsiders model does not entirely contrast with power resources theory. Rather, insiders-outsiders model can be understood as a progress from the power resources theory. In fact it assumes that power resources theory correctly determined employers' opposition to welfare state's developments, but it also elaborates a brilliant analysis of social-democratic parties and unions' strategic choices which "*is essential to understanding politics in the industrialized democracies since the 1970s*" (Emmenegger, 2012, p. 278). In other words, the insiders-outsiders model updates power resources theory in relation to the political developments of the past forty years. As it has been written above, political economists generally agree on the idea that social

democratic parties and trade unions are the defenders of labor. Yet, this notion can be challenged if labor is divided between those who have a secure employment (insiders) and those without (outsiders). In essence, the starting point of the insiders-outsiders model is the disaggregation of labor.

The concept of dualization helps to understand why the insiders-outsiders model is relevant to a study of the establishment of the Monti cabinet. As Emmenegger, Häusermann, Palier and Seeleib-Kaiser (Emmenegger, 2012) explain, the portion of the workforce that is made of outsiders has noticeably increased in advanced capitalist countries since the mid-1970s. Two developments in the labor market are especially related to growing inequality. First, long-term unemployment has steadily increased across the OECD countries. Second, wage inequality has risen in most of Western European countries, Japan, and South Korea. These two developments are closely linked to two other policy changes. First of all, the deregulation and flexibilization of employment has increased the number of atypical employment contracts. In addition, social policies changes have contributed to the increase in inequalities and poverty as the welfare state has been profoundly reformed in many countries, and it has lost some of its redistributive power. Structural changes as, for instance, deindustrialization, the feminization of labor and globalization are usually regarded as the causes of these reforms. Nevertheless, all these developments do not immediately translate in policy changes because, as Emmenegger, Häusermann, Palier and Seeleib-Kaiser write, *“past policies, institutions, and politics are mediating factors in translating structural pressure into policy changes”* (Emmenegger, 2012, p. 10). Therefore, the source for the growing number of outsiders in developed industrial countries is identified in the ongoing process of dualization. This process *“implies that policies increasingly differentiate rights, entitlements, and services provided to different categories of recipients... [as a result] the position of insiders may remain more or less constant, while only the position of outsiders deteriorates”* (Emmenegger, 2012, p. 10). The process of dualization may also create new outsiders who were previously treated as insiders. In a nutshell, the process of dualization is

distinguished by a different treatment between insiders and outsiders. Besides, the policy output of dualization is the creation or the deepening of institutional dualism, and its policy outcome is in all probability a greater social divide. Still, it is important to underline that the notion of dualization is located at the output level. Dualization focuses on political change and the politics of change. The political change thus creates or widens institutional dualism although it does not automatically generate inequalities. Appropriately, Emmenegger, Häusermann, Palier and Seeleib-Kaiser write that “*whether political change leads to new inequalities... is an empirical question, which has to be addressed separately*” (Emmenegger, 2012, p. 12).

Dualization is thus first and foremost the outcome of political intervention that creates institutional dualism, and the insiders-outsiders model makes clear how social democratic parties and trade unions favor this process. As Rueda (Rueda, 2005, 2006, 2007, 2014) highlights, political parties have electoral objectives, ideologies, and traditional groups of voters that all create expectations about parties. Nonetheless, “*history and ideology... are not enough*” (Rueda, 2005, p. 62) because politics also involve issues around which the interests of insiders and outsiders usually diverge. As it has been briefly described, the insiders-outsiders model does not identify labor as a homogeneous political actor. Rather, as Rueda explains, the model divides workers between insiders, who are defined as “*workers with highly protected jobs... [that make them] not to feel greatly threatened by high levels of unemployment*”, and outsiders who are “*either unemployed or hold jobs characterized by low salaries and low levels of protection, employment rights, benefits, and social security privileges*” (Rueda, 2005, p. 62). The interests of these two categories do not converge because insiders are interested in their job security instead of outsiders’ unemployment or job precariousness. On the other hand, outsiders are concerned with unemployment and job precariousness rather than insiders’ employment protection. Having said that, the interests of insiders and outsiders do not always clash as there may be some policy area in which the goals of both groups coincide. Nevertheless, Rueda argues that social democratic parties have

incentives to prefer the interests of insiders to those of outsiders because insiders represent their core constituency. On the contrary, outsiders tends to be “*less politically active and electorally relevant*” (Rueda, 2005, p. 62). Consequently, social democratic parties side with their core constituency when its interests are opposed to those of outsiders.

In a similar way, trade unions face the conflict between insiders’ and outsiders’ interests. Following Rueda’s account, unions are encouraged to defend insiders’ interest even more than social democratic parties. In fact, unions do not have the electoral need to attract a larger base of voters. On the contrary, they depend exclusively on their card-carrying members. In addition, insiders are usually more unionized, and they are more influential than outsiders. As a result, unions have strong incentives to defend insiders’ interests. However, Emmenegger, Häusermann, Palier and Seeleib-Kaiser (Emmenegger, 2012) argue that unions’ conduct is a little more ambiguous. They highlight that unions’ position towards dualization should be understood as a result of the overall context of deindustrialization that mature welfare states are experiencing. This because “*the expansion of private service sector employment as well as atypical employment has had an overall negative effect on union density, as it has contributed to the erosion of the traditional base of unions in the manufacturing sector, putting unions in a largely defensive position*” (Emmenegger, 2012, p. 310). As a consequence, trade unions have usually agreed to those policies that worsened outsiders’ situation while maintained unaltered protections for insiders. In a nutshell, trade unions contribute to the process of dualization in order to protect insiders’ positions because they have limited options. Nonetheless, trade unions do not always facilitate the dualization process. In particular, encompassing labor unions may overcome the conflict between insiders and outsiders’ interests because insiders’ short-term goals may not match with the long-term strategy of the organization. By contrast, a more narrow union is likely to protect exclusively the interests of its members.

Taking everything into consideration, the insiders-outsiders model appears to be more beneficial than power resources theory to understand why progressive

party PD, and unions CGIL and CISL supported the establishment of the Monti cabinet. The model argues that lead social democratic parties and trade unions to favor a process of dualization in order to protect their core constituencies' interests. Dualization is a common phenomenon in developed countries, and it is usually associated with the deregulation of the labor market and the scaling down of the welfare state. Actually, Monti's austerity plan included these two policies. Furthermore, PD, CGIL and CISL's core constituencies were composed of insiders. Therefore, it is reasonable to think that the insiders-outsiders model may describe the behavior of those organizations that are reputed to defend workers' interests. For this reason my second hypothesis is that PD, CGIL, and CISL supported the establishment of the Monti cabinet because this would have benefitted workers that are not affected by unemployment or by the lack of employment protection as they represent organizations' core constituencies.

## 4. METHODOLOGY

### *4.1 The analysis of texts as social practices*

The objective of this research is to understand why the five aforementioned organizations backed the establishment of the Monti cabinet. For this reason, this thesis employs a text analysis inspired by Fairclough's critical discourse analysis (Chouliaraki & Fairclough, 1999; Fairclough, 2001; Wagenaar, 2011; Winther Jørgensen & Phillips, 2002). To be specific, I analyze as social practices the speeches made by the leaders of the five aforementioned organizations: Maurizio Gasparri (the leader of PDL group in the Senate), Emma Marcegaglia (president of Confindustria), Pierluigi Bersani (secretary of PD), Susanna Camusso (general secretary of the CGIL), and Raffaele Bonanni (general secretary of the CISL). Their discourses were selected in accordance with the research question therefore they were produced in the days that came before or followed the establishment of the Monti cabinet, and they all state organizations' support to the technocratic government.

Besides, Fairclough's concept of critical discourse analysis justifies the decision on the method used for this thesis. As Wagenaar (Wagenaar, 2011) highlights, similar to Foucault, critical discourse analysis thinks of discourses as power claims in language and social practices that depict the world in a neutral way. In addition, Fairclough develops a sophisticated theory on the articulation between texts and social practices. In fact, any discursive event can be seen as a piece of text and as an instance of social practice at the same time. This means that texts and social reality are not independent. Rather, there is a dialectical relationship between texts, discourses, and social realities. In other words, a given piece of text would be meaningless if it is not associated with a discourse, a term which refers to the whole process of social interaction because, as Chouliaraki and Fairclough claim, language is one of the "*habitualised ways, tied to particular time and places, in which people apply resources... to act together in the world*" (Chouliaraki & Fairclough, 1999, p. 21).

Receivers make use of resources that are thus expressive of the social order, and they reflect power differentials. By the same token, texts indicate the established social order and power differentials. Being grounded on neo-Marxian theory, critical discourse analysis thinks of production relations and social class as the most important factors that determine power differentials, disagreements, and struggles. However, as Wagenaar points out, in his latter works Fairclough appears to be “*more sensitive to diversity in ideology and to the modern, globalized, media-driven, and governance-mediated nature of modern capitalism*” (Wagenaar, 2011, p. 158). Hence, Fairclough’s critical discourse analysis is useful when applied to the text produced by the supporters of a given policy because it reveals the partisanship that lie behind the text itself. In other words, critical discourse analysis also shows whose interests are favored in a given text. On this account, in this thesis I analyze texts as social practices, and I research the link between texts and social practices. To be specific, I examine under which economic and political conditions the speeches were produced in order to highlight whose interest they defend. However, Winther Jørgensen and Phillips (Winther Jørgensen & Phillips, 2002) explain that critical discourse analysis, as Fairclough defines it, is not enough for this task. Rather, critical discourse analysis always involves a trans-disciplinary integration of other theories. It is then necessary to draw on power resources theory and the insiders-outsiders model in order to account for the non-discursive aspects of the texts, and fully understand the social practice in question. In short, critical discourse theory, power resources theory, and insiders outsiders model integrate the theoretical and analytical framework that have been adapted to the aim of the research.

### *5.2 The analysis of texts as discursive practices*

A second characteristic of the text analysis that is based on Fairclough’s critical discourse analysis is the study of a text as a discursive practice. As Winther Jørgensen and Phillips (Winther Jørgensen & Phillips, 2002) describe, the analysis of the discursive practice concentrates on how the text is produced

and consumed. Hence, it is important to stress that the analysis of a text as a discursive practice does not contrast its analysis as a social practice. On the contrary, a text should be also examined as a discursive practice in order to be fully understood as a social practice. That being the case, I mainly concentrate on the understanding of discourses' interdiscursivity and intertextuality. These two concepts are often used in the analysis of the discursive practice, and they help the study of texts from a linguistic starting point as they highlight what discourses texts draw on, and how texts intertextually draw on other texts. To be more specific, intertextuality is defined as "*the presence in [a given] discourse of the specific words of the other mixed with [discourse's] words*" (Chouliaraki & Fairclough, 1999, p. 49). As specified by Winther Jørgensen and Phillips (Winther Jørgensen & Phillips, 2002), this means that the concept of intertextuality refers to the condition in which a discourse relates to prior discursive events. Then, several texts can be associated in an intertextual chain. In this latter case, a text contains sections of one or more other texts. On this account, intertextuality contributes to the text analysis as it allows to take into consideration other texts than those examined. This is an extremely fruitful characteristic since the analyzed discourses occasionally relate to other discursive events. For instance, the Monti's programmatic speech contains the same sentences used by Berlusconi in a letter he addressed to European authorities.

Interdiscursivity is a particular form of intertextuality. According to Chourialaki and Fairclough, interdiscursivity is "*the combination in discourse of different genres [a type of language that is used in a particular social practice] or different discourses*" (Chouliaraki & Fairclough, 1999, p. 49). Discourses can thus be combined in a conventional way. As a result, discursive practices support the dominant social order. Hence, the notion of interdiscursivity helps to spotlight the fact the text I analyze contain elements of other discourses. In other words, thanks to interdiscursivity references to other discourses can be detected in the speeches that justified the support to the Monti cabinet. To give an example, the president of Confindustria referred to a document published few months earlier by five trade associations including Confindustria itself. Therefore, it is essential to

examine this additional discourse in order to understand Confindustria's support to Monti. Perhaps most important, all the five leaders mentioned Monti's program that was explained by Monti himself during his programmatic speech at the Senate. Hence, it is required to take into account Monti's discourse to answer the research question.

### *5.3 Limitations*

This thesis has three important limitations. First of all, the choice of the establishment of the Monti cabinet as case study implies a key limitation because the results of this thesis do not have relevance to other southern European countries. Even though the thesis itself is motivated by a common phenomenon, the findings apply exclusively to the Italian case study. However, the same theoretical and analytical framework may still be used in further researches on the austerity policies that were put into action after the 2008 financial crisis.

Secondly, the analysis of the five aforementioned organizations limits the scope of the thesis. For instance, the thesis does not consider groups that opposed austerity measures. In particular, the relatively small right-wing party Northern League and the anti-austerity movement are not scrutinized. Despite the fact that they were isolated in the Italian public sphere (Zamponi, 2012), it may be useful to include actors that were in opposition to the Monti cabinet in future researches.

Thirdly, a potential limitation of this study concerns the number of discourses being analyzed. Actually, only five speeches are taken into consideration: one for each of the five organizations taken into account. This low number of discourses is not the best possible since the research may overlook other justifications for the organizations' conduct. However, this thesis counteracts this limitation analyzing the most significant speeches given by the leaders of the five organizations. The discourses were produced on official occasions in which the leaders were asked to give grounds for their organizations' conduct. Therefore, it seems plausible that they presented all the reasons that pushed them to endorse the establishment of the Monti cabinet.

## 5. ANALYSIS AND DISCUSSION

### *5.1 The discourse of Maurizio Gasparri, leader of PDL group in the Senate*

The first text I analyze is the transcription of the speech (*Resoconto stenografico*, 2011a) Maurizio Gasparri gave on November 17<sup>th</sup>, 2011. Gasparri was the leader of PDL group in the Senate, and during his speech he revealed his party's intention to grant the Monti cabinet a vote of confidence.

Being a leader of the conservative party PDL, Gasparri devoted a substantial part of his discourse to praise the conduct of Berlusconi and of his government. For example, in the opening he said:

*“I want to thank the former Prime minister, Honorable Silvio Berlusconi, for the sense of responsibility and the obligation towards the nation he has shown... We thank the Berlusconi cabinet for what it has done, and for the results it achieved on many issues [My translation]”* (Gasparri, *Resoconto stenografico*, 2011a, p. 98).

In addition, Gasparri referred to the idea spread in the public opinion that the Italian political system and the Berlusconi government were responsible for the financial crisis. Obviously he disagreed with this idea as he claimed that the crisis originated abroad as a result of imprudent speculations. The crisis eventually overwhelmed Italy. Actually he argued:

*“The economic and financial crisis comes from abroad, and we would like to call attention on how, in 2008, we dealt with the crisis that was originated in the United States... Dear president Monti... many mistakes were made by finance! Today politicians are found with faults. They might have committed mistakes, but we think that many people in banks and financial institutions should feel self-critical, and they should relate to parties and the parliament in order to resolve problems [My translation]”* (Gasparri, *Resoconto stenografico*, 2011a, p. 99).

In short, Gasparri aimed to diminish the responsibilities of PDL and the Berlusconi cabinet in respect of the crisis.

Besides, Gasparri explained why his party voted the technocratic government. As might be expected, he emphasizes his group's responsibility to cooperate with other parties in the interest of the nation. In particular, in the conclusion he said:

*“We are not changing path because our moral imperative has always been to love our nation, even before we were elected to this free and democratic parliament... We responsibly choose to support the efforts of the government you [president Monti] are presenting to the parliament in order to end an economic and financial emergency that was not originated in Italy and was not caused by Italy, although Italy is suffering its consequences because of its huge national debt [My translation]”* (Gasparri, *Resoconto stenografico*, 2011a, p. 101).

According to Gasparri's claim, PDL was not responsible for Italy's national debt. Moreover, there were additional reasons that justify PDL's support to the Monti cabinet, apart for the party's moral obligation towards Italy. A number of measures included in Monti's programmatic speech (*Resoconto stenografico*, 2011a) corresponded to PDL's plan to tackle the crisis. Actually, Gasparri was speaking directly to Monti when he specified why PDL had supported the institution of the technocratic cabinet:

*“President Monti, we will vote you because we have a responsibility towards our nation. We will also vote you because of the objectives stated by the Berlusconi cabinet in the letter it sent to the European Union this October. Those objectives represent the goals we want to achieve during this last period of the legislature [My translation]”* (Gasparri, *Resoconto stenografico*, 2011a, p. 100).

The letter (Bufacchi & Pelosi, 2011) Gasparri mentioned was addressed by Berlusconi to the President of the European Commission José Manuel Barroso and the President of the European Council Herman Van Rompuy in order to reassure European authorities that the Italian government was determined to deal

with the economic crisis. Perhaps most important, the letter included Berlusconi's proposed economic reforms that were aimed to address the debt crisis. The most significant measures were the rise in retirement age, the loosening of restrictions on dismissals, and the sale of publicly owned real estates. As Gasparri stated, this letter contains PDL's plan to tackle the crisis, and it coincides with Monti's program. In particular, Gasparri emphasized three measures that Monti's program has in common with Berlusconi's letter. The reform of the pension system was the first reason Gasparri indicated to explain PDL's support to Monti. Actually, he said:

*“There is a need to deal bravely and effectively with many subjects. I am speaking about the pension system. Many measures have already been passed, and many measures can still be passed keeping in mind the rights of young generations, and respecting the Italian society [My translation]”* (Gasparri, *Resoconto stenografico*, 2011a, p. 100).

Hence, Gasparri encouraged ambitious changes although he did not specify the essential features of the changes he suggested. Luckily Berlusconi's letter to European authorities provides more details about PDL's position on the pension system. As Berlusconi wrote, his cabinet took steps to increase the retirement age to 67 years for men and women by 2026. Thanks to this measure *“the Italian pension system has become one of the most sustainable in Europe, and it can now hold up in case of negative shocks [My translation]”* (Bufacchi & Pelosi, 2011). In a word, PDL wanted to maintain the increased retirement age. The correspondence between Berlusconi's letter and Monti's speech on this subject is thus impressive. Praising earlier reforms, Monti used Berlusconi's same words as he claimed that *“the Italian pension system has become one of the most sustainable in Europe, and it can now hold up in case of negative shocks [My translation]”* (Monti, *Resoconto stenografico*, 2011a, p. 11). Monti also added that disparities between different generations and different categories of workers should be addressed. In addition, unjustified privileges had to be removed. In essence, Monti argued that the increase of retirement age was a good measure and

that Berlusconi's reform should not be changed. Hence, a shared position on the pension system is the first explanation for PDL's vote of confidence.

A further issue on which PDL agreed with Monti was the reform of the labor market. Actually, Gasparri stated that there was a need for liberalizations in order to increase employment. Giving an account of the audacious reforms Italy needed, Gasparri said:

*"I'm thinking about the labor market. The Article 8 of the law we passed was a significant step ahead. We appreciated what you said today, president Monti: we do not want to make easier to fire, rather we want to make easier to hire. This is our goal, and this is consistent with the laws we passed so far! [My translation]"* (Gasparri, *Resoconto stenografico*, 2011a, p. 100).

The article Gasparri referred to was one of the measures passed by the Berlusconi cabinet in line with the letter he addressed to European authorities. In fact, the letter reported that the Italian government was going to take actions in order to promote youth and female employment, and to loosen restrictions on dismissals. This latter measure was contained in the Article 8 of the emergency budget law that was passed in September 2011 despite the opposition of PD and CGIL. To be specific, the reform introduced the possibility of disregarding a number of rules on redundancies for territorial level bargaining. In a nutshell, the law encouraged territorial level bargaining, and it reduced protections for workers. Then, Monti's point of view was in agreement with Berlusconi's conduct. His plan was to reform the Italian labor market encouraging territorial level bargaining and to adjust labor market segmentation. In particular, Monti argued:

*"We aim to reshape a dual market someone is too much protected while someone else is not... Anyhow, new rules will apply for new employment contracts in order to institute a universal rule, whereas established employment contracts will not be changed. We will also continue to encourage collective bargaining at the local level as European authorities*

*ask us [My translation]*” (Monti, *Resoconto stenografico*, 2011a, pp. 12-13).

Despite the fact that Monti’s position on the labor market was somewhat unclear, PDL voted Monti because he intended to liberalize the labor market.

Lastly, Gasparri made the point that further liberalizations of domestic markets could be advantageous to the Italian economy. However, he also gave a detailed account of the shortcomings of these economic measures as he called attention to the adverse effects on self-employed professionals. Moreover, Gasparri argued that Italian entrepreneurs might have suffered the competition of foreign producers in an unregulated free market economy. In point of fact, he said:

*“President Monti, you are well known for advocating competition. We will support your efforts on this subject. We also want to remember you that we should show consideration for regulated professions, whose value and competence represent important resources of our nation. Speaking of competition and free market, we want to point out that rules should be equally applied to all actors. The European and the Italian markets are under attack of countries such as China that do not have rules, and they do not have democracy either. We say yes to competition, on condition that rules apply to everyone. That being so, a market is truly free, and everyone can compete on an equitable basis [My translation]”* (Gasparri, *Resoconto stenografico*, 2011a, p. 100).

Not surprisingly, Gasparri held a cautious position on liberalizations of domestic markets. The letter that Berlusconi sent to European authorities contained little information about liberalizations. His cabinet was going to liberalize public utility markets, the insurance market, and other minor markets. Other measures were only vaguely mentioned. On the contrary, Monti presented an ambitious plan. Monti gave special importance to the liberalization of regulated professions. Moreover, he intended to minimize rules preventing competition, in particular as what concerns public utility markets. His discourse reads:

*“We need to remove structural obstacles that prevent economic growth challenging resistances and corporations’ hostility. We need a structured plan that encourages competition, and I am specifically speaking about regulated professions, for instance by enforcing the law that regulates minimum fees. We plan to strengthen Italian Competition Authority’s power in order to remove state and local laws that distort competition. We need to increase the quality of public services, and our goal is to reduce the lack of competition at the local level... and we need to remove obstacles to businesses’ growth [My translation]” (Monti, Resoconto stenografico, 2011a, pp. 14-15).*

Taking everything into account, there is little doubt that PDL shared Monti’s program as what concerns the liberalization of public utility markets. On the other hand, party’s position on regulated professions was divergent. Lastly, it should be noticed that Gasparri’s claim that Italian industry could have suffered from foreign producers was of a purely symbolic nature because it was not based on any point of Monti’s agenda.

To sum up, Gasparri explained why PDL gave a vote of confidence to the Monti cabinet. If one sets aside PDL’s alleged sense of responsibility towards the nation, the correspondence between programs was pivotal since it determined party’s conduct. Monti’s program on the pension system, the liberalization of the labor market, and the liberalizations of domestic markets mostly corresponded to PDL’s position on the measures needed to tackle the debt and economic crisis. Despite the fact that there were some disagreements, especially on the liberalization of regulated professions, the agreement on these subjects prompted PDL’s support to the institution of the Monti cabinet.

#### *4.2 The speech of Emma Marcegaglia, president of Confindustria*

In order to understand why the Italian employers’ association Confindustria supported the establishment of the Monti cabinet it is extremely useful to examine

the statement ("Marcegaglia: l'agenda di Monti è la nostra. I partiti abbassino i toni. Meno tasse su lavoro e imprese," 2011) Emma Marcegaglia gave on November 14<sup>th</sup>, 2011 while attending a local meeting of Confindustria. Marcegaglia was the president of Confindustria, and she expressed her organization's endorsement to the new government. On the report of the newspaper Il Sole 24 Ore she claimed:

*"It is important that this government takes office quickly, and it should start the reforms that are necessary in order to boost economic growth... [at the same time] we need to cooperate with earnest intent, and political parties and social partners should act responsibly for the sake of our nation [My translation]"* ("Marcegaglia: l'agenda di Monti è la nostra. I partiti abbassino i toni. Meno tasse su lavoro e imprese," 2011).

In essence, Marcegaglia declared that the organization she was in charge of approved the establishment of the Monti cabinet. Moreover, Confindustria looked for parties and social partners to work together with the new government rather than sabotage its efforts to cope with the crisis. Hence, Confindustria shared the feeling of national unity spread by mainstream media. In addition, Marcegaglia stated her opinion about the needed economic policy. For instance, she claimed that the government had to control Italy's public debt. However, the most important objective was to encourage economic growth. Monti's programmatic speech (*Resoconto stenografico*, 2011a) shared the same objective therefore it received Confindustria's approbation. In particular, Marcegaglia comment on Monti's agenda reads:

*"It is our program. These are exactly our five points: retirement pensions, a tax cut for businesses and workers, the taxation on large-scale personal wealth, reduction in the cost of maintaining elected bodies, and liberalizations of domestic markets. Mario Monti said that he wants to work a lot on this latter issue. As far as we can judge these are the points we have in common, and we think that these points are crucial to start*

*growing [My translation]*” (“Marcegaglia: l'agenda di Monti è la nostra. I partiti abbassino i toni. Meno tasse su lavoro e imprese,” 2011).

Marcegaglia thus referred to five points outlined in a document (Associazione Bancaria Italiana, Associazione Nazionale fra le Imprese Assicuratrici, Alleanza delle Cooperative Italiane, Confindustria, & Rete Imprese Italia, 2011) released by five trade associations including Confindustria. This document was published in September 2011, and it contained several policy proposals. In the beginning, Marcegaglia argued that Confindustria’s proposal for the pension system coincided with Monti’s plan. In fact, trade associations’ document stated:

*“A key issue that should be addressed is the cost of the pension system. The measures that have been passed up to this time have stabilized the long-term cost of public pensions... [nevertheless] there is a need to quickly terminate social pensions, to speed up the increase of the retirement age, to make equal the retirement age for men and women in the private sector [My translation]”* (Associazione Bancaria Italiana et al., 2011, p. 4).

Taking into consideration Monti’s position on the pension system that has been previously described, it is clear that his proposals were close to Confindustria’s ones. Confindustria’s suggested measures might have been more incisive, although Monti met the expectations of the employers’ association and he achieved its endorsement.

The second point of Monti’s program that Marcegaglia mentioned was tax cuts for employers and workers, and the taxation of large-scale personal wealth. On these subjects, the document published by the five trade associations reads

*“A tax reform that is aimed to increase economic growth should include significant tax cuts for families and businesses. It is crucial to encourage Italian businesses’ competitiveness, in particular by reducing the difference between labor burden and wage... At the same time, a tax reform... can include a reasonable property tax for natural persons, and*

*there should be a threshold level for exemption from the tax [My translation]*” (Associazione Bancaria Italiana et al., 2011, p. 6).

Monti put forwards similar measures during his programmatic speech at the Senate. He argued that government’s policies were aimed to improve public finances, reduce public debt, and strengthen economic growth. In particular, Monti anticipated a tax reform that would have maintained State’s revenues. According to his account, an increase of the value added tax and the property tax would compensate for tax cuts on labor and businesses. Therefore, taxes were a second subject on which Monti and Confindustria shared the same position.

Marcegaglia also alluded to the reduction in the costs of maintaining elected bodies. Confindustria pushed for measures that would reduce the cost of the institutional system, and for a rationalization of the public administration. These propositions were extremely popular because of politicians’ discredit upon the public. Monti thus promised to act accordingly. Moreover, he intended to introduce symbolic measures to moralize the political system. In fact, Monti solemnly declared: *“those who represent institutions at any political or administrative level will have to behave strictly, and they will have to remember nation’s effort to reduce the expenses [My translation]”* (Monti, *Resoconto stenografico*, 2011a, p. 10). In a word, Confindustria appreciated Monti’s commitment to reduce the cost of the Italian political system.

Lastly, Marcegaglia spoke about the liberalization of domestic markets. Actually, Confindustria gave prominence to this issue. Trade associations claimed that liberalizations were essential in order to encourage growth. Their document reads:

*“In order to increase economic growth it is essential to remove restrictions and to resolutely liberalize businesses. In order to liberalize those markets in which the state plays a central role, new authorities should be created for those sectors that are not controlled, and existing authorities should be given more power. As a result, these authorities will assure impartiality, equal treatment, and transparent rules... Barriers to*

*new competitors and obstacles to businesses should always be removed... There is a need to immediately liberalize regulated professions etc. [My translation]” (Associazione Bancaria Italiana et al., 2011, pp. 10-11).*

In essence, Confindustria pushed for audacious liberalizations. Its position was almost identical to Monti’s purposeful plan that has been described in the previous section therefore Confindustria endorsed Monti.

To sum up, four elements of Monti’s program determined Confindustria’s position on the technocratic government. Monti’s plan on the pension system, taxes, the reduction of costs for the political system, and liberalizations of domestic markets were consistent with Confindustria’s economic proposals. As a result, the Italian employers’ association endorsed the institution of the Monti cabinet.

#### *4.3 Why did PDL and Confindustria support the establishment of the Monti cabinet?*

Why did the right-wing party PDL and the Italian employers’ federation Confindustria support the establishment of the Monti cabinet? In a few words, PDL and Confindustria endorsed Monti because his plan to save Italy included several measures that were in the interests of employers. At first I hypothesized that PDL and Confindustria supported Monti because employers would have benefitted from his policies in the distributional conflict with. In particular, austerity policies and liberalizations would have favored employers in the distributional conflict with employees. This hypothesis was grounded on power resources theory, and the text analysis has proved that the hypothesis is partly true. In fact, power resources theory does not entirely explain PDL and Confindustria’s conduct. This because not all of the measures PDL and Confindustria welcomed would have changed the distributional process to the advantage of employers.

On one hand, Monti's program on the pension system, the labor market, and taxes can be understood thanks to power resources theory. Firstly, Monti's position on pensions implies a modification of the welfare state unfavorable to employees. To be specific, employees would have been subjected of the increase of the retirement age. Given the importance of this measure, it is unquestionable that workers would have carried the weight of austerity to a larger extent than employers. Secondly, Monti's envisaged liberalization of the labor market would have increased employers' power in relation to employees. As Korpi (Korpi, 2006) explains, employers can easily overcome workers in the market because economic resources are superior to labor. In essence, Monti's aspiration was to reduce workers' protection in order to regulate labor market segmentation. Moreover, he planned to move collective bargaining to the local level. As a result, these policies would have reduced employees' power that results from welfare states' protection and collective action, and they would have favored employers. However, Marcegaglia did not mention Monti's proposal for the labor market as a valid reason for Confindustria's support to his cabinet. Actually, Confindustria did not advocate a liberalization of the Italian labor market since such measure was not included in trade associations' document. On the contrary, PDL believed that this reform was essential. It is probable that party's position was due to its past efforts to loosen restrictions on dismissals whereas Confindustria avoided a controversial issue in order to promote the feeling of national unity, and to secure unions' support to Monti. Lastly, tax cuts would have brought advantage to both employers and employees. Confindustria supported the reform of the taxation system because its constituents would have directly benefited from it. Furthermore, they would have profited from a growth in demand. Besides, tax cuts might receive unions' approval. This proves that, as Korpi (Korpi, 2006) highlights, employers support measures that favor employees when they have limited options, and their support serves employers' overall objectives. Just the reverse, PDL did not back tax cuts. This because Monti intended to compensate for cuts with higher taxes on large-scale personal wealth, and PDL was unwilling to support such measure. Historically, Berlusconi opposed the introduction of new

taxes. Moreover, the Berlusconi cabinet rejected a proposed tax increase on luxury in summer 2011 even though this measure was required in order to cope with the debt crisis. Still, these differences between Confindustria and PDL do not challenge power resources theory. Therefore, it is true that Confindustria and PDL supported the establishment of the Monti cabinet because some of its proposed policies would have strengthened employers' position in the distributive conflict with employees.

At the same time, power resources theory cannot be applied to a part of Monti's program. In fact, the reduction in the costs of maintaining elected bodies, the rationalization of the public administration, and liberalizations of domestic markets did not influence the distributional conflict. It should be noticed that PDL coldly supported these measures. For instance, the party had a cautious position on liberalizations. According to a survey published after the 2008 general elections (Buzzanca, 2008), self-employed professionals largely voted PDL. Consequently, party's point of view was extremely careful while Confindustria saw these measures as an opportunity for employers to do business. In the same way, Confindustria believed the reduction in the costs of the political system would have favored the Italian economy. To come to the point, even if power resources theory cannot be applied to all these reforms, they still favored Italian employers. For this reason, it can be argued that PDL and Confindustria supported the establishment of the Monti cabinet because this would have benefitted employers and that the majority of the economic policies they welcomed would have favored employers in the distributional conflict with employees.

#### *4.4 The discourse of Pierluigi Bersani, secretary of PD*

Up to this point, the analysis explained the conduct of the right-wing party PDL and the Italian employers' association Confindustria. This second part thus describes the actions of the groups that are usually supposed to defend workers' interest. To begin with, I analyze the speech (*Resoconto stenografico*, 2011b) Pierluigi Bersani gave on November 18<sup>th</sup>, 2011. Bersani was a member of the

Chamber of Deputies and, perhaps most important, the secretary of the progressive party PD. His speech contains Bersani's justification for PD's vote of confidence.

In the introduction, Bersani expressed PD's support to Monti and his cabinet. As maintained by Bersani, the Berlusconi's cabinet could not deal with the crisis. In contrast, the technocratic government was in a position to Italy's economic emergency. Actually, he said:

*"I wish good job to the Prime minister, and to the ministers. We appreciated Prime minister's speech, and we agree with it to a great extent. We really appreciated its style. We will give the government a vote of confidence, and there will be no ambiguity. There will not be complications. There will not be exceptions. There will not be temporal limits. We worked for this change to happen. We worked for a new government. We worked in a fair way. We were united. We were uninterested. "Italy fist" is our motto. We did it taking into account the advice of the Head of State. As Italians, we want to thank him one more time [My translation]"* (Bersani, *Resoconto stenografico*, 2011b, p. 51).

Despite Bersani's enthusiasm about the new government, some points of Monti's programmatic speech (*Resoconto stenografico*, 2011a) were not in accordance with the party's ideology. Bersani was aware of this difference. Yet, he assured PD's parliamentary support to Monti. In fact, the Monti cabinet was the only viable solution to the crisis. In fact, his discourse reads:

*"Secondly, we will not force you to achieve our objectives, and we are not expecting you to do all the things we would do. We will loyally support you, but we will keep our ideas [My translation]"* (Bersani, *Resoconto stenografico*, 2011b).

Then Bersani described PD's ideas about the moralization of the political system, Italy's foreign policy within the European and Mediterranean contexts, and the rights of second-generation immigrants. Bersani also briefly mentioned the need to protect workers. Yet, he dedicated few words to labor, and he did not relate his

party's position to Monti's proposed reforms. Before the establishment of the Monti cabinet, the progressive party PD was against any liberalization of the labor market, and it claimed that the fiscal consolidation process should not include a reform of the pension system. Furthermore, Bersani was very critical of economic austerity. In particular, he disagreed with the introduction of a balanced budget amendment to the Italian Constitution. However, he did not allude to Monti's conflicting position on these subjects. To cut a long story short, most of Bersani's arguments about PD's ideology on labor had a purely symbolic nature since he avoided all disagreements between his party's ideology and Monti's economic agenda.

In spite of that, Bersani touched upon one measure contained in Monti's program. In fact, both the secretary of PD and the Prime minister aimed to fight tax evasion. Bersani emphasized his party's position on this issue:

*"In particular, we think that the egotism in our society, the deplorable tax evasion... are against economic growth, and against our nation. Mr. President, we had enough with egotism in our society! ...There is a need for a collective effort, and those who have more should give more. Those who were untouched should be concerned more... You showed that you are determined. We really like your determination. You are determined to follow your program on the pension system. I am sure you will be determined when you will deal with large-scale real wealth [My translation]"* (Bersani, *Resoconto stenografico*, 2011b, pp. 52-53)

Monti had a similar stance as what concerns fiscal consolidation. As a matter of fact, he claimed that he was going to equally distribute the burden of austerity policies. His programmatic speech reads:

*"The efforts that are needed to reduce public debt and to increase economic growth should be equally distributed. These measures will be accepted if they are equal. I also hope that a large majority will vote these measures because of the fact that they are fair. Equity implies that we should ask ourselves which are the consequences of these measures not*

*only on the stronger members of our society... but also on women and the youth [My translation]*” (Monti, *Resoconto stenografico*, 2011a, p. 8).

On this account, Monti intended to fight tax evasion in order to achieve equality. Monti was extremely clear on this issue. Tax evasion was a major problem for the Italian government because it reduced state’s revenue, and it damaged honest taxpayers. To be specific, he said:

*“This government will especially pay attention to the respect for laws and institutions, and the fight against crime... Thus, we will fight against tax evasion and crime because our aim is to increase state’s revenue, which is good, and to reduce taxes. This fight can be effective if we focus on wealth besides incomes. Tax evasion continues to be an important problem... Effective measures can reduce the burden of fiscal consolidation on honest taxpayers [My translation]”* (Monti, *Resoconto stenografico*, 2011a, pp. 11-12).

Monti’s position on tax evasion marked a significant change in Italian politics since the Berlusconi cabinet was soft on tax evasion. On the contrary, the newly appointed Prime minister expressed complete disapproval of this illegal behavior. He also delivered a detailed description of the measures he intended to take in order to cope with this issue. This satisfied Bersani and his party, and it gave them a valid reason to vote Monti.

A further point of Monti’s program that justified PD’s conduct was his proposed tax on real estate. Monti planned to increase the tax on real estate and to levy a tax on first homes. This measure was intended to favor equality because of the progressive nature of the tax. Yet, it is important to highlight that, according to Monti’s claim, this tax would have applied to all taxpayers, and not only to the wealthiest ones:

*“We want to reassess the taxation of real estate. Italy has a particularly low tax on real estate compared to other European countries. I consider a peculiarity if not an anomaly the fact that property tax does not apply to*

*first homes [My translation]*” (Monti, *Resoconto stenografico*, 2011a, p. 12).

Even though it did not affect only wealthy house owners, Monti’s proposed measure largely coincided with PD’s program. Therefore, Monti’s position on property tax was the second reason that gave grounds for PD’s vote of confidence.

In conclusion, Bersani’s speech at the Chamber of Deputies gives an explanation for PD’s support to the establishment of the Monti cabinet. In fact, the center-left party granted Monti a vote of confidence because the technocratic government was going to fight against tax evasion, and it was going to increase taxation on real estate.

#### *4.5 The statement of Susanna Camusso, secretary general of the CGIL*

Susanna Camusso’s statement ("Camusso: "Patrimoniale e nuovo patto fiscale", 2011) makes clear why the leftist union CGIL approved the establishment of the Monti cabinet. Camusso, who was the general secretary of the CGIL, met Monti on November 15<sup>th</sup>, 2011. Afterward, she addressed the press in order to describe CGIL’s position on the technocratic government. Even though Camusso was less enthusiastic than Bersani, she welcomed the appointment of Monti as new Prime minister. In particular, she was glad about Monti’s consideration for social partners as she argued:

*“The Prime minister described us his will to cope with the economic emergency and to make changes in order to increase economic growth. He suggested that social partners would be included in the policymaking process. We are thankful for his consideration for social partners, and we wish him good job [My translation]*” ("Camusso: "Patrimoniale e nuovo patto fiscale", 2011).

Then, Camusso described CGIL’s position on austerity measures. According to her opinion, there was an urgent need to cope with the crisis. However, economic policies should have been fair. In other words, Camusso asked the government to

fight tax evasion. In addition, Monti should have increased property tax in order to redistribute the burden of fiscal consolidation. To be specific, Camusso argued:

*“I explained [to Monti] CGIL’s program. CGIL thinks that his work should start with a new social contract. A new social contract implies a reform of the taxation system... which has been largely questioned. A new social pact implies equity... equity, and an increased property tax [My translation]”* ("Camusso: "Patrimoniale e nuovo patto fiscale", 2011).

On the whole, CGIL’s position on taxes was compatible with Monti’s program (*Resoconto stenografico*, 2011a) although the new Prime minister did not mention a new social contract. Monti’s speech seems more pragmatic than Camusso’s one. Nevertheless, as it has been already explained, he gave special importance to the need for fair economic policies, fighting tax evasion and raising property tax. In a word, CGIL and Monti believed that the taxation system should have been significantly changed, and their proposed reforms coincided.

Subsequently, Camusso advocated the role of the working class in the economic system. According to her statement, workers were essential in order to increase growth. Consequently, government’s policies should have favored labor. Actually, she claimed:

*“We told [to the new Prime minister] that economic growth originates from labor. This implies that precarity should be reduced, and the government should adopt an industrial policy. Besides, infrastructure should be developed etc. [My translation]”* ("Camusso: "Patrimoniale e nuovo patto fiscale", 2011).

However, it should be noticed that Camusso’s proposals on labor are less detailed than her program on the taxation system. In fact, her suggestions are somewhat ambiguous. For instance, she does not relate to Monti’s position on the labor market. In the previous months, CGIL firmly opposed the liberalization of the labor market, whereas Monti argued that this measures would have benefitted workers holding atypical employments. Unexpectedly, Camusso did not challenge Monti’s point of view. By the same token, she did not call into question Monti’s

modest program as what concerns industrial policies, nor his position on the pension system. CGIL disagreed with the increase of the retirement age arguing that this reform was unnecessary and unfair. Yet, Camusso did not emphasize these differences in the discourse that followed the official meeting with Monti. Consequently, her claims on the importance of labor seem to be of a purely symbolic nature as they did not relate with Monti's economic policies.

In essence, CGIL supported Monti because of his proposed policies on taxes. To be specific, CGIL appreciated Monti's plan on the fight against tax evasion, and his proposed introduction of a tax on large-scale personal wealth. Evidently the union was less enthusiastic than PD. Despite everything, CGIL eventually had a positive attitude on the institution of the Monti cabinet.

#### *4.6 The statement of Raffaele Bonanni, secretary general of the CISL*

Raffaele Bonanni, the general secretary of the catholic-inspired union CISL, was extremely supportive of Monti. Likewise Camusso, Bonanni delivered a speech ("Bonanni: "Economia ha bisogno di rigore ed equità", 2011) to the press following an official meeting with Monti that took place on November 15<sup>th</sup> 2011. This final text shows CISL endorsement to Monti. In fact, Bonanni was extremely clear on this point as he made an account of the talk he had with the new Prime minister:

*"Speaking on behalf of CISL, I told him that we sympathize with the establishment of his government. We hope that his government will reassure citizens and workers thanks to the fact that it will cope with the economic emergencies we are facing. Unfortunately, these emergencies were not managed in the last fifteen years [My translation]"* ("Bonanni: "Economia ha bisogno di rigore ed equità", 2011).

In other words, CISL approved the establishment of the Monti cabinet because Italy 'had to be saved'. Furthermore, Bonanni expressed union's dissatisfaction with Italian parties. According to his opinion, the party governments that had been

in power since the mid-1990s did not try to solve Italy's problems. Hence, CISL shared the idea spread in the public opinion that the Italian political system had failed the country. For this reason, a technocratic government composed of qualified professors might have helped.

Moreover, austerity measures were inevitable given the serious condition of the economy. In particular, Bonanni argued:

*“We know that austerity is essential because of the pitiful state of our economy. In any other way, things will get worse. If things get worse in general, then things get worse for retired people, and for the weakest members of our society. We are aware of this therefore we will support austerity policies [My translation]”* ("Bonanni: "Economia ha bisogno di rigore ed equità", 2011).

Bonanni agreed with the idea spread in the public that austerity measures were the only way to save the country. Otherwise, the government would not have been able to avoid Italy's default. Then, the immediate consequence of the default would have been the impossibility to pay pensions and public sector salaries. According to his speech, Bonanni was aware of this possibility. Significantly, he firstly mentioned retired workers. Subsequently, he spoke about his concerns with *“the weakest members of our society [My translation]”* ("Bonanni: "Economia ha bisogno di rigore ed equità", 2011). This latter reference to an indefinite category was presumably of a purely symbolical nature. Rather, CISL's solicitude for retired workers was concrete.

Moreover, CISL paid attention to the interests of Italian workers. CISL's positions on equality and taxes correspond to CGIL's ones. Actually, Bonanni asked for fair measures, and for a new social contract:

*“We insisted on matching austerity with equity. Austerity measures should be largely based on principles of equity. In addition, speaking on behalf of my organization, I called for a new social contract between social partners and the government. This social contract should define government and social partners' future actions... As a result, we will have*

*a shared work plan. Moreover, citizens and workers will be aware of future policies... of what will be done in order to address the worrying condition of the nation [My translation]*” (“Bonanni: "Economia ha bisogno di rigore ed equità", 2011).

Even though Bonanni’s statement is less explicit than Bersani and Camusso’s speeches, it is easy to understand that CISL wished for a reform of the taxation system. In essence, Monti’s plan to make austerity policies fair was based on the fight against tax evasion, and the increase of property tax. At the time, Monti’s notion of equity was at the center of the political discourse, and it was familiar to the public opinion. Evidently Bonanni agreed with Monti on this point. If not, he would have expressed a different opinion. Therefore, CISL’s position on equity was consistent with Monti’s proposed fiscal policy.

Interestingly, Bonanni did not mention Monti’s position on labor and pensions. Despite being less conflictual than leftist union CGIL, CISL firmly opposed Berlusconi’s liberalization of the labor market, and his reform of the pension system. As it has been previously explained, Berlusconi’s economic policies were consistent with Monti’s program. Still, Bonanni did not touch on these issues as he expressed his unions’ endorsement to Monti.

In outline, likewise the progressive party PD, CISL warmly welcomed the establishment of the Monti cabinet. This because the organization believed that the creation of a technocratic government that would have implemented austerity measures was the only feasible solution to deal with the crisis. As a result, retired workers would not have suffered the consequence Italy’s default. Besides, Monti’s fiscal policy matched CISL’s expectation for fair economic policies.

#### *4.7 Why did PD, CGIL and CISL support the establishment of the Monti cabinet?*

What does explain progressive party PD, and unions CGIL and CISL’s position on Monti? According to the insiders-outsiders model, social democratic parties and trade unions usually push for pro-insiders policies because insiders represent

their core constituencies. On this account, I initially hypothesized that they supported the establishment of the Monti cabinet because this would have benefitted workers that are not affected by unemployment or by the lack of employment protection as they represent organizations' core constituencies. The text analysis proves that this hypothesis is true although this needs a detailed explanation.

To begin with, it is essential to determine if Italian labor is disproportionately affected by unemployment and the lack of employment protections. In other words, it is necessary to determine if Italian labor is really divided into insiders and outsiders. As claimed by the National Council for Economics and Labor (Consiglio Nazionale dell'Economia e del Lavoro, 2011), the economic crisis accentuated this division in Italy. As one may expect, the number of unemployed people increased, and low economic growth prevents job creation. However, youth unemployment has grown to a much higher degree than average. In fact, the majority of young workers hold jobs that were characterized by low levels of protection. Consequently, they lost their employments at the beginning of the crisis. By the same token, the amount of young workers who hold protected jobs has decreased. In short, the economic crisis increased the number of outsiders, especially among Italian youth.

On the other hand, PD, CGIL and CISL's core constituents were insiders. According to a detailed survey published after the 2013 PD primary election ("Primarie Pd, il sondaggio di Candidate & leader selection," 2013), the 81% of voters had more than 35 years. Therefore, given the low percentage of young voters, it is probable that most of PD's core constituents hold protected jobs. Furthermore, the 34% of voters were retired workers, and the 18% had a public sector job. Private sector workers counted for the 15% of voters. On the other hand, only the 5% of PD's core constituents were of unemployed persons. Similarly, as CGIL (Confederazione Generale Italiana del Lavoro, 2015) reports, retired workers amounted to the 49% of the union's members in 2011. The 7% of union's associated were public sector workers while the 1% of them hold unprotected jobs, and the 0,2% were unemployed. Lastly, as specified by CISL

(Confederazione Italiana Sindacati Lavoratori, 2011), retired workers counted for the 47% card-carrying members in 2011, and the 7% consisted of public sector workers. Significantly, workers who have a precarious employment were the 0,9%, and there were not unemployed adherents. In essence, PD, CGIL and CISL's core constituents were employees who hold protected jobs and retired workers. Hence, PD, CGIL, and CISL have core constituencies of insiders. One may argue that retired workers cannot be defined as insiders because they do not hold an employment anymore. Actually, pensioners have a secure income. Furthermore, they are not directly affected by unemployment. Therefore, they can be regarded as insiders.

On the top of that, the insiders-outsiders model assumes that progressive parties and trade unions will promote pro-insiders policies. Actually, PD, CGIL and CISL's endorsement to Monti follows this model. At first, the reading of Bersani, Camusso, and Bonanni's speeches points out that their organizations might have not entirely agreed with Monti's austerity plan under normal conditions. For instance, Bersani acknowledged that PD's ideology was partly in contrast with Monti's program. Likewise, Bonanni was aware of the drawback of austerity for the working class. As Rueda (Rueda, 2006) claims, history and ideology are important. However, they do not determine political decisions. As the text analysis shows, PD, CGIL, and CISL supported Monti because he promised to fight tax evasion and to increase the property tax. In accordance with the insiders-outsiders model, these measures would have benefitted insiders. As the Ministry of Economy and Finance (Gruppo di lavoro "Economia non osservata e flussi finanziari", 2011) reported in July 2011, Italian employees, especially public sector workers, and pensioners almost never evade the payment of taxes. On the contrary, self-employed professionals, entrepreneurs, and landlords often commit tax fraud. That being so, Monti's program implied a potential reduction of the tax burden on employees and pensioners thanks to the increase in government's revenue. Monti himself envisaged tax cuts for workers if the fight against tax evasion was successful. Still, the reduction of the tax burden was mostly advantageous to insiders since outsiders' first objective is usually to

find an employment or to have a protected job. Consequently, the fight against tax evasion, the increase of property tax, and tax cuts were pro-insiders policies in the first place.

Besides, CISL supported the establishment of the Monti cabinet in order to protect retired workers from the consequence of an Italian default. One more time, union's action follows the insiders-outsiders model since retired workers amounted to half of union's members. It seems plausible that CGIL and PD also aimed to defend pensioners from an Italian default. In fact, both Bersani and Camusso drew special attention to the necessity of 'saving Italy'. However, Bonanni was the only leader who stated that his organization's main goal was to defend pensioners' interests.

In conclusion, insiders represented PD, CGIL and CISL's core constituencies. Moreover, these three organizations supported the establishment of the Monti cabinet during the acutest period of the crisis. This because Monti's program included pro-insiders policies. In particular, the fight against tax evasion, and the increase of property tax would have been followed by tax cuts that would have mostly benefitted insiders. Furthermore, CISL defended the interests of retired workers endorsing the establishment of a government that avoided Italy's default.

## 6. CONCLUSION

Given the large political consensus on economic austerity in southern European countries, this thesis aimed to understand why parties that have different ideologies and different constituencies concur on such salient socio-economic policy. I thus concentrated on the Italian case study. In particular this thesis' research question asked why Italy's most important political parties and social partners agreed on the establishment of the Monti cabinet, a technocratic government that implemented severe austerity measures. Hence, my main argument is that parties and social partners selected two specific groups, and they supported Monti because his program would have favored these two groups.

In accordance with power resources theory, I hypothesized that the right-wing PDL, a party that was largely voted by entrepreneurs, and the Italian employers' federation Confindustria supported the establishment of the Monti cabinet because this would have benefitted employers. Moreover, in line with the insiders-outsiders model, I hypothesized that the progressive party PD, and unions CGIL and CISL supported the establishment of the Monti cabinet because this would have benefitted protected workers, who represent the organizations' core constituencies. In essence, the determinants of the organizations' conduct are the interests of these two groups.

Based on a text analysis inspired by Fairclough's critical discourse analysis, this thesis found that the hypotheses were true. In spite of few differences between the party's position and the trade association's one, PDL and Confindustria endorsed Monti because his program included measures that would have favored employers. To be specific, they praised Monti's commitments to contain the costs of the pension system, liberalize the labor market and other domestic markets, reduce taxes on businesses and workers, and reduce the costs of the state. Even if power resources theory cannot be applied to all these measures because some of them do not favor employers in the distributional conflict with employees, the reason for PDL and Confindustria's support to Monti is that his program included significant policies in favor of employers.

Likewise, PD, CGIL, and CISL endorsed Monti because his agenda included policies that would have favored protected workers. Party and unions' core constituencies were formed of workers who are not affected by unemployment or by the lack of employment protection. In particular, they were retired workers and public sector employees for the most part. As a result, PD, CGIL, and CISL endorsed Monti because he promised a fight against tax evasion, and the increase of the property tax implied tax cuts that would have benefitted protected workers. Monti's economic policy was partly in contrast with party and unions' ideology. Furthermore, the most significant issue for laborers was the rising unemployment and the lack of employment protection, especially among the youth. However, taking into consideration the absence of other political options in such a difficult situation, PD, CGIL and CISL decided to support Monti because of his pro-insiders policies. In essence, they accepted that economic austerity was needed in order to cope with the crisis. Nevertheless, they ensured that austerity would have been advantageous to protected workers.

In outline, the Monti cabinet was granted a large support because its austerity plan was tailored to benefit employers and protected workers. Hence, a question follows: does the same logic apply to the period of time during which the Monti cabinet was in office? According to the papers (Culpepper, 2014; Marangoni & Verzichelli, 2015) that have been previously summarized, it seems that this is the case. Yet, a supplementary study may be needed. In addition, this thesis pointed out that outsiders were under-represented. Italian parties and social partners did not consider the interests of unemployed persons and workers who hold precarious employments. The leaders of PD, CGIL and CISL referred to them although their claims were of a purely symbolic nature. Then it may be interesting to understand the consequences of this choice. How did outsiders react? The Italian political system was in turmoil after the 2013 general elections because a new party, the Five Stars Movement, received a similar share of votes as PD and PDL. Five Stars Movement was very critical of Monti's economic policies, and it was very popular among the youth and unemployed persons. Consequently, there may be a connection between outsiders' under-representation and the

extraordinary rise of this new party. Lastly, it would be interesting to apply the same theoretical and analytical framework to other case studies. Was economic austerity introduced in other European countries because it benefitted employers and protected workers? Indeed, this question is not limited to the southern members of the European Union. Even though austerity measures were more severe in southern European countries, right-wing and left-wing parties have agreed on economic austerity in many cases. In short, there are many opportunities for understanding the reasons that lie behind economic austerity.

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