There's many a slip twixt the cup and the lip

Missing links in explaining government's ability to shape social expenditure according to its will: an application to the Italian case (1946-2015)

Andrea Ceron† Luigi Curini†† Fedra Negri†††

Paper prepared for presentation at the Italian Political Science Association, Annual Conference
Milano, 15-17 September 2016

Work in progress – Please, do not quote or circulate without the authors’ permission

Abstract

Focusing on the last 70 years of Italian history, the paper investigates to what extent Prime Ministers are able to shape social expenditure according to the policy declarations expressed in their investiture and confidence speeches. Furthermore, the paper addresses some missing links in the existing literature on public spending by shedding light on the role of party factions and trade unions as political actors able to frustrate Prime Ministers’ decision-making powers. In detail, the quantitative content analysis of a wide typology of documents (i.e. Prime Minister’s investiture and confidence speeches, parties’ parliamentary debates, motions presented by factions at party congresses and documents discussed at the congresses of the two most important Italian trade unions, CGIL and CISL) allows us to locate Prime Ministers, coalition parties, parties’ factions and trade unions on a pro-/anti-welfare state scale, thus estimating their relative impact on budgetary choices. Results suggest that intra-party dynamics and trade unions’ preferences are crucial to explain Prime Ministers’ ability to shape social expenditure. In detail, Prime Minister’s ability to cut welfare state provisions vanishes when factions inside his party are highly polarized. Analogously, Prime Minister’s ability to retrench the welfare state diminishes when trade unions are more cohesive, while it increases as CGIL and CISL express divergent preferences.

Keywords

Government position, parliamentary speeches, intraparty politics, ideological congruence, social expenditure, trade unions.

† Assistant Professor, Dep. of Social and Political Studies, Università di Milano, andrea.ceron@unimi.it.
†† Associate Professor, Dep. of Social and Political Studies, Università di Milano, luigi.curini@unimi.it.
††† Post-doctoral Research Assistant in Political Science, Dep. of Social and Political Studies, Università di Milano, fedra.negri@unimi.it.
Introduction

The relationship between the policy preferences of elected officials and the actual policy outcomes has been the focus of a long-lasting debate among political scientists and political economists. Scholars, however, have provided only mixed results (e.g.: Imbeau et al., 2001). In detail, scholars belonging to Partisan Theory (PT), Power Resources Theory (PRT) and Mandate Theory (MT) establish a clear linkage between parties' ideologies, their electoral pledges and the decisions concerning public policies that they take once they are in office. Vice-versa, other scholars argue that parties' ability to affect policies' design has been vanished, if not completely erased, by economic constraints, increasing societal needs, globalization and financial openness, policy legacies, institutional configurations and so on.

In light of this, our paper evaluates to what extent the Prime Minister (PM) is able to shape public policies according to the political preferences declared in his parliamentary investiture speech, which tends to reflect the policy programme of the cabinet itself. Furthermore, the paper sheds light on some missing links in the existing literature showing that the policy preferences of several other political actors interfere with this process. In particular, we will show how party factions and trade unions play a role in limiting PM's ability to enact the programme.

For this purpose, we have analyzed budgetary data on the evolution of public expenditure on social services in Italy, from 1946 until 2015, covering the whole history of the Italian Republic. To assess the impact of the policy preferences of several political actors, we take advantage of three different datasets that performs an in depth content analysis using the same coding scheme. In particular, 73 speeches delivered by Italian PMs have been analyzed and have been compared with 665 speeches delivered by political party leaders during the same investiture debates. Furthermore, we have also analyzed the policy preferences expressed in 58 motions presented by party factions during 15 congresses held by 4 PMs' parties and in 35 motions approved during the congresses of the two main Italian trade unions (CGIL and CISL).

The results of statistical analysis suggest that, overall, PMs are able to shape public policies according to their parliamentary declarations. However, they are less able to do so when their party is highly divided on the economic position as this can undermine the agenda power of the PM himself who cannot overcome the intra-party resistance. Analogously, cohesive trade unions are more able to limit PM's ability to enact the programme.

As such, the paper suggests that the inconsistent results found by previous studies could be driven by two major shortcomings. The first limitation comes at the empirical level and concerns the ways in which cabinets' ideological preferences are usually operationalized; the second limitation is rooted at the
theoretical level and refers to the over-simplified idea of political parties as unitary actors as well as to the lack of attention toward the impact of the preferences of interests groups.

The paper is structured as follows. Section 1 discusses the previous inconclusive evidences for partisan effects on policy outcomes. Section 2 presents our theoretical framework and our research hypotheses. Section 3 presents the research design and describes the data. Finally sections 4 and 5 reports and discuss the results.

1. Partisan influence on macroeconomic and social policies: state of the art

Do policy preferences expressed by political parties translate into consistent policy choices? Although these preferences have been defined as the animating forces of politics (Krehbiel & Peskowitz, 2014) and both political scientists and political economists wrote reams of papers on their impact on policy outcomes, empirical studies failed to reach any firm conclusion (e.g., Baumgartner et al., 2009; John et al., 2014). Indeed, according to a meta-analysis conducted on 693 cross-section estimates published from 1976 to 1997, 22% of them demonstrated that governing parties are able to shape public policies according to their will, while 88% detected an average correlation between government partisanship and policy outputs not significantly different from zero (Imbeau et al., 2001).

Since the Seventies, scholars investigating this topic largely focused on macroeconomic and social policies because they are related to the main cleavage in industrial democracies: the capital-labor conflict (Lipset & Rokkan, 1967). Indeed, these policy areas have been described as the most conflict-ridden (Pierson, 1994; Jensen, 2012a) and suitable domains to detect partisan effects (Schmidt, 1987; Esping-Andersen, 1990; McDonald and Budge, 2005) given the high positive correlation between the pro-State/pro-Market dimension and the traditional left-right one.

There are at least three well-known streams of literature establishing a clear linkage between parties' long lasting ideological preferences, their contextual electoral pledges and social policy outcomes: namely, Partisan Theory (PT), Power Resources Theory (PRT) and Mandate Theory (MT).

The first stream of literature (see, inter alia, Hibbs, 1977, 1992; Hewitt, 1977; Tufte, 1978) expects governing parties to adopt policies able to maximize the interests of their core electoral constituencies, defined in terms of social classes. In particular, left-wing governments, being the advocates of the working-class, are seen as more prone to pursue expansionary policies; while right-wing ones, being supported by up-scale groups, are described as more likely to promote deflationary policies.
The second approach, PRT, makes the linkage between class mobilization, party affiliation and partisan government more explicit than the original PT does. This stream of literature claims that partisan politics plays a crucial role in distributive conflicts between socioeconomic groups through the adoption of social policies. In particular, it emphasizes how left parties in office are expected to extend social rights and social entitlements to working class members in order to give them new power resources, able to counterbalance the power of capital (see, *inter alia*, Stephens, 1979; Korpi, 1983).

More recently, these two approaches, formulated in the ‘golden age of welfare state expansion’, have been adapted to the ‘silver age of welfare state retrenchment’ (Pierson, 1994; Taylor-Gooby, 2002, Ferrera, 2008). In particular, scholars empirically suggested that partisanship matters even in times of crisis because left-wing governments tend to be associated with less severe reductions in social entitlements; while right-wing ones seem to be more ready to cut social expenditure (Korpi & Palme, 2003; Allan & Scruggs, 2004).

Parallel to PT and PRT, in the last decades of the XIX century, Downs (1957) derived from economic theory an alternative model, labelled ‘mandate theory’ (MT). According to this theory, governments are expected to aligning their policy stances with the preferences of the median legislator and, ultimately, with those of the median voter (see, *inter alia*, Black, 1958; Polsby & Wildavsky, 1971; Sullivan & O’Connor, 1972; Ranney, 1975; Kavanagh, 1981; Page & Shapiro, 1983; Aldrich, 1995; Burstein, 2003; Ezrow, 2007).

A seminal work grounded on this approach is the book ‘Conferring the Median Mandate’ by McDonald and Budge (2005), in which the authors verified whether and how the policy preferences of the median voter in the electorate, in the parliament and in the cabinet translate into consistent policy outputs in three domains, namely economics, welfare state and international relations. The authors demonstrated that, even if on the short run political parties in parliament and in government seem unable to translate the median voter’s preferences into consistent public policies, over the long run these preferences significantly affect single countries’ policy regimes.

If scholars belonging to PT, PRT and MT share a common emphasis on the role played by political parties in shaping social policy outcomes, others prove to be skeptical if not completely pessimist. These scholars, indeed, tend to underline how economic constraints, increasing societal needs, globalization and financial openness, policy legacies, institutional configurations and so on vanish the distinction between left-wing and right-wing executives. Provocatively, King and Laver (1999) showed that US government expenditures are as related to political parties’ preferences as to national baseball scores.
Scholars belonging to the so-called ‘industrialization thesis’ (IT), for example, argue that governing parties play little if any role in driving social policies design because they are overwhelmed by economical, technological and demographic imperatives (Dawson & Robinson, 1963; Cutright, 1965; Hofferbert, 1966; Wilensky, 1975). Recently this approach has been applied to welfare state retrenchment in western democracies to explain how reduced economic growth and pre-existing welfare commitments make left parties unable to modify welfare state schemes, notwithstanding the new demands generated by atypical employment and population ageing (Esping-Andersen, 1999, 2002; Taylor-Gooby, 2004; Armingeon & Bonoli, 2006).

Other scholars focus their attention on the process of globalization, suggesting that national sovereignty has been erased by increasing trade and financial openness, diminishing left-wing governments’ ability to implement expansionary policies (Keohane & Nye, 1989; Scharpf, 1991; Scharpf & Schmidt, 2000).

Some others underline the role played by path dependency: using Mc Donald and Budge’s words, ‘policies change from one government to the following one, but not much and not rapidly’ (2005: 231). In this stream it is possible to locate the ‘new politics approach’ (NPA), fueled by Pierson (1994, 1996, 2001), which underlines how, despite growing external and internal pressures, welfare policies do not display radical changes from one government to one another for two reasons. As first, welfare dismantling is a fairly unpopular policy; as second, the expansion of the welfare state has contributed to the emergence of ‘powerful groups surrounding social programs’, which act as veto points, preventing radical reforms (Bonoli, 2001).

Lastly, moving from socio-economic to institutional constraints, it has been argued that the environment in which governments act conditions their ability to shape public policies. Studies in this branch focus on electoral systems, representation and competition (Cox, 1997), coalition formation (Laver & Shepsle, 1996), divided government and shared policy control (Tsebelis, 2002) and thousands of other issues in delegation and agency, common pools, regulation and oversight (Franzese, 2002). The veto player theory, for example, highlights that the governmental willingness to implement particular policies could be restrained by the number of parties involved in the government coalition, by their degree of reciprocal cohesion and by the ideological distance between the actual government and the previous one (Tsebelis, 2002; Franzese, 2002).
2. Theoretical framework and hypotheses.

We can summarize previous studies arguing that, if governments were living in a ‘bubble’, Prime Ministers would be able to enact the cabinet programme shaping economic and welfare policies accordingly. On the whole, there are several theoretical reasons why PMs should be willing to implement the established cabinet programme. They might want to do that either because this is close the their policy views, to satisfy government members in order to push cabinet duration forward, or to show voters that they have been strong enough to keep the government on track and fulfilled the policy promises formulated at the beginning of the office term.

Hypothesis 1 (H1): PM’s ability to cut social expenditure should be higher when the economic programme of the government is more right-wing.

We know that governments are not living in a bubble and their action can be constrained by several factors both from inside or outside the bubble. Indeed scholars shed lights on economic and institutional constraints.

Assuming that PMs want to enact the government programme (or the coalition agreement), their ability to do that would depend on how strong and cohesive is the support behind them and on how strong and cohesive is the resistance that there are likely to find in front of them. In this regard, while a lot of attention has been devoted to the impact of political parties and to features related to inter-party politics, the role of other political actors has been somewhat neglected.

On the one hand, we argue that intra-party politics matters. So far, the empirical studies dealing with the linkage between governments’ positions and policy outcomes have treated parties as unitary actors, whose members display cohesive behaviors consistent with party preferences. However, we know that parties are complex organizations composed of a variety of subgroups (e.g., factions) retaining similar, but non-identical, preferences and a growing number of studies is now going beyond the unitary actor assumption to dig into the effect of intra-party disagreements (Bäck, Debus, Klüver 2016; Ceron, 2012; Greene and Haber 2014; Marx & Schumacher, 2013).

It has been shown that heterogeneous factional preferences can lead to a divergent parliamentary behavior (Bernauer and Braüninger 2009; Spirling and Quinn 2010) thereby decreasing party unity in roll call votes and damaging the strength of the party in the policymaking process (Ceron 2015; Giannetti and Laver 2009). Furthermore, less cohesive intra-party policy preferences can undermine the
reputation of the PM and its legitimacy in the attempt to enact the programme as intra-party divisions highlight that the PM is disregarded also by members of his own party.

Accordingly, we argue that when the PM’s party is highly divided, being composed of heterogeneous factions, the PM will be less effective in implementing the coalition agreement as the PM could find resistance also within his party’s ranks, which can act as further veto players thereby undermining the PM’s agenda-setting power.

Hypothesis 2 (H2): PM’s ability to cut social expenditure according to the government programme should be lower when the PM’s party is highly divided.

On the other hand, also extra-parliamentary political actors such as trade unions can constrain policy choices. Indeed, scholars have taken the role of trade unions into account showing that corporatism matters (Hicks and Swank 1992). Furthermore, they point to the fact that stronger and centralized trade unions can affect the government’s ability to pursue their partisan-preferred macroeconomic strategies (Alvarez et al. 1991; Yong Kwon and Pontusson 2010). Most of these studies, however, focused on trade union density (e.g. Jensen 2012b), while the (convergent or divergent) policy preferences of trade unions have not been taken into account. Here we contend that the policy cohesion of trade unions can be a further constraint as more unified unions can exert a stronger resistance.

Hypothesis 3 (H3): PM’s ability to cut social expenditure according to the government programme should be higher when trade unions are highly divided.

3. Data

3.1 Social expenditure Italy (1946-2015)

To test our hypotheses we perform a longitudinal analysis focusing on the Italian case, which allows us to control for any idiosyncratic country factor. By analyzing Italy, we will be able to perform an in depth analysis taking advantage of three different sources of data that provide a unique information on the policy preferences of different political actors: governments, parties, party factions and trade unions. All the three datasets have been built through content analysis (see below) and they are related to the whole post-war period (1946-2014) covering both the ‘golden age of welfare state expansion’, when several European governments hugely increased social expenditure, and the so-called ‘silver age

Our dependent variable is built using budgetary data on public spending classified by function from 1946 to 2015. In detail, budgetary data from 1946 to 2009 have been directly provided by the State General Accounting Department (Ragioneria Generale dello Stato, 2011); while budgetary data from 2010 to 2015 have been personally computed by the authors according to the final balance sheets made available by the State General Accounting Department (and following the instructions they provided).

We decided to focus on the proportion of public expenditure devoted each year from 1946 to 2015 by the Italian executives to social services (i.e. to retirement plans, social security and public health) for the following reasons. First, this is the most investigated budgetary dimension in the existing literature on the relationship between government partisanship and policy outcomes. Second, this policy area is related to the most conflict-ridden (Pierson, 1994; Jensen, 2012a) cleavage in industrial democracies: the capital-labor one (Lipset & Rokkan, 1967) and therefore we should expect that partisanship matters (Schmidt, 1987; Esping-Andersen, 1990; McDonald and Budge, 2005). Third, the role of the State in providing social services was indeed the most debated topic during PMs’ investiture and confidence speeches held during the Italian Republic (Curini, 2011).

On the whole, the Italian social expenditure as percentage over GDP is comparable in levels and historical trend to that of other European countries, namely Germany, France Spain, and Great Britain (Ragioneria Generale dello Stato, 2011) and therefore Italy does not look like an outlier. In the Italian balance sheet, the incidence of expenditure devoted to retirement plans, social security and public health (i.e. social expenditure) acquired increasing importance after World War II, when it gradually moved from representing less than 1% of the total public expenditure to the 30% in the late 1980s. After that, in the ‘silver age of welfare state retrenchment’ the Italian governments cut social expenditure by half (Ragioneria Generale dello Stato, 2011). On average, approximately 15% of the total public expenditure was devoted to social expenditure (Figure 1).
3.2 Assessing cabinet's preferences through content analysis of investiture debates

The large majority of studies dealing with party politics and welfare state adopts an overly rough measure of government partisanship. In particular, scholars used to operationalize the ideological position of governments either by clear-cut dichotomies at party level between parties of the left and the right or by categorical variables referring to party families. These operationalizations of governments' ideological positions, however, presents some drawbacks: political parties in office may still have the same names and may belong to the same party family as thirty or forty years ago, but they may have changed their positioning over the left-right spectrum and, thus, their policy preferences. The assumption that, when charged with government responsibilities, parties classified as conservative would systematically aim at dismantling the welfare state, while parties classified as progressive would defend it may no longer be true (Häusermann et al., 2013).

Alternatively, scholars make inference on the position of the governments by computing the weighted mean of the coalescing parties’ positions (based on expert surveys or party manifestos), with their relative legislative sizes constituting the weights (Powell, 2009). Such weighted mean, however, may not perfectly correspond to the position of the cabinet itself. To better investigate the effect of the declared
policy programme of the cabinet we revert then to a different source of data based on content analysis of parliamentary speeches.

Accordingly, we use the Italian Legislative Speeches Dataset (ILSD) to estimate the ideological positions of the Italian executives. This position has been assessed by coding the investiture speeches pronounced by the Prime Ministers in the parliamentary arena from 1946 to 2014 using a coding scheme similar to that of Comparative Manifesto Project (for details: Curini, 2011). Such measure of cabinet policy programme is less likely to be driven by electoral dynamics than measures derived from coalescing parties’ manifestos. Indeed, in their electoral manifestos, political parties tend to highlight their peculiarities rather than common policy positions, in order to maximize their vote-seeking objectives (McDonald & Budge, 2005; Warwick, 2014). Vice-versa, investiture and confidence speeches are pronounced by the PM in a formal legislative setting, where he/she is supposed to publicly confront him/herself with the other members of Parliament (MPs). In these formal occasions, the PM and the MPs mainly talk to themselves rather than to voters, shifting the dimension of conflict from purely ideological positions to issues more related to the actual agenda of the cabinet (Curini, Hino & Osaki, forthcoming). According to McDonald and Budge (2005) suggestion, PMs’ investiture and confidence speeches ‘should certainly be taken as better indicators of eventual policy than simple party electoral program intentions. They have the advantage of outlining a whole range of plans, for legislation and administration as well as spending’.

PMs’ investiture speeches are indeed textual documents that summarize what the coalescing parties actually intend to do on a wide range of policy issues (Warwick, 2014). These documents has to be considered as effective ex-ante control mechanisms, helping coalescing parties to prevent ministers from unilateral actions that benefits their parties at the cost of the coalition partners. In particular, it has been proved that the more detailed the coalition agreements are, the lower the probability of cabinet members pursuing policies not acceptable to the coalition partners (Strom & Muller, 2000; Mueller & Meyer, 2010). Conversely, the speeches pronounced by coalescing parties in response to the PM during investiture debates can display support for and proximity to certain positions expressed by the PM while, at the same time, they can respond to a position-taking logic and emphasize to what extent each

---

1 For each investiture debate, the authors selected and codified the speeches released by the party leader (or by a relevant representative) plus the PM’s programmatic speech. Following the well-known CMP methods (Budge et al., 2001), in each legislative speech the authors identified the number of quasi-sentences and assigned each of them to a number of pre-established categories that form the classification scheme. To take into account the Italian political context, the original 56 categories of the CMP dataset have been increased to 68. The dataset contains the percentage of the total text of legislative speech that deals with these categories.
party disagree on certain aspects of the cabinet programme. These differences between coalition parties may not always cancel out as displayed in Figure 2.

Figure 2 – Comparison between PMs’ position on the economic dimension with the weighted mean of parties in office.

In Figure 2, per each investiture debate, we compare a salience-weighted positions of the PM with the weighted mean of parties in office on the economic dimension. Governments positions on the economic dimension (based on the PMs speeches) are positively correlated with the weighted mean position of the parties involved in that cabinet ($r = 0.44$, significant at the 99% level of confidence). Although PMs’ and governing parties’ positions are similar to each other, we also notice several discrepancies suggesting that these two measures do not describe exactly the same phenomenon. For instance, we observe that the position of the Renzi government is more right-wing if compared to the weighted position of the parties belonging to the Renzi cabinet. This suggest that, when presenting the cabinet programme, Renzi might have delivered a more right-wing speech than the parties supporting Renzi. This seems reasonable in light of the fact that Renzi represented the right-wing faction of the centre-left Democratic Party, whose MPs can be on average more left-leaning then him. Similarly, the Ciampi cabinet, which was appointed to cut public debt, is more on the right than its coalition (which also included left and centre-left parties). Conversely, the Fanfani III cabinet – supported among the
others, by left-wing and right-wing parties and therefore famous under the name of ‘parallel convergences’ – appears to be more left-leaning then its coalition and indeed its task was to lay the ground for a forthcoming centre-left coalition led by Fanfani himself.

3.3 Measuring intra-party preferences on welfare state expansion and divisiveness

Although the policy preferences of the cabinet should, overall, shape public policies, we argue that PM's ability to shape social expenditure according to the coalition agreement could be undermined by the presence of heterogeneous intra-party preferences. To test this claim, we need to assess the internal degree of polarization of PM’s party on the economic dimension. To do that, we focus on the policy motions drafted by intra-party faction during party congresses.

The party congress is an assembly of delegates elected by party members. It is the arena where ‘factions organize teams of candidates and appeal to people enjoying the right to vote for one team or another’ (Mershon, 2001). Factions usually compete for members’ votes, presenting a policy motion attached to a list of candidates. The congress motion is an omnibus policy document that aims to shape party strategy and ideology; it sets out the factions’ ‘opposing views on the ideological direction of the party’ (Giannetti & Laver, 2009). After a public debate, party congress delegates vote on the policy principals and establish the new party line that the leadership should pursue (Levy, 2004). Delegates elect the party body (i.e. a committee in charge of running the party until the next congress) and, directly or indirectly, the party leader. In that sense, party congresses provide ‘hard data' about the party’s factional structure (Giannetti & Laver, 2009), helping us to determine the number and strength of each faction (Boucek, 2009), as well as their policy positions.

The analysis of intra-party debates can be ‘the best choice to identify intra party groups’ respective preferences’ (Benoit et al., 2009) because they are supposed to be exogenous to legislative behavior and unaffected by leaders’ control. Indeed, during the party congress factions are almost completely free to express their views about the party platform and party discipline should only play a limited role (Ceron, 2015).

Accordingly, we gathered 58 motions presented by factions during 15 contested party congresses held by the party of the PM between 1946 and 2014. The wide majority of contested congresses considered here refers to the Christian Democracy (as this party owned the premiership for a long time), but we also analyzed congresses of the Italian Socialist Party (1981), the Democrats of the Left (2000) and the Democratic Party (2007 and 2013). These documents have been analyzed by means of content analysis applying the same coding scheme described above.
Based on this, we provide a salience-weighted measure of the economic position of each faction in each party congress, using the share of seats in the party body won by each group as a weight. These positions are positively correlated with the results obtained through Wordfish, an automated scaling technique of text analysis ($r = 0.60$, statistically significant at the 99% level of confidence). Furthermore, we do observed that, within each party, the left-wing factions, i.e. those closer to the viewpoints of trade unions, retain a position that is more leftist (-0.786; standard error 0.109) and statistically different than all the other factions (-0.305; standard error 0.060).

Based on this, we created an index of Intra-Party Divisiveness (IPD) adapting the concept of ‘ideological standard deviation’ (Warwick, 1992) to intra-party politics (for a similar operationalization: Ceron, 2015):

$$\text{IPD}_t = \sqrt{\sum_{i=1}^{n} s_i (\text{Position of faction}_i - \text{WFP})^2}$$

where WFP is the weighted mean of faction positions in the congress $t$. In a few cases (11) the party of the PM did not hold a non-contested congress, i.e. a congress in which only a single motion is discussed and approved by the whole party. This might happen because party members agree on the party line or because party members want to conceal any intra-party disagreement and close the ranks to support their party leader who was appointed as Prime Minister.

Just to report two examples, both the Italian Republican Party and the Italian Socialist Party halted any factional division when their party leaders (Spadolini and Craxi) were appointed as PM. When the party holds a non-contested congress we consider IPD equal to 0. Analogously, we considered IPD equal to 0 for the three caretaker cabinets led by independent PMs (who are not damaged by any intra-party division). Finally, as long as in our dataset the year is the unit of analysis, we assigned to each annual observation the value of IPD corresponding to the closest party congress.$^3$

3.4 Measuring trade unions preferences on welfare state expansion and divisiveness

To account for the preferences of trade unions we followed a similar path and we analyzed the debates held during congresses of the two main relevant Italian trade unions, the left-wing CGIL and the Catholic inspired CISL, which was created in 1949 as a non-communist splinter group of the CGIL. Taken together, these two trade unions represented a share of workers ranging between 75% and

$^3$ Notice that, with respect to the Christian Democracy, such measure of divisiveness is highly correlated with data from Boucek (2012).

$^9$ Notice that on average, the time span between a party congress and the following PM’s investiture speech is equal to nine months (Ceron, 2014).
100%. For our purposes, we hand-coded the final motion approved in each of the 17 congresses held by the CGIL and in each of the 18 CISL congresses. By doing that, we can compare the preferences of these two trade unions over time to record similarities or divergence.

The results suggest that the CGIL is slightly to the left of the CISL, although such difference is not statistically different. What is more, we notice that the distance between the two groups is very low between 1993 and 2001, when both trade unions were involved in negotiating and signing ‘social pacts’ jointly with the cabinet; it is close to zero also in 1972, when CGIL and CISL started to cooperate together signing a federative pact, while such distance reaches its maximum in 1984, when the pact was broken.

Based on these data, we created an index of Trade Unions Divisiveness (TUD) following the same operationalization described above, though we use each union’s share of affiliated workers as a weight.

3.5 Control variables

Given that several scholars underlined the role played by socio-economic or institutional constraints, in our analysis we will also embed control variables accordingly. Starting from socio-economic constraints, we will account for the fact that social policies tend to increase in response to societal needs. As a consequence, the annual changes in the employment rate (Broadberry, Giordano & Zollino, 2011) and in the proportion of population ageing more than 65 years old (ISTAT, 2013) will be added as control variables.

Moving to institutional constraints, we will include an index of Intra Government Divisiveness (IGD), which accounts for the level of disagreement among coalition partners (weighted by their respective seats share). Furthermore, we will include a dummy variable to distinguish between the First (1946-1993) and the Second (1994-present) Italian Republic. This variable will account for the two different institutional contexts by using a dummy variable equals to 1 after 1993. Table 1 in the Appendix lists all the variables employed in this analysis and provides descriptive statistics.

4. Statistical analysis

The dependent variable, namely public expenditure in social policies, is expressed as a proportion over the total amount of public expenditure whose values are bounded by 0 and 1. Consequently, the assumptions required by the ordinary least squares (OLS) estimator may not hold due to
heteroscedasticity and/or non-normal distribution of the errors (Wooldridge, 2002). Moreover, adopting the OLS estimator, the predicted values may fall outside the unit interval. Therefore, taking into account the nature of our dependent variable, we decided to adopt a fractional logit model, which is a generalized linear model (GLM) with a binomial distribution and a logit link function (Papke & Wooldridge, 1996). Finally, we can reject the hypothesis that the dependent variable contains a unit root and therefore we analyze it in levels.

To test the hypotheses formulated in section 2, we estimated five different model specifications (Table 1). Model 1 is the baseline model; it includes the variable on the position of the PM and allows us to test H1. In Model 2 we double check the results by testing the impact of the PM’s position while controlling for the weighted mean of the coalition parties. In Model 3 we test H2 and H3 including the variables IPD and TUD and modeling their respective interactions with PM’s position. In Model 4 and 5 we replicate Model 3 adding the socio-economic and the institutional control variables. Finally, in all the models we also control for the lagged values of the dependent variable.

4 To check the robustness of our results, we re-estimated all the models reported in Table 1 adopting the standard OLS estimator. Results hold and are available upon request.
5 Time series data on public expenditure may pose unit root concerns. We performed the Augmented Dickey-Fuller unit-root test including the constant and one lagged value in the regression. At 90% confidence interval, the test rejected the null hypothesis that the variable contains a unit root, suggesting that it has been generated by a stationary process (MacKinnon approximate p-value for Z(t) = 0.0676). In addition, we tested it again using the Phillips-Perron test, which uses Newey-West standard errors to account for serial correlation. Again, the null hypothesis according to which the variable contains a unit root could be rejected at 95% confidence interval (MacKinnon approximate p-value for Z(t) = 0.0553). These tests made us quite confident that the dependent variable does not contain a unit root and for this reason we analyze it in levels. Note however that analyzing the delta does not affect our substantive findings.
6 Since the dependent variable (i.e. public expenditure in social services as a proportion over the total amount of public spending), is yearly based we attributed to each annual observation the position on welfare state expansion of the PM’s which adopted the corresponding budgetary law. For example, the position expressed by Bettino Craxi in his first investiture speech held in August 1983 has been attributed to the years 1984, 1985 and 1986 because his government was responsible for the budgetary laws determining social expenditure in those years. Unfortunately, information concerning the day in which each budgetary law has been approved are available only from 1978 until today. It means that, from 1946 to 1977, it is impossible to attribute each budgetary law to a single cabinet if there have been more than one government per year. In these cases, we computed the mean of the positions on welfare state expansion expressed by all the PMs in office in the same year, weighting them by the number of days in office.
<table>
<thead>
<tr>
<th></th>
<th>M1</th>
<th>M2</th>
<th>M3</th>
<th>M4</th>
<th>M5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yt-1</strong></td>
<td>5.775***</td>
<td>5.671***</td>
<td>4.883***</td>
<td>4.345***</td>
<td>4.771***</td>
</tr>
<tr>
<td></td>
<td>(0.477)</td>
<td>(0.458)</td>
<td>(0.563)</td>
<td>(0.708)</td>
<td>(0.0591)</td>
</tr>
<tr>
<td><strong>PM’s position</strong></td>
<td>-0.0902†</td>
<td>-0.118†</td>
<td>0.011</td>
<td>-0.008</td>
<td>0.00310</td>
</tr>
<tr>
<td></td>
<td>(0.0474)</td>
<td>(0.0638)</td>
<td>(0.085)</td>
<td>(0.097)</td>
<td>(0.0746)</td>
</tr>
<tr>
<td><strong>Governing parties’ position</strong></td>
<td>0.0696</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.0871)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Unions’ divisiveness</strong></td>
<td>0.691</td>
<td>0.941†</td>
<td>0.826†</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.438)</td>
<td>(0.511)</td>
<td>(0.437)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PM’s position*Unions’ divisiveness</strong></td>
<td>-2.011*</td>
<td>-1.945*</td>
<td>-2.169*</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.936)</td>
<td>(0.905)</td>
<td>(0.940)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Intra-party divisiveness</strong></td>
<td>0.151</td>
<td>0.200</td>
<td>0.240</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.211)</td>
<td>(0.197)</td>
<td>(0.274)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PM’s position*Intra-party divisiv.</strong></td>
<td>1.087*</td>
<td>1.200**</td>
<td>1.201*</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.438)</td>
<td>(0.430)</td>
<td>(0.467)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Second Republic</strong></td>
<td></td>
<td></td>
<td></td>
<td>0.0488</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0.0547)</td>
<td></td>
</tr>
<tr>
<td><strong>Intra-government divisiveness</strong></td>
<td></td>
<td></td>
<td></td>
<td>0.0386</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0.0738)</td>
<td></td>
</tr>
<tr>
<td><strong>Δ Employment rate</strong></td>
<td></td>
<td></td>
<td></td>
<td>0.0336</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0.0552)</td>
<td></td>
</tr>
<tr>
<td><strong>Δ Population over 65</strong></td>
<td></td>
<td></td>
<td></td>
<td>0.192</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0.117)</td>
<td></td>
</tr>
<tr>
<td><strong>Constant</strong></td>
<td>-2.599***</td>
<td>-2.576***</td>
<td>-2.524***</td>
<td>-2.503***</td>
<td>-2.559***</td>
</tr>
<tr>
<td></td>
<td>(0.0711)</td>
<td>(0.0708)</td>
<td>(0.0737)</td>
<td>(0.0855)</td>
<td>(0.0664)</td>
</tr>
<tr>
<td></td>
<td>49.31</td>
<td>51.30</td>
<td>57.28</td>
<td>61.27</td>
<td>61.28</td>
</tr>
<tr>
<td><strong>BIC</strong></td>
<td>56.09</td>
<td>60.35</td>
<td>73.12</td>
<td>81.63</td>
<td>81.64</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>71</td>
</tr>
</tbody>
</table>

Notes: The models are fractional logistic regressions. Robust standard errors in parentheses.
† p<0.10, * p<0.05, ** p<0.01, *** p<0.001
Model 1 confirms PM’s ability to shape social expenditure according to the content of the coalition agreement. This finding supports H1 according to which the PM is more likely to cut social expenditure when the economic programme of his government is more right-wing.

Model 2 confirms that the attitudes towards welfare state expansion expressed by the PM in his speech are able to consistently affect social expenditure even controlling for the preferences of parties in office, which in turn do not seem to impact on the outcome. This finding seems to suggest that PM’s positions can be a better determinant of social expenditure than governing parties’ ones as the PM’s speech can better reflect the coalition agreement that parties in office are willing to implement.

However, Models 3 through 5 also highlight that party factions and trade unions are able to constrain the PM’s ability to implement such coalition agreement. Figure 3 plots the average marginal effects of PM’s position on welfare state expansion on social expenditure as the index of IPD increases from 0 to 0.4. Results show that PM’s willingness to shape social expenditure is strongly affected by the level of internal divisiveness in his party. In particular, when the index of IPD enlarges, PM’s decision making power turns to statistical insignificance. Therefore, hypothesis H2 is confirmed: the more heterogeneous intra-party preferences are in the PM’s party, the less he will be able to shape social expenditure according to the content of the coalition agreement because he is more likely to be forced to compromise.

Figure 3 – Effect of PM's position conditional on Intra-Party Divisiveness
Finally, Figure 4 plots the average marginal effects of PM’s position on social expenditure as the index of Trade Unions’ Divisiveness increases from 0 to 0.2. This figure suggests that a PM willing to cut social expenditure won’t be able to do it when he faces a resistance from cohesive trade unions. Indeed, when the level of unions’ divisiveness is lower than 0.14, PM’s ability to retrench the welfare state is no longer statistically significant, in line with H3.

5 Conclusion and discussion

The paper has investigated to what extent the Prime Minister (PM) is able to shape public policies according to the political preferences declared in his parliamentary investiture speech. Budgetary data on the evolution of public expenditure on social services in Italy, from 1946 until 2015, have been analyzed to assess the impact of the policy preferences of several political actors. For this purpose, 73 speeches delivered by Italian PMs during investiture debates along with 58 motions presented by party factions during PM’s party congresses and 35 motions approved during the congresses of CGIL and
CISL (the two main Italian trade unions) have been hand-coded following a coding scheme similar to that of Comparative Manifesto Project.

The results of statistical analysis suggest that, overall, PMs are able to shape public policies according to their parliamentary declarations. However, they are less able to do so when their party is highly divided on the economic position as this can undermine the agenda power of the PM himself who cannot overcome the intra-party resistance. Analogously, cohesive trade unions are more able to limit PM’s ability to enact the programme. As such, the paper sheds light on some missing links in the existing literature showing that the policy preferences of several other political actors interfere with this process. The results seem to highlight that previous studies have been affected by two main limitations. First, from an empirical point of view, we emphasize that measures of the ideological positions of governments based on dummy variables that distinguish between left-wing and right-wing executives, on categorical variables based on party families or on the weighted mean of the coalescing parties’ positions might not be the most proper data to evaluate the position of the cabinet itself.

Second, from a theoretical point of view, previous studies have considered parties as unitary actors, whose members display cohesive behaviors consistent with party preferences. However, when digging into intra-party disagreements, we observe that party disunity might undermine the strength of the PM, thereby limiting his ability to enact the policy programme.

Finally, with respect to the role of trade unions, previous studies have highlighted how corporatism and unions’ density are important factors in shaping public policies. Our results also suggest that the preferences and the cohesion of unions do play a role, strengthening or weakening their ability to resist to social expenditure cuts.
**References**


There’s many a slip twixt the cup and the lip


There's Many a Slip Twixt the Cup and the Lip


**Appendix**

**Appendix Table 1: Descriptive statistics**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Operationalization</th>
<th>Source</th>
<th>N</th>
<th>Mean</th>
<th>Std. dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>PM's position</td>
<td>Difference between pro-market and pro-state quasi-sentences in PM’s investiture or confidence speech.</td>
<td>ILSD, 2014.</td>
<td>71</td>
<td>-.048772</td>
<td>.3909715</td>
<td>-.9443</td>
<td>1.134427</td>
</tr>
<tr>
<td>Governing parties' position</td>
<td>Difference between pro-market and pro-state quasi-sentences in governing parties answers to PM's investiture or confidence speech.</td>
<td>ILSD, 2014.</td>
<td>71</td>
<td>-.119584</td>
<td>.3206846</td>
<td>-.6916</td>
<td>.5694774</td>
</tr>
<tr>
<td>Intra-party divisiveness</td>
<td>Ideological standard deviation of the factions inside PM's party.</td>
<td></td>
<td>71</td>
<td>.1491907</td>
<td>.1358574</td>
<td>0</td>
<td>.3694187</td>
</tr>
<tr>
<td>Unions' divisiveness</td>
<td>Ideological standard deviation between CGIL and CISL.</td>
<td></td>
<td>71</td>
<td>.0856071</td>
<td>.0509053</td>
<td>0</td>
<td>.1688802</td>
</tr>
<tr>
<td>Second Republic Dummy</td>
<td>1 if year &gt;= 1994.</td>
<td></td>
<td>71</td>
<td>.3098592</td>
<td>.4657268</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Intra-government divisiveness</td>
<td>Ideological standard deviation of governing parties.</td>
<td>ILSD, 2014.</td>
<td>71</td>
<td>.3303311</td>
<td>.2230175</td>
<td>0</td>
<td>.8285515</td>
</tr>
<tr>
<td>∆ Employment rate</td>
<td>Annual change in the proportion of working-age population (from 15 to 64 years old) that is employed.</td>
<td>Broadberry <em>et al.</em>, 2011; ISTAT.</td>
<td>71</td>
<td>-.076154</td>
<td>.4642527</td>
<td>-1.115</td>
<td>.788662</td>
</tr>
<tr>
<td>∆ Population over 65</td>
<td>Annual change in the proportion of population that is more than 65 years old.</td>
<td>ISTAT</td>
<td>71</td>
<td>.2000896</td>
<td>.1903034</td>
<td>-.5251</td>
<td>1.12408</td>
</tr>
</tbody>
</table>