

The Italian election: Continuity, change, and Berlusconi's rebirth



Opinion polls predict that on 4 March Italians will award most seats to a centre-right coalition led by Silvio Berlusconi, who seems set to return as the pivotal figure in the country's politics, despite a recent conviction for tax fraud that means he is currently banned from holding public office. [Andrea Capussela](#) seeks to explain Berlusconi's revival, linking his fortunes to the country's deeper politico-economic problems.



Credit: [European People's Party \(CC BY 2.0\)](#)

In November 2011, as the winds of the Eurozone crisis were rising rapidly, menacingly threatening Italy's sovereign debt, its prime minister resigned. What triggered this decision was the widespread perception, in the country and abroad, that the then cabinet was unfit to meet that challenge. That prime minister was Silvio Berlusconi.

His party came third at the election held in early 2013, but nonetheless managed to win 22 per cent of the vote. A few months later, however, Italy's supreme court upheld his conviction for tax fraud, depriving him of his parliamentary seat, and disqualifying him from public office for several years. But thanks to an old general amnesty, and to special rules for old people, his four-year sentence was converted into one year of community service: so for twelve months Berlusconi made weekly visits to an old-age hospital, to keep up the spirits of the guests (the man is said to be jovial).

Shortly after that judgement, Matteo Renzi took over the Democratic Party (PD), the pillar of Italy's centre-left. He soon became prime minister, raising great expectations, and led his party to an unprecedented result (41 per cent) at the European elections of May 2014.

Three months later the supreme court upheld a seven-year sentence issued to a certain Marcello Dell'Utri, for having abetted the Sicilian mafia. He fled to Lebanon but was arrested, extradited, and jailed. This man was for long the chief executive of the advertising company that is the cash-generating core of Berlusconi's media business; widely viewed as his 'right-hand man', he is generally credited with a decisive contribution in conceiving and setting up Berlusconi's political party, Forza Italia, in 1993-4. His contribution to the mafia, the judges ascertained, was to mediate between the latter and Berlusconi, who was said to have regularly paid the mafia for protection between 1974 and 1992 (Berlusconi was investigated but not charged for this; yet to gauge the nature of his interaction with the mafia it may be useful to recall that in 1984-5 he was powerful enough to obtain from the government two legislative measures aimed directly at safeguarding his private television channels, the so-called 'Berlusconi decrees').

Given this history, some may be surprised to read that polls unanimously [predict](#) that a centre-right coalition assembled around Berlusconi's party will win most seats in the general election scheduled for 4 March, and that, though banned from public office, he is widely expected to return as the pivotal figure in Italian politics. No less remarkably, the centre-right tops the polls despite Berlusconi's repetition of his familiar electoral promises, which are as fiscally irresponsible as lacking in credibility, and his equally typical promises of tolerance for illegality – for illegal construction, for instance, which since the 1950s is steadily [defacing](#) the peninsula's landscapes.

The established explanation

So, what explains Berlusconi's scarcely comprehensible success? A fairly established explanation exists. It is plausible but incomplete. Readers of EUROPP found parts of it in a recent [post](#), by the political scientist Fabio Bordignon, who quotes the 'failures' of the centre-left, which dominated the last parliament, the new hybrid electoral law, which eased the centre-right's re-unification, the tri-polar political system created by the rise of the Five Star Movement, and Berlusconi's positional advantage, in this context, in future [coalition negotiations](#).

The historian Giovanni Orsina, who wrote a [careful and insightful study](#) of the admixture of populism and liberalism that goes by the name of 'Berlusconism', [points](#) also to the man's 'vitality', wealth, and mass media, the 'mediocrity' of his competitors, especially in the centre-left, and Renzi's 'failure'. I should like to add a somewhat deeper reason, linked to Italy's politico-economic equilibrium (which I seek to describe in a forthcoming [book](#)). But I shall reach that argument moving from the main element of the established explanation, namely Renzi's, the PD's, and the centre-left's 'failures'.

The record of the centre-left

The centre-left promised many reforms but accomplished rather few, including some controversial ones, and was roundly defeated on the most symbolic one, on which it invested much political capital. This was the [ill-conceived](#) constitutional reform which Italians [rejected](#) on 4 December 2016, leading Renzi to resign and many to bemoan his avoidable misstep. But his tactical mistakes are not the only or even the main reason for his political misfortunes.

Despite the depth and length of Italy's recession, the worst in its peace-time history, and an exceptionally favourable external macroeconomic environment, the country returned to stable growth one or two years later than its peers, its growth rate remains the lowest in the Eurozone, and its unemployment rate among the highest (1.3 and 11.4 per cent, respectively, according to the latest IMF [yearly report](#) on Italy's economy, published in July 2017). Poverty and vulnerability have risen menacingly, and average real disposable income is still at about the same level it was in 1995: by comparison, in France, Germany, and Spain it is about 25 per cent higher. Underlying all this is the dismal performance of productivity and especially of total factor productivity (an indicator which measures, roughly, an economy's technological and organisational progress), which effectively ceased growing more than two decades ago.

Faced with these challenges, the PD's signature measures were an attempt to stem the segmentation of the labour market, rationalise its elements of flexibility and, more controversially, marginally increase them, which did little to reduce unemployment, and an 80-euro monthly transfer to the lower middle classes, which was partly saved and partly spent. Public investment barely recovered from the exceptionally low levels reached during the height of the crisis, conversely, and the university sector continued losing funds, students, teachers, and courses. Such policies reflect less a single-minded effort to raise productivity than a mixture of survival strategies and political calculations, neither of which were too successful.

On most rule-of-law and political-accountability issues, finally, such as corruption, tax evasion, illegal construction, political clientelism, and public ethics, Renzi's PD failed to differentiate itself from Berlusconi's centre-right sharply enough to appear as a genuine alternative to it. Renzi all but admitted that during a recent [interview](#) devoted also to these matters, when he invited Italians to 'hold their noses and vote PD'. This is a verbatim quotation of a famous quip of the 1970s, when many chose the Christian Democrats, despite their clientelism and corruption, to avert a Communist victory: not without some reason, Renzi was implicitly equating that 'danger' to a possible victory of either Berlusconi and his xenophobic, nationalist, and neo-fascist partners, or the Five Star Movement, widely viewed as incompetent.

The missing explanation and the paradox it entails

Few impartial observers would nonetheless dispute that the centre-left's performance in 2013-17, and Renzi's own 2014-16 stint, was superior to that of the centre-right's 2001-6 and 2008-11 cabinets, in almost every respect. So, while one can easily understand why, in the socio-economic context I sketched above, the Five Star Movement is gaining ground, with its slogans of integrity and transparency, the conventional analysis seems unable to explain the reversal of fortunes between centre-left and centre-right. I therefore turn to the deeper reason of Berlusconi's political rebirth that I mentioned earlier, which is the valuable guarantee of stability and predictability that he offers to a vast segment of Italian society.

The premise of this argument, which I shall take for granted, is that Berlusconi is a genuine product of the country's inefficient politico-economic equilibrium, characterised by comparatively low political accountability and economic competition, entrenched collusion between the rent-seeking segments of the political and economic elites, a long-sedimented system for the particularistic inclusion of the middle classes, clientelism, corruption, tax evasion, and organised crime.

With the possible exception of the latter, none of these phenomena is unique to Italy, in either the Eurozone or the G7 economies: what is unique, and explains much of Italy's productivity gap with its peers, is their gravity and combination. Yet those phenomena are precisely what Berlusconi refers to in the message that, as Orsina's [book](#) persuasively argues, underlies his whole political stance: the message – I paraphrase him – is that 'Italians are fine as they are, with all their vices, and need not change'. This message, as Orsina and others have argued, largely explains Berlusconi's political victories (and, I would add, also his recent rebirth).

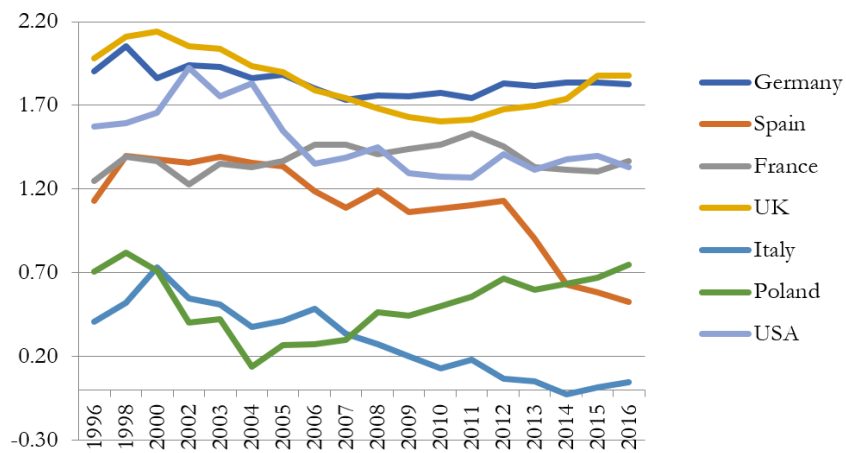
But herein lies a paradox, for by condoning Italians' 'vices' that message alludes to the causes of serious economic and political inefficiencies, which can be assumed to be detrimental also to the interests of the vast majority of the dozen million Italians – assuming a 70 per cent turnout (5 points less than in 2013) and a 34 per cent share of the vote – who are projected to vote for his coalition. Whether or not they engage in petty corruption, tax evasion, or clientelism, in fact, most of those millions of citizens would live better, often much better, in a country in which public services were of higher quality, corruption lower, and the tax burden more fairly and efficiently spread among both households and firms. So, why will they vote for a politician who promises to keep things as they are? To answer this question we must return to a critical juncture in Italy's post-war history.

Rupture and continuity in Italy's political-economic equilibrium

In the spring of 1992, a vast corruption investigation began in Milan, spread to other cities, and eventually implicated a large share of Italy's political and economic elites (3,000 politicians and businessmen were indicted). As the wave of arrests progressed, popular indignation rose, stoked also by a grave debt and currency crisis which imposed an exceptionally stiff budget adjustment. One by one, the five parties that had ruled the country since 1948 dissolved, between 1993 and 1994. This unprecedented rupture was christened as the birth of a 'Second Republic', which was expected to bring more transparent, accountable, and responsive government.

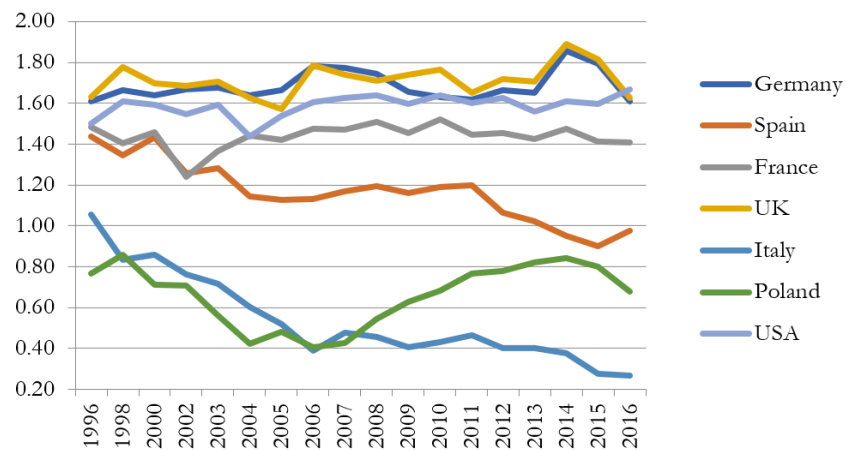
As figures 1–3 suggest, conversely, corruption has likely grown over the past two decades, the rule of law has weakened, and political accountability has remained comparatively low (I compare Italy to the United States, its European peers, and two smaller economies and more recent democracies, Poland and Spain). The figures are drawn from the World Bank Institute's [Worldwide Governance Indicators](#), which integrate all available indicators (including, for instance, those of Transparency International). They are to be taken with caution, of course, but the trends are clear and the gap that separates Italy from the comparators significant. It is worth noting also that the year at the start of these time series, 1996, was just after the peak of the anti-corruption investigations, when their dissuasive effect can be assumed to have still been strong.

Figure 1: Control of Corruption



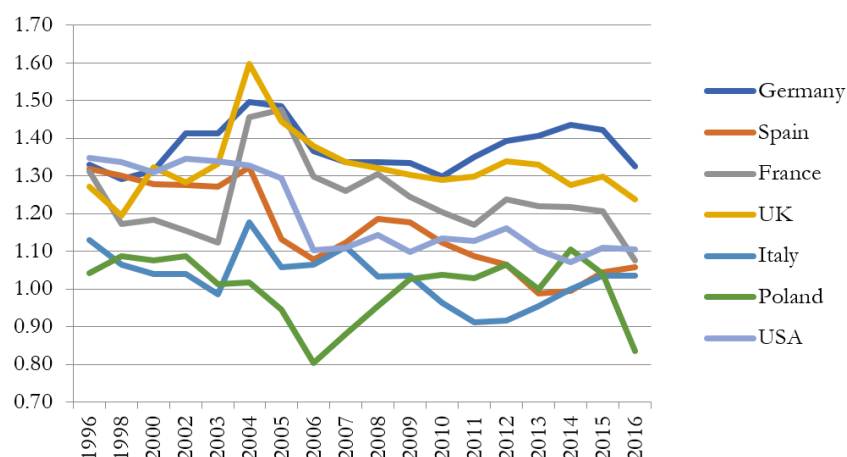
Note: This indicator ranges between 2.5 and -2.5, and reflects ‘perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests’. **Source:** WGI

Figure 2: Rule of Law



Note: This indicator ranges between 2.5 and -2.5, and reflects ‘perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract’. **Source:** WGI

Figure 3: Voice and Accountability



Note: This indicator ranges between 2.5 and -2.5, and reflects ‘perceptions of the extent to which a country’s citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media’. **Source:** WGI

In my analysis, the main reason why the expectations raised by the rupture of 1992-4 were dashed is that the electorate was not presented with proposals credible enough to engender the expectation that the country would have shifted to a low-corruption equilibrium (for simplicity, here I shall focus only on this element of Italy’s politico-economic equilibrium). Credible enough, in other words, to lead citizens to behave *as if* public-spiritedness was individually rational, and thereby *make* it individually rational to eschew opportunism.

The logic of continuity and Berlusconi’s success

A high-corruption, low-accountability equilibrium is generally beneficial for the less innovative and competitive segments of the political and economic elites, which draw rents from it and are protected from Schumpeterian creative destruction. It is typically damaging for ordinary citizens and firms, conversely. They resort to corruption and clientelism chiefly to obtain, as private goods, those public goods that the inefficiency of the governance system denies to them: in such an equilibrium it may be individually rational for them to engage in such practices, because unless a critical mass of citizens and firms is capable of coordinating its actions – voting, demonstrating, rejecting and reporting corruption – in such a way as to change the extant equilibrium, the cost-benefit calculus generally favours opportunistic over public-spirited behaviour.

Such an equilibrium can be modelled as an [assurance game](#), in fact, in which reciprocated public-spirited behaviour and reciprocated opportunistic behaviour are *both* stable equilibria, and the former yields the highest payoff. In this setting, opportunism is a defensive strategy, therefore, which becomes rational when opportunism is expected from one’s peers. When this logic prevails, an equilibrium of reciprocated opportunism sets in, which is likely to persist until ordinary citizens and firms succeed in overcoming their collective action problem, namely in coordinating their strategies towards public-spirited behaviour (which yields a higher payoff: I shall leave other important motivations – values and normative beliefs – for disliking corruption aside).

Absent the credible prospect of an equilibrium shift, therefore, which alone could have changed their expectations, in 1994 many voters anticipated the effects of the resumption of the pre-1992 equilibrium and voted according to the incentives flowing from it (namely, the payoff structure and cost-benefit calculus mentioned earlier). Voters who a few months earlier had clamoured for change chose the coalition headed by Berlusconi, a businessman who had prospered under the old equilibrium, precisely because he promised to preserve and stabilise it, while making it more efficient and ‘liberal’. The same was true in subsequent elections, and his opponents too effectively bowed to this logic. They were in office in 1996-2001, 2006-8, and 2014-16, with no discernible or lasting effect on the level of corruption or the quality of the rule of law: indeed, Renzi’s PD was not alone in the centre-left in failing to credibly present itself as a sharply alternative political option to the centre-right on rule-of-law and political-accountability matters.

Stability is the critical perspective to explain these choices, diametrically opposed to that of an equilibrium shift. The reason lies in the wide chasm that separated, and still separates, Italy's *formal* institutions (i.e., its written laws) from its *actual* ones (i.e., the rules that actually govern political, economic, and social exchange, as Douglass North defines them). For by enforcing the law upon opportunistic practices that had hitherto relied on permissive norms, in 1992-4 the judicial investigations had disrupted the balance that allowed the two sets of rules to coexist in a fairly harmonious and predictable system. This created uncertainty and instability, as it was no longer clear which set of institutions prevailed: whether the formal ones, which proscribed corruption, or the actual ones, which often condoned it.

This kind of instability may seem desirable if it is viewed in a dynamic perspective, that of an equilibrium shift, because it opens up opportunities for change: but instability is merely disruptive if it is viewed in the perspective of continuity. This is why, once the prospect of an equilibrium shift dissolved, much of society opted for a return to stability and predictability, despite the costs in terms of economic efficiency and political legitimacy.

The paradox explained

So, Berlusconi's message was successful because it was consistent not just with the interests of the rent-seeking segment of Italy's elites, but also the cost-benefit calculus of many ordinary citizens and firms. It reassured the former about their rents, and signalled to the latter that public-spirited behaviour was unlikely to be reciprocated.

We may thus return to the conventional list of Berlusconi's strengths. Orsina concludes his [analysis](#) arguing that, viewed next to his competitors, 'Berlusconi, albeit undesirable, may seem to many the least undesirable'. Taken literally, this assessment is easily refutable, especially when the centre-right is compared to the centre-left: they have a better record in office, and at least proclaim an aspiration to strengthen the rule of law and political accountability, the improvement of which is in the individual interest of the vast majority of Berlusconi's own electorate.

The reasoning of his prospective voters becomes clear only when we consider that his reliable promise of continuity is for many rationally preferable – from the standpoint, at least, of their material interests – to the PD's half-hearted promise of discontinuity, which can be expected to lead to more erratic policy-making, fighting corruption and clientelism with one hand and tolerating them with the other, and less predictable outcomes. To shed this logic, those twelve million citizens, and many other ones, will need distinctly more credible prospects for an equilibrium shift. Hopefully, this election will force the country to open the battle of ideas, from which such prospects could eventually emerge.

This article draws on Andrea Lorenzo Capussela's forthcoming [book](#) on Italy

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About the author



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