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Like leaves in the wind? Economic experience and government survival in Italy
(1946-2015)

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Abstract: In the Italian political history the coincidence between the constitutionally mandated cycle of regular elections and the government mandate has never been fully realized. The standard has been represented instead by frequent government terminations during the inter-electoral period, followed by new negotiations. Explanations for this marked instability mainly focus on cabinet and systemic attributes assumed to be related to the risk of government replacement. In this paper we shift our attention to the relationship between government stability and critical events such as economic crises, assessing the impact of rising prices and increasing job insecurity on the risk of termination of all the Italian cabinets formed between 1946 and 2015. Our results show that high levels of unemployment contribute to undermine government stability. This effect is stronger for governments formed after 1994, when voters can more easily reward or punish the incumbents for their responsibilities in the management of the economy.

Keywords: government survival, cabinet stability, government termination, economic voting, economic crisis, Italian politics

Word count: 9,450, including main text, endnotes, and references.
Introduction

In the Italian political history the coincidence between the constitutionally mandated cycle of regular elections and the government mandate has never been fully realized. The standard has been represented instead by frequent government terminations during the inter-electoral period, followed by new negotiations. The many government crises that occurred in Italy between 1946 and 2015 resulted therefore in a chronic political instability, characterized by rather short and somewhat precarious governments: half of the 70 cabinets that formed during this period did not survive more than eight months. Explanations for this marked instability mainly focus on the structure of the political space characterising Italian legislatures. Some scholars demonstrated how parties’ ideological positions and their relative strength in terms of seats, together with other institutional features, contributed to lower the costs of making and breaking governments (Mershon 1996, 2002). Others stressed instead the role of dominant players in the government formation game in explaining the variance in the Italian cabinet experience (Curini 2011). Although these accounts sound convincing, they concentrate almost exclusively on the years 1946-1993 (the so called Italian ‘First Republic’), ignoring what happened afterwards. Starting from 1994 a series of political scandals fundamentally altered the Italian party system, and a process of reforms deeply transformed the model of party competition and the existing pattern of relationships between the executive and the legislative power. These changes promoted the transformation of the Italian political system from a consensual to a more majoritarian model, characterized by bipolar competition and frequent government alternation (Cotta and Verzichelli 2007). Despite these changes, governments have remained highly unstable during the ‘Second Republic’ too, suggesting that something is missing in the existing accounts of cabinet stability in Italy.

In this paper we aim to fill this gap by shifting our attention to the relationship between cabinet duration and a critical event that a long tradition of studies has indicated as related to government survival: economic crisis (Robertson 1983a, 1983b; Saalfeld 2013; Warwick 1992b, 1994). In other words, our question is: once accounting for the characteristics of each government and those of the
political system with which the executive interacts, do changing economic conditions contribute to cabinet dissolution? Building on the existing explanations dealing with the role of systemic and government attributes, we answer this question by analysing the impact of rising prices and increasing job insecurity on cabinet stability. Our findings show that the latter, in particular, contributes to shorten the government’s life. Moreover, they confirm that the impact of a bad economy is higher during the Second Republic, when voters can more easily reward or punish the incumbents for their responsibilities in the management of the economy (Anderson 2000). These results are grounded in a more general account of the role played by critical events and government duration, suggesting that exogenous shocks such as economic crises can, on the one hand, destabilise the ‘equilibrium’ under which the government was formed, and, on the other hand, bring parties to reassess the value of their participation in the current government, giving them incentives to terminate it prematurely (Laver and Shepsle 1998; Lupia and Strøm 1995).

The paper is organised as follows. In the next section we review the literature on cabinet stability and termination, focusing on the role of critical events in triggering government dissolution. After that, we explore the link between economic conditions and government survival. On that basis, we formulate a conditional hypothesis on the different impact of higher unemployment and inflation rate on cabinet duration during the First and the Second Republic. Data and methods are then introduced. Empirical analysis confirms that bad economic conditions increase the risk of government termination and that this effect is greater starting from 1994. Concluding remarks will follow.

**Government stability and termination: the role of critical events**

The literature that has first explored why some governments terminate prematurely while others are more stable over time adopted a purely empirical approach (Dodd 1976; Laver 1974; Laver and Schofield 1990; Taylor and Herman 1971; Sanders and Herman 1977; Strøm 1985; Warwick 1979, 1992a, 1994; for a review see: Laver 2003; Saalfeld 2008). This means that the research has mostly focused on the identification of a number of factors assumed to be deterministically related to the
stability of the executive, observing the existence or not of a covariation between them and the duration of governments. The identification of these factors – although based on intuitively reasonable evaluations already developed in the study of other aspects of the functioning of the executive and the political system in general – does not refer to any unified coherent theory on government stability and termination. This literature has therefore resulted in a large and complex body of analyses targeted at assessing the role played by certain variables in explaining the fate of governments in a number of empirical cases and with the use of more or less sophisticated statistical techniques (Laver 2003). The factors considered by this literature refer to three areas: first, the attributes characterizing the government itself, as they emerged from the process of cabinet formation; second, the properties of the political system with which the executive interacts; third, the characteristics of the bargaining process that led to the formation of the government.

The existence of a causal relationship between the duration of cabinets, their attributes and the characteristics of the system with which they interact came under criticism by a group of scholars who instead contended that government dissolution is a casual process, triggered by random and unpredictable critical events (Browne, Frendreis and Gleiber 1984, 1986; Cioffi-Revilla 1984). In support of the ‘critical events’ perspective, there was first of all a consideration based on empirical evidence: only less than a third of the variance recorded in the durability of cabinets could be explained referring to the factors highlighted by the ‘structural attributes’ theorists. In addition, most of these features are essentially static, since they are the product of the government formation process or the environment in which cabinets formed. None of these properties thus takes into account subsequent events that may in fact lead to government termination. For example, there may be political scandals, international conflicts, economic and financial crises, that could threaten government survival. These are events that have nothing to do with the initial properties of the government or with the characteristics of the political system and their occurrence can be interpreted as a stochastic process. This research program was therefore aimed at representing it, analyzing how the probability of critical events is distributed in order to describe the frequency by which
governments dissolve. Browne and coauthors showed indeed that the pattern of observed frequencies of government terminations can be interpreted as a Poisson process operating on the durability of cabinets.

The contrast between the ‘structural attributes’ and ‘critical events’ approaches generated an intense debate (Strøm et al. 1988; for a summary see: Laver 2003; Saalfeld 2008; Warwick 1994), which, instead of helping reconciling the two approaches from a theoretical point of view, had the merit of triggering a major methodological innovation, resulting in the transition to survival (or event-history) analysis for studying government duration (King et al. 1990). This technique allows to estimate the impact of the characteristics of the executive and the party system (i.e. the set of independent variables) together with the underlying risk that a government may terminate randomly, regardless of these factors. In this way, the ‘unified’ approach shifted the focus back onto the systemic attributes, taking into account random events too. Paradoxically, we can therefore conclude that the contribution of the critical events theorists, more than consolidating an alternative perspective, has been to encourage the development of a new methodology which improved the investigation of those causalities that they do not recognise. The unified model proposed by King et al. (1990) was subsequently developed and enhanced by Warwick (1994), becoming the standard in the analysis of government termination.

Despite the methodological refinements, the casual links posed by the structural attributes perspective remain essentially inductive, rising a brisk controversy on the relative benefits of formal modelling and empirical exploration in the study of government stability and termination (see Laver 2003, pp. 34-35). While in the analysis of government formation formal theories occupy a central role (see Laver 1998 for a review), the same cannot be said for the study of cabinet dissolution. The main reason is that formal models are essentially static and deterministic. The central objective of these theories is, in fact, to identify the combination of parties that, based on a set of assumptions and parameters, represents a government in ‘equilibrium’. In this perspective, all those factors that are related to cabinet stability, such as the type of coalition or the ideological preferences, should be
considered in the actors’ calculation and appropriately discounted at the time of the government formation, therefore effectively contributing to define a stable solution. For this reason, according to a priori modelling, government stability is only another manifestation of the robustness of the equilibrium itself, which persists until exogenous shocks intervene to disrupt it (Laver 2003).

Applying this logic, Laver and Shepsle (1998) investigated the potential stability of governments by analyzing the impact of exogenous shocks on the robustness of the equilibria resulting from their ‘portfolio allocation model’ (Laver and Shepsle 1996). More specifically, the authors simulated a stream of external shocks first adding a disturbance term to the parameters that define the model and then evaluating whether the ‘shocked’ government still constitutes an equilibrium. Critical events such as policy, agenda, public opinion or decision rule shocks can indeed change the conditions on which the government was formed, causing ideological divisions within or between parties, bringing out new dimensions of competition or changing mutual perceptions. Ultimately, greater the solidity of the equilibrium, stronger will be its ‘resistance’ to external perturbations. In this sense, then, the duration of the government becomes an indicator of the robustness of the agreement on which a cabinet was formed in presence of external shocks.

Among the few analytical models that explicitly deal with government termination, the one developed by Lupia and Strøm (1995) is of particular importance. The model proposed by the authors aims at explaining cabinet dissolution as a result of the bargaining between parties. It is based on the assumption that a government that enjoys a legislative majority can decide to terminate itself if this can prove beneficial in the long run, while the opposition cannot unilaterally bring down a government until it holds a majority in parliament. Specifically, the model analytically explores the reasons why an ‘equilibrium’ government may find convenient to dissolve before the end of the constitutional inter-electoral period (CIEP) and call early elections. In particular, the authors propose a game with three parties, two of which form a majority coalition and one is the opposition. The game is divided into two periods: the first is the current legislature, the second the new legislature that would be formed if the government dissolves and new elections are held. Basically, if one or both
parties of the ruling coalition evaluate that their condition would improve with a new election, then there could be an incentive to terminate the government (and the legislature) to realise anticipated electoral gains.\textsuperscript{2}

The necessary condition for this is the intervention of some external shock that can change the electoral expectations of the parties in the second period and therefore the incentives to terminate the government in the first one. In presence of critical events such as ‘public opinion shocks’, members of the ruling coalition will be faced with the need to evaluate the costs and benefits of maintaining or bringing the government down. The benefits are those that would be obtained anticipating the electoral gains with early elections, i.e. more seats and cabinet portfolios or a better policy agreement in the new executive. The costs can instead be classified in two categories: the opportunity costs, i.e. those determined by giving up the position in the current government; and transaction costs, linked to the need of running a new electoral campaign and renegotiating a new government. So, very favourable opinion polls for a member of the ruling coalition could push this party to break the alliance. However, this decision will materialize only if the party considers that the expected benefits are large enough to outweigh the costs to call new elections. If this is not the case, parties could opt for two alternative outcomes: maintaining the status quo, or renegotiating the government agreement in the intra-election period without forcing early elections. Diermeier and Stevenson (1999, 2000) refer to the latter solution as ‘replacement’ terminations, opposed to ‘dissolution’, which is achieved when the end of the government also determines the end of the legislature. The Lupia and Strøm’s model focuses explicitly on this last outcome.

**Economic conditions and government survival in Italy**

The brief review presented above showed how ubiquitous are critical events in the study of cabinet stability and termination. Exogenous shocks play an important role both in empirical and analytical modelling, however their impact on government duration is interpreted in different ways in the two strands of literature (Diermeier and Stevenson 2000; Laver 2003). Among the exogenous shocks
considered by the literature, a special place has been occupied by the changing state of the economy. Evolving economic conditions cannot be considered a properly random and unpredictable event such as a terrorist attack or an international crisis; nevertheless, variations in macroeconomic performances can impact cabinet stability in the same way other critical shocks do. Contrary to other critical events, however, economic conditions can be measured with a certain precision using macroeconomic indicators such as the inflation or the unemployment rates, which can be used as independent variables in order to assess their relationship with government survival. Dodd (1976), analysing coalition cabinets in Western democracies, was among the first to suggest that the significant differences observed in coalition survival between the pre- and post-war era could be a function of the economic crisis which afflicted countries in the period 1918-39. Subsequently, Robertson (1983a, 1983b) found a significant negative linear association between rising prices, increasing job insecurity and government duration, suggesting that a weary economy may translate into political costs for the incumbent administration, forcing coalition partners to reconsider the value of their membership. The correlation between economic conditions and government survival was reassessed in a very sophisticated way by Warwick (1992b, 1994), whose unified model confirms the association between higher inflation and unemployment rates with shorter government duration.

Despite the empirical results clearly indicate a strong relationship between economic performances and government durability, the causal mechanism by which rising inflation and increasing unemployment undermine cabinet stability remains partially obscure, since this link is not grounded in any coherent theory connecting parties’ choices and exogenous shocks. As suggested by Saalfeld (2013), the analytical approach can be of some help in addressing this problem of causality. According to Laver and Shepsle (1996, 1998) an event is critical when is able to destabilise the equilibrium which sustained the initial government agreement, either reshuffling parties’ policy positions, rearranging the agenda, or modifying the expected electoral gains. It is not hard to find examples of the way in which worsening economic conditions can prompt shifts in parties’ policy preferences. For instance, facing increasing unemployment, a centre-left party can opt to liberalise
the job market, moving to the right of the economic dimension. On the contrary, another member of
the ruling coalition can instead propose more state incentives for job creation and a program for
expanding state employment opportunities, shifting therefore further to the left. Thus, an economic
shock can modify parties’ ideal points and rearrange the matrix of policy distances, which represent
key parameters in most analytical models to assess the equilibrium conditions. Even if policy
preferences remain the same, an economic shock can change the relative salience of the issue
dimensions on which parties compete, modifying therefore the structure of the policy space.
Increasing job insecurity, for example, can raise concerns about social protection, moving this issue
to the top of the government agenda. There could also be the case that parties attribute the blame of
the current economic situation to another actor such as the European Union (EU), forcing therefore
the emergence of a new dimension of competition (on this point see: Giannetti, Pedrazzani, and Pinto
2016). As a consequence, economic shocks may change the structure of the issue space and increase
its complexity introducing new dimensions: in both cases the initial agreement on whose basis the
government was formed is threatened and the possibility to find an accommodation is seriously
compromised by increased complexity (Laver 1998).

At last, economic shocks are critical because they can affects parties’ expectations regarding
the outcome of potential elections. How economic conditions can alter the expected results of the
next election is best explained by the vast literature on the relationship between the economy and
government support (for a review see: Anderson 2007; Stegmaier and Lewis-Beck 2013). In its
simplest form, this relationship can be stated as follows: ‘the citizen votes for the government if the
economy is doing all right; otherwise, the vote is against’ (Lewis-Beck and Stegmaier 2000, p. 183).
This is known as the ‘reward-punishment’ model of economic voting, which constitutes an important
part of our understanding of democratic accountability as the idea that citizens can hold politicians
accountable for their actions (Lewis-Beck and Paldam 2000). According to this hypothesis, the
worsening of economic conditions should lead to lower government support by the voters in the next
election and potentially to the loss of office for governing parties.
Applying the logic depicted by Lupia and Strøm (1995), the expected losses could bring parties to reassess the utility they derive from their role in government in the first period. Parties are in fact faced with a difficult choice: on the one hand, if they decide to terminate the legislature and call early election they can be punished for a bad economy; on the other hand, if they maintain the status quo until the end of the CIEP they can incur in an even more severe punishment, unless the economic conditions improve. Given this scenario, it is highly likely that no party will call early elections, which is the outcome to which the Lupia and Strøm’s model specifically applies. It could be too risky especially for the Prime Minister’s party, which, in systems that allow the strategic manipulation of the timing of election, is the only one that can realistically anticipate or postpone it (Laver and Shepsle 1998). Moreover, according to recent research, the PM’s party is the one that benefits most for a positive evaluation of the economy and, by extension, the one that is hurt most by bad performances (Debus, Stegmaier, and Tosun 2014). Conversely, it is also unlikely that parties want to leave things as they are, given that a prolonged participation in a government doomed by a bad economic scenario can seriously jeopardise their reputation for competency in the long run: therefore, at least one party in the ruling coalition should have the incentive to bring down the government in order to escape attention and shift the blame for poor economic performances. As a consequence, although the Lupia and Strøm’s model is silent on the risk of cabinet replacement, everything suggests that the most likely outcome would be exactly that: a termination which lead to new government negotiations without new elections. For some parties this could be a way to escape responsibilities by prematurely quitting the government coalition, or it could allow to share the burden of responsibilities by enlarging the cabinet to more partners, thus partially neutralising the impact of economic voting in the next election (Duch and Stevenson 2008).

Taking all together, increasing job insecurity and rising prices should increase the risk of government termination and in particular that of replacement. The worsening of economic conditions can destabilise the equilibrium on which the government was formed. In doing this, a weary economy has the potential to modify parties’ policy positions and the structure of the policy space, making it
possible to opt for government alternatives until then considered unfeasible. Moreover, incumbents’ fear to be punished by voters in the next election can give incentives to parties to terminate the government prematurely. Comparative research has showed a systematic relationship between retrospective economic evaluations and government support (Anderson 1995, 2000; Armingeon and Giger 2008; Giger and Nelson 2011; Lewis-Beck 1988). However, there is a shared consensus that the strength of this link varies across different contexts and institutional setups. When voters can easily attribute responsibilities to governing parties and perceive viable alternatives to the incumbents, economic voting is stronger. On the contrary, when clarity of responsibility is obscured or alternation is absent, the impact of the economy on voting behaviour is softened (Anderson 2000; Powell and Whitten 1993; Whitten and Palmer 1999).

Coherently with this last statement, empirical research has demonstrated that economic voting was least evident in Italy, during the First Republic (1946-1993) (Lewis-Beck 1986, 1988). This period was characterised by what has been defined as an ‘imperfect two-party system’ (Galli 1966), that means a system shaped by the contrast between two major parties – the Christian Democrats (DC) and the Communists (PCI) – of which only the former could realistically aspire to become a government party. The presence of a proportional electoral system with a low threshold of representation, moreover, favoured the survival of numerous small and medium parties, allowing the institutionalisation of a pluralised multi-party system in which the DC and the PCI were joined by other political formations (Sartori 1974). As a result the First Republic was characterised by frequent surplus coalition governments dominated by the DC – which was included in all the governments between 1946 and 1993 – and therefore with a very limited alternation of parties in cabinet (Curini and Pinto 2013, 2017; Verzichelli and Cotta 2003). Things changed with the transition from the First to the Second Republic, when a series of reforms – starting from the electoral one⁴ – fundamentally altered the model of party competition, promoting the transformation from a consensual political system (typical of the First Republic) to a more majoritarian one, characterized by bipolar competition.
and frequent alternations in government (Cotta and Verzichelli 2007). This leads us to formulate the following hypothesis for the impact of economic experience on cabinet stability in the Italian case:

**Hypothesis:** Bad economic experience should increase the risk of government replacement. This risk should be higher during the Second Republic, when clarity of responsibility is greater.

**Data and Methods**

To test whether a bad economy affects government stability, we employ a Cox’s partial likelihood survival model. The central concept in survival analysis is the hazard rate $h(t)$, which is the probability that an event occurs at a particular point in time, conditional on the fact that it has not yet occurred. The hazard rate has two components. The first is the set of covariates that are hypothesized systematically to affect the timing of an event, that in our case is the termination of governments. The second is the baseline hazard rate $h_0(t)$, which indicates the underlying probability of the event occurring over time when the vector of all covariates is zero, and capturing therefore the impact of exogenous events not directly specified in the model equation (Box-Steffensmeier and Jones 2004).

The dependent variable measures the days a government lasts. According to our operationalisation, a cabinet begins its life when the PM swears in front of the President of the Republic and survives until one of the following circumstances happens: the government voluntarily or involuntarily resigns and the head of state subsequently accepts this resignation; or the partisan composition of the executive changes.

Using these criteria we can therefore identify 70 governments in the years 1946 and 2015 – 54 during the First and 16 during the Second Republic. These governments are listed in Figure 1, which shows each cabinet from the Constituent Assembly (1946-48) to Legislature 17th (2013-ongoing) and its duration in days. Governments’ labels indicate the name of the PM, followed by an ordinal number in case the office has been held several times by the same person. Most of the executives have been identified applying the criterion of formal resignation. Governments whose
label is accompanied by a letter in round brackets are those for which we have observed changes in
the partisan composition without formal resignation. The horizontal solid line indicates the median
government duration in Italy (244 days, the lowest in comparison to other European parliamentary
democracies). The dashed line reports the same figure for Europe (577 days), which is more than
double of the value registered for the Italian case. The vertical line marks the beginning of the Second
Republic, commonly identified with the first government headed by Silvio Bersluconi. The
executives formed after 1994 show a higher stability in comparison to those belonging to the First
Republic (median duration: 387 vs. 223 days), but much below the figure recorded for Europe.

[Figure 1 about here]

The black bars represented in Figure 1 identify the ‘censored’ governments. Censoring is a common
practice in survival analysis and, in relation to government stability, it has been used either to properly
model competing risks such as replacement vs. dissolution (Diermeier and Stevenson 1999, 2000),
or to take into account the fact that for certain executives we do not know how long they would have
survived without the intervention of constitutionally mandated elections (King et al. 1990). Since we
are interested in modelling the risk of government replacement in the inter-electoral period, we
censored all observations whose termination was followed either by early elections (dissolution) or
constitutionally mandated elections (technical terminations). Such censored records are not dropped
by the analysis, but they are essentially treated as cases for which the actual failure time is unknown.
As a robustness check, in the following pages we will model government termination also considering
‘pooled hazard’, censoring therefore only the observations whose dissolution is triggered simply by
regular elections.7

Independent variables
According to a consolidated tradition both in government termination and economic voting research, to assess the impact of economic conditions on cabinet stability we chose two well-known macroeconomic indicators – unemployment and inflation rates – for which we collected values on an annual basis between 1946 and 2015 (Lewis-Beck and Paldam 2000; Robertson 1983a, 1983b; Saalfeld 2008, 2013; Warwick 1992b, 1994; see the Appendix). Following Saalfeld (2013), in order to assess how economy is performing bad we then compared the levels of unemployment and inflation measured in the year a government terminated with the average rates recorded during the decade when the cabinet was formed (1940s, 1950s, etc.). Subsequently we created two dummy variables, coding as a one all the governments for which the levels of unemployment and inflation were at least one standard deviation (SD) above the mean for the relevant decade. In this way the dummies classify the cabinets that underwent a significant deviation in the economic experience relative to its average performance either in unemployment or inflation rate, identifying therefore those executives that suffered a severe economic downturn. In our data, 18 per cent of the Italian governments registered high levels of unemployment (relative to the average performance for the relevant decade), while 23 per cent suffered for above average inflation rates. In order to test our hypothesis, unemployment and inflation were interacted with a dummy identifying the governments formed either during the First or the Second Republic.

The impact of economic variables is tested taking into account the most important factors expected by the literature to affect government duration. The first and most significant group of variables is related to the governments’ attributes registered at the time of their formation. We classified therefore Italian cabinets according to the type of coalition that emerged from negotiations, identifying four possible outcomes: surplus coalitions, minimal winning coalitions, minority coalitions, and single-party minority governments. Surplus coalitions represent the mode in Italy (62 per cent of the observations), followed by single-party minority governments (22 per cent), minority coalitions (9 per cent), and minimal winning coalitions (7 per cent). According to the literature, we should observe a shorter duration for ‘out of equilibrium’ solutions, i.e. minority governments and
surplus coalitions (Dodd 1976; Laver 1974; Laver and Schofield 1990; Sanders and Herman 1977).

Another important governments’ feature is the number of parties involved in a coalition: more parties imply higher transaction costs in the day-to-day decision-making activity of the executive, which in the long run can undermine its stability (Leiserson 1968). Thus, for each Italian government we counted how many parties formed the coalition. This value varies between one and eight, with a mean of 3.3.

The variables associated with office-seeking motivations of parties are often complemented by other factors that are aimed to measure policy incentives to maintain or dissolve the government. When parties have similar policy positions, this should reduce internal conflict in the cabinet, allowing coalition partners to more easily define and then implement a common program (Axelrod 1970). Moreover, in a game-theoretical perspective, an alliance based on ideological proximity should be more stable, given that it should reduce the risks that some party could bring down the government to find an alternative combination of parties that better represents its policy interests (De Swaan 1973). Ideological cohesion should also diminish the incentives for coalition partners to deviate from the compromise agreed in the phase of government formation, neutralising therefore ministerial drift and the costs associated with monitoring government members (Martin and Vanberg 2005).

Given the importance of policy preferences in explaining government formation and stability, for each Italian cabinet we computed a measure of ideological heterogeneity as the absolute distance between the two most far coalition partners on the two most salient dimensions structuring the policy space, calculating afterwards their average (Tsebelis and Chang 2004). Data on parties’ ideal points and issue salience were derived from the ‘Italian Legislative Speech Dataset’ (ILSD). An advantage of this dataset is that it provides policy positions of parties based upon a textual analysis of all the government investiture debates preceding the vote of confidence in the Italian Chamber of Deputies over eight broad policy domains: foreign, social, economic and environmental policy, centralization of decision making, democracy, institutions and justice (for more details see: Curini 2011; Curini and Pinto 2017). For each particular investiture vote, this dataset makes it possible to estimate the two
most salient dimensions that define the policy space, as well as the policy scores of parties along them (see the Appendix). Given an average of almost four governments per legislature, this source of data constitutes a big improvement in comparison to others which measure parties’ ideal points only at defined points in time. Ideological heterogeneity in the government varies from 0 to 3.4, with a mean of 0.9.

Thank to the higher precision allowed by the ILSD, we were also able to assess whether the government includes a ‘core party’ (Schofield 1993), or a ‘very strong party’ in the terminology of Laver and Shepsle (1996). A party that holds the core position constitutes an equilibrium of the government formation game in a two-dimensions issue space, given that it can impose its policy preferences as the government program to every possible coalitions that can be formed, assuring therefore stability to the cabinets that include it (Curini 2011). Every government that incorporates a core party is coded with a one, zero otherwise. Almost one third of Italian executives comprises a party which holds the core position. Most of them are concentrated during the First Republic, where the DC constituted the core party numerous times (Curini and Pinto 2013).

The last set of variables associated with government attributes is based on the behavioural norms and rules that can constrain the coalition bargaining (Strøm, Budge, and Laver 1994). According to this, the familiarity acquired through previous experiences of cooperation can promote mutual understanding and trust among partners, reducing in this way information asymmetries and facilitating the maintenance of joint commitments. Moreover, familiarity and inertia can create difficulties in negotiating with other parties than those with which a relationship was established, thereby limiting the temptation to break the agreement to form new alliances (Saalfeld 2008). On the other hand, Warwick (1994) pointed out the possibility of an alternative explanation. Because familiarity and inertia tend to favour a consolidated pattern of alliances, some party may have the incentive to temporarily break the agreement to renegotiate its content, knowing that this would hardly lead to its exclusion from the next government. In this perspective, familiarity and inertia should reduce, rather than increase, the stability of the executive. To measure familiarity and inertia
we included a dummy identifying with a one those governments that are a copy of the incumbent administration. About 26 per cent of Italian cabinets meets this condition. A further constraint to cabinet bargaining is represented by the presence of pre-electoral coalitions (PEC). Breaking an alliance based on a PEC means to betray the voters who, with their vote, legitimised that coalition. For this reason we can expect that the executives based on a pre-electoral pact should be more stable (Golder 2006). These cabinets were coded with a one, zero otherwise. About seven per cent of the observations are based on a PEC.

In addition to government attributes, empirical analyses underlined the importance of the characteristics of the party system with which cabinets interact. Among these, the most relevant are the number of parties and the distribution of seats in parliament, together with the ideological dispersion of parliamentary parties. The rationale behind the inclusion of these properties is given by the expectation that higher complexity in the political system makes the maintenance of the agreements more difficult, thereby reducing the stability of governments (King et al. 1990; Laver e Schofield 1990; Warwick 1994). However, in a different perspective, ideological dispersion in the parliament might also be expected to prevent cabinet dissolutions. A government termination can be risky for parties in the ruling coalition since new negotiations may produce an executive much further from their preferences than the current one, due to high polarization in the parliament (Saalfeld 2008). If so, high levels of ideological dispersion can foster government stability. To measure party system attributes we included two further variables: the effective number of parliamentary party (ENPP) (Laasko and Taagepera 1979) and the ideological heterogeneity in the parliament. The latter can be conceived as a measure of polarization and is computed as the heterogeneity in the government, but using the distance between the two furthest parties in the parliament. ENPP varies between 2.8 and 6.8, with a mean of 3.9. Ideological heterogeneity in the parliament ranges from 1.2 to 4.1, with a mean of 2.5.

Finally, we included two more variables in our model. The first one is associated to the length of the bargaining process that led to cabinet formation. Bargaining delays are considered either as a
proxy for troubled negotiations (King et al. 1990) or as an indicator of the commitment and attention
placed by parties in the process of government formation (Warwick 1994). In the first perspective,
bargaining duration can be interpreted as a manifestation of complexity, hence undermining
government stability. In the second one, parties use prolonged negotiations as a way to overcome
information asymmetries (Curini and Pinto 2016; Diermeier and van Roozendaal 1998). Delays
should be therefore associated with a lower risk of termination. Bargaining duration ranges from 1 to
128 days, with a mean of 32 days. The second variable controls for the timing of government
formation, counting the days until the next constitutionally mandated election at the time the cabinet
formed. This covariate is particularly important when modelling government dissolutions, since,
according to the Lupia and Strøm’s model (1995), the value of the participation in the executive
should decrease as the end of the CIEP approaches. However, there are no clear expectations
regarding the impact of this variable on government replacements.

Results
To test our hypothesis we used two Cox proportional hazards regressions with a different censoring
regime (replacements vs. pooled hazards) in order to evaluate the robustness of our finding. Table 1
reports the results for each model. In all of them, the coefficients are expressed as proportional hazard
estimates with positive and negative values indicating, respectively, an increased or decreased risk of
government termination. Consequently, a positive coefficient reduces cabinet duration, while a
negative one delays government termination. Coefficients’ exponential function can be interpreted as
hazard ratios. The analysis is performed on all Italian governments between 1946 and 2015, with the
exclusion of caretakers cabinets, including the two nonpartisan technical executives headed by Dini
in 1993 and Monti in 2013. This leaves us with 62 observations, which were exposed to the risk of
failure for a total of 22,303 days. The results pertaining to our main variables are similar throughout
the different models, thus indicating that our findings are quite robust to different specifications. As
we are interested particularly in government replacements, in what follows we comment our results using estimation from Model 1.

[Table 1 about here]

Most of our findings regarding the impact of government and systemic attributes on cabinet stability in Italy go in the direction expected by the literature. According to Model 1, we found that surplus coalitions are more precarious than minimal winning ones, having a risk of termination 87 per cent higher. However, we did not find any significant difference between minimal winning coalitions and minority governments. Similarly, increasing policy divergences in the government undermine cabinet stability: one unit more of ideological heterogeneity increases the risk of replacement by more than two times (with 90 per cent confidence intervals). In contrast, most of the other attributes result to protect the government against anticipated termination, with the only exception of ENPP, which is not significant. Including a core party, being a copy of the incumbent administration or being based on a PEC reduce the risks of cabinet breakdown by 60, 77, and 95 per cent respectively. Similarly, increasing ideological dispersion in the parliament and longer negotiations in the phase of government formations foster cabinet stability. Each additional day spent in bargaining decreases the risk of termination by 2 per cent, while one more unit of ideological heterogeneity among parliamentary parties reduces the hazards of replacement by 77 per cent, favouring therefore the interpretation that polarization is related with the feasibility of alternative governments compared to the current one rather than being an indicator of complexity. The only variable that goes against common wisdom is the absolute number of parties in the government: one more party increases, rather than undermining, cabinet stability. This result can be explained taking into account the regularities in the outcomes of coalition formation process which favoured ‘government formulas’ characterised by a large number of parties (Mershon 1996; Curini and Pinto 2013).
Once accounted for the role of government and systemic attributes on cabinet stability, we can move to assess the impact of economic conditions on the risk of government replacement. Our hypothesis is interactive in its nature and states that high levels of unemployment and inflation should shorten the life of the executives in general, with a larger effect during the Second Republic when clarity of responsibilities is higher. Table 1 shows that the coefficients associated to both the constitutive and the interaction terms related to unemployment are significant, displaying therefore a statistical association between the two variables. In order to interpret this association in relation to government stability we contrasted the risk of termination of governments characterised by average or high levels of unemployment within the First or Second Republic (Brabor, Clark, and Golder 2006). The results are illustrated in Figure 2. The grey dots show the average impact of high levels of unemployment on the risk of government replacement. The bars represent 95 per cent confidence intervals. When they are both below or above the zero line the effect is statistically significant. As predicted, we found that levels of unemployment above the average of those experienced in the relevant decade increase the risk of government replacement in both the First and the Second Republic. However, this effect is much larger for the cabinets that formed after 1994. On the contrary we did not find any relevant impact of inflation on government stability. These results are coherent with those of other research (Warwick 1992b; Saalfeld 2013) and can be explained in two ways: on the one hand, inflation used to be quite high during the First Republic, but it has remained at very low levels in the last years; on the other hand, before the adoption of the Euro, rising prices were usually accompanied in Italy by a devaluation of the national currency, boosting exports.

In order to better appreciate the impact of increasing job insecurity, Figure 3 plots, across the First and Second Republic, the estimated survival functions of two ‘equilibrium’ governments with the same attributes – minimal winning status, core party and ideological heterogeneity set one SD below
the mean – with the only exception of the level of unemployment. According to the figure, during the First Republic the cabinet that must face a bad economy has a survival probability of 75 per cent after 244 days (the median duration of the Italian executives). This probability increases to 93 per cent for a government with the same characteristics but formed when economy is not deviating from its average performance. This difference is even greater for cabinets formed after 1994. A government facing increasing levels of job insecurity has only 12 per cent of probabilities to survive after 244 days. This figure raises by almost 80 points for the executives experiencing average levels of unemployment.

[Figure 3 about here]

Conclusions

Italy has always been considered an exceptional case due to its high rates of cabinet turnover. In this paper we showed that this exceptionality may in part be traced back to the perimeter of the comparative literature, which highlights the role of government and systemic attributes in explaining cabinet stability. Our results show in particular that the type of coalition and the distribution of parties’ policy preferences both in the government and in the parliament are powerful drivers of stability. On the other hand, this paper confirms that frequent cabinet breakdowns are not simply the product of the characteristics of the government and the party system with which it interacts, but are significantly influenced by the economic experience. Once accounted for the impact of political and strategic factors, cabinets facing relatively high levels of unemployment are far more likely to terminate prematurely than others. On the contrary, inflation does not exert any significant effect.

As repeatedly highlighted through the paper, all the changes that characterised the transition from the First to the Second Republic creates a ‘quasi-experimental’ situation that allowed us to better clarify our results. The impact of increasing job insecurity is not constant throughout the Italian political history, but it is far more relevant after 1994, when voters can more easily reward or punish
the incumbents as responsible for the economic situation. These findings contribute therefore to better disclose the political mechanisms that might link economic experience and cabinet stability. Replacements in the inter-electoral period can be conceived by certain parties as a way to escape responsibilities by prematurely quitting the coalition, or they can represent a possibility to share responsibilities by enlarging the cabinet to more partners or reshuffling it in order to partially neutralise economic voting. The consequences for the Italian case are well known. In the last few years Italy, experienced a technical nonpartisan government and subsequently a grand coalition formed by the two biggest parties of centre-left and centre-right, which essentially failed to recover the economy, increasing voters’ discontent and opening the way to the success of protest parties such as the Five Star Movement.

Overall, our findings demonstrate the existence of a link between economic shocks, the process of cabinet bargaining, and parties’ electoral expectations. In doing this, we provide motivation for further research. A first avenue should reassess the impact of economic experience on government stability in a comparative way, taking into account the political context across nations as we did across time for a single in-depth case study. Consequently, future studies should interact measures of economic conditions with some proxy of the clarity of responsibility in different contexts. A second avenue should work to integrate more sophisticated macroeconomic indicators into the analysis. In this paper we used averaged values over a long period of time; however, a comparative research design may focus only on the most recent years using more dynamic measures of economic conditions in order to understand what is the threshold beyond which government termination is more likely. Finally, future studies could investigate what happens after a government fails because bad economic conditions. For example, there could be the case that cabinets failed due to economic experience are more frequently replaced by caretaker governments or a grand coalition, configuring in this way competing risks of replacements.
References


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**Tables and Figures**

Table 1 – Cox regression analysis for government termination in Italy, 1946-2015.

<table>
<thead>
<tr>
<th></th>
<th>(1) Replacement</th>
<th>(2) Pooled Hazard</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High Levels of Unemployment</strong></td>
<td>1.321*</td>
<td>1.238*</td>
</tr>
<tr>
<td></td>
<td>(0.635)</td>
<td>(0.665)</td>
</tr>
<tr>
<td><strong>High levels of Inflation</strong></td>
<td>0.573</td>
<td>0.743</td>
</tr>
<tr>
<td></td>
<td>(0.414)</td>
<td>(0.475)</td>
</tr>
<tr>
<td><strong>Second Republic</strong></td>
<td>-0.049</td>
<td>-0.341</td>
</tr>
<tr>
<td></td>
<td>(0.415)</td>
<td>(0.381)</td>
</tr>
<tr>
<td><strong>UnemploymentXSecond Rep.</strong></td>
<td>2.120*</td>
<td>2.334**</td>
</tr>
<tr>
<td></td>
<td>(0.892)</td>
<td>(0.832)</td>
</tr>
<tr>
<td><strong>InflationXSecond Rep.</strong></td>
<td>0.373</td>
<td>1.261</td>
</tr>
<tr>
<td></td>
<td>(0.945)</td>
<td>(0.856)</td>
</tr>
<tr>
<td><strong>Type of government: Surplus coalition</strong></td>
<td>0.627*</td>
<td>0.700**</td>
</tr>
<tr>
<td></td>
<td>(0.301)</td>
<td>(0.259)</td>
</tr>
<tr>
<td><strong>Type of government: Minority Coalition</strong></td>
<td>-1.408</td>
<td>-1.772</td>
</tr>
<tr>
<td></td>
<td>(1.287)</td>
<td>(1.441)</td>
</tr>
<tr>
<td><strong>Type of government: Single-party Minority</strong></td>
<td>0.041</td>
<td>0.347</td>
</tr>
<tr>
<td></td>
<td>(0.649)</td>
<td>(0.729)</td>
</tr>
<tr>
<td><strong>Abs. Number of Government Parties</strong></td>
<td>-0.993*</td>
<td>-0.971*</td>
</tr>
<tr>
<td></td>
<td>(0.478)</td>
<td>(0.495)</td>
</tr>
<tr>
<td><strong>Ideological Heterogeneity (Government)</strong></td>
<td>0.854+</td>
<td>0.914*</td>
</tr>
<tr>
<td></td>
<td>(0.466)</td>
<td>(0.370)</td>
</tr>
<tr>
<td><strong>Core Party Included</strong></td>
<td>-0.923*</td>
<td>-0.987*</td>
</tr>
<tr>
<td></td>
<td>(0.428)</td>
<td>(0.398)</td>
</tr>
<tr>
<td><strong>Copy of the Incumbent Administration</strong></td>
<td>-1.480**</td>
<td>-1.383**</td>
</tr>
<tr>
<td></td>
<td>(0.571)</td>
<td>(0.527)</td>
</tr>
<tr>
<td><strong>Based on a PEC</strong></td>
<td>-3.018**</td>
<td>-2.521**</td>
</tr>
<tr>
<td></td>
<td>(0.818)</td>
<td>(0.787)</td>
</tr>
<tr>
<td><strong>ENPP</strong></td>
<td>0.744</td>
<td>0.815</td>
</tr>
<tr>
<td></td>
<td>(0.532)</td>
<td>(0.549)</td>
</tr>
<tr>
<td><strong>Ideological Heterogeneity (Parliament)</strong></td>
<td>-1.110**</td>
<td>-1.212**</td>
</tr>
<tr>
<td></td>
<td>(0.370)</td>
<td>(0.318)</td>
</tr>
<tr>
<td><strong>Bargaining Duration</strong></td>
<td>-0.019*</td>
<td>-0.020**</td>
</tr>
<tr>
<td></td>
<td>(0.008)</td>
<td>(0.007)</td>
</tr>
<tr>
<td><strong>Days Until the Next Mandated Election</strong></td>
<td>0.001+</td>
<td>0.001</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
</tbody>
</table>

| **AIC**                        | 314.515         | 338.974           |
| **BIC**                        | 350.676         | 375.135           |
| **Obs.**                       | 62              | 62                |
| **N. of failures**             | 50              | 54                |
| **Time at risk (Days)**        | 22,303          | 22,303            |

Standard errors clustered on 18 legislatures in parentheses. The reference category for type of
government is ‘minimal winning coalition’.

\[ p < 0.1, \; ^* p < 0.05, \; ^{**} p < 0.01 \]

Figure 1 – Italian governments and their duration, 1946-2015.

Censored observations are represented by black bars.
Solid line: Median government duration in Italy.
Dashed line: Median government duration in Europe.
Figure 2 – Marginal effects of high levels of unemployment on cabinet survival in Italy.

Estimates based on Model 1
Figure 3 – Estimated survival functions for different levels of unemployment in the First and Second Republic.

Estimates based on Model 1
## 1. Policy Domains and Categories

<table>
<thead>
<tr>
<th>Domains</th>
<th>Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Progressive Polarity (-): National Way of Life: Negative, Traditional morality: Negative, Catholic Church: Negative, Multiculturalism: Positive, Law and Order: Negative, Involvement of citizens and movements in decision-making</td>
</tr>
<tr>
<td>Foreign Policy</td>
<td>Pro-Western Polarity (+): Foreign Special Relationship (USA and NATO): Positive, Military: Positive, European Community: Positive, Foreign Special Relationship (USSR and others socialist countries): Negative</td>
</tr>
<tr>
<td></td>
<td>Anti-Western Polarity (-): Foreign Special Relationship (USA and NATO): Negative, Anti-Imperialism, Military: Negative, Peace, European Community: Negative, Foreign Special Relationship (USSR and others socialist countries): Positive</td>
</tr>
<tr>
<td>Democracy</td>
<td>Consensual Polarity (+): Parliament and Representative Institutions</td>
</tr>
<tr>
<td></td>
<td>Majoritarian Polarity (-): Political Authority</td>
</tr>
<tr>
<td>Environmental Policy</td>
<td>Materialist Polarity (+): Productivity</td>
</tr>
<tr>
<td></td>
<td>Post-Materialist Polarity (-): Anti-Growth Economy, Environmental Protection</td>
</tr>
<tr>
<td>Institutions</td>
<td>Pro-Institutions Polarity (+): Constitutionalism: Positive</td>
</tr>
<tr>
<td></td>
<td>Anti-Institutions Polarity (-): Constitutionalism: Negative</td>
</tr>
<tr>
<td>Centralization of decision making</td>
<td>Centralization Polarity (+): Centralization</td>
</tr>
<tr>
<td></td>
<td>Decentralization Polarity (-): Decentralization</td>
</tr>
</tbody>
</table>
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Figure A.4 - Relative saliency scores.
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3. Policy Positions

In order to estimate the policy position of party $i$, during vote of investiture $y$ in legislature $l$, along dimension $x$, we use the subsequent equation:

$$
P_{ylx} = \frac{F_{ylx}^{+} - F_{ylx}^{-}}{S_{ylx}}
$$

The numerator represents the standard way of computing policy positions adopted by the CMP (Budge et al. 2001), while the denominator allows us to compute a normalized policy score for each party. In addition to the possibility of direct comparison of policy positions across time, this measure has two more advantages. First, it reduces the bias given by consistent shifts across time in the saliency of policy dimensions, that could bring to overestimate or underestimate party policy preferences. Second, it offers a simple way to identify extreme parties on both polarities of each dimension (policy scores higher than +1 or lower than -1) (for more details see Curini 2011). Figure A.2 displays the policy positions of three main parties during the First Republic (DC, Christian Democrats; PCI-PDS, Italian Communist Party-Democratic Party of the Left; PSI, Italian Socialist Party) and the Second Republic (FI, Go Italy-People of Freedom; PDS-DS-PD, Democratic Party of the Left-Left Democrats-Democratic Party; LN, Northern League).
Figure A.5 - Parties’ policy positions.

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4. Unemployment and Inflation Rates

1 The same logic can also be applied to equilibria based on different assumptions and parameters than those employed by Laver and Shepsle (1996).

2 It should be noted that the Lupia and Strøm’s model was proven only for three-party legislatures, which are quite rare in the real world. Moreover, there are important variations between countries in the chances to strategically manipulate the timing of elections by parties (Laver and Shepsle 1998; Laver 2003).

3 Politically economy research noted that the relationship between government duration and economic performance is possibly circular given that events such as economic crises are closely associated with financial markets crises, which, at least partially, are influenced by the uncertainty produced by political instability. Bernhard and Leblang (2006) showed, however, that there is not a direct link between cabinet termination and uncertainty: the potential for uncertainty arises in particular during the government formation process, when portfolios allocation is negotiated, but the presence of strong and well-established parties can weaken it.
The proportional system in force from 1946 was replaced in 1993 by a mixed-member majority electoral formula. In 2005 a bonus-adjusted proportional electoral system was introduced. The new set of electoral rules gave a seat bonus of 55 per cent of the total number of seats to the party, or the coalition, that gains a plurality of votes. In 2015 the electoral rules were modified again, introducing a two-round system declared unconstitutional by the Constitutional Court.

Comparative research usually includes two more criteria to identify government terminations: new elections and the change of the PM (see: King et al. 1990; Mershon 1996; Warwick 1994). However, in Italy new elections have always coincided with the resignation of the incumbent administration and no PM is changed without resigning first.

The median government duration for Europe has been computed integrating our data on Italy with those collected in the ‘European Representative Democracy Data Archive’ (ERDDA) (Andersson, Bergman, and Ersson 2014). Median duration is based on data on 652 governments in 29 Western and Eastern European countries, including Italy.

In the Italian case there are only nine governments whose termination was followed by early elections. For this reason it is not possible to exclusively model the risk of dissolution. Early elections can be called by the President of the Republic when any other attempt to form an inter-electoral government fails.

For time series data on employment and inflation we used primarily the information contained in the ERDDA, which reports the annual level of unemployment and inflation at the time of cabinet formation and its termination. These information have been supplemented with data coming from other sources. The main ones are the OECD Statistical Compendium for macroeconomic data and the ISTAT archives.

In this and the following calculations we do not take into account the two nonpartisan technical governments that formed in 1995 (Dini) and 2013 (Monti).

The coding scheme of the ILSD follows the same methodology employed by the Comparative Manifesto Project (CMP) (Budge et al. 2001). It can be downloaded, together with the data, from the following website: http://www.socpol.unimi.it/docenti/curini/iLSD.
11 Parties’ ideological preferences are the product of the difference between all of the positive and negative references for each dimension, normalized for the issue salience (Curini 2011; see also the Appendix).

12 Cox regression analysis presupposes the proportional hazards assumption (PHA). Violation of the PHA can lead to false inferences about variables’ substantive and statistical significance. In our case, a test of scaled Schoenfeld residuals does not show any evidence of violation.