

Italian Politics and the European Union: A Tale of Two Research Designs

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Drawing on the conceptual framework of Europeanisation, we trace the Europeanisation of Italian politics by combining top-down analysis (that is, how Italy has adapted to pressure coming from Brussels) with a bottom-up examination of how Italian policy-makers have encountered the EU in their attempts to pursue domestic policy goals. We find that the foreign policy orientation and policy preferences of the governing coalition determine the posture, style and choice of institutional venues. Taken together, bottom-up and top-down assessments of Europeanisation suggest that, during the second Berlusconi government, the influence of the EU in Italian politics was limited - although not trivial. When the Berlusconi government (2001-2006) faced high pressure, it tried to reduce it at source rather than adapting to EU policies. By contrast, the centre-left governments (1996-2001) used pressure as a lever for policy change, while the governments of the 1980s responded to pressure by delaying implementation.

Introduction

With the deepening of European integration, the European Union (EU) has come to exert increasingly significant direct and indirect effects on the member states, reinforcing a

well-established trend whose origins date back to the very creation of the European Economic Community in 1957. The domestic impact of the EU is particularly important with reference to Italy, a country for which integration in Europe has represented a symbolic point of reference and a widely-used external lever for domestic institutional and policy changes. This process intensified during the run up to the Economic and Monetary Union (EMU), which required major domestic adjustments in Italy in order to meet the convergence criteria (Della Sala 1997, Radaelli 2002, Sbragia 2001, Quaglia 2004b).

This article examines the political impact of European integration in the past decade, mainly focusing on the period after the establishment of EMU, adopting the theoretical perspective of Europeanisation, as conceptualized below. The next section provides the conceptual framework, and explains how we combine ‘bottom up’ and ‘top down’ research designs. We then, in the subsequent section, sketch out the broader political context and situate the relationship between Italy and the EU therein. The following two sections apply the bottom up and top-down research designs to the empirical record. The final section compares the findings of the two research designs, showing how they can be used to complement each other.

We find that, in the period examined in this article, the influence of the EU in Italian politics has been limited - although not trivial. When the Berlusconi government (2001-2006) faced high pressure, it tried to reduce it at source rather than adapting to EU policies. By contrast, the centre-left governments (1996-2001) used pressure as a lever for policy change, while the governments of the 1980s responded to pressure by delaying implementation. Party politics – a variable that is often neglected in the analysis of

Europeanisation – has affected discourse, the choice of political venue, and the style used by the Italian policy makers to handle EU policy and politics.

Adaptation and encounters with Europe

At the outset, we introduce our conceptual framework and explain how it relates to the research design. Our point of departure is the concept of Europeanisation, defined as ‘processes of a) construction, b) diffusion and c) institutionalisation of norms, beliefs, formal and informal rules, procedures, policy paradigms, styles, “ways of doing things” that are first defined and consolidated in the EU policy processes and then incorporated in the logic of domestic (national and sub-national) discourse, political structures, and public policies’ (Radaelli 2003:30; this definition draws on earlier work by Ladrech 1994). The notion of ‘EU policy process’ designates a political space with a distinct EU dimension wherein social interaction takes place. Of course, this does not mean that any political space where there are interactions produces effects. Indeed, the classic problem in this area of research is to devise research designs that avoid pre-judging the role of the EU in domestic politics. In order to produce effects, these interactions at the EU level must become a reference point in domestic political action, either via socialisation or the production of resources and policies that modify the logic of political interaction at home.

Having established this, what is the specific domain of Europeanisation? Basically, there are two ways to proceed, with clear implications in terms of research design. One option is to think about Europeanisation as ‘adaptation to Europe’. Following this option, we assume that there is something sufficiently distinct and coherent up there in Brussels to require ‘adoption’ by the Italian political system. Another is to look at

Europeanisation as a set of processes altering the domestic political opportunity structure. In this second perspective, we are focusing on how domestic actors encounter ‘Europe’ when pursuing (or resisting) change.

In these encounters, the EU may well produce adaptation requirements (in which case we go back to the first way of thinking), but it can also operate as a resource, a learning opportunity, a new venue for leadership, discourse, and policy action. And of course, the encounter may well be a marginal episode that does not alter what is at stake in domestic political and policy arenas. The domestic system of interaction may encounter a directive, a national action plan to be sent to Brussels in the context of facilitated coordination, a Spring summit in which something has to be said about competitiveness and jobs, but all this may have minimal influence on how the domestic game is played, the resources that are used, and the final outcomes in terms of policy change (or lack of it) at home. One argument we will make in this article is that, in the context of a single case study, the two approaches can be used to shed light on different dimensions. If the two perspectives are not mutually exclusive, there is room for examining their interaction – for example how pressure from the EU leads domestic political leaders to re-organise their activity in Brussels so that pressure can be reduced at source. We will illustrate this mechanism with reference to the revision of the Stability and Growth Pact.

It is not easy to devise a research design suitable for drawing causal inferences about Europeanisation. Some Italian changes apparently linked to adaptation to EU policies have been cultivated and prepared for years by domestic coalitions (Bull and Baudner 2004). Over a fairly long period of time, the Italian ‘domestication of Europe’

may well be more important than top-down pressure and adaptation. Given this complexity, research designs are crucial. The baseline model presented by Caporaso (2006) fits in nicely with the 'adaptation' perspective. Causation moves from the EU to the domestic level. EU 'pressure', mediated by intervening variables, leads to reactions and change at the domestic level, including resistance and inertial responses. Domestic change has a feed-back effect on the EU, thus closing the loop. Pressure is measured in terms of 'goodness of fit', which is not just the fit, or lack of, between EU and domestic policies, but covers structural-institutional fits as well (Börzel and Risse 2003; Caporaso 2006).

Whereas the baseline model is recursive (there are no exogenous variables), bottom-up research designs (detailed in Radaelli and Pasquier 2006) exogenise EU-level variables. Instead of starting from EU policy/politics as independent variable and tracking down the consequences for domestic institutions, policies, and politics, the bottom-up research design revolves around empirical observations at the level of the domestic system of interaction (actors, resources, problems, solutions, rules, and discourse). By using temporal causal sequences at the domestic level, a bottom-up approach can establish if any of the main components of the domestic system of interaction has encountered exogenous variables (the EU or global arenas). If this happens, we can control for how these variables are used and to what effect. If and when the actors in this system encounter 'Europe', evidence is collected on variables such as the salience of EU policies, their role as constraints or opportunities, their potential for learning effects, and more generally any alteration of the domestic opportunity structure. When alteration occurs, it is important to establish if there are actors that have the willingness and

capability of exploiting the changes, and whether brokers or policy entrepreneurs facilitate the exploitation.

Turning to case selection, Italy provides a good case for the analysis of Europeanisation. First, during the period we are examining, there is no doubt that the pressure from Europe has been decreasing – thus making research designs focusing exclusively on adaptation limited. True, factors such as multilateral surveillance, indicators and benchmarking in the context of the open method of coordination, and adaptation to new single market directives have exercised some pressure on the Italian political system. However, there is no doubt that, compared to the period 1985-1992 (the single market agenda) and the period 1992-1998 (the run-up to the Euro-zone), the subsequent period has been one in which the EU has been a less important element of pressure than in the past. This is partly due to processes of legitimacy crisis and re-orientation of the whole European project (from the White Paper on Governance to the failed Constitutional project), and partly to the fact that EU pressure has been re-directed towards countries other than Italy, notably the Central and Eastern European countries jockeying for positions in the enlargement process.

Second, the literature on recent changes in Italian foreign policy is not unequivocal, but seems to suggest that, for the Berlusconi government, the EU was a reference point less important than in past (see Croci 2005 for a balanced assessment of the different arguments). The contrast is with the first (1996-1998) and second (2006-) Prodi administrations (2006-...). As the period we are examining was mainly characterised by the presence of the Berlusconi government, we would expect the

bottom-up perspective to reveal fewer (but, arguably, more crucial) encounters with Europe.

Swings of the political pendulum and continuity

Before we see what happens to research designs when they hit the road of the Italian case, it is useful to situate our analysis in its historical context. In this section we look at the attitudes of successive Italian governments towards the process of European integration, the turning point being, arguably, the election of the centre-right Berlusconi government in 2001, which challenged the European ‘orthodoxy’ of previous Italian governments.

In the early post-war period, the Italian ruling coalitions regarded the process of European integration as a way to rehabilitate the country in the international community, to stabilise a nascent democracy and to develop an efficient market economy (Santoro 1990). The overarching priority for Italy was to remain at the core of the process of European integration, which would promote the modernisation of the country economically, politically and culturally. The pro-intergrationist foreign policy paradigm was actively promoted by a few leading figures of the political class and it was passively accepted by all governing parties, even though it was contested by opposition parties on the left and the right.

During the 1980s, pro-integration attitudes became dominant throughout the elites and public opinion. Even the Communist Party (PCI), previously Euro-sceptic, reoriented its foreign policy paradigm, increasingly supporting further European integration in the 1980s (Maggiorani 1998). EU policy became bipartisan. Public opinion data reveal that

Italy was one of the most pro-European countries in the 1980s, even though it experienced several difficulties in ‘adjusting’ to Europe, in terms of transposition, implementation and enforcement of EU legislation, appropriate use of the structural funds and the articulation of national positions in Brussels (Borghetto, Franchino and Giannetti 2006, Giuliani 2000, Francioni 1992).

Although the political class, as a whole, had generally been inward-oriented and passively pro-European, technocrats and politicians keen on structural reforms learned how to use the EU commitments to promote much needed domestic economic and political reforms. The strategy of the external constraint was at its height in the 1990s, when drastic domestic changes were required for Italy to be able to join Economic and Monetary Union (EMU) (Dyson and Featherstone 1999, 1996).

It is worth dwelling a little further on the relationship between the Italian political system and the EU during the first Prodi government (1996-2001), not only because this period is conventionally seen as a turning point for Italy’s relations with the EU (Della Sala 1997), but also because it provides an interesting comparison with the Berlusconi government. For the Prodi government, ‘Europe’, to be precise Italy’s joining EMU in 1999, was regarded as a priority, even though with differing emphases within the government coalition (initially, the Party of the Democratic Left was less keen on this objective) and viewed with increasing intensity over time, especially once it became clear that the starting date of EMU would not be postponed and that Spain and Portugal would attempt to join EMU from the beginning (Radaelli 2002). The centre-left government deployed its actions on two fronts: the external and domestic. In the first instance, Italian policy makers interacting in EU fora devoted considerable effort to reassure policy

makers in other member states and in EU institutions (first and foremost the Commission) about Italy's readiness for EMU, the country's capacity to meet the so called convergence criteria (in particular the fiscal criteria), and the sustainability of the domestic macroeconomic adjustment. This was the diplomatic action undertaken by senior officials at the Treasury, the Foreign Office and the Bank of Italy, but also by the Treasury Minister, the Minister for Foreign Affairs, and the Prime Minister.

At the national level, most of the domestic policy changes that took place in approaching EMU were designed to facilitate the fulfilment of the convergence criteria, and therefore they mainly concerned economic policies, such as fiscal and budgetary policy (a major budgetary retrenchment was carried out in the period approaching the final stage of EMU, Della Sala 1997, Ferrera and Gualmini 1999); privatisation (which had direct implications for fiscal policy), and anti-inflationary fiscal policy through the so called *concertazione* (Natali 2004). The (partly successful) reform of the public administration can also be seen as indirectly linked to EMU. The government even imposed a one off tax, the so-called Eurotax, in order to reduce the budget deficit. In other words, pressure was used to accelerate policy change at home, and adjustment was produced (sometimes temporary, sometimes long lasting: see Bull and Baudner 2004; Natali 2004; Radaelli 2002; and, on discourse and policy change, Schmidt and Radaelli 2004) in order to join EMU.

The domestic policy discourse deployed by the Prodi government was very much oriented in this direction, emphasising the importance of Italy entering the Euro-zone, which was presented to domestic public opinion as 'joining Europe' (*entrare in Europa*). The discourse of the 'external constraint' was deliberately and strategically deployed to

justify a heavy fiscal retrenchment and other related reforms (such as welfare state reform and incomes policy). Several policy-makers interviewed for our previous studies on Italian politics noticed that these changes were much overdue and would have been necessary anyway. However, the 'European objective' (i.e. EMU membership) catalysed action on some politically difficult reforms, which were eventually pushed through (Sbragia 2001).

Prodi's 'external constraint' strategy became more explicitly rooted in technocratic coalitions and strong linkages between the Commission (even at the level of individual DGs) and the Italian executive. In short, this was a foreign policy with a supra-national stance and strong pro-integrationist tones. Leaders such as Prodi and Ciampi were in their element when dealing with the Commission, or, outside Europe, the International Monetary Fund. By contrast, the inter-governmental Europe of Prime Ministers, informal alliances of governments, and European Councils was the source of more than one disappointment for the Prodi government – as shown by the lack of understanding between Italy and Spain at Valencia (23-24 September 1996) and, in the same period, the tension between the Italian government and the then German Finance Minister Theo Weigel about the interpretation of the Maastricht criteria (Radaelli 2002).

With Berlusconi in office (1994 AND THEN 2001-06) there were signs of a different option for foreign policy, this time based on a more realist understanding of Italy's position in Europe and a clear preference for an inter-governmental Europe. Europe was no longer considered the default arena for the promotion of Italy's interest (Quaglia 2004b), and in any case preference was given to the personal links between Finance and Prime Ministers, not to the Commission. The populist stance of some

important components of the Berlusconi government chimed with an attitude of scepticism towards the Commission's services. The fact that Prodi was then President of the Commission increased political distrust between the Italian government and Brussels' bureaucrats, often accused of playing the opposition's role in the internal vicissitudes of the Italian political system.

Domestic politics came into play through a distinctive form of politicisation of the presidency when Italy took over this office in 2003 (Quaglia 2004a). Difficult relations between the Italian President of the EU, Silvio Berlusconi, and the Italian President of the European Commission characterised the Italian semester. They were not so much due to inter-institutional conflicts of power between EU institutions. Instead, they were the result of domestic political competition, for Berlusconi and Prodi were to become the main political rivals at the 2006 general election in Italy.

The relationship with the European Parliament was yet another area in which things deteriorated, since Berlusconi verbally abused a German MEP. The political trap prepared by the European Parliament for Mr Buttiglione (the candidate of the Italian government for one of the posts in Barroso's team who had to withdraw after his examination by the EP) confirmed the sour relationship between Rome and Strasbourg. In the second Berlusconi government, the only component of the technocratic and supra-national stance was represented by Ambassador Ruggiero (former director general of the World Trade Organisation), who served as Italy's Minister for Foreign Affairs in 2001-2002. His 'genetic' incompatibility with the foreign policy attitudes of the government of the day was made clear by his decision to quit soon, in 2002, to become chairman of Citigroup in Switzerland.

Public opinion data indicate decreasing support for European integration in Italy, although support has never gone below the EU average. Euro-scepticism has surfaced amongst certain centre-right political parties, first and foremost, the Northern League, and to a lesser extent in sectors of Forza Italia. What is remarkable is that for the first time in post-war Italy, Euro-sceptic political figures have become ministers, such as Antonio Martino (Minister for Foreign Affairs 1994-1995; Minister of Defence 2001-2006) and which, at times, has resulted in tensions between Italy and the EU.

With the second Prodi government (elected in 2006), the pendulum went back to the supra-national and technocratic option. When President of the Commission, Prodi was seen as a weak political figure in many capitals. This gap in political reputation was hard to close, even if Prodi in the meantime had re-occupied his seat at the European Council's table with the 2006 electoral victory. Unsurprisingly then, the first moves of the second Prodi government were all in the direction of looking for (and finding) political support for economic policy at the Commission. Not only did Prodi prioritise the EU in his foreign policy discourse, but he also tried (not always successfully, as shown by some friction between Rome and Brussels during the long gestation of the Finance Bill for 2007) to exploit his connections in Brussels, and those of the Ministers in his government, such as Tommaso Padoa Schioppa (Treasury) and Giuliano Amato (Home Office).

It is difficult to follow all the swings of the pendulum between supra-nationalism and inter-governmentalism. Perhaps behind some of the swings lies continuity. Italy has always been a pro-European political system. Fundamentally, Italy's EU policy has only marginally changed in the long term (as evidenced by Croci 2006). However, three

elements have changed, specifically discourse, style and the choice of political venues, and these constitute, less than a paradigm change but more than ephemeral oscillations of the pendulum. We now turn to see whether this has also affected public policy.

When Italy encounters Europe (and when it does not)

Although Italy has not fundamentally changed the course of its foreign policy, the choice of arenas (supra-national versus inter-governmental) and partners has changed more than once since 1990. This raises the question as to whether the substance of the games played in the arenas by the different coalitions of actors has changed. To answer this question, we turn to our Europeanisation framework, commencing with a bottom-up analysis.

In this section, we discuss the main policy and institutional changes that have taken place in Italy in the last decade or so, process-tracing the domestic level to see if and when encounters with Europe have indeed occurred and with what consequences. In a bottom-up perspective, the first obvious question is ‘did the centre-right coalition encounter Europe during its attempts to implement its electoral manifesto?’ Accordingly, we start from the widely publicized ‘contract with the Italians’ (*Contratto con gli Italiani*) drafted by Silvio Berlusconi, together with the programme presented by the centre-right government upon taking office in 2001 (*Dichiarazione Programmatiche di Governo*). The latter includes all the main points of the ‘electoral contract’ mentioned above, as well as other issues that were important for the main coalition parties. This section also briefly outlines the main reforms actually introduced by the centre right government of Berlusconi between 2001 and 2006.

The so called ‘contract with the Italians’, which basically summarized the electoral programme of Forza Italia and its leader, Silvio Berlusconi, contained five main pledges: to reduce crime; to reduce unemployment; to increase minimum pensions; to reduce taxes (and fiscal pressure more generally); to build large-scale infrastructures (the so called *grandi opere*, exemplified by the proposal to build the Messina bridge between Sicily and mainland Italy). Hence, broadly speaking, there was one non-economic goal (law and order), two broadly speaking neo-liberal economic policy goals, and a Keynesian economic policy plan for infrastructures. Let us see whether and how the implementation of this programme intersected with ‘Europe’.

With reference to the first pledge, the reduction of crime, there was no direct encounter with Europe, although Italy found itself at odds with proposals for a European arrest warrant (initially opposed and subsequently accepted, albeit reluctantly, in 2002). Objections were raised by the Italians against the establishment of a European public prosecutor, envisaged in the Constitutional Treaty negotiated in 2003-4 (Quaglia 2005). In the other four cases, which mainly concerned economic goals, Italy encountered the EU indirectly, as a constraint. There was no ‘Europe’ on the radar of the Italian policy-makers. The increase of minimum pensions, the reduction of taxes and the construction of large scale infrastructures were constrained, in aggregate terms (i.e. fiscal policy), by the Stability and Growth Pact (SGP), which set binding ceilings on the deficit to GDP ratio.

As explained in the following section, to counteract this constraint, the Italian government engaged in a double-step strategy at the national and EU levels. Domestically, the Italian government tried to ignore EU influence on Italian fiscal policy,

by temporarily exceeding the ceiling set by the Pact. At the same time, it sought to reshape EU constraints, calling for suspension of the Pact first, and its reform later, hence trying to remove the source of pressure. There was a similar logic, as far as the large-scale infrastructure are concerned, where there was a clear attempt to make this issue one of the priorities of the EU by inserting it the programme of the Italian Presidency (Di Quirico 2004), even though this attempt was largely unsuccessful, because the other member states were lukewarm towards this goal (Quaglia 2004). Italy, then, sought an opportunity (the Presidency of the EU) to domesticate European priorities, but the gambit backfired. In fact, the EU turned out to be a constraint rather than an opportunity for large infrastructural investments, given the ceilings of the SGP mentioned above.

Besides the five main points of the electoral programme of Forza Italia, which was the main party of the centre right coalition, it also insightful to outline the main issues mentioned in the government programme upon taking office in 2001. These were: a law to regulate immigration flows; the reform of the judicial system; the revision of the state structure by moving towards federalism and other constitutional changes; the reforms of the education system (lower and higher education), the modernisation of the health service, the military forces and IT. Several of these reforms were eventually carried out by the centre-right. Let us discuss some of these flagship reforms.

In July 2002, the Bossi-Fini law on immigration policy was passed by the Italian Parliament, after a long discussion and repeated delays (see Colombo and Sciortino 2003). The rationale for the law was to regulate legal migration flows. It had three main goals: to link the issuing of new residence permits to employment requirements, favouring temporary jobs and discouraging permanent settlement; to combat illegal entry;

to regularize the position of illegal immigrants already settled in Italy. It was named after its main proponents, the leader of the National Alliance Gianfranco Fini and the leader of the Northern League Umberto Bossi, for both of whom the tightening up of the provisions concerning immigration policy was a priority.

In practice, during the drafting of the legislation there was no substantive domestic reference to EU immigration policy. If anything, in the Italian political discourse there was a negative reference to that policy, which was portrayed as not strict enough. Moreover, there were frictions between the Bossi-Fini law and EU directives, the main issue being the rights of asylum seekers, because the Bossi-Fini law did not ‘include the foreigner seeking other forms of protection’ and did not have any right of appeal, in contrast to EU directive no.9 of 2003.¹

The centre-right coalition, following the impulse provided by Forza Italia, engaged in a reform of the penal code. Limits were introduced for crimes related to corruption (the Cirielli law), the highest state authorities were given impunity (*Lodo Schifani*), false accounting was de-criminalised, and finally the government issued a law strengthening a defendant’s rights when there is a ‘legitimate suspicion’ regarding a judge’s impartiality (the Cirami Law). These laws were clearly linked to the concerns and preferences of Forza Italia (see the article in this volume by Della Porta and Vannucci). The encounter with Europe was indirect, in the form of outrage and reputational losses in the quality press (see for example *The Economist*, 10 August 2001). As mentioned, the Berlusconi government tried to reduce pressure coming from the EU, with reference to the common arrest warrant and the European public prosecutor.

The government, finally, changed the constitution (in parliament, but the change was not confirmed by the referendum that took place later) and the electoral law (see the article by Bull and Pasquino in this volume). These became priorities towards the end of the legislature. The rationale for the changes of the electoral law was tactical, given that Fini and Berlusconi had supported the majoritarian system in the past. In terms of party competition, the new electoral system was configured in such a way as to limit the electoral success of the centre left coalition. Indeed, political scientist Giovanni Sartori called the new law ‘Salva Berlusconi’, conceived only for Berlusconi interest and for the centre-right coalition electoral victory (Sartori 2006). The law was criticised on the ground that it did not guarantee a strong and stable majority, as evidenced by the 2006 electoral results, which gave a majority in the lower chamber to the Prodi coalition and a bare majority of 4 senators in the upper chamber. The change of the electoral law was thus completely un-related to EU politics and policy.

In November 2005, the centre-right government approved the reform of the second part of the Italian constitution (Vassallo 2005). According to art.138 of the Constitution, the revision of the constitution is a complex procedure based on a joint deliberation of both chambers at a distance of at least 3 months. The law should be approved by a majority of at least two-thirds of each chamber. If the majority is not reached, a national referendum on the same law can be requested by at least one-fifth of the members of the chambers, or five thousands voters or by five regional councils, for the revision to be confirmed. The reform of title 5 had not been approved by two-third majority. A referendum took place in June 2006, rejecting the constitutional reform.

The thrust of the reform was to introduce ‘devolution’, assigning the regions the right to administer and legislate on health service, education and other matters. It also attempted to regulate the relation between the centre and the federal regions, reducing the number of MPs, ending the Italian variant of bicameralism, whereby both chambers have the same legislative powers. Furthermore, with the new constitution citizens would choose directly the Prime Minister. More powers would be given to the Prime Minister – such as the annulment of ministerial appointments and early dissolution of Parliament. Some changes, such as the introduction of devolution, were strongly supported by the Northern League, whereas other changes, such as strengthening the position of the Prime Minister, were advocated by Forza Italia. Hence, the constitutional change was the result of a political compromise within the centre-right coalition. According to its main promoters, the constitutional reform was needed to draw institutions closer to the citizens, on the one hand by promoting devolution and on the other hand by empowering the government and the prime minister, which, for historical reasons, are limited by the constitution. However, the constitutional draft proved to be highly controversial (see, for example, Bassanini 2004). Although this was a major issue in terms of (attempted) polity change, there was no direct or indirect encounter with Europe.

The law on the conflict of interest was approved in 2004. It was mandated by the Italian Constitutional Court – hence there was a requirement by the government to pass the law. Prodi was unable to gain parliamentary consensus on a conflict of interest bill while he was in government in the 1990s. Time was running out. The buck was passed on to the Berlusconi government which wrote the draft law in its own interest (see the article by Hibberd in this volume). The bill became law in 2004 with the opposition parties

abandoning the parliament in protest. One controversial issue was Berlusconi's own conflict of interest: he was prime minister and the owner of the biggest Italian network of private televisions. In 2004, a new law on the media, the Gasparri law, was issued with a view to promote and guarantee plurality and free trade in the television media. Yet, critics have argued that it encourages the extension of the monopoly in the digital television media landscape. Since the 1980s, the Italian media have caught the critical attention of the European Parliament, although the Commission has been more reluctant to exercise pressure on the Italians (Harcourt 2006).

As already mentioned, during the second Berlusconi government there were tensions between Italy and Strasbourg. Unsurprisingly then, the European Parliament made yet another attempt to influence the Italian revision of media legislation with a 2002 report (by MEP Roy Perry) which was adopted by the EP's Culture Committee. Then on 20 November 2002 a Resolution was passed, calling for an updated Green Paper on media pluralism by the end of 2003 both in Member States and applicant countries (EP 2002). The Resolution came as a result of a high-profile conference, called *Media, Power and Democracy*, sponsored by the Green-EFA party group of the European Parliament in Brussels on November 13, 2002 and was run not only in view of Berlusconi's situation but also all those of the 'mini-Berlusconis' that were appearing in the new accession states (Harcourt 2006). In 2003, the European Commission responded to this in its Green Paper on services of general interest (2003) which basically states that it is not the business of the EU to intervene in national politics and issues of media concentration. The Parliament tried again in September 2003, this time with a report addressing political control of public service broadcasters from the *Committee on*

Citizens' Freedoms and Rights, Justice and Home Affairs, 'Comprehensive EU Policy Against Corruption', containing a paragraph calling 'on the Commission to prepare proposals for the introduction of rules and codes of conduct aimed at preventing and avoiding conflict of interest for public authorities whose activities are susceptible to private-sector interests (in such areas as media ownership, award of public concessions, etc)' (EP 2003).

Interestingly, the draft of what was to become the Gasparri law started under Prodi. Essentially, the law keeps the status quo in place, but sets a limit of 20% for revenues as a percentage of total resources of the entire communications market ('Integrated Communications System') which is reduced to 10% for a legal entity which has more than 40% of revenues in telecommunications services (this was relating to Telecom Italia). Although it is difficult to track down the life-cycle of ideas, this specific idea had been discussed under the first Prodi government - – and Prodi got it directly from the European Commission (Harcourt 2006).

To sum up, the centre-right coalition led by Silvio Berlusconi had an electoral manifesto and a government programme that focused on domestic issues in policy areas that traditionally have little intersection with Europe. Similarly, the main reforms implemented by the Berlusconi government had a domestic focus. In the case of media regulation, the European Parliament tried to pose its own limitations on the Italian legislator, but it did not achieve much due to a Commission somewhat reluctant to intervene in this area. For its part, the Commission was instrumental in disseminating regulatory ideas about the media market that were taken on board by Prodi and later finalised into legislation by Berlusconi.

Broadly speaking, the encounters of the 2001-2006 Berlusconi government with Europe were few and indirect, and they also varied across policy areas. When they took place the EU mainly posed limits, constrained the actions of the Italian government, and provoked international outrage. Specifically, the Stability and Growth Pact posed indirect aggregate limits to three pledges contained in the *Contratto con gli Italiani* (infrastructures, taxation and pensions). There was a substantial worsening of the budgetary situation that led the Commission to issue an early warning against Italy in 2005. As for the pledge to combat unemployment, we have to look at the reform of the workers' statute. This reform concentrated on a symbolic measure, the change of art.18 (Baccaro and Simoni 2004), which was politicised by the government with an Italian political audience in mind and the political rationale of weakening the trade unions. It was not imposed or advocated by the EU. Finally, in other instances, such as the law on the conflict of interest, the EU could not have either direct or indirect effects, even though it was critical of some of the policies of the Italian government, as was also the case with reference to the Italian immigration law.

Top down pressure and reshaping games

Let us now take a top-down approach and explore instances in which the EU exerted either direct or indirect adaptational pressure on Italy. Berlusconi often responded by trying to reshape EU 'output' or the 'game' played in EU arenas. Top down EU pressure has been stronger on EMU related issues and more generally in economic policies.

Monetary and exchange rate policies underwent a major transformation as a direct consequence of EMU insofar as the conduct of monetary policy was transferred to the

ECB in 1999, whereas the conduct of exchange rate policy in the Euro-zone is shared between the ECB and the ECOFIN Council. Specific institutional and policy templates were imposed by the Treaty on the European Union and related legislation.

Besides direct pressure from EMU, there was also indirect EU pressure on the domestic arenas of the member states. Within the Euro-zone, the national authorities can no longer use the exchange rate as an instrument of macroeconomic adjustment and they can no longer set the level of interest rates. Hence, the EMU policy framework has triggered a process of competition between national economic systems, requiring domestic adjustments in order to restore and maintain competitiveness. In Italy, such indirect E(M)U pressure highlighted the structural reforms, pensions, and the labour market. Rates of growth and measures of competitiveness have been among the lowest in the Euro-zone and in Europe, no matter what set of indicators is considered. Thus, this has been a case of failed (or at least delayed) adaptation to the EMU.

The external constraint imposed by the Stability and Growth Pact was weakened by the policy choices made by the French and German governments in 2001-2002, backed by the Italian government, which seized the opportunity to increase its fiscal room for manoeuvre. The Italian government first attempted to ignore or side step the external constraint imposed by the Pact on Italian fiscal policy and subsequently conformed to it reluctantly. The Berlusconi government was responsible for a reduction of the primary budget surplus, which produced an upward trend of the public sector borrowing requirement. Two factors account for this: an increase of public expenditures – for example, the government was committed to the public infrastructures, but also to increasing the amount of the minimum retirement pensions - and the downfall of public

revenues, due to the attempt to reduce fiscal pressure.² In 2004, Italy faced serious problems in meeting the 3% ceiling and in reconciling Italy's EU obligations with a campaign pledge to cut taxes. Silvio Berlusconi, acting as ad interim Treasury Minister (Treasury Minister Giulio Tremonti resigned on this issue in July 2004), presented a saving package and persuaded Euro-zone Finance Ministers not to accept the Commission's proposal for an 'excessive deficit early warning' against Italy.

At the same time, the Italian government was active at the EU level, trying to reshape this external EU constraint. In 2002, several members of the Italian government issued public statements urging the review of the Stability and Growth pact, and specifically the 3% ceiling on the budget deficit. They also proposed to bypass the ceiling by excluding investment expenses in the calculation of the deficit. The Italian Presidency in the second semester of 2003 was perceived by many observers as sympathetic to the suspension of the pact with reference to France and Germany (Quaglia 2005b). The reform of the Stability and Growth Pact was eventually agreed in 2005, even though the Italian government would have preferred more far reaching changes (or the abolition of the pact).

In 2005, following the deterioration of the budgetary situation in Italy, there was a formal warning to Italy by the European Commission. The centre-left Prodi government, appointed in 2006, pledged to address the budgetary imbalance, making several direct references to the need to respect the (reformed) Stability and Growth Pact. The early ideas for the Finance Bill for 2007 were quite drastic, but it soon became clear that clever tax reforms introduced by Minister Visco were bringing in more revenue than expected. Prodi and Padoa-Schioppa relaxed their zeal and veered towards a milder Finance Bill

(both in terms of the total fiscal effort and the reform content), thus attracting some negative comments from Brussels and the Italian business community.

If the top down impact of the EU, to be precise of EMU, has been direct on the macroeconomic policies reviewed above, EMU has had several indirect effects on other economic policies, such as financial service regulation and supervision, incomes policy and labour market policy. Overall, unlike for the policies directly affected by the monetary part of EMU, the domestic impact of the EU on these policies has been limited.

The Law on Savings (*legge sul risparmio*) was initiated by the centre-right government in 2002, following some major domestic policy failures. It was revised and passed in haste at the very end of 2005, in the wake of a scandal that involved the governor of the Bank of Italy, Antonio Fazio, who had repeatedly opposed foreign take-overs of Italian banks. The law introduced three important amendments to the legislation concerning the central bank: the ownership of the central bank was changed, whereby only the State and public bodies were allowed to hold shares of the Bank's capital; the governance structure of the bank was rendered more pluralistic and transparent; and the Bank's powers concerning banking competition policy were transferred to the Competition Authority. During the drafting of the Law on Savings, which amended central banking legislation, the Italian government requested the ECB's legal opinion three times (May 2004, October 2005 and December 2005, see CON/2004/16, CON/2005/34, CON/2005/58) and some of the suggestions put forward by the ECB were eventually included in the final draft. Interestingly, in September 2005, Prime Minister Berlusconi tried to enlist the support of the ECB not only for the national legislation in the making, as prescribed in the TEU, but also in order to topple the governor of the Bank

of Italy by soliciting the direct intervention of the ECB on this matter. The ECB, however, refrained from intervening, on the grounds that it was not part of its remit (for more details, see Quaglia forthcoming).

One of the most surprising dogs that did not bark in the top-down scene was the Lisbon agenda for competitiveness. Prima facie, the centre-right government should have sat comfortably within this agenda. As a matter of fact, however, the economic ideas contained in Lisbon were difficult to implement at home, given the resistance of domestic constituencies. As mentioned, Italy has not improved on competitiveness indicators. With the mid-term re-definition of Lisbon in terms of economic competitiveness (arguably in the direction of business-friendly reforms, see Radaelli 2007), one would have expected the Italian engagement with Lisbon to become more incisive. The story, however, was different. Evidence shows that the Berlusconi government's relationship with neo-liberal ideas was complex. On the liberalisation of the labour markets, the Italian government observed in 2002 that the European Employment Strategy 'has simply given particular emphasis to certain concrete guidelines which were not suited to the often fundamental nature of the Italian structural problems, with respect to the actual labour market' (Italian government, cited by Mosher and Trubek 2003:74). In short, 'thank you but we do not need it and do not want it'. In June 2005, Italy was no.20 (out of 25) on the transposition of directives specifically highlighted as crucial to the success of the Lisbon agenda (the so-called Lisbon directives). The national reform plan prepared by the Italian government to meet the revised Lisbon strategy (the PICO, following the Italian acronym) was cobbled together in haste and with no public debate. It contains a reference to better regulation and the necessity to reduce the number of laws. This is in conformity to the

Lisbon discourse of better regulation, but in reality Berlusconi has always mentioned the number of laws he introduced as an indicator of success, and has taken no pride in the removal of obsolete legislation.

Indeed, if one looks at better regulation beyond discourse, that is in terms of concrete initiatives to increase the capacity of governments to produce high quality rules, the centre-left governments of the 1990s introduced several tools such as wide simplification programmes and regulatory impact assessment, in the context of an ambitious attempt to reform public administration (La Spina 2002). Some of these tools, specifically impact assessment and simplification units, have become atrophic or were abolished between 2001 and 2006 – an example of the fact that the engagement of Berlusconi with better regulation has been limited. One explanation for this is that some components of Forza Italia and Alleanza Nazionale perform well (electorally speaking) with public employees. In consequence, the discourse of modernisation of public administration has not been matched by actions too detrimental to maintaining that support.³

Another strategy for competitiveness is to break down ‘rent positions’ in the professions. Here Berlusconi’s ministers did not push the micro-lobbies, even when electorally it would have made sense to attack pressure groups traditionally protected by the left. By contrast, in 2006 the Prodi government presented a plan to liberalise professions (from taxi drivers to lawyers). Although Prodi’s real degree of liberalisation of the professions has been kept to a minimum, the fact remains that Berlusconi did not even try to attack the Italian rent positions.

In conclusion, top-down analysis shows that EMU has exposed the competitiveness problems of the Italian economy. The response, however, has not been adaptation and change. Although pressure from competitive markets has increased, the strategy has been to reduce institutional pressure at source, by modifying the SGP. Lisbon provided opportunities for leadership both at home and in the EU to the Italian leaders, and elements of pressure as well. But instead of change, there has been disengagement and neglect. Even in areas that looked quite congenial to centre-right governments, such as better regulation, there has been more inertia than dynamism.

Conclusions

This article has shown that bottom-up and top-down designs can be usefully combined in an analysis of Europeanisation. Essentially, they provide different perspectives. Interestingly, although we have examined Europeanisation from two different angles, we have not found evidence that the EU has played a fundamental role in major policy areas. This is counter-intuitive, as Italy has often been singled out as the paradigmatic case of deep pressure from Europe and creative usages of European commitments to change domestic public policy. Our findings, however, are contingent on the time-frame we have considered. Future studies should perform additional controls, both longitudinally (that is, extending bottom-up and top-down analysis to other periods of Italian politics) and across countries.

Another substantive finding is that when faced with excessive pressure in politically sensitive policy areas, Italy has focused on attempts to reduce pressure at source rather than changing. This looks like a break with the near and not so near past

and it also points to a redefinition of the role of Europe vis-à-vis Italy over time. For most of the 1980s and the period before 1992, when pro European attitudes predominated amongst the governing coalition, and the Christian Democrats were the fulcrum of each government majority, the Italian government was acquiescent, and often uncritically agreed on EU measures, only to fail to implement them in the domestic arena later on. Italy's infringements record was one of the worst in Europe (Giuliani 1996). Thus, instead of defending certain positions in Brussels or trying to change the rules of the game at the EU level through negotiations, the line of least resistance was chosen. Domestic adjustment was subsequently avoided or delayed. It was, so to speak, the Europeanism of the verbal declarations (Coralluzzo 2000) (or, more dismissively, 'cheap talk'). In the 1990s, there was effective adjustment, at least in the policy realms directly affected by EMU, hence it was the case of 'deeds' not simply 'words'. In 2001-2006, there were attempts by the Italian government to change certain EU rules of the game and to articulate in a more assertive manner certain national positions in Brussels. This changing pattern invites a more dynamic consideration of Europeanisation effects, and their reverberation on how a member state articulates its interests in Brussels.

Finally, evidence points to 'party politics' effects, more precisely the orientations of the governing coalition, even though no counterfactual is possible. In other words, had the centre-left administration been in office in the last ten years or so, would Europeanisation have been different in this period? Although the influence of party politics on a country's policy towards the EU is not surprising, as shown by the UK example, it is new for Italy, where alternation in government is a relatively recent phenomenon. It is also relatively new in the context of the analysis of Europeanisation.

All too often studies in this field do not pay enough attention to political parties and party politics in general – as Mair (2004) has lamented.

Italy has been portrayed as a system dominated by pro-European attitudes across the major parties, and changes in governing coalitions may not alter the fundamentals of Italian policy towards Europe. But the political orientation of the government matters in terms of discourse (in particular the use of the argument of the ‘external constraint’ in the domestic arena, which was no longer the default option of the Berlusconi government), style (which at times became more assertive during the centre-right administrations), and the choice of political venues (increasingly inter-governmental under Berlusconi as opposed to the supranational/technocratic mode preferred by the centre-left governments). Moreover, it should be noted that the second Berlusconi government (2001-2006) served only one term in office, which was insufficient to bring about any significant re-orientation of Italian foreign policy, in a political system where changes are slowed down by the fragmented nature of domestic governance structures.

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Acknowledgements

We would like to thank Marina Falbo for her valuable research assistance. We also wish to thank the editors of this special edition, Martin Bull and Martin Rhodes, for their comments on the first draft of this article, as well as Bruno Dente, Alison Harcourt, David Natali, Francesco Stolfi and Luca Verzichelli for their comments. A draft of this article was delivered to the research seminars series of the Centre for European Studies, University of Bradford, on 1 February 2007. All errors and omissions are ours.

Notes

¹ <http://www.alef-fvg.it/csa/txt/2005/legislazione-it-04.pdf>

² Moreover, the European Commission also criticised Italian fiscal policy for the several one off measures.

³ Panebianco (2006) observes that this did not rewarded the centre-right in 2006 – more public sector employees voted for the left than for the right.