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INTERNATIONAL ECONOMIC SOURCES OF REGIME CHANGE: HOW EUROPEAN INTEGRATION UNDERMINED ITALY'S POSTWAR PARTY SYSTEM

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Abstract

The 1992 parliamentary elections marked the end of postwar political dominance by Italian Christian Democracy. The conventional account of the sudden decline of the DC's share to under 30 percent of the national vote focuses on the collapse of the Soviet Union, which is said to have freed many Catholic voters to switch from the anti-communist DC to new regionalist protest parties. I document that this line of argument is empirically inadequate. Evidence shows that electoral districts more exposed to international trade were those in which the DC lost larger vote shares and in which the Northern League received larger proportions of votes. I interpret these findings as corroborating the argument that social groups linked to the small and medium sized firms in the North and Center whose products were exported to the rest of Europe underwent electoral realignment in response to the economic opportunities offered by the 1991 Maastricht Treaty. I hypothesize that these groups repudiated the DC in part because of the party's lack of political credibility in assuring early entry into European Monetary Union. More broadly, I argue that Christian Democracy was not credible in providing national macroeconomic policies that would have allowed Italy to partake fully of the opportunities offered by European economic integration.

Key words: Italy, elections, European integration, political parties

Introduction[1]

Writing in 1987, Joseph LaPalombara expressed what was arguably the then-dominant interpretation when he characterized the Italian political system as a well-functioning, stable democracy (LaPalombara, 1987). Until then, the postwar Italian polity had been marked by an unusually high degree of stability, even outright stagnation. The collapse of what came to be called Italy's "First Republic" only five years later caught observers almost completely unprepared. Although the country's constitution remained largely intact, the electoral system was substantially altered and the postwar party system almost entirely wiped out. The end of Christian Democracy (DC), after nearly half a century of political dominance — the party had been a member of every government since World War II — was a dramatic reminder of how suddenly and thoroughly political change may sometimes occur after decades of apparently nearly complete stasis.

This paper studies sources of Italian political change in the early 1990s. I focus attention on the electoral shifts that preceded the subsequent collapse of the postwar party system; namely, the shift in votes from the DC to the Northern League in the April 1992 elections to Italy's lower house, the Chamber of Deputies. In these elections, the Christian Democrats' share of the national vote fell below the historically and psychologically crucial 30 percent threshold, while at the same time the Northern League emerged from near political obscurity to capture almost 9 percent of the vote nationally — and nearly 30 percent in some northern districts — thereby becoming Italy's fourth largest party. Overall, these elections

witnessed the greatest amount of electoral volatility the country had experienced since 1948 (Woods, 1995, p. 187).

The demolition of what has come to be termed Italy's "First Republic" involved a complex array of interrelated changes, of which electoral shift was but one aspect. But electoral change was an important, and arguably critical, element in the subsequent collapse of the party system because it weakened the main governing party enough to allow the judiciary to proceed with what turned into massive investigations into widespread criminal wrongdoing by Italy's postwar political elite, especially politicians from the parties of government. The current paper studies only electoral change. Focusing on such a well-defined and easily operationalized aspect of political change achieves greater empirical and causal precision than would be the case analyzing a more complex set of outcomes.

In accounting for the electoral shifts that occurred, I draw attention to the international *economic* sources of political change. These have been almost entirely ignored in prior studies. Instead, electoral change in the early 1990s has been traced to changes in international *political* conditions, most notably the collapse of the Soviet Union and the end of the Cold War, in conjunction with long-standing *domestic* economic and political factors, including national fiscal policy and intraregional transfers, as well as general state sector inefficiency. The end of communism is said to have freed Italian voters traditionally loyal to the Christian Democrats to shift their votes to new parties, in protest against the DC's corrupt and inefficient system of rule. Substantiating this line of argument, it is often noted that in 1992 the Northern League won most votes precisely in those parts of the country where the DC had traditionally been the strongest; that is, where loyalty to the DC was most "subcultural" in its underlying orientation (Diamanti, 1996, pp. 21–27). At the same time, the turn against the DC is said to have been especially pronounced among those on whom the government's fiscal and industrial policies weighed most heavily: producers in the North who were fed up with seeing their taxes siphoned off to the less productive, less efficient and supposedly parasitic southern regions.

Using multivariate statistical techniques, I document that electoral change in 1992 — measured by the decline in the share of votes going to the DC and by the share of votes

received by the Northern League — is associated with international economic exposure as well as with the DC's traditional subcultural strength. I interpret the finding that international economic exposure is significantly associated with electoral change as consistent with the view that the electoral shifts observed in 1992 were grounded in economically-rational calculations, including those involving Italy's future entry into European Monetary Union (EMU). I interpret the significant statistical relationship between the strength of the traditional white (i.e. Catholic) subculture and the electoral decline of the DC and rise of the Northern League as implications that are consistent with the hypothesis that it was the end of international communism that finally freed Catholic voters to shift to new protest parties. Finally, I find no evidence of tax rebellion in the data analyzed here, nor do I find a significant impact of small firms generally. In the view advanced here, the new economic opportunities offered by European monetary integration were more important than long-standing economic resentments in the dramatic electoral shifts that we observe in the early 1990s.

The paper is organized as follows. The first section discusses the theoretical underpinnings of the present analysis, and describes some important features of Italy's postwar political regime prior to its transformation in the early 1990s. The second section details the logic underlying the argument that international economic opportunities contributed significantly to electoral change, and articulates specific testable hypotheses. A following section presents the results of a statistical test of the link between the international economy and changes in electoral behavior. After interpreting the results, a final section concludes with some remarks on the potential generalizability of the story told here.

The Preexisting Equilibrium: Patronage Politics and the Personal Vote

The relationship between citizens and politicians may be thought of as a principal-agent one, in which citizens elect politicians in order to have them carry out activities on their behalf. As in all principal-agent relationships, however, the interests of the two sets of actors may not be fully aligned. Indeed, political representation is plagued with agency problems

(Spiller, 1990). Contemporary theory assumes that self-interested politicians seek to raise a lot of revenue and spend it on rents for themselves (Persson & Tabellini, 1999, p. 702). Comparative evidence shows that democratic political systems, because they entail competition among political elites, on average generate higher levels of public goods than authoritarian ones (Lake & Baum, 1999). But democratic institutions alone are patently inadequate for controlling the rents that politicians extract. Some empirical confirmation of this comes from the fact that democratic regimes may not be significantly less corrupt than non-democratic regimes (Treisman, 2000; Montinola & Jackman, 2002).[2]

The political equilibrium that obtained in Italy in the half century following World War II displayed three major characteristics that are especially pertinent to our concerns: excessive legislation, a predominance of pork barrel allocations targeted at specific clienteles over broader redistributive policies, and endemic bureaucratic patronage and corruption (Golden, 2003). Electorally, the system was highly stable, as the incumbent parties systematically and successfully used the resources of government to reinforce their own electoral advantage. One outcome was to lock out the major opposition party, the Italian Communist Party (PCI).

The 1992 parliamentary elections, analyzed in the following pages, signalled what subsequently proved to be an irreversible decline in the share of the vote going to Italy's postwar governing parties, as well as the rise of new protest parties. The dramatic collapse of the First Republic came in the following two years, with the corruption revelations that publicly emerged following the elections, the policy reforms begun in summer 1992 under Prime Minister Giuliano Amato, the demise of the Christian Democratic party in 1993, and the reform of the electoral system that generated the formation of an entirely new party system with the parliamentary elections of 1994. The electoral outcomes that are analyzed in the present paper were a necessary but probably not sufficient condition for the subsequent institutional and systemic changes that occurred.

The argument that I advance in the following pages has not received systematic investigation in the literature. I seek to demonstrate that the international economic

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[2]Not all comparative studies of corruption report this, however. For contrasting results, see Ades and Di Tello (1999).

environment, precisely because it lies outside the (equilibrium) setting of the domestic political arena, changed the payoffs going to important social groups, thereby contributing significantly to the 1992 electoral changes. I use modified variants of insights from international trade theory to think through how payoffs might have changed for key domestic actors. These changes in payoffs provide a set of mechanisms accounting for aspects of electoral change in 1992 that have been previously undocumented. The next section describes how the process of regional economic integration in Europe in the early 1990s may be thought of as having changed the payoffs for actors within Italy.

International Sources of the Collapse of Rent-Seeking Regimes

Although a considerable literature exists on how international economic change — particularly economic crises — may affect domestic politics (Gourevitch, 1978; Gourevitch, 1986; Rogowski, 1989; Rosenberg, 1943), and how international exposure over the long term may breed certain patterns of elite interaction (Katzenstein, 1985), little work investigates the impact of internationalization specifically on democratization. Indeed, the most recent major study of democratization (Przeworski *et al.*, 2000) follows the well-trod path (Moore, 1966) of centering almost all the attention on domestic variables, with virtually none allocated to international. A recent review of the literature on democratization (Geddes, 1999) does not mention international factors at all.[3]

How might internationalization contribute to democratization, or more generally to the process of establishing institutions that make political officials more accountable to voters? Changes in the international economy change the payoffs of economic transactions for actors

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[3]Only a handful studies explicitly investigates the relationship between internationalization and democratization, although the topic is currently attracting attention. Gleditsch (2000) models a contagion process, and Drake (1998, p. 70) examines how "international factors created an international democratic conjuncture" for recent transitions. Li & Reuveny (2003) offer a pooled time-series analysis of the impact of various aspects of globalization on the level of democracy for 127 countries between 1970 and 1996. Note, however, that studies of the impact of regime type on international economic involvement suggests that problems of simultaneity and endogeneity are likely to be important, and thus far endogeneity issues have not been considered (Mansfield *et al.*, 2000).

involved in multinational economic activities (such as producing goods for export) or conversely for those sheltered from such transactions. When existing domestic policies are no longer suitable for changed economic opportunities, actors seeking to take advantage of such economic opportunities may in turn begin to press for policy reforms that would allow them to do so (Frieden & Rogowski, 1996). For instance, producer groups quite frequently lobby governments for changes in tariff policies in order to take advantage of new domestic and/or global economic opportunities.

Where policy change is difficult to obtain, either because the political system is undemocratic or what we might class as a relatively unaccountable democracy, actors may find that changed strategies over policy outcomes carry with them new strategies over institutions, and in the extreme case even over regime type. In a political system in which accountability is low, changed policy orientations may entail a switch in strategies favoring institutional reforms that would help create a political system that would render public officials more accountable or policy more easily altered in the future. In these situations, we may empirically observe changes in electoral behavior on the part of socioeconomic groups that are distinguished by their degree of exposure to the international economy. Such changes in electoral behavior may be thought of as representing aspirations for institutional reform. Where opportunities to fully exploit the global marketplace are stymied, groups that are highly exposed to the international economy should shift their electoral support towards parties representing policy and/or institutional reform, especially reform conducive to greater integration into the global economy. For instance, there may be a connection between the British Reform Act of 1832, enlarging the suffrage to manufacturers, and the subsequent repeal of the Corn Laws protecting British agriculture.

At least hypothetically, globalization should provide incentives for local capitalists to favor democratization. The reason is that competition in the global economy means prices are ultimately set by international markets rather than domestically. In such an internationally integrated environment, rent-seeking and uncompetitive, inefficient domestic prices are not sustainable. Political regimes based on rent-seeking, or that permit local pricing above world markets, are hence no longer viable.

The limiting case, involving a change in the strategies of local actors over regime type, is an obviously unusual occurrence. Recent comparative work documents that capitalists may favor a regime switch from authoritarianism to democracy. In the South African case studied by Wood (2000), for instance, this was a side-effect of declining profits linked to changes in the operation of the labor market. But our understanding of the general circumstances in which this kind of switch occurs is very primitive. We do not even have an estimate of the empirical frequency of such reversals. In the absence of a robust general theory, empirical research is one useful way to generate hypotheses for subsequent consideration in other contexts. The present study aims at contributing to theory building by documenting the importance of changes in policy strategies among producer groups exposed to the international economy for the relatively large and politically significant electoral shifts witnessed in Italy in 1992.

International Trade Theory and Hypotheses for the Italian Case

The argument that I develop is that strategies over entry into European Monetary Union among different Italian actors generated a change in strategies over Italian political institutions. The reason is that these institutions were believed responsible for maintaining a political class whose prospects for obtaining first wave entry for Italy into EMU were uniformly considered poor. To underpin this argument, therefore, I need to offer plausible arguments about the strategies of specific groups vis-à-vis entry into EMU, and secondarily about how electoral change in 1992 signaled a change in strategies over institutions.

During the 1980s and 1990s, Italian political and economic elites exhibited greater pro-European orientations than their counterparts in other member states. Moreover, Italian public opinion was strongly and solidly behind European integration, more so than in most other member states (Eichenberg & Dalton, 1993). There are many reasons why this is the case, but one effect was that on the principle of European integration, few differences characterized Italian interest groups, political parties, or segments of public opinion, certainly

not after the 1986 shift on the part of the PCI to support European integration. Mass as well as elite opinion stood solidly behind Italy's continued integration into Europe.

On the issue specifically of entry into EMU, however, strategies were considerably more complicated. First proposed by the Delors Committee in 1988, EMU appeared on the European agenda with the December 1991 signing of the Maastricht Treaty, which laid out the "convergence criteria" required for countries to enter a single currency zone. The treaty proposed the creation of a single currency as of 1999, and detailed flexible but relatively demanding economic requirements that member states would have to meet in order to enter in 1999. These included specific targets for inflation, public debt, and public deficits for a certain period prior to entry into monetary union.[4] While in principle all segments of Italian political opinion favored EMU, only certain actors supported the policies that would plausibly have allowed Italy to meet the convergence criteria.

Italy's major governing party, Christian Democracy, was not considered likely to be able to meet these criteria. The country's macroeconomic performance was way out of line with the rest of Europe — more than any other EU member except Greece — and had been for nearly two decades. During the 1990s, informed commentators almost universally believed that Italy would fail to qualify for first wave entry into EMU, and this view was well known domestically, appearing frequently in newspaper headlines. It was commonly believed that the ruling parties would not be able to effect the necessary policy changes (Hine, 1992). Even if inflation could be brought down and maintained at European levels (itself considered unlikely), virtually no one thought that the Christian Democratic governments of the day could rein in the deficit and public debt adequately. One important reason was that the DC's electoral support was heavily reliant on public spending. Hence, the DC was believed unable to enact the necessary policy changes without compromising its own electoral support. But without dramatic policy changes, Italy stood to remain outside of European monetary integration, relegated to what Italians termed the "second league."

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[4]A useful discussion is Eichengreen and Frieden (1994).

Because it was generally believed that the governments of the day were incapable of the requisite policy changes, institutional reforms landed squarely on the agenda. Reforms that were considered in this period included those having to do with the electoral system, the legislature, legislative-executive relations, the role of the regions, and federalism. They comprised a laundry list potentially involving quite extensive institutional change. In the end, only a handful of rather modest changes was adopted, but enough for Italy to succeed in entering EMU on time, rather to the surprise of participants and pundits alike. The institutional changes that were adopted ultimately had the effect of eroding the preexisting rent-seeking regime; that is, they weakened the bases on which established DC programs and policies rested. The 1992 parliamentary elections proved an essential step in recasting Italy's political system because the electoral returns exposed deep weaknesses in the extent of Christian Democratic public support, especially in the affluent and productive Center and North of the country.

International trade theory contends that the financial sector and multinational corporations would have been the most likely supporters of a fixed exchange rate (in the form of a currency union) because their businesses would benefit most from them (Frieden, 1994). Eichengreen and Frieden (1994, p. 13) argue, for instance, that EMU's strongest supporters were Europe's international banks and corporations. Those opposed were said to be import-competing workers and employers, including sectors such as steel and automobiles.[5] This argument comprises the current conventional wisdom among political economists (although perhaps not among Italian specialists).[6] It resonates with the standard view that the single European market and EMU were devised to offer increased economies of scale and reduced transaction costs to large firms (Sandholtz & Zysman, 1989). According to this view, we should expect Italy's big banks and large corporations to turn most quickly and most visibly

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[5] Frieden (1994) thus argues that the reason that the Italian Communist Party opposed Italian entry into the European Monetary System in 1979 was because its constituency, especially members of its affiliated trade union confederation, the CGIL, was heavily located in import-competing sectors of the economy.

[6] The only directly relevant empirical study of which I am aware is Talani (2000). In contrast to the expectations generated by trade theory, she finds that in the early 1990s *all* the relevant domestic Italian interest groups — large industry, small industry, banking and finance, and organized labor — expressed support for Italian entry into EMU. However, Talani's study fails to distinguish public endorsement from support for the practical political activities and reforms necessary to secure entry.

against the governing parties, especially the DC, once currency union appeared on the political agenda in 1991. The reason, to reiterate, is that the DC was uniformly viewed as singularly ill equipped to guide Italy's progress towards monetary union.

But the Italian financial sector and large multinational industry were among those sectors of the economy most locked into the DC's system of government, a system that relied on extensive government intervention in the economy in conjunction with chronic overspending (Kostoris, 1993). These sectors were heavily subsidized by the state. The banking and financial sectors, which are usually viewed as especially pro-European, were in Italy DC fiefdoms pure and simple, with management appointed using patronage rather than meritocratic criteria. Italian large industry and finance had for decades been sheltered from international markets thanks to government policies.

In addition, "it seems obvious that practically all the large industrial firms, public and private, including foreign multinationals operating in Italy, have been involved in larger or smaller measure in paying kickbacks [for public works contracts]..." (Bruno & Segreto, 1996, p. 666). Paying kickbacks was indicative of a complex web of economic relationships in which firms that received public works contracts also reaped monopoly rents; that is, firms — groups of which were often informally organized into cartels — secured excess profits off public contracts with the implicit approval of public authorities (Bruno & Segreto, 1996, p. 667; Vannucci, 1997, p. 93).

Large corporations and businesses, although perhaps in theory eager for greater integration into the European economy, in practice were deeply complicit in the existing regime, and thus had strong reason to fear substantial institutional or political change. Even as Fiat's leadership warned Italy's parliament of the dangers of failing to meet the Maastricht convergence criteria, company managers were secretly paying bribes to government authorities for public contracts. Large firms were thereby cross-pressured by the opportunities offered by EMU. On the one hand, there were the potential longterm costs to the economy of being denied first wave entry, but on the other, there was the fear of losing the monopoly rents they depended on from the DC. For these reasons, large industry and finance in Italy were unlikely to have as strong or as pure an interest in monetary integration

as firms in the exposed sectors in other European countries, where domestic political structures encouraged greater efficiency.

Instead, in Italy it was the small and medium-sized firms located in the center-north of the country which, although hardly "multinational" in the traditional sense of the term, were most oriented towards export with other EU member states and which were also least implicated in the DC's system of pork barrel allocations and patronage distributions. These firms produced heavily for export to other European countries, and received few government subsidies. In addition, the northern and central regions of Italy were fiscally disadvantaged under the DC: that is, they paid more taxes than they received in benefits, which instead were redistributed to the southern regions, as well as to the five regions under special statute (Val d'Aosta, Friuli-Venezia Giulia, Sicily, Sardinia, and Trentino-Alto Adige) (for documentation, see the summary in Boldrin & Rustichini (1998)). It was these firms, I hypothesize, whose employees and owners stood strongly behind EMU and who turned against the DC's system of government (Mammarella & Ciuffoletti, 1996, p. 219).

What did producers associated with such firms stand to gain from EMU? The first direct benefit would be a reduction of risk, uncertainty, and transaction costs associated with currency fluctuations, a benefit repeatedly emphasized by the European Commission. For instance, EMU offered small firms, which are characteristically less able to engage in the currency hedging commonly practiced by large corporations, a substantial reduction in the risks associated with currency fluctuations. Second, these firms would gain increased export opportunities with the jump in intra-European trade that currency union promised (Rose, 2000). Third, EMU offered a *permanent* and irrevocable solution to the chronic loss of international competitiveness due to inflation coming from the public sector, a loss of international competitiveness particularly obvious in the late 1980s and early 1990s. Italian economic performance during the first half of the 1980s had been excellent due precisely to the dynamic, export-oriented small and medium-sized firms of the Center and North, which led an increase in Italian exports to other European nations (Bruno & Segreto, 1996, p. 562). But international competitiveness underwent a noticeable decline towards the end of the 1980s due to inflation coming from the sheltered public sector, which raised the price of

Italian goods, thereby reducing the competitiveness of Italian exports (Milana & Scandizzo, 1992; Brunetta & Tronti, 1993, p. 166).

The underlying problem was the inability of Italian monetary authorities to credibly commit to a low-inflation policy (Giavazzi & Pagano, 1988), a problem that the run on the *lira* in September 1992 revealed had not been solved by the European Monetary System. Currency union represented a much stronger and more credible commitment technology, because it required abolition of the *lira* altogether and a transfer of monetary authority out of Italy to the European level. In other words, "Since Italy has no independent monetary policy any more, its monetary authorities (with 'wet' preferences) have ceased to exist and therefore cannot devalue the lira" (De Grauwe, 2000, p. 52). Replacing the Bank of Italy with a European Central Bank would change the behavior of actors involved in domestic price-setting, forcing the government to hold down wage increases in the public sector. Whereas the exposed sector had experienced increasing productivity, those industries protected or buffered from international competition — public services and public administration, the state-owned industries, banking and much of the financial sector, construction and public works, and even chunks of large private industry — remained on average less efficient and less productive (Graziani, 1996, p. 380). Due to the particular socioeconomic coalition on which DC power rested, therefore, in Italy large industry had less of an incentive to support regional monetary integration than small industry.

The political consequences of the prospect of currency union were summarized by one analyst as follows:

> Italian entrepreneurs who had tolerated the inefficiencies of the Italian state machine by supporting successive DC-led governments were increasingly dissatisfied. With the development of the single market and the growing importance of the European dimension they saw the ineptitude of the bureaucratic machine not as a fact of life or something which could be ignored but as a real obstacle to their expansion (Sassoon, 1997, p. 81).

Electoral defection from the DC in 1992 sent a political signal to Rome of the potential electoral costs to continued policy statis. Of course, I do not claim that the opportunities represented by currency union were the sole motivations for electoral change in 1992.

However, the adoption of the Maastricht Treaty in December of 1991 and its proximity to the April 1992 parliamentary elections makes the opportunities offered by that Treaty one plausible trigger of electoral change, and one whose timing is appropriate for the phenomena I seek to explain.

An Analysis of Electoral Change in 1992

Recent papers by Diaz-Cayeros et al. (2000a) and Diaz-Cayeros et al. (2000b) provide evidence that in Mexico, the Revolutionary Institutional Party (PRI), which at the end of the twentieth century finally had to cede the presidency to a rival political party, lost its electoral hegemony over a series of elections in the 1990s mainly in those areas of the country most exposed to international trade.[7] A similar story is told for Japan by Rosenbluth (1996), who ascribes the admittedly incomplete end of political dominance by the ruling Liberal Democratic Party (LDP) in the 1990s to international economic factors. I now document the importance of international economic factors for the loss of hegemony by Italy's ruling Christian Democratic party as well as the incursion into the party system of the dissident Northern League.

The DC came to power in Italy immediately after World War II, and remained in power uninterruptedly until 1994. Following the expulsion of the Italian Communist Party from government in 1947 with the intensification of the Cold War, the DC governed largely in coalition with other centrist parties — including the Italian Liberal Party (PLI), the Italian Republican Party (PRI), and the Italian Social Democratic Party (PSDI) — and occasionally alone, until the so-called "Opening to the Left" in 1963, when the Italian Socialist Party (PSI) first entered government. Thereafter, the country was ruled by a series of center-left and centrist coalition governments until 1994, when the postwar party system collapsed and

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[7]These two papers present rich and interesting models analyzing the relationship between the PRI and electoral districts, in which districts that fail to support the PRI are punished by a reduction in transfers from central government. The authors argue that these transfers were crucial for maintaining the PRI's hegemony. It is likely that similar phenomena were at work in Italy.

newly-formed parties took office. Between 1947 and 1994, all but four Prime Ministers were Christian Democrats.[8]

The DC's share of the popular vote did not remain at the historic high of 48.5 percent that it had won in 1948, as the summary electoral results for the Chamber of Deputies over various postwar elections that are reported in Table 1 show. Rather, the DC's share of the national vote hovered at just more than a third for decades. Only with the 1992 elections to Italy's XI Legislature did the DC's share fell below the 30 percent mark in a national poll. Not only was the threshold considered politically significant, but the outcome gave the new government only the slimmest of parliamentary majorities, and one constantly exposed to the party's own "sharpshooters" — DC legislators who took advantage of the Chamber's secret vote to rebel against party discipline. Nonetheless, the DC remained in government even after the 1992 elections, and the end of Christian Democracy occurred not thanks to electoral change per se but instead following the subsequent corruption investigations.

Table 1: Electoral Results to the Italian Chamber of Deputies, Selected Major Parties, First Eleven Postwar Legislatures (percentages)

Party	1948	1953	1958	1963	1968	1972	1976	1979	1983	1987	1992
DC	48.5	40.1	42.3	38.3	39.1	38.7	38.7	38.3	32.9	34.3	29.7
PCI	31.0	22.6	22.7	25.3	26.9	27.1	34.4	30.4	29.9	26.6	21.7c
PSI	—[a]	12.7	14.2	13.8	14.5[b]	9.6	9.6	9.8	11.4	14.3	13.6

Notes:
[a]In 1948, the PCI and PSI ran on a combined list; the entry under PCI reflects this.
[b]In 1968, the PSI ran on a combined list with the PSDI.
[c]The 1992 entry under PCI is the combined percentage of votes won by the Democratic Party of the Left (PDS) and Rifondazione Comunista (RC).
Sources: Compiled from Hine (1993, Table 3.1, pp. 71–76).

The 1992 elections marked the decisive entry onto the national scene of the Northern League, until then a set of almost invisible local political leagues centered in Italy's northern regions. This marked the entry of an entirely new set of parties into Italy's party system, for the establishment of the Northern League was followed a few years later by that of Forza

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[8]In 1983, the Socialists assumed the office of Prime Minister for the first time, remaining there until 1987, when the office passed back to the DC.

Italia, under the direction of Silvio Berlusconi. Together, the two parties went on to govern the country later in the 1990s and again after the turn of the century.

To visualize the geography of the change in vote share received by the DC, as well as the distribution of votes to the Northern League, Figures 1 and 2 map results for the parliamentary elections to the Italian lower house, the Chamber of Deputies, in 1992. Figure 1 depicts the change in vote share received by the DC in 1992 compared with the previous national elections, held in 1987, and documents that the DC's losses were concentrated in the North. Figure 2, mapping the vote share going to the Northern League in 1992,[9] shows clearly the concentration of Northern League supporters in the North of the country. The average share received by the League in the country's 19 northern electoral districts was 13 percent, whereas its average share in the 12 southern districts was a mere 0.3 percent.

The collapse of the DC has usually been ascribed to a mix of international and domestic factors: internationally, the disintegration of the Soviet Union finally freed many anti-communist Christian Democratic supporters to shift their electoral allegiance away from the DC, while domestically, the party was increasingly discredited in the corruption revelations that emerged after the 1992 elections but that reflected obvious and long-standing problems of mismanagement, waste, and patronage. For instance, Leonardi and Kovacs (1993, p. 53) argue that "the rise of the Lega is part of the change in perspective on the prospects for internal political change made possible by the fall of the Berlin Wall..." Whereas Italy's northern middle classe are said to have been prepared to tolerate the DC's bad government as the price for keeping the PCI out of national power, once communism collapsed internationally and the PCI transformed itself into the Democratic Party of the Left (PDS), this was no longer necessary (Allum, 1993; McCarthy, 1995). Discontent by northern voters with Rome's fiscal policies, combined with changes in the international political environment are typically cited as an important contributing causes to the rise of the Northern League. As one study argues:

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[9]Because the Northern League did not exist as such in 1987, it is not possible to compare the distribution of its vote in 1992 with that received in the previous national elections, as I do for the DC.

Figure 1: Map of Change in DC Vote Share (1987–1992)

Percent change

- |||||| -4% - 0%
- ≡≡≡ 0% - 3%
- ▦▦▦ 3% - 6%
- ⫽⫽⫽ 6% - 9%
- ▓▓▓ 9% - 14%
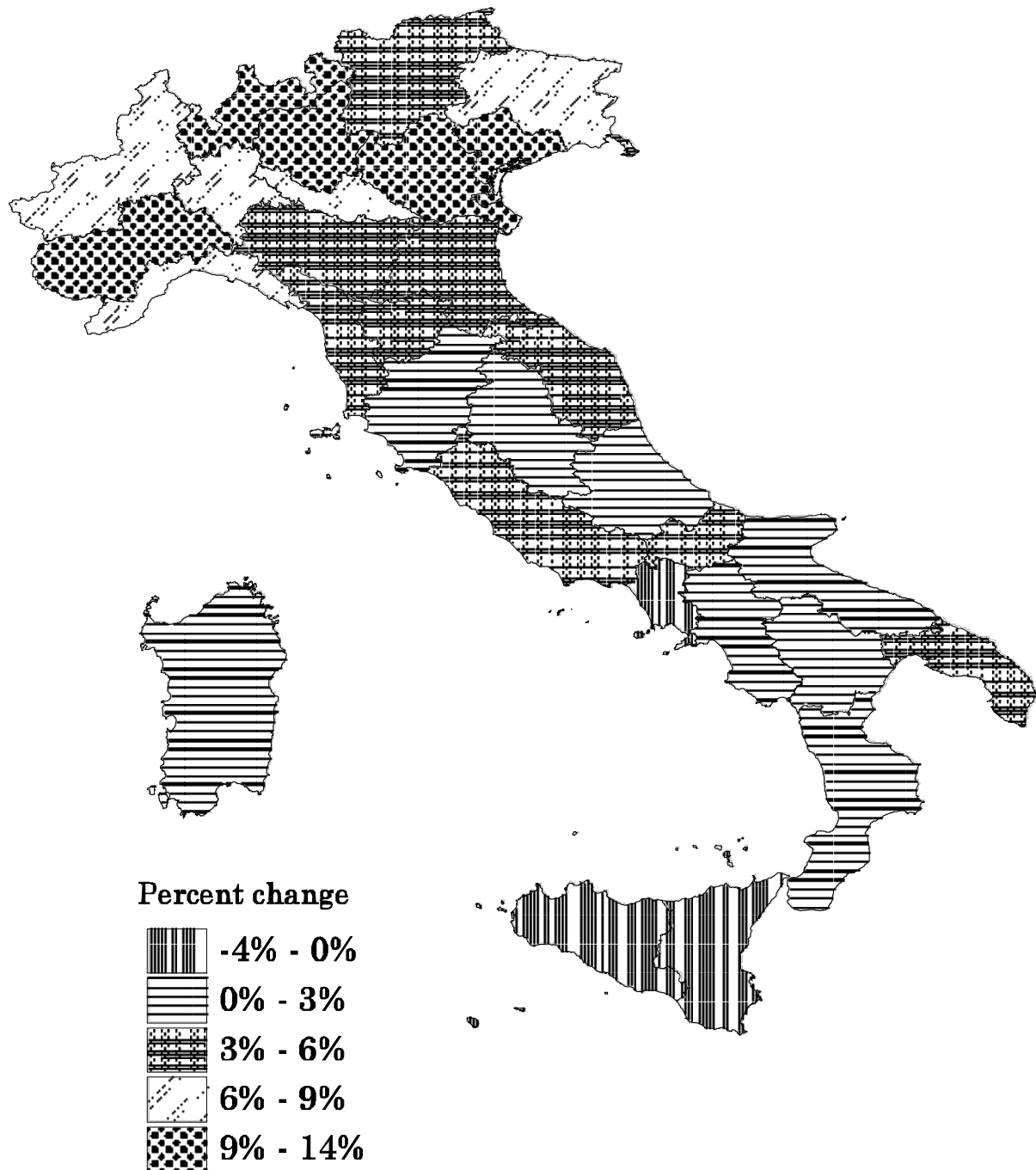
Figure 2: Map of Vote Share to Northern League by Electoral District (1992)

Percent Share

	0 - 6%
	6 - 12%
	12 - 18%
	18 - 22%
	22 - 29%
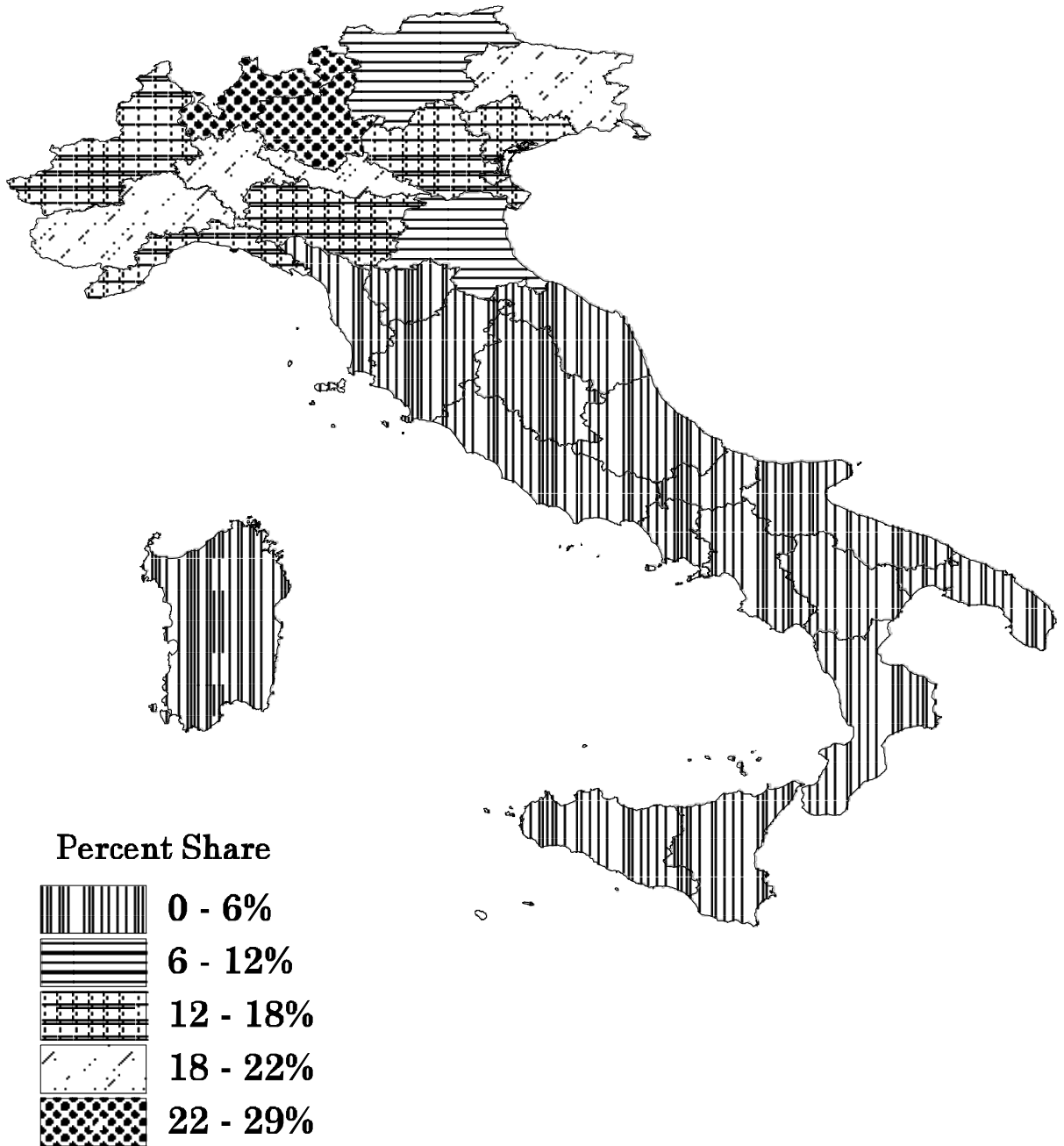
We would like to advance the hypothesis that the birth of the Northern League, public support of the judicial investigations going under the name of "Clean Hands," and the collapse of the two primary pillars of the previous sociopolitical equilibrium (that is, the PSI and the DC) were all caused by the same fact: the increase of fiscal pressure (explicit or hidden) above the level of the acceptable maximum on the small and medium bourgeoisie of the north as "payment" for keeping the communists out of political power (Boldrin & Rustichini, 1998, p. 110).

Corroborating this, the correlation coefficient over Italy's then–existing 31 electoral districts between the share of the vote received by the DC in 1948 and the share of votes received by the League in 1992 — the former, following a suggestion by Diamanti (1996, p. 26) and subsequently endorsed by other scholars (for instance, Giordano (2001, p. 32), I take as a proxy for the traditional subcultural strength of Christian Democracy — is +.35, and is statistically significant. If we consider the 1948 results somewhat exceptional, since one of the immediate aftereffects of the Second World War was to give the DC its largest share in Italian electoral history, and use the more exclusively "subcultural" results from the 1953 parliamentary elections instead, the parallel correlation coefficient is +.58. The League emerged in the early 1990s in precisely those electoral districts that had once been the bastions of traditional Catholic and anti-communist white subculture. Not surprisingly, analysts have noted that the Northern League's leadership deliberately exploited the DC's traditional subcultural bases of appeal and political participation in constructing a rival party (Biorcio, 1991, pp. 75–76).

Survey evidence also documents that a large chunk of the DC's losses in 1992 was picked up by the Northern League (Sani, 1993),[10] a federalist party with what was then a strong anti-corruption, anti-state and pro-market orientation (Agnew, 1995; Agnew & Brusa, 1999; Gallagher, 1992; Gilbert, 1993; Woods, 1995). In the early 1990s, the League's electorate, although composite and variegated, was mainly drawn from the center of the political spectrum — indeed, its social composition paralleled that of the DC (Biorcio, 1999) — and the protest motivations animating its supporters drew on "specific economic interests (sometimes regional and sometimes not) or as a protest against the traditional parties" (Mannheimer, 1993, p. 99). League supporters in this period were not more likely to speak local dialect instead of Italian than were supporters of other parties, were not less attached to

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[10]This was reported by exit polls during the election (Wertman, 1993, p. 21).

their Italian as opposed to their local identities, and were not more intolerant towards southerners or non-whites than other Italians (*ibid.*, p. 100). These factors make it plausible to interpret the regionalism of the League's supporters as largely economically self-serving. In the early 1990s, the League represented protest over the traditional economic policies of postwar Christian Democratic governments, including fiscal and monetary policy, as well as more general protest over government inefficiency and patronage.

Hardworking northern businessmen were especially fed up with the regional redistribution of taxes practiced by Rome, such that by the 1980s Italian government spending was disproportionately directed at the South. Not surprisingly, the League endorsed lower taxes for small firms (Giordano, 2001, p. 36), as well as other policies in the interest of small and medium firms (Wild, 1997, p. 98); similarly, its electorate in the early 1990s was centered among middle-aged northern males, especially businessmen in small industry, shopkeepers, and artisans (Woods, 1995, p. 197). In the 1992 elections, one analyst estimates that 80 percent of the League's elected officials came from professions that were connected to small and medium sized companies (Diamanti, 1993, p. 83). Studies have used ecological analysis to investigate the relationship between the growth of the Lombardy League (which in Lombardy preceded the formation of the Northern League) and the small and medium sized businesses producing heavily for export that are scattered across that part of northern and central Italy (Natale, 1991; Wild, 1997).

The relationship between the DC's losses and the League's gains in 1992 is graphically demonstrated in Figure 3, a scatterplot of (the natural log of) the change in the percentage of votes won by the DC in 1987 compared with 1992 against (the natural log of) the percentage of votes won by the Northern League in 1992.[11] As is evident, the relationship across Italy's 31 electoral districts (excluding the Val d'Aosta) is nearly linear. The correlation between the (unlogged values of these) two variables is +.861, and highly significant. Of course, we cannot infer anything about the behavior of individual voters from data aggregated to the level of electoral districts, but in fact the relationship that we observe in the figure is

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[11]A similar graphic may be found in Sani (1993, p. 118).

underscored by individual-level survey data, which reports that approximately 40 percent of the DC's losses in the North went to the League in 1992 (Wertman, 1993, p. 21).

Figure 3: Scatterplot of Change in DC Vote Share (1987–1992) and Northern League Vote Share (1992) by Electoral District
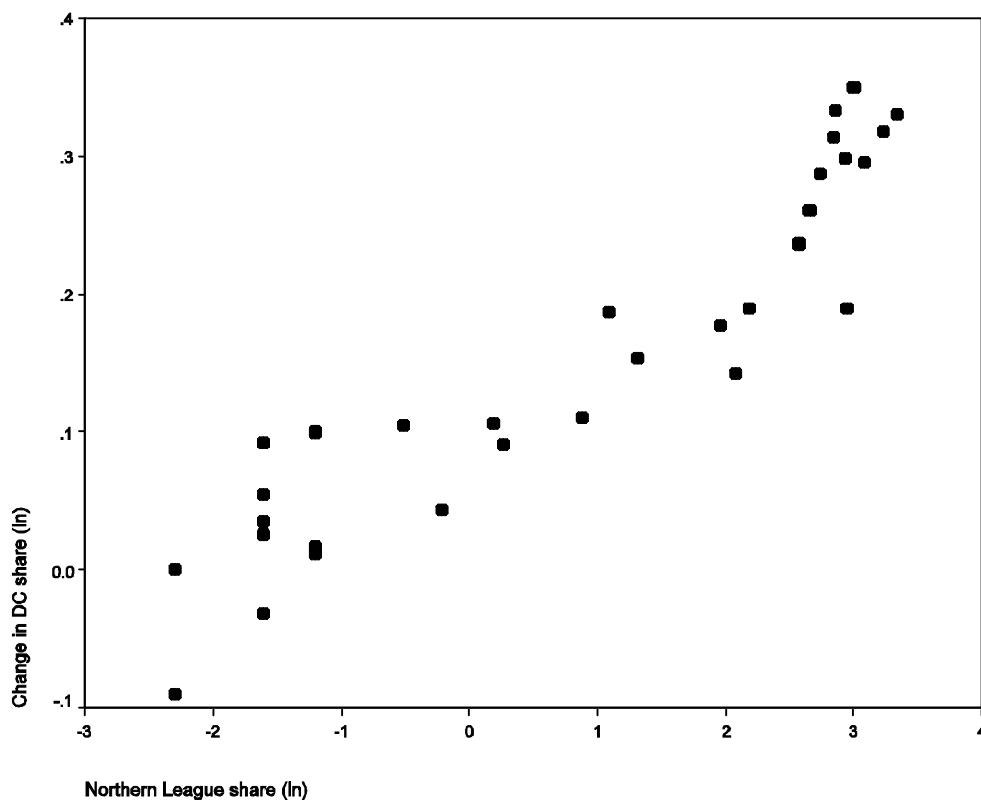
To sum up, both the decline in vote share going to the DC and the surprisingly strong showing of the Northern League in the 1992 elections have been well studied. Much of the political context for the argument that I advance in the present paper is thus well known and uncontroversial. However, the usual answer to the joint questions of why the decline of the DC and the rise of the Northern League occurred and why they occurred simultaneously

points to the importance of the demise of international communism as well as to well-known voter discontent with the DC's pattern of governing. To the best of my knowledge, international *economic* factors have not been examined systematically in studies of electoral change in 1992, although some interpretations (including Giordano (2000) and Guzzini (1995)) have noted their possible importance.[12] Agnew (1997, p. 113), in an interpretation that complements the one offered here, argues that between 1990 and 1992, the League's political program focused on the attempted creation of a federal state, in part in order to help the North of Italy face global economic competition. None of these authors systematically evaluates the relevant evidence, however. In the next section, I examine the importance of new international economic opportunities in changing the expectations of voters.

Systematic Data Analysis and Regression Results

Survey data specifically relevant to the argument advanced here do not exist. As a result, we do not know whether entrepreneurs associated with small firms producing for export were more likely than other Italians to support EMU, as I hypothesize. Given the prima facie plausibility of the hypothesis in conjunction with the absence of relevant individual-level data, I adopt a second-best research design based on the analysis of electoral returns at the level of Italy's 32 electoral districts. Using a multiple regression framework, I test statistically whether international economic factors are associated with the demise of the DC and the growth of the Northern League in 1992. Although this does not directly measure the changed strategies that I believe underlie electoral shifts, it is an observable albeit aggregate level implication of the argument. I also examine whether the decline of the DC and rise of the League are statistically associated with the subcultural strength of the DC. This is a testable implication of the argument that it was the end of the Cold War and the collapse of international communism that contributed to largescale electoral change in Italy 1992. Finally, I examine whether areas that were disproportionately taxede and areas with

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more employees in small and very small firms, were also those that experienced the greatest electoral change.

The two dependent variables that I use are: i) the change in vote share going to the DC in 1992 compared with 1987; and ii) the vote share won by the Northern League. The analysis is conducted over Italy's 32 electoral districts, 31 of which are included in the analysis. (Val d'Aosta is excluded, in part because it was a single-member district rather than using proportional representation, in part because of data problems.) Table 2 presents the core underlying data used to test whether the decline in support for the DC and the rise of the insurgent Northern League in 1992 are significantly associated with exposure to international trade.[13] The table presents data for each of Italy's electoral districts on i) the difference between the 1987 and 1992 vote share won by the DC; ii) the percent of votes won by the Northern League in 1992; iii) the share of the vote won by the DC in 1948; and iv) the district's exposure to international trade, measured as the 1991–1993 annual average value of imports and exports in millions of *lire* in relation to the 1991–1993 annual average value added at factor cost in billions of *lire*.[14] The latter measure captures the extent of international exposure of the district in relation to the district's underlying wealth, thereby effectively controlling for the size of the local economy. The data show that the DC lost vote shares in all but three electoral districts in 1992 compared with 1987, and where it did not, the party's share remained essentially stable. DC losses were thus universal across the Italian peninsula.[15] The Northern League, as its name suggests, was heavily concentrated in the country's North. International trade is the main independent variable of theoretical interest, and is clearly more pronounced in the northern districts (numbered 1 through 18, plus 31 and 32). The DC's electoral share in 1948, when it won 48 percent of the parliamentary vote nationally, is used to proxy the strength of the DC subculture in the early 1990s.

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[13]The entire dataset used in the present study is publicly available at http://www.golden.polisci.ucla.edu.

[14]For details on the construction of indicators and the data used, see Appendix A.

[15]In terms of numbers, however, 71 percent of all votes lost by the DC were in the North, reinforcing the existing "southernization" of its electorate (Wertman, 1993, p. 19). After 1992, the DC's electorate was highly concentrated in Italy's poorest, least industrialized and least productive regions.

Table 2: Data on the Change in the Share of Votes to the DC (1987 to 1992), Percent of Votes to the Northern League (1992), DC Share (1948), and Exposure to International Trade (1991 c.), by Electoral District

District	DC vote share 1987	DC vote share 1992	DC change 1987-92	DC vote share 1948	Northern League vote share 1992	International exposure (1991 c.)
1	25.4	19.0	-6.3	45.6	15.3	469.87
2	35.3	26.2	-9.1	51.8	18.8	400.89
3	28.4	21.9	-6.5	45.9	14.3	198.60
4	28.2	19.9	-8.3	46.7	20.0	646.41
5	35.5	25.5	-10.0	57.6	28.5	449.07
6	44.1	32.1	-12.0	66.8	25.2	396.62
7	33.8	25.2	-8.7	43.2	21.8	444.91
8	26.0	21.5	-4.5	50.4	8.9	309.15
9	47.2	33.9	-13.4	62.3	17.4	466.27
10	38.4	28.1	-10.3	57.3	17.3	356.68
11	35.8	29.6	-6.2	57.8	19.2	322.69
12	21.7	18.2	-3.5	29.5	7.0	265.68
13	27.0	21.3	-5.7	37.2	13.2	408.03
14	24.3	20.1	-4.2	40.1	3.0	348.75
15	28.0	24.0	-4.0	43.1	3.7	338.55
16	25.0	22.4	-2.6	31.4	2.4	283.76
17	34.5	31.5	-3.0	46.7	1.3	227.79
18	29.2	26.2	-2.9	39.0	1.2	170.11
19	34.4	31.0	-3.4	51.9	0.6	205.71
20	42.2	40.4	-1.8	53.9	0.8	183.16
21	57.3	51.8	-5.4	56.1	0.3	80.03
22	39.9	40.0	0.0	50.8	0.1	146.18
23	45.9	43.4	-2.5	49.8	0.2	125.23
24	37.8	36.8	-1.0	48.1	0.2	112.22
25	37.9	34.5	-3.4	49.4	0.2	178.47
26	46.1	44.5	-1.6	48.4	0.2	61.86
27	37.1	36.6	-0.4	48.8	0.3	29.21
28	38.4	39.7	1.3	49.4	0.2	206.09
29	39.1	42.8	3.7	46.3	0.1	73.31
30	34.2	33.7	-0.6	51.2	0.3	188.69
32	24.7	21.5	-3.3	—	8.0	252.32

  Notes: District 31 (Val d'Aosta) uses a majoritarian electoral system rather than proportional representation, and has therefore been excluded from the analysis. District 32 (Trieste) had not been created in 1948.

Details regarding and summary statistics for control variables used in the various regressions are contained in the appendices. I use five sets of control variables in different specifications reported. The controls were selected on the basis of reports in existing literature about factors associated with the change in vote share received by the DC in 1992 and the rise of the Northern League. First, I use a measure of *industrialization* (in this case,

the proportion of the active labor force that is employed in industry) because it is commonly reported in the literature that the Northern League's strategy focused on mobilizing voters in industrial areas and that the DC was increasingly less able to do so in the early 1990s. Hence, I expect that industrialization should be positively associated with votes to the Northern League and that industrialization should also be greater where the change in the DC's share of votes (which is almost uniformly negative, as the data presented in Table 2 indicate) is also greater. Second, I include a measure of *income* in the district. The district's income, or value added, is a proxy meant to capture the district's tax burden, and hence its potential for anti-tax protest. While it would obviously be preferable to use data that directly measure the district's tax burden, tax data are available only at the regional level, and it is not possible to map Italy's 20 regions seamlessly onto its then-32 electoral districts. However, regional-level research clearly indicates that the tax burden in the period around 1990 was proportional to income (Boldrin & Rustichini, 1998, p. 95), making value added an acceptable proxy. The Northern League is commonly identified as a tax protest party, and the DC, as the country's major governing party, is the clear culprit in enacting and enforcing the relevant tax burdens. Hence, I expect that value added should be positively associated with the vote share received by the Northern League and with the change in the DC's vote share. Third, I include a measure of DC *patronage*, because the literature suggests that where the DC distributed more patronage resources, its vote slippage should have been less. The measure of patronage that I use is the number of disability pensions out of the district's total population, since disability pensions were notorious for being distributed by the DC on the basis of political rather than medical criteria. I expect that the change in the DC's vote share will be negatively associated with the proportion of disability pensions handed out. Fourth, I control for the extent of the preexisting white *subculture*, which is believed to have undergone a sudden decline in political importance with the collapse of the Soviet Union. The measure I use is the share of the vote received by the DC in the district in 1948 (and, alternatively, in 1953). If the collapse of international communism freed Catholic voters to turn away from the DC towards protest parties, the sign on the coefficient for this measure should be positive: the change in DC share should be greater in more subcultural areas, which should also experience larger growth of the Nothern League. Finally, I control for firm size. The measures used are the proportion of employees in small firms, where small is defined as those with fewer than 100 employees, and the proportion of employees in very small firms, where very small is defined

as those with fewer than 20 employees. I expect that the Northern League's share will be positively associated with the proportion of employees in small and/or very small firms.

Table 3 reports the results of multiple regressions with the change of vote share obtained by the DC as the dependent variable. The table reports results for four separate models. The first, Model 1, is the base model that is meant to capture the standard view that the DC lost a larger share of votes in 1992 compared with 1987 in traditionally white districts which were more industrial and where the governing party distributed fewer patronage resources. (For descriptive statistics of the variables used in this and the following two regressions, see Appendix B.1.) Overall, the model displays a good fit with the data, as the relatively high r^2 of +0.7 and the strong F statistic reveal. Industrialization and subcultural strength are each highly significant, and each has the expected sign. DC losses in 1992 were greater where industrialization was higher and where the party had received more votes in 1948. The sign on the measure of patronage is correct — the DC's share slipped less where it distributed more disability pensions — but the measure does not achieve a conventionally acceptable level of statistical significance.

The next column, labeled Model 2, reports results of a similar regression but with the additional inclusion of our key independent variable, trade exposure. This is the core result, and it clearly demonstrates the importance of international economic integration for the collapse of the DC's vote in 1992. Trade exposure is highly significant, and is positively related to the change in the DC's vote share. The other independent variables included in the model remain essentially stable compared with the results already observed in Model 1. Substantively, the results displayed in Model 2 document that electoral districts whose economies were more deeply involved in the tradables sector were also those whose electorates turned away in larger proportions from the ruling Christian Democrats in 1992. For every additional 1 percent of exports and imports as a share of the district's value added (in 1992 prices), the DC lost an additional .0013 percent of the vote. Alternatively, we could say that for every additional standard deviation increase in trade exposure in a district, Christian Democracy lost another 1.96 percent of the vote. (Because the metric for "exposure" is effectively unitless, we cannot offer a more substantively meaningful interpretation.) The DC also lost an additional 17 percent of the vote in 1992 for every

additional 1 percent of the vote it had received some four decades earlier, in 1948, indicating a truly catastrophic collapse of its historical subcultural base.

Table 3: Results of Multiple Regressions Testing for the Impact of International Exposure on DC Vote Change in 1992 and in 1983

Dependent variable	Model 1 DC vote change 1992	Model 2 DC vote change 1992	Model 3 DC vote change 1992	Model 4 DC vote change 1983
industrial1992	0.3043***	0.1595**	0.1369*	
	[0.0585]	[0.0668]	[0.0733]	
disability 1992	-15.4332	6.7920	3.5176	
	[14.4127]	[15.7530]	[15.5517]	
DC vote 1948	0.1384***	0.1683***	0.1692***	0.0466
	[0.0438]	[0.0463]	[0.0494]	[0.0367]
exposure 1992		0.0134***	0.0151***	
		[0.0047]	[0.0047]	
wealth 1992			-0.0000	
			[0.0000]	
exposure 1985				0.0036
				[0.0024]
industrial 1985				-6.5801*
				[3.7707]
disability 1983				-31.0385***
				[10.3124]
Constant	-10.4929**	-12.8119***	-11.8345***	6.6974**
	[3.9473]	[3.8584]	[3.9863]	[2.8328]
Observations	30	30	30	30
R-squared	0.70	0.76	0.77	0.48
F test	21.31	21.66	17.20	5.45
Prob > F	0.00	0.00	0.00	0.00

Robust standard errors in brackets
* significant at 10%;
** significant at 5%;
*** significant at 1%.
Notes: For details on data and variable construction, see Appendix A. Val d'Aosta is not included in the analysis. Because Trieste had not been created in 1948, it is also excluded.

The third column of regression results (Model 3) adds a proxy for the potential for tax rebellion, the district's wealth. The inclusion of this measure worsens the overall fit of the model, shown by the fall of the F statistic from 21.66 to 17.20   In addition, the measure of

district wealth is not significantly associated with the dependent variable. Model 3 fails to corroborate the hypothesis that DC loses were greater where tax burdens were higher, or that tax protest was significantly associated with the collapse of the DC's vote.

A final column reports the results of a regression (Model 4) studying the DC's vote loss a decade earlier, in 1983. (Summary statistics for the measures used in this regression are available in Appendix B.2.) In the 1983 parliamentary elections, the DC had won 32.9 percent of the vote, a very substantial fall from the 38.3 percent it had won in 1979. If I am correct that it was the prospect of EMU that catalyzed the defection of Christian Democratic voters in 1992, we should observe no significant association between the relative involvement in tradeables of electoral districts and the sharp decline of the DC's vote share that occurred in 1983. And indeed, the results reported for Model 4 show that relative trade exposure in 1985 (data from 1983 are not available) was not significantly associated with the change in vote share received by the DC in 1983 compared with 1979. Nor were vote losses concentrated in the DC's traditional strongholds, as occurred in 1992; instead, in 1983, there is no statistically significant relationship between the DC's traditional subcultural strength, proxied by its 1948 vote share, and vote change. (Results are essentially unaltered if we use the DC's 1953 share as a proxy for subculturalism instead of its 1948 vote; this is true for all four sets of results reported in Table 3.) Rather, the regression provides evidence that the DC's traditional system of rule operated effectively in this period: its vote losses were less where it distributed more disability pensions, as indicated by the very significant coefficient on the number of disability pensions per inhabitant in 1983. Finally, and perhaps rather surprisingly, the DC's losses were greater in districts that were less industrialized (using a measure from 1985, since earlier data are not available).

A second table reports the results of a set of similar regressions performed over the share of votes won by the Northern League in the 1992 elections. The first of these, Model 5, constitutes the base model portraying the conventional wisdom. The results reported provide evidence confirming that the Northern League won more votes in districts that were more industrialized and where the DC's traditional subculture had been stronger. The signs on both of these variables are positive, and both variables exhibit conventionally acceptable levels of statistical significance. However, similar to the results just reported for Model 3

over the drop in votes received by the DC, there is no corroboration of the hypothesis that the Northern League's electoral appeal was rooted in tax rebellion; wealthier districts are not significantly associated with higher returns to the League. Nor, finally, do we find evidence in Model 5 of any significant relationship between the growth of the Northern League and the share of employees in small firms, and the sign on this variable is the reverse of what would be expected. (The same is true for very small firms, although for reasons of space, the results are not included in the table.)

Table 4:
Results of Multiple Regressions Testing for the Impact of
International Exposure on Northern League Vote Share in 1992

Dependent variable	Model 5 Northern League share 1992	Model 6 Northern League share 1992
Industrial 1992	0.7900***	0.2798*
	[0.1087]	[0.1590]
DC vote 1948	0.2508**	0.2988***
	[0.0946]	[0.1001]
wealth 1992	0.0000	-0.0001
	[0.0000]	[0.0000]
small firms	-6.4934	-13.6916
	[19.1637]	[15.6596]
exposure 1992		0.0413***
		[0.0100]
Constant	-25.6745*	-14.6893
	[14.9164]	[13.6176]
Observations	30	30
R-squared	0.69	0.79
F test	26.64	28.69
Prob > F	0.00	0.00

Robust standard errors in brackets
* significant at 10%; ** significant at 5%; *** significant at 1%
Notes: For details on data and variable construction, see Appendix A.
Val d'Aosta is not included in the analysis. Because Trieste had not been
created in 1948, it is also excluded.

Model 6 reports results of a regression that adds the main independent variable of interest, the extent of international exposure of the district. This model displays a strong r^2 and overall a good fit. Corroborating existing literature, significant and positive determinants of the share of votes won by the Northern League include the extent of industrialization and the depth of the DCs preexisting subculture, proxied by the share of the vote going to Christian Democracy in 1948. The impact of international exposure on the percent of votes won by the Northern League also has a large and highly significant effect. For every 1 percent increase in the extent of international exposure, the Northern League won an additional 4 percent vote share.[16]

Why does the measure of small business fail to achieve statistical significance in these models? One reason is that there are many employees in small firms across all of Italy's 32 electoral districts, as the descriptive statistics, which are reported in Appendix B.1, attest. None of Italy's electoral districts has fewer than half of its industry and service employees in small firms, and the standard deviation of this variable is only +.07. There is not much variance in the data across electoral districts, in short, making it difficult to obtain a significant coefficient. Second, the findings do not mean that many or even most supporters of the League were not associated with small industry. Rather, they mean that being associated with small industry was not itself associated with a shift in electoral support to the Northern League.

Interpretation: International Shocks and Electoral Realignment in 1992

How do we interpret these findings? The results of the statistical analysis reported in the foregoing pages suggest that international factors were much more important than

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[16] Models 5 and 6 probably suffer from ommited variable problems, however. Some evidence of this includes structure in the residuals. This problem is solved by splitting the sample of electoral districts into North and South; the residuals of these separate regressions appear normal. However, in doing so, some independent variables flip and become "wrongly" signed. Due to the small number of observations (there are only 12 southern electoral districts), it is not possible to solve these problems with the current dataset.

domestic in triggering changes in electoral behavior in the critical 1992 national elections. The results document that that the economic opportunities represented by the extra-Italian European market in combination with the collapse of international communism were significant determinants of major shifts in Italian electoral behavior. Measures involving international factors proved significant predictors of vote change in all the regressions reported. The standard stories regarding the putative importance of domestic politics, including fiscal redistribution, tax rebellion and small business fail to receive corroboration in the analysis. Instead, exogenous shocks — in the form of international economic and political changes — appear to have caused voters to alter their electoral strategies.

We cannot of course infer anything about the electoral behavior of individual voters from the district-level analysis undertaken here, although the interpretation offered here is corroborated by other studies of electoral change that use other kinds of evidence. My analysis, like that by others scholars on Mexico, clearly demonstrates that electoral districts that were more exposed to international trade — mainly intraregional trade, in effect — were those where larger proportions of voters repudiated the DC and shifted allegiance to the Northern League. In addition, the analysis documents that the Northern League emerged more strongly in 1992 in those electoral districts that had historically offered deeper reservoirs of Catholic subcultural identity. Both involvement in international trade and eroding subculturalism had been underway for many decades (on the latter, see Parisi & Pasquino 1980). Yet, as my analysis of the 1983 elections clearly shows, these had not exerted significant effects on the waning ability of the DC to win votes. The 1992 elections, by contrast, signaled a decisive shift in the social bases on which traditional postwar political alignments rested. For these alignments to disintegrate, growing international exposure by itself was patently inadequate; even ten years earlier, much economic growth in northern electoral districts was generated by exporting manufactured goods to other European countries. Instead, I have contended that only when Italy was faced with the decisive political choices represented by the Maastricht Treaty and the promise of entry into a single currency did regional economic integration finally engender changed electoral strategies by producers in the tradeables sector.

Comparative and Theoretical Implications

Even if they have not been systematically identified in previous studies, the findings reported here about the importance of international trade to electoral change in 1992 are unlikely to surprise Italian specialists. They are, nonetheless, theoretically surprising on at least three separate counts. First, the argument advanced here contrasts sharply with what is arguably the dominant interpretation of Italy's successful entry into EMU, which focuses on the politically independent activities of policy elites, especially "technocrats" and economists (Dyson & Featherstone, 1996; Reviglio, 1998; Hallerberg, 1999; Dyson & Featherstone, 1999; Croci & Picci, 2002; Sbragia, 2001). According to this view, the economic policy reforms that were carried out during the 1990s, and that proved essential to securing entry into the eurozone, were enacted because the preferences of social groups were so difficult to interpret, so ambiguous, and so unstable that policy elites were able to seize the initiative and act independently of the constituencies traditionally represented by Italian economic policy. In this account, social groups did not exhibit explicit changes in policy orientations. Rather, the temporary independence of policy making elites — an independence embodied in a series of what are interpreted as "technocratic" rather than partisan/political governments during the 1990s — allowed the views and values of economists to dominate, thereby ensuring Italy's successful entry into EMU in 1998. Economists, so the argument goes, used their expertise to carry out a series of essential reforms so that Italy came close enough to meeting the convergence criteria that it was awarded EMU entry.

This view has predominated over interest-based accounts (such as the variant offered by Talani (2000)). The evidence presented in the preceding pages suggests that an interest-based view may well be warranted, however. It supports the interpretation that internationalization had altered electoral behavior and the policy strategies of important social groups, thereby offering a basis in public opinion for the policy reforms enacted during the 1990s that led to Italy's entry into EMU. My findings suggest that Italian technocrats represented real socioeconomic constituencies, not just a set of technically-derived policy views and commitments.[17] It was the changed political behavior of important social groups

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[17]It is worth asking why the standard literature has, according to the view advanced here, so radically misinterpreted Italian events. Having interviewed a select number of policy elites myself, I

that laid the basis for subsequent successful economic policy innovation. The decisive decline in popular support enjoyed by the DC that occurred in the 1992 elections was a necessary precondition for the successful economic policies undertaken by governments later in the decade.

Second, as I have already noted, the argument advanced in these pages contrasts with that drawn from the theory of international trade, which identifies large multinational corporations and banks as potentially prime movers in domestic shake-ups that may accompany greater international economic integration. Instead, echoing conventional Italian accounts, I have stressed the importance of small businesses in upsetting domestic political alignments. The evidence I have been able to provide in support of this view is decidedly mixed, but warrants additional research, perhaps at a lower level of aggregation. The widespread and indeed almost uniform diffusion of small firms across the Italian peninsula makes it difficult to disentangle the impact of small firms in the tradeables sectors.

Finally, as the Mexican case shows, Italy is not alone in seeing its rent-seeking dominant party collapse as a result of internationalization. The extent to which the "Third Wave" of democratization may have been more generally linked to increasing international economic integration remains to be studied, however. The current study provides systematic documentation that international economic integration may erode preexisting electoral and political coalitions and alignments. Globalization may undermine the sheltered and inefficient coalitions on which rent-seeking regimes rest, by forcing inefficient producer groups to adopt globally more competitive, efficient technologies. If this is indeed the case, the Italian example studied in this paper offers a hopeful illustration of the democratizing effects internationalization may carry with it. But additional research is clearly warranted.

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hazard the guess that existing research has drawn excessively on (arguably credulous interpretations of) interviews with the self-same policy elites who claim that only their political independence and expertise allowed Italy to gain entry into EMU.

Appendices
A. Data Definitions and Sources

Variable	Definition	Years	Source
Electoral Measures			
Dcchange92	Change in the share of the vote won by DC	1987 share minus 1992 share	Pasquino 1996
Dcchange83	Change in the share of the vote won by DC	1979 share minus 1983 share	Pasquino 1996
Lega92	Share of the vote won by Northern League	1992	Pasquino 1996
Dcshare48	Share of the vote won by DC	1948	Pasquino 1996
Dcshare53	Share of the vote won by DC	1953	Pasquino 1996
Political Patronage Measures			
Disability92	Annual average number of disability pensions per inhabitant	Disability pensions averaged over 1991-1992-1993; population 1991	Disability pension data from INPS (courtesy of Censis); population data from ISTAT's quarterly survey of the labor force (reported in Rosa and Guglielmetti 2000)
Disability85	Annual number of disability pensions per inhabitant	1985	Disability pension data from INPS; population data from ISTAT (courtesy of Prometeia)
Trade Openness Measures			
Expose92	Ratio of annual average value of total exports and imports (in millions of current lire) to value added at factor cost (in billions of current lire)	Annual average 1991-1992-1993	Trade data courtesy of the Italian Trade Commision; value added at factor cost from Istituto Guglielmo Tagliacarne (http://www.tagliacarne.it)
Expose85	Ratio of value of total exports and imports (in millions of current lire) to value added at factor cost (in billions of current lire)	1985	Trade data courtesy of the Italian Trade Commision; value added at factor cost courtesy of Prometeia

Variable	Definition	Years	Source
Labor Force, Industry and Wealth Measures			
Indus92	Ratio of number of persons employed in industry to active labor force (thousands of persons)	1991	ISTAT's quarterly survey of the labor force (reported in Rosa and Guglielmetti 2000)
Wealth92	Value added at factor cost	1992	Istituto Istituto Guglielmo Tagliacarne (http://www.tagliacarne.it)
Smlfirms91	Ratio of number of employees in industry and services in establishments of fewer than 100 to total number of industry and service employees	1991	VII Censimento Generale dell'Industria e dei Servizi (courtesy of Censis)
Vrysmlfirms91	Ratio of number of employees in industry and services in establishments of fewer than 20 to total number of industry and service employees	1991	VII Censimento Generale dell'Industria e dei Servizi (courtesy of Censis)
North/South	Electoral districts 19-30 coded 0 (South); remainder coded 1 (North)	All years	Coded by author

Appendix B. Descriptive Statistics of Variables Analyzed

Table B.1. Measures for Analysis of Electoral Change in 1992

Variable	Obs	Mean	Std. Dev.	Min.	Max.
dcchange92	31	4.505188	3.927843	-3.68227	13.38746
lega92	31	8.064516	9.071257	.1	28.5
expose92	31	269.2352	146.4147	29.21259	646.407
indus92	31	30.97889	9.015121	15.73034	49.47644
disability92	31	.0817157	.0347677	.0334344	.1623133
dcshr48	31	48.87338	8.219208	29.52204	66.76306
dcshr53	31	41.0091	7.44328	27.12254	59.0769
wealth92	31	45820.85	34290.63	6271.033	160013.8
smlfirms92	32	.6731184	.0764052	.5057748	.7736471
vrysmllfirms92	32	.3430422	.0521341	.2319583	.4358191

Table B.2. Measures for Analysis of Electoral Change in 1983

Variable	Obs	Mean	Std. Dev.	Min.	Max.
dcchange83	32	4.437021	2.609848	-2.433544	7.803352
expos85	32	332.0708	186.1799	0	771.6407
indus85	31	.3211556	.0959507	.1758242	.5196629
disability83	32	.1058753	.0413524	.0477862	.2036095
wealth85	32	24747.16	18199.25	2040.2	83678.2

Appendix C. Correlations among Independent Variables

	expos92	indus92	disab92	dcshr48	dcshr53	wealt92	sml92	expos85	indus85	disab83	
expose92	1.0000										
indus92	0.7951	1.0000									
disab92	-0.6591	-0.4606	1.0000								
dcshr48	0.0628	0.1566	-0.2176	1.0000							
dcshr53	0.2803	0.4280	-0.2844	0.9074	1.0000						
wealth92	0.4855	0.1736	-0.5330	0.0484	-0.0370	1.0000					
smllshr	-0.0699	0.1154	0.2716	-0.0781	0.1617	-0.5939	1.0000				
expos85	0.8290	0.5104	-0.6008	-0.0137	0.1031	0.4810	-0.1272	1.0000			
indus85	0.8188	0.9793	-0.5200	0.1388	0.4083	0.2187	0.1222	0.5803	1.0000		
disab83	-0.6209	-0.4308	0.9962	-0.2244	-0.2767	-0.5437	0.2891	-0.5819	-0.4928	1.0000	
wealth83	0.5105	0.2140	-0.5560	0.0305	-0.0461	0.9959	-0.6116	0.5001	0.2584	-0.5656	1.0000

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