**Mañana: The societal origins of delayed fiscal adjustment**

Zsófia Barta
Rockefeller College of Public Affairs and Policy
University at Albany, SUNY

*Heavily indebted and in the throes of drastic austerity programmes, Italy and Ireland find themselves much in the same situation as a quarter of a century ago. In the second half of the 1980s and the early 1990s, the two countries carried out successful fiscal and economic stabilization programmes that elicited intense attention from scholars of economic adjustment. The recurrence of the two countries' troubles provides an exceptional opportunity to put theories of economic adjustment to test. Comparative analyses of the earlier instances of stabilization concentrated on the similarities between the two cases and converged on emphasizing the importance of social pacts in allowing successful reform. In contrast, this paper shows that already a quarter century ago, the two countries followed very different trajectories to stabilization despite the institutional similarities of the solutions they adopted. It argues that fundamental differences in the two countries' societal structure – more specifically, differences in the level of socio-economic polarization – are crucial in understanding the differences in the two countries' ability to renegotiate redistributive arrangements and thus to carry out successful adjustment then as now.*

## Introduction

How fast do countries adjust to fiscal challenges? In the early 1980s, Ireland and Italy faced similar fiscal difficulties, as economic shocks had slowed growth, raised unemployment and created major budgetary imbalances. These difficulties were compounded by failed attempts to boost growth through Keynesian fiscal expansion and by increasing financing costs. Both countries piled up debt at an alarming rate. Ireland responded to its problems a decade ahead of Italy. It adopted a radical stabilization programme as early as 1982, which it reinforced with a second one in 1987. In Italy, no correction was attempted until 1992 despite the anxious discourse about the pressing need to

rein in the growth of debt throughout the 1980s. The delay cost Italy dearly: although it started out with a lower level of debt in the early 1980s than Ireland and it was also luckier as far as the increases in financing costs were concerned, it piled up a larger stock of debt and consequently needed a much larger adjustment once it finally managed to face up to its fiscal problems. (Figure 1. shows the timing and the size of adjustment packages in the two countries along with their debt trajectories.) Why did Italy react so much slower[1]?

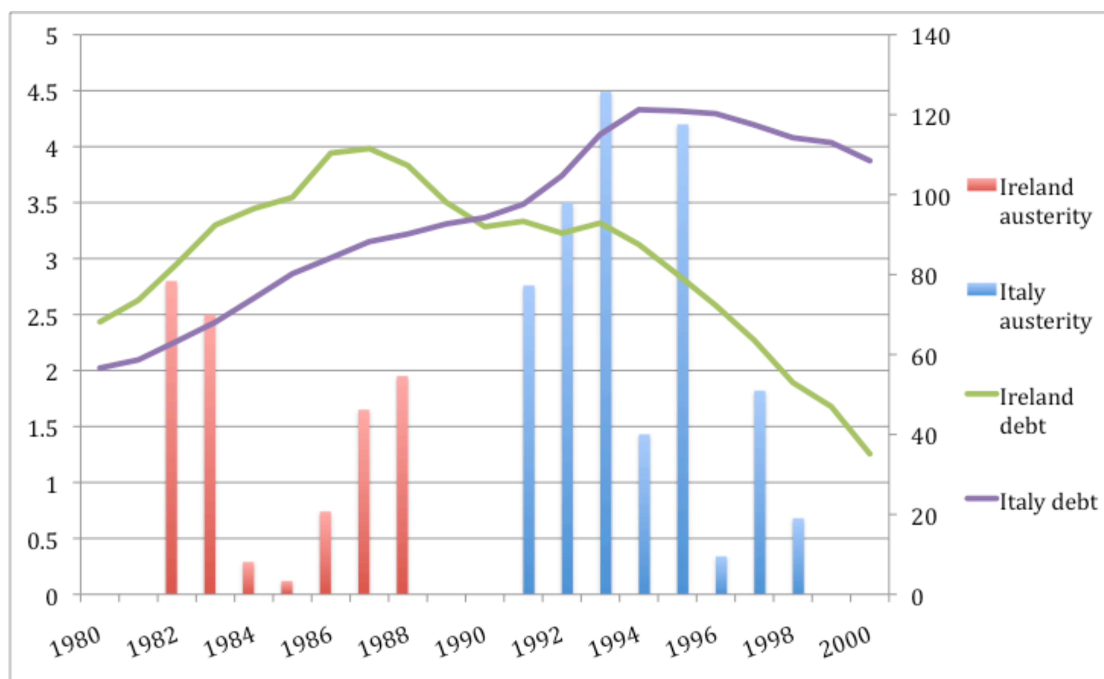


**Figure 1. – Debt trajectories and adjustment packages in Ireland and Italy from 1980 to 2000**
(Left axis: size of the adjustment package as a percentage of GDP, right axis: debt as a percentage of GDP)
Source: Devries et al. (2010) and Ameco

This paper argues that Italy was much slower in responding to its fiscal

[1] As the debate in the wake of the Great Recession amply shows, there is considerable disagreement amongst economists about the best way to regain control over debt growth after large economic shocks to public finances. While some advocate austerity to close the budgetary gap, increase investor confidence and improve growth prospects (e.g. Alesina and Ardagna 2009, Alesina 2010, Kumar and Woo 2010, Reinhart and Rogoff 2010), others suggest expansionary policies to help countries "grow out" of their debt (for the original argument, see Domar 1944; for a recent application, see Eggertsson and Krugman 2012). Nothing is farther from the purpose of this paper than to take sides in this debate. Nor does the paper attempt to add to the rich literature on why Keynesian attempts to jump-start growth gave way to austerity by the early-1980s in Italy and Ireland as well as several other advanced industrial economies (MvNamara 1998). It simply seeks to understand why it took Italy a decade longer to address the problem of growing debt despite the large costs of delay.

problems than Ireland, because its socio-economic structure made it much more difficult to reach a viable compromise about how to distribute the fiscal pain of austerity. Italy's socio-economic structure is highly polarized: it is characterized by the presence of a few large, powerful, monolithic socio-economic blocs, each with a very distinct set of fiscal preferences and each able to stand its ground in the political struggle. Conflicts about the desirable mix of tax increases and/or spending cuts between these powerful social groups stood in the way of adopting an effective stabilization package. In Ireland, conflicts of interests are more diffuse. Society is much less polarized, making it much more difficult to distribute fiscal pain unequally than in Italy. This made it much easier to achieve general societal acquiescence in painful policy adjustments in Ireland.

By emphasizing the differences in the two countries' socio-economic structures to explain their differing post-oil crisis adjustment trajectories, the paper offers an important complement to an already extensive political economic scholarship on policy responses to the economic and fiscal challenges of the 1980s in Ireland and Italy[2]. Earlier studies focused on the similarities in the two tales of adjustment and emphasized the parallels in institutional reforms and ideational innovations that paved the way for successful tripartite agreements between the state, employers and labour in the two countries, which had both traditionally lacked the types of institutional frameworks that are commonly associated with effective policy adjustment. This paper concentrates on the differences in timing. Given that delay in fiscal consolidation leads to very significant fiscal, economic and social costs, it is worth asking why one country is able to adjust faster than

[2] Baccaro and Lim (2007), Baccaro and Simoni (2008 and 2010), Culpepper (2002 and 2008).

the other. Through offering a complementary account of the two countries' adjustment experiences, the paper also seeks to contribute to the larger debate in comparative political economy about the relative importance of socio-economic structures, institutions and interests in determining policy responses to profound changes in the economic environment.

The next, theoretical section of the paper discusses this debate, explains how the analysis of societal structures can be applied to the issue of fiscal stabilization and contemplates methodological issues that arise when an argument involves unobservable units like societal groups. The third section discusses Ireland and Italy's historical experiences with fiscal stabilization after the oil crises and explains the large temporal discrepancy in their adjustment patterns. The fourth section investigates how the argument applies to adjustment in both countries in the wake of the Great Recession. The conclusion spells out the theoretical implications of the argument for debates between structuralist, institutionalist and ideationalist approaches to policy adjustment and the practical implications for the fiscal predicament that many developed countries find themselves in today.

**Theoretical considerations about the politics of fiscal adjustment**

When the economic environment changes for the worse – growth slows, unemployment increases or global interest rates soar – large gaps are likely to appear even in previously balanced budgets as tax revenues drop and automatic spending items (e.g. entitlements or interest payments on outstanding debt)

grow. If the adverse changes are lasting, only major adjustments to spending and taxes can stem the sustained accumulation of debt. The speed of such fiscal consolidation is critical, because delay can magnify the problem to unmanageable proportions or at the very least make adjustment exponentially harder due to the self-reinforcing cycles of growing debt, rising interest costs and widening deficits. No matter how large the initial imbalance was, a country is always better off acting fast than postponing adjustment.

In the wake of the oil crises, Ireland and Italy – along with several other advanced industrial countries – faced exactly such economic and fiscal challenges[3]. After failed attempts to return to earlier higher growth paths and lower levels of unemployment through Keynesian demand stimulus, austerity became the order of the day to deal with sustained debt accumulation. Ireland was among the countries (along with Denmark and Austria) that reacted swiftly, raising taxes and cutting expenditure drastically. Italy, on the other hand, was among the laggards (along with Canada). It shied away from significant adjustment and borrowed persistently for decades, accumulating daunting levels of debt. Understanding the difference between those who responded decisively and those who procrastinated in the face of swelling debt is important in order to assess how prosperous developed countries might deal with their debt problems in the wake of the Great Recession.

*The literature*

[3] Roubini and Sachs (1989), Mussa and Masson (1995)

The extensive comparative political economic research that has sought to understand how countries adapt their policies in the face of profound economic changes has taken little interest in the area of public finance in and of itself. Questions concerning taxation, spending and budgetary imbalances have often been taken into consideration as part and parcel of adjustment to novel economic, demographic and social conditions, along with issues of welfare reforms, changes in industrial relations, new monetary policy regimes and the like. However, the problem of how different countries bring runaway debt growth under control after economic shocks knock public finances out of balance has not received specific attention. Consequently, while several elements of the *content and form* of fiscal adjustments have been considered, the entirety of the political mechanism surrounding fiscal consolidation have not been systematically mapped out and the *timing* (or speed) of adjustment in particular has not been investigated.

While they do not offer ready-made hypotheses for the identifying the major factors that determine cross-national variation in fiscal adjustment, these literatures obviously provide important building blocks for generating an explanation for the discrepancies between Ireland and Italy's adjustment experiences. Institutionalist, ideationalist and structuralist approaches take different views on how conflicts of interests surrounding policy making are sorted out in different countries to yield different policy choices. The institutionalist approach implicitly assumes that societal conflicts of interests are similar across all countries of similar levels of development, and therefore cross-national differences in policy responses to similar challenges arise from how

conflicts are mediated by diverse institutions[4]. In the ideas-focused variant of institutionalism[5], ideologies, policy paradigms and shared conceptions of policy issues affect policy choice in interaction with institutions by determining the way in which different political actors conceptualize their interests[6]. In contrast, structuralists explicitly emphasize that conflicts of interests and power relations between social groups vary across countries depending on a host of non-institutional factors (such as resource endowments, economic openness or demography)[7]. For these authors, social structure and the formation of coalitions between different social groups with divergent interests have analytical primacy in explaining policy variation.

Institutional approaches do not seem to take us very far in explaining the differences between Ireland and Italy's adjustment patterns. In fact, the reason why the comparison of the two countries adjustment patterns has received so much attention from comparative political economists is because the two cases were seen to be so similar – and so similarly anomalous – from an institutionalist perspective. Both countries had electoral institutions that are associated with a strong presence of political strife in the policy making sphere and the lack of insulation of policy making from particularistic interests[8], with insufficient

[4] Thelen and Steinmo 1992, Pontusson 1995

[5] This approach is also often called discursive institutionalist, or constructivist-institutionalist (Schmidt 2010, Hay 2010).

[6] Yee (1996), Blyth (2002), Hay (2010)

[7] Gourevitch (1986), Rogowski (1989) Frieden (1991a, 1991b, 1996, 2002 and 2010), Clayton and Pontusson 1998, Hiscox (2001), Hausermann (2010)

[8] Both countries had proportional electoral systems with a preference vote scheme, a system known to encourage pork-barrel politics and the excessive representation of particularistic interests in the policy making arena. Indeed, commentators often note the special importance of patronage and clientelistic decision making in both Irish and Italian political life in this period (Carty 1981, O'Malley et al 2012, Ginsborg 1990, Cox and McCubbins 2001). Neither country had strong unitary governments that are commonly associated with decisive adjustment (Roubini and Sachs 1989, Spolaore 1999). Instead, a series of coalitions of the same five parties held power in Italy, whereas two-party coalitions alternated with externally supported minority governments in Ireland.

corporatist institutions to handle class conflict[9], with a weak state[10] and – consequently – with indecision and suboptimal patchworks of policies. Yet, both countries forcefully asserted control over their economic problems through comprehensive adjustment packages that were negotiated in tripartite agreements between the state, labour and employers. The anomaly was resolved when scholars pieced together the puzzle of how internal institutional changes[11], changing government partisanship[12] and greater willingness to involve unions in the policy design process made unions more amenable to compromise with employers and to cooperation with the government[13]. What these accounts are silent about, though, is why these changes took place *when* they did – by 1987 in Ireland and 1993 in Italy – and why Ireland was already able to put into place a radical fiscal stabilization package as early as 1982 (five years before the momentous social pact was achieved).

Ideational analysis also uncovers more similarities than differences. The ideas held by policy-making elites seem to have been similar in both countries. Neoliberal ideas about the need for fiscal rectitude and controlled government spending gradually caught on in both countries in the 1980s and there is no evidence that this happened earlier in Ireland than in Italy[14]. In both countries,

[9] Attempts at corporatist policy-coordination had broken down in both countries at the start of the 1980s (Donaghey and Teague 2007, Regini and Regalia 1997, Radaelli 2000).
[10] Della Sala (1997), Culpepper and Regan (2014)
[11] Baccaro and Simoni (2010) explain how the internal democratization of union structures made unions more able to move away from an intransingent line towards compromise.
[12] Baccaro and Lim (2007) and Baccaro and Simoni (2008) point out that partisan alignment with weak governments was also an important factor in creating the preconditions for tripartite agreements.
[13] Culpepper (2002) emphasizes that governments were able to offer better compromises when they involved unions in designing policy adjustment from the start allowing them not only to shape the content of the agreement, but also to build internal legitimacy for it.
[14] In fact, Honohan (1999) points out that since the first Irish stabilization effort of 1982 was based almost exclusively on tax increases, neoliberal notions might have pervaded policy makers more slowly in Ireland. At the same time, McNamara (1998), Radaelli (2000) and Quaglia (2004) document the emergence of a policy consensus around neoliberal ideas in the *Banca d'Italia* and the Treasury in Italy in the 1980s.

the discourse on fiscal policy-making was dominated by the objective of "*risanamento"* and "recovery" throughout the 1980s as ministers and central bank officials repeatedly called for the stabilization public finances[15]. As far as the approach of the social partners are concerned, Culpepper emphasises that agreeing on the common goal of international competitiveness and on a common notion of policy measures that would enhance this goal helped to create a focal point around which employers and unions could build cooperative settlements in both countries[16]. Again, the question is why this happened earlier in Ireland than in Italy and why Ireland was able to embark on fiscal consolidation before this focal point for compromise was created in 1987.

Structuralist approaches seem more promising in explaining the differences in the two tales of adjustment, because the two countries were (and are) obviously very different in many of their structural features both in economic and social terms. First, the Irish economy is much smaller and more open than the Italian. Not only are exports and imports much more significant for the Irish economy, but multinational companies also play a much larger role. Second, the Irish society is much less disaggregated in socio-economic terms than the Italian. In Ireland, the deep class cleavages and large regional economic differences that characterise the Italian society are absent or infinitely milder. It is, of course, not immediately obvious how these differences matter[17]. Structuralist authors

[15] Walsh 1999, Radaelli 2000, Honohan (1999)
[16] Culpepper 2008
[17] Economists would perhaps argue that the significance of openness is clear: more open countries suffer less from austerity, because exports and imports dampen the recessionary consequences of tightened fiscal policy. What is not obvious, however, is how it affects the timing of adjustment. More open countries could adjust faster, because the aggregate costs of adjustment for the country are always lower. However, this argument could be turned around: since the necessary adjustment increases with the delay, less open economies might be in a bigger rush to undergo the painful adjustments to minimize the recessionary

emphasize a whole range of different dimensions along which structural differentiation plays a role for policy choice depending on their theories to conceptualise the types of conflicts of interests that surround the policy issue area they investigate[18]. Therefore, in order to be able to analyse societal structures from the perspective of their effect on fiscal adjustment, a theory is first needed to better understand the conflicts of interest bearing on fiscal adjustment.

*Socio-economic structures and fiscal adjustment*

The so-called war of attrition model of fiscal stabilization analyses the dynamics of societal conflicts governing fiscal adjustment[19]. It starts from the axiom that different groups in society have two types of countervailing interests regarding fiscal adjustment. One is the desire not to have to bear too much of the fiscal pain. When a large hole in the budget needs to be plugged, this can be done through many different combinations of tax increases and spending cuts. Each social group prefers combinations that do not raise the taxes it has to pay or cut the spending it benefits from. At the same time, consolidation is urgent for social groups that suffer from possible negative side effects of fiscal problems, such as high inflation, high interest rates or non-credible exchange rate pegs. The speed at which a country can close a large budgetary gap will depend on the resultant

consequences. Furthermore, for the political scientist it is also of interest how openness affects the ability of different political actors to reconcile their conflicts of interests for the sake of adjustment. (This was also the motivating puzzle for Katzenstein's Small States in World Markets (1985).

[18] Both sectoral and class conflicts are salient for trade and monetary policy (Frieden 1991, Rogowski 1989, Hiscox 2001), skills level differentiation among labour matters for social insurance (Iversen and Soskice 2001), welfare reforms are shaped by insider-outsider conflicts (Rueda 2005) or a combination of multiple dimensions (Hausermann 2010), whereas explaining profound changes in policy regimes call for a complex system of flexible categorization (Gourevitch 1986).

[19] Alesina and Drazen 1991

of these two countervailing forces: conflicts about the composition of the adjustment package – about the exact mix of tax increases and spending cuts – will delay consolidation, whereas the urge to get rid of the negative side effects will foster resolution.

The war of attrition model assumes that different social groups will seek to shift the burden of adjustment on other groups by resisting adjustment packages that hurt them, in the hope that a more favourable adjustment package can be put into place. This results in a free-riding game where all groups might resist fiscal sacrifices, hoping that another group might feel forced to foot the bill of stabilization. While such a stalemate lasts, the debt problem is allowed to deteriorate further deteriorate. The temptation to attempt to free ride on other groups' sacrifices is stronger in polities where it is possible to design adjustment packages of very different incidence of fiscal pain. Where society is divided into a few large groups with significantly different socio-economic characteristics – this is what Alesina and Drazen call polarization – it is easier to come up with tax increases and spending cuts that affect some groups but not others and still succeed in closing the budgetary gap. In more diffuse societies, where it is impossible to place most of the burden of adjustment on a well-delineable group, conflict is weaker, because the stakes are lower.

At the same time, the war of attrition model is dynamic: even if the balance of countervailing forces is tilted towards delay in a given country, the delay is not necessary infinite. Due to the self-reinforcing nature of fiscal problems, the negative side effects are expected to grow as consolidation is delayed, making

the forces pointing towards resolution stronger with time. Therefore, even in countries where response is postponed initially, there is a growing chance for successful adjustment as time goes by. How fast the balance tips between forces for stalemate and for resolution, depends not only on the degree of polarization, but also on the degree to which debt hurts different social groups within the polity. The debt problem deteriorates automatically, but the extent to which it translates into negative side effects that different social groups in the polity directly suffer from depends on the economic structure of the given country, as well as on non-fiscal policies that determine the extent to which fiscal problems affect other areas. The urge to resolve fiscal problems will *ceteris paribus* be greater in countries where economic factors, like openness to trade or lack of capital inflows to ease the crowding out effect of government borrowing, increase the negative side effects of fiscal problems. Similarly, monetary policies that allow fiscal problems to translate into higher inflation and real appreciation generate stronger negative side effects that deter social groups from pursuing their free-riding strategies for too long.

In sum, fiscal stabilization is delayed by the urge of different groups in society to shift the burden of austerity on other groups. The delay will last longer, the greater the possibility for very unequal distributions of fiscal sacrifices, which, in turn is more likely to be the case in polarized societies. On the other hand, intense negative side effects of debt will act as a deterrent for pursuing delay-inducing free-riding strategies. Thus, the delay will be shorter wherever debt problems translate directly into economic pain for socio-economic groups within the polity. In this model, the large differences in the socio-economic structures of

Ireland and Italy directly explain the great discrepancy in the timing of stabilization in the two countries. In Ireland, low levels of polarization decreased the incentives for groups in society to resist painful austerity measures in the hope that the problem will be solved in a way that puts the burden on other groups, while high levels of economic openness increased the urgency of resolving fiscal problems. In Italy, on the other hand, there was quite a bit of room to distribute the burden unequally across class lines and regions, which provided strong motivation for groups to dig in their heels and reject stabilization packages that would hurt them. At the same time, lower exposure to trade made such strategies affordable for a longer period of time. In the end, it was groups most directly exposed to international competition that broke the stalemate and made the first sacrifices to pave the way for fiscal stabilization, but it took these groups over a decade to give up their resistance to fiscal pain. The next section elaborates on these two stories in more detail.

**The painful 1980s in Ireland**

In Ireland, the 1980s were a decade of sustained fiscal corrections. These reflected society-wide acquiescence in the necessity for fiscal sacrifices both in the political circumstances among which they were passed and in the actual composition of the austerity packages. Despite much posturing by political actors, none actually sabotaged the stabilization effort throughout the 1980s. At the same time, the consecutive austerity packages spread the pain relatively evenly across broad groups of society. The first drastic stabilization package was already in place in 1982. The government sharply increased taxes on households,

slashed public investments and some current spending[20]. This achieved a six-percentage point improvement in the structurally adjusted primary balance, but could not counterbalance the growth of the interest burden and, therefore, only succeeded in significantly slowing but not reversing the accumulation of debt[21]. Consequently, in 1987, a renewed effort was made. The government wage bill was significantly squeezed via a hiring freeze and below-inflation wage increases, transfers were cut, spending on infrastructure investments were further reduced[22]. This tightening in spending was complemented by a one-off increase in revenues due to a tax amnesty. These measures succeeded in setting the debt-to-GDP ratio on a firm downward path for the longer term[23]. This section seeks to show that this pattern is rooted in the relative homogeneity of Ireland's socio-economic structure as well as its exposure to international trade and capital movements.

Ireland's socio-economic homogeneity have their roots in the country's historical development. The secession from the United Kingdom and the split with Northern Ireland created a remarkably homogenous – agrarian, rural, Roman Catholic – society[24]. The only main social-economic-political conflict of the time of secession, namely the degree of political, cultural and economic independence from UK, had long faded in relevance by the 1980s[25]. After economic openness

[20] Alesina and Perotti 1996, Honohan 1992 and 1999
[21] Honohan 1992, IMF 1998
[22] Alesina and Perotti 1996, Honohan 1992 and 1999
[23] While fast growth from the mid-1990s played an important role in Ireland's ability to reduce its debt-to-GDP ratio so fast, it does not diminish the importance of the stabilization efforts of the 1980s in putting Ireland on a sustainable path. The two waves of austerity of the 1980s led to very large improvements in the primary balance. They stemmed debt accumulation *before* Ireland's economic fortunes turned for the better. More importantly for the question addressed in this paper, they represent successful efforts from policy makers to elicit significant and painful sacrifices from society for the sake of fiscal balance.
[24] Sinnott 1984, Kirby 2010
[25] Mair 1992, Laver and Marsh 1992

and foreign investment were embraced from the 1960s, industrialization and urbanization slowly took off. However, the share on non-agricultural employment grew only slowly and it failed to create an acute owner-worker cleavage[26]. No strong, unified and conscious working class emerged, the Labour Party remained small and the union movement fragmented and uncoordinated[27]. This is hardly surprising considering that a large share of the increase in industrial employment took place via foreign investment[28]. It would have been difficult to elicit major concessions – in terms of pay, labour regulation or funding expensive social programmes – from multinationals that could simply choose to exit the country. Although income inequality within the Irish population was large in comparison with the rest of Europe, this was caused by mostly by a "long thin tail" of the distribution towards higher incomes, but the overwhelming majority of society was concentrated at the low-end of the income scale[29]. This limited the degree of redistributive conflict. In sum, the great majority of the Irish population was in largely similar socio-economic position and society did not cluster into large homogeneous blocs around diverging interests towards economic and social policy.

The lack of deep-seated socio-economic cleavages was also reflected in the characteristics of the Irish party system and in the political context of fiscal stabilization in the 1980s. Fianna Fail and Fine Gael – who between them shared more than 80 percent of the vote in the 1970s and 1980s – both drew support

[26] Sinnott 1984, Walsh 2004, Kirby 2010
[27] Garvin 1974, Donaghey and Tegue 2007
[28] By 1973, foreign firms accounted for a third of manufacturing employment and their share continued to grow. By the 2000s, it amounted to fifty percent (Kirby 2010).
[29] McDonough and Dundon 2010

from all corners of society and their voter bases exhibited negligible regional or socio-economic differences[30]. The only party with a distinct social base and social programme – the Labour Party – remained small and was overshadowed by Fianna Fail both in getting the working class vote and in nurturing links with trade unions[31]. Given the lack of differentiation of their voters, the two large parties did not focus their strategies on kindling (re)distributive conflicts. Their programmes were virtually indistinguishable on economic and social issues[32]. In the face of mounting fiscal troubles in the 1980s, neither party could credibly promise to large groups of voters to find a solution that would shield them from fiscal pain. Instead, they both had an interest in displaying their economic competence by dealing effectively with the problem. They did not need to fear long-term negative electoral repercussions, as it was clear that no alternative strategy is available to either their main rival or to potential political entrepreneurs seeking to enter the political market.

Consequently, both major parties were bent on stabilization as the scale of the problem revealed itself by 1980. Fine Gael and Labour presented Parliament with an austerity budget with large tax increases in 1981. This famously foundered on the resistance of independent members of Parliament to the symbolic issue of taxing children's shoes, bringing the government down[33]. The incoming minority Fianna Fail government proposed a budget with significant spending cuts, but it lacked the necessary external support to have it passed. After yet another round of elections in 1982, the new Fine Gael and Labour

[30] Carty 1976, McAllister and O'Connell 1984, Farrell 1999
[31] Sinnott 1984, Mair 1992
[32] Mair 1987, Sinnott 1976, Laver and Hunt 1992
[33] Honohan 1999, Hallerberg 2004

coalition was now strong enough to pass a budget with significant tax increases and some spending cuts, which successfully launched the first round of stabilization[34]. Fianna Fail campaigned for an end to austerity in the 1987 election, but as soon as it formed a (minority) government, it initiated a second round of fiscal tightening with major cuts to the public wage bill, transfers and investments[35]. Notably, this second round of stabilization took place in an atmosphere of remarkable partisan consensus as the main opposition party, Fine Gael decided to externally support it in parliamentary voting[36].

Political consensus behind fiscal stabilization also manifested itself in the emergence of an important social pact, the Programme for National Recovery in 1987. This pact embedded fiscal stabilization in an overarching accord among the government, trade unions and employers about cooperation for the sake of international competitiveness[37]. It lent further legitimacy to the austerity measures of the minority Fianna Fail government[38] and ensured the active cooperation of public sector unions, whose commitment to wage restraint was important in keeping the public wage bill down[39], as they had considerable capacity to make life difficult for the government due to their strike potential[40]. Beyond its practical relevance, the consent of unions to an essentially neoliberal stabilization package – which largely conformed to the business agenda[41] – also revealed union leaders' conviction that such sacrifices were inevitable. They

[34]Alesina and Perotti 1996, Honohan 1999

[35] Giavazzi and Pagano 1990, Alesina and Perotti 1996

[36] Fine Gael officially announced – in the so-called Tallaght strategy – that it would support the minority Fianna Fail government in passing any measure that helps fiscal consolidation (Marsh and Mitchell 1999, Teague and Donaghey 2009)

[37] Culpepper 2008

[38] Baccaro and Lim 2007, Baccaro and Simoni 2008

[39] Murphy 1992, Marsh and Mitchell 1999, Dellapiane and Hardiman 2012

[40] Baccaro and Simoni 2008

[41] Baccaro and Lim 2007

were concerned about a Thatcher-style all-out attack on unions and eager to ensure some degree of influence on policy-making in the midst of a neoliberal turn[42]. Moreover, they had learnt from their inability to achieve real welfare improvements for their members through militancy throughout the 1980s[43]. They contented themselves with tax cuts in return for losses in transfers and for wage restraint[44], accepting that this was the most they could achieve for workers in the given situation. Although some affiliated unions opposed the pact, peak associations strongly pushed for accepting it and it was eventually adopted[45].

In sum, the political momentum to stabilize public finances started to gather early in Ireland and it was progressively reinforced until fiscal problems were definitively resolved. Although the two main rounds of austerity differed in composition – the first one relied mostly on tax increases on households, the second on expenditure cuts – the incidence of the sacrifices was similar. Both programmes shielded the corporate sector, but affected large swathes of society without much differentiation. According to voting data, the two large parties calculated well in choosing austerity, as the electorate acquiesced in these policies. Although Fine Gael's vote plunged in the 1987 election – after it carried out the first round of fiscal tightening – this seems less to do with austerity *per se* than with the party's failure to definitively address the debt problem, because the votes lost by Fine Gael went to the newly formed Progressive Democrats who

[42] Ibid.
[43] Even though unions managed to achieve high nominal wages in the period between 1980 and 1987, they wound up with lower real take-home pay because of the joint effect of high inflation and fiscal drag (ibid).
[44] Dellapiane and Hardiman 2012
[45] On the internal divisions among different union associations and the way in which internal decision making institutions helped to forge support for the National Programme for Recovery, see Baccaro (2003).

embraced fiscal rectitude more openly than any of the old parties[46]. Apart from this large shift, the vote shares of the parties were fairly stable in the 1980s. The eagerness of the major parties for fiscal stabilization does not seem to have alienated their voters. Unions also benefited from cooperating in the second round of tightening. After a long period of decline in the 1980s, membership numbers started to increase again after the historic compromise of 1987. Irish society did not seem to resent its political class for fiscal pain even though the rise of the Celtic tiger and the spectacular dividends of fiscal stabilization could not be foreseen at the time.

**Suspense and belated stabilization in Italy**

The contrast with Italy could have hardly been more pronounced. Although the discourse of fiscal policy-making was dominated by the objective of "*risanamento*" as ministers and central bank officials repeatedly called for the stabilization public finances, net borrowing stayed firmly above ten percent of the GDP and debt grew unabatedly throughout the 1980s[47]. The primary deficit narrowed very slowly and the pace of the correction fell behind the rate of increase of the interest burden by far. Social security spending and the public sector wage bill even increased slightly as a percentage of GDP during the decade, whereas other items stayed roughly stable[48]. Although corporate tax rates were raised significantly in 1983, this had little effect on revenues due to the frequent use of tax rebates to help industry, and due to widespread tax

[46] Mair 1990
[47] Walsh 1999, Radaelli 2000
[48] Morcaldo 1993, Ferrera and Gualmini 2004

evasion[49]. The only major source of revenue growth was fiscal drag as inflation kept pushing personal incomes into ever-higher brackets in a very progressive tax system, but this effect was undercut by the repeated adjustment of the brackets[50]. By 1990, Italy overtook Ireland as the second most indebted developed country after Belgium, and debt growth showed no signs of stopping.

Throughout the 1980s, Italian governments were paralysed in the face of fiscal deterioration by intense redistributive conflict generated by deep economic and regional cleavages. Conflict between labour and capital was most intense in the industrialized North and it had come to a head in the late-1960s and the early-1970s[51]. In this tempestuous period, labour extorted many policy concessions – in the form of generous pensions and welfare payments as well as a tax reform – through waves of strikes and demonstrations[52]. As businesses tried to protect themselves from the increased tax pressure, conflicts of interests within the capitalist class itself became more prominent. Large business lobbied the government for tax-rebates and exemptions, whereas small family enterprises and the self-employed – not being able to count on such targeted relief – increasingly fled into evasion[53]. At the same time, a fourth group with a distinct set of fiscal interests emerged as the population of the underdeveloped South asserted its claim for a share of public spending. Public employment and public investment flowing to the Southern provinces were increased after a series of

[49] Guerra 1993
[50] Giavazzi and Spaventa 1989
[51] Sassoon 1991, Partridge 1998
[52] Ferrera and Gualmini 2003
[53] Guerra 1993, Della Sala 1997

riots and demonstrations made clear the resentment with low living standards and the lack of employment opportunities in the region[54].

By the 1980s, the social strife of the 1970s had not only left a gaping hole in the budget, but also revealed strong polarization of interests among groups with significant policy influence. Formally, labour did not have a say in the policy-making arena, as the Communist party was permanently kept in opposition by the so-called *pentapartito* coalitions of the 1980s[55], and policy coordination with unions broke down in the early 1980s[56]. However, the experiences of the 1970s had demonstrated the ability and willingness of labour to use strikes as a powerful weapon to defend its fiscal interests. This practically ruled out cuts to pensions or welfare or an increase of the personal income tax on lower incomes throughout the period. At the same time, the other three groups had important leverage over the *pentapartito* governments – most importantly over the dominant Christian Democratic party – that made successive governments wary of making adjustments to other parts of the budget. Small businesses and the self-employed – an unusually numerous group in Italy – had traditionally formed the backbone of the Christian Democrats' voter base. They did not shy away from threatening to withdraw their support when the government attempted to introduce a reform to rein in tax evasion in 1984[57]. Large enterprises, on the other hand, exerted strong lobby pressure on Christian Democrats to maintain

[54] Ginsborg 1990, Partridge 1998, Alesina et al 1999, Ferrera and Gualmini 2004)
[55] Beside the Christian Democratic Party and three small right-of-centre parties, these coalitions also always included the Socialist Party. However, by 1980, the Socialist constituency was geared more towards white-collar and managerial professions than towards workers (Ginsborg 1990).
[56] Regini and Regalia 1997, Bull 2004
[57] La Palombara 1987, Ginsborg 1990

protection from increased corporate taxes[58]. The interests of the South were defended by a strong faction of politicians among Christian Democrats, who had traditionally secured votes for the party through operating clientelistic networks in this region[59]. They made sure that the public jobs and infrastructure contracts needed to maintain the clientelistic ties were continuously available[60].

Since all four significant socio-economic groups were able and willing to defend their fiscal priorities, it was impossible to design a politically viable austerity package that would have been large enough to restore fiscal balance. By the second half of the decade, one major correction package was announced after another, as policy makers grew anxious about the fiscal situation, but in the absence of significant adjustments to any of the major spending items or a substantial increase of revenues, they remained but gestures[61]. Savings were achieved in health care spending and revenues marginally increased with the introduction of a tax on interest. Public finances also benefited from the effect of fiscal drag and from windfall revenues in the second half of the decade[62]. These improvements helped to gradually eliminate the primary deficit by 1990, but as the interest burden had continuously increased with the piling up of debt, borrowing stayed consistently around twelve percent of the GDP. By the turn of the decade, debt was as large as the GDP and still persistently growing.

[58] Ruzza and Fella 2007
[59] Tarrow 1977, Hopkin and Ignazi 2008
[60] Maintenance of these clientele networks was especially important since Christian Democrats were getting growing support in the South, while their vote share was declining in every other region (Cattaneo).
[61] Bosi et al 2003, European Economy 1993
[62] Giavazzi and Spaventa 1989, Guerra 1993

In the tense political climate of the early 1980s, intransigently defending their constituencies' fiscal interests seemed like the safest strategy for both the Christian Democrats and the unions. However, as fiscal problems started to bear on international competitiveness through high inflation in the fixed-exchange rate regime of the European Monetary System[63], both of these main protagonists of Italian politics of the time had to face increasing resentment amongst those supporters whose livelihood depended on exporting and/or import-competing industries. Large enterprises were badly affected as well as those small businesses and self-employed entrepreneurs who were producing for the export markets in the industrial districts of Northern and Central Italy or engaged in tourism[64]. *Confindustria*, the peak industry organization called ever more vehemently for immediate stabilization, while small entrepreneurs in the North started to defect from the Christian Democrats in favour of the fast-rising political movement of the so-called *lega*-s, who called for a smaller state, the consolidation of public finances and low tax rates[65]. The setbacks suffered by manufacturing were also reflected in a loss of employment, which affected mainly younger workers[66]. Passive in the face of their members' plight, unions were heavily losing membership among active workers and their relationship with the remaining active rank-and-file progressively deteriorated[67].

---

[63] Even though the Bank of Italy was freed from the automatic commitment to act as a buyer of last resort for government bonds in 1981, the monetization of the debt did not completely stop throughout the 1980s, fuelling a sizeable inflation differential with Germany and the rest of the EMS-bloc (Fratianni and Spinelli 1997, Bruni et al. 1989, Epstein and Schor, 1989). Even though the lira was realigned several times in the 1980s, the nominal depreciations achieved in negotiations with their EMS-partners did not make up for the cumulative inflation differential in this period. The lira appreciated by 42 per cent in real terms between 1978 and 1991 (Fratianni and Spinelli 1997).

[64] Generally, large-scale manufacturing – such as the production of cars and white goods – was worst affected, but some of the traditional products of small enterprises of the industrial districts – such as textile and apparel or leather goods – also lost market share in this period (Guerrieri and Milana 1990).

[65] Bull and Newell 1993, Walsh 1999, Diamanti 2007, Hopkin and Ignazi 2008

[66] Between 1980 and 1990, 10 per cent of the jobs were lost in the manufacturing sector. In the same period, unemployment grew from around 7 to almost 10 per cent. (Bertola and Garibaldi 2002)

[67] Regini and Regalia 1997

Eventually, a decade of lira appreciation, dwindling market shares, declining profitability and declining unemployment came to a head in the early 1990s[68] and the discontent of large corporations, export-oriented small businesses and organized labour undermined the political system[69] that rested on the implacable opposition of the labour movement to the *pentapartito* coalitions. The system came down with a loud crash in 1992. After an "electoral earthquake" in which the Christian Democratic Party's vote share plummeted and the *Lega* rose like a comet, an epic corruption scandal sealed the fate of the old political elite[70]. Simultaneously, the representatives of large business and labour reversed their earlier hostility and showed themselves willing to cooperate and to make mutual sacrifices for the sake of fiscal stabilization. Unions agreed to the abolition of the automatic wage indexation system[71] and to (deferred) pension reforms, whereas businesses acquiesced in the raising of the corporate taxes. In the later years of the 1990s, both large business and labour threw their weight behind the centre-left electoral coalition, which perpetuated these policies when in government in the second half of the decade. Small businesses in the export-oriented North tacitly supported these policies through the *Lega Nord*[72], even though higher

[68] Unemployment rose to new highs, real growth slowed considerably and exports shrunk in real terms. In 1992, the country went through a major currency crisis and had to leave the European Monetary System (Ameco, Ginsborg 2001).
[69] See also Golden 2004.
[70] Cattaneo, Pasquino 2004
[71] The so-called *scala mobile* had been a major bone of contention between employers and labour throughout the 1980s and it was seen as the most important shackle on the competitiveness of industry (Baccaro 2002, Baccaro et al 2003, Baccaro and Lim 2007, Baccaro and Simoni 2008, Culpepper 2002 and 2008). Its abolition provided large gains to employers in the form of falling labour costs, an increasing profit share and growing net return on capital (Ameco, Torrini 2005)
[72] Although the *Lega* ran with the centre-right electoral coalition in the 1994 election, it quickly defected from the centre-right government when it became clear that it would reverse earlier austerity measures. For the rest of the 1990s, the *Lega* provided extra-governmental support to the continuation of fiscal stabilization.

corporate rates and the tougher stance on tax-evasion significantly increased the fiscal pressure on this group[73].

Unlike in Ireland, fiscal stabilization required a spectacular breakthrough, a dramatic reversal of the behaviour of large socio-economic groups, who had earlier been adamant to resist fiscal sacrifices. This reversal involved momentous political changes, including the complete replacement of old parties with new ones, important constitutional changes and the *volte-face* of social partners. The resulting historic compromise was a carefully negotiated *quid pro quo* where the sacrifices of each distinct group were matched by sacrifices of the others, highlighting the wide differences in policy preferences that the historical bargain needed to bridge. These large concessions were not made lightly: it took the cumulative economic weight of a decade of dysfunctional policies to force groups of such polarized fiscal interests to come around to compromise.

**Ireland and Italy fight debt again**

In the wake of the financial and economic crisis, Italy and Ireland find themselves in the same shoes again. Although they had followed very different fiscal trajectories in the 2000s, they both face an excessive debt stock and large fiscal imbalances in the second decade of the twenty-first century. In Italy, this is partly the result of longer-term problems with sluggish growth, high unemployment and persistent, if moderate, borrowing and partly the outcome of the great recession. In Ireland, on the other hand, it was the spectacular collapse

[73] Ginsborg 2003, Brugiavini and Galasso 2004

of the banking sector and the disastrous economic performance of many sectors of the economy that devastated the country's previously robust public finances. Notwithstanding the background of their fiscal problems, the countries faced very similar challenges by late 2010, as financial markets started to show increasing reluctance to finance countries with large fiscal imbalances and heavy debt stocks in the wake of the Greek debt crisis. The two countries' responses seem to diverge in similar ways in the present as they did in the 1980s and 1990s.

Ireland's adjustment has been swift, it has gone practically unchallenged across the political spectrum and it has required fiscal sacrifices indiscriminately across society. A decisive austerity programme was launched as early as 2008 by the *Fianna Fail* government, before the full scale of the banking disaster became clear and it was progressively reinforced each year as the proportions of fiscal problems were realized[74]. After *Fianna Fail* was thrown out of government in the 2011 elections, its austerity programme was continued without hesitation by the coalition of *Fine Gael* and the Socialists. Although unions failed to play the central coordinating and legitimizing role they performed in 1987 – in fact, the *Fianna Fail* government deliberately chose to act unilaterally in 2008 and 2009, ignoring the practices of social partnership of the previous two decades – this seemed to make little political difference or to undermine the political legitimacy of painful cuts and tax increases[75]. With remarkable similarity to the austerity of the 1980s, austerity of the 2010s, affected large swathes of society without much differentiation, while mostly shielding the corporate sector. Welfare spending

[74] Dellepiane and Hardiman 2012
[75] Culpepper and Regan 2014

and public wage expenditures were substantially cut, income taxes as well as VAT increased.

Italy's reaction to the crisis, on the other hand, gave further evidence that fiscal adjustment in that country is never easy: it takes a lot of time and great political turmoil to overcome intense conflicts of interest to put into place, it elicits strong societal disgruntlement and it involves very selective means of addressing the fiscal problem. Despite the swift increase of the spread on Italian bonds, fiscal adjustment did not start in earnest until the very end of 2011. Although a three-year delay relative to Ireland is much less significant than the decade in the wake of the oil crisis, it is still considerable in light of the fact that it was widely perceived by mid-2011that a debt crisis was imminent. It took extraordinary political measures – the ousting of the elected centre-right government mid-term and replacing it with a technocratic government in November 2011 – to launch a first austerity effort. Although the technocratic government successfully put into place cuts in pension spending as well as VAT- and excise-increases, the measures triggered political disorder and societal discontent that raise important questions about the longer-term viability of the present adjustment. The technocratic government did not last: it resigned when it failed to get parliamentary support for its reforms. In its wake it left a disgruntled electorate, a quarter of whom decided to cast its votes for a protest party, the Five Star Movement, in the 2013 elections and a party system in utter turmoil, with the dominant party of the right splitting up and the dominant party of the left undergoing internal revolution. The consensus and compromise that made the

adjustment of the early 1990s a lasting effort is yet to emerge from the electoral and partisan reordering.

## Conclusion

When Ireland and Italy regained control over their runaway debt growth in the 1980s and 1990s, their successful policy adjustment puzzled scholars of comparative political economy. How could countries with such weak governments, with centrifugal electoral systems and lacking coordinated bargaining mechanism put into place such decisive - and painful - policy reforms? Solutions to the puzzle zoomed in on the social pacts that accompanied - and ushered in - a large part of the reforms. It was argued that social pacts introduced the otherwise missing elements of coordination, they legitimized the actions of weak governments and mobilized support in broad sections of society. It was also shown how common understandings of the policy problem at hand provided the ideational foundations for social pacts.

However, focusing on the common streak of the two adjustment stories conceals many important differences that undermine the argument for the centrality of social pacts. The most consequential difference from a policy perspective is the difference in the speed with which the two countries adjusted to very similar challenges. A decade of delay cost Italy a lot in terms of a debt overhang as well as in the size of the necessary fiscal sacrifices. At the same time, this paper also showed that adjustment was much more conflictual in Italy, it involved much greater political upheaval and a much clearer quid pro quo bargain between

different socio-economic groups within the polity. In other words, the apparent similarities in the institutional solutions leading to successful adjustment in both cases overlie a host of fundamental differences in the politics of policy reform in the two countries, which have relevance not only for policy outcomes but also for the explanatory value of arguments centring on institutional innovations like social pacts.

The recent experiences of Italy and Ireland with renewed attempts at dealing with debt provide further evidence that social pacts are unlikely be universal institutional panacea for countries struggling with policy adjustment. In fact, it seems that social pacts just happened to be a vehicle for societal compromise in the past with little independent effect on the success of adjustment. Social pacts have been conspicuous by their absence from the politics of reform of the past years as governments deliberately exclude social partners from shaping policy adjustment. Yet, adjustment happens even in the absence of institutionalized bargains.

Differences in the pattern of the politics of policy adjustment, on the other hand, seem to persist. Just as in the 1980s, adjustment takes longer, involves more intense political conflict and fundamental institutional reordering in Italy than in Ireland. The persistence of these divergent patterns highlight the fundamental differences in the way the two countries reach the socio-political compromise necessary for policy reform, despite temporary institutional similarities. It underlines the important differences in the socio-economic structures of the two countries: the presence of deep social cleavages in Italy and their absence in

Ireland as well as the differential exposure of the two countries to international competition.

## References


Alesina, A. and A. Drazen (1991). "Why are Stabilizations Delayed?" The American Economic Review **Vol. 81**(No. 5.): pp. 1170-1188.

Avdagic, S. (2010). "When Are Concerted Reforms Feasible? Explaining the Emergence of Social Pacts in Western Europe." Comparative Political Studies(43).

Baccaro, L. (2002). "Negotiating the Italian Pension Reform with the Unions: Lessons for Corporatist Theory." Industrial and Labor Relations Review **55**(3): 413-431.

Baccaro, L. (2003). "What is Alive and What is Dead in the Theory of Corporatism." British Journal of Industrial Relations **41**(4).

Baccaro, L., M. Carrieri, et al. (2003). "The Resurgence of Italian Unions: Will it Last?" European journal of industrial relations **9**(1).

Baccaro, L. and S.-H. Lim (2007 ). "Social Pacts as Coalitions of the Weak and Moderate: Ireland, Italy and South Korea in Comparative Perspective." European Journal of Industrial Relations **13**: 27-46.

Baccaro, L. and D. Rei (2007). "Institutional Determinants of Unemployment in OECD Countries: Does the Deregulatory View Hold Water?" International Organization **61**(3): 527-569.

Baccaro, L. and M. Simoni (2008). "Policy Concertation in Europe : Understanding Government Choice." Comparative Political Studies **41**(10).

Baccaro, L. and M. Simoni ( 2010). "Organizational determinants of wage moderation." World Politics **62**(4): 594-635.

Barry, F. (1999). Understanding Ireland's Economic Growth. Basingstoke, Macmillan.

Blyth, M. (1997). "'Any more Bright Ideas?' The Ideational Turn of Comparative Political Economy." Comparative Politics **29**(2): 229-50.

Blyth, M. (2002). Great transformations: economic ideas and institutional change in the twentieth century, Cambridge University Press.

Blyth, M. (2003). "Structures Do Not Come with an Instruction Sheet: Interests, Ideas, and Progress in Political Science." Perspectives on Politics **1**(4): 695-706.

Bosi, Giarda, et al. (2003). "Italian Budget Policy: a Long Run Overview ".

Bruni, F., A. Penati, et al. (1989). Financial Regulation, Implicit Taxes, and Fiscal Adjustment in Italy. Fiscal Policy, Economic Adjustment, and Financial Markets. M. Monti, IMF.

Bull and Pasquino (2007). "A long quest in vain: Institutional reforms in Italy." West European Politics **30**(4): 670 - 691.

Carty, K. R. (1976). "Social Cleavages and Party Systems: A Reconsideration of the Irish Case." European Journal of Political Research
Volume 4, Issue 2, pages 195–203, June 1976 **4**(2): 195-203.

Chiarini, B. (1999 ). "The Composition of Union Membership: The Role of Pensioners in Italy." British journal of industrial relations **37** (4).

Chiesi, A. M., A. Martinelli, et al. (1999). Recent social trends in Italy, 1960-1995: editors, Alberto Martinelli, Antonio M. Chiesi, and Sonia Stefanizzi, McGill-Queen's University Press.

Clayton, R. and J. Pontusson (1998). "Welfare-State Retrenchment Revisited: Entitlement Cuts, Public Sector Restructuring, and Inegalitarian Trends in Advanced Capitalist Societies." World Politics **51**(1): 67-98.

Culpepper, P. D. (2002). "Powering, puzzling, and 'pacting': the informational logic of negotiated reforms " Journal of European Public Policy **9**(5): 774–790.

Culpepper, P. (2008). "The Politics of Common Knowledge: Ideas and Institutional Change in Wage Bargaining." International Organization **62**(4): 1-33.

Culpepper, P. (2014). "The Political Economy of Unmediated Democracy: Italian Austerity under Mario Monti" West European Politics, 37(6)

Culpepper, P. and A. Regan (2014). "Why don't governments need trade unions anymore? The death of social pacts in Ireland and Italy" Socio-Economic Review (2014) 1–23

D'Art, D. and T. Turner (2011). "Irish trade unions under social partnership: a Faustian bargain? ." Industrial Relations Journal **42**(2).

Dellepiane, S. and N. Hardiman (2012). Fiscal politics in time: Pathways to Fiscal Consolidation 1980-2012. UCD Geary Institute Discussion Paper Series, UCD Geary Institute.

Dellepiane, S. and N. Hardiman (2012). "The New Politics of Austerity: Fiscal Responses to the Economic Crisis in Ireland and Spain" UCD Geary Institute Discussion Paper Series, UCD Geary Institute.

Diamanti (2007). "The Italian centre-right and centre-left: Between parties and 'the party''." West European Politics **30**(4): 733-762.

Donaghey, J. and P. Teague ( 2007 _). "The Mixed Fortunes of Irish Unions: Living with the Paradoxes of Social Partnership." Journal of Labour Research **28**(1).

Epstein, G. and J. Schor (1989). Divorce of the Bank of Italy and the Treasury. State, Market, and social regulation - New perspectives on Italy. P. Lange and M. Regini. Cambridge, Cambridge University Press.

Farrell, D. (1999). Ireland: A Party System Transformed. Changing Party Systems in Western Europe. D. Broughton and M. Donovan.

Ferrera, M. (1997). "The uncertain future of the Italian welfare state." West European Politics **20**(1): 231-249.

Ferrera, M. and G. Elisabetta (2004). Rescued by Europe? Social and labour market reforms in Italy from Maastricht to Berlusconi. Amsterdam, Amsterdam University Press.

Fratianni, M. and F. Spinelli (1997). A monetary history of Italy, Cambridge University Press.

Garvin, T. (1974). "Political Cleavages, Party Politics and Urbanisation in Ireland: The Case of the Periphery-Dominated Centre." European Journal of Political Research **2**(2).

Ginsborg, P. (1990). A history of contemporary Italy: society and politics, 1943-1988, Penguin Books.

Ginsborg, P. (2001). Italy and its discontents: family, civil society, state, 1980-2001, Allen Lane The Penguin Press.

Gourevitch, P. (1986). Politics in hard times: comparative responses to international economic crises, Cornell University Press.

Guerra (1993). Tax Policies in the 1980s and 1990s: the case of Italy
. Taxation in the United States and Europe. Knoester, St. Martins Press.

Haggard, S. and R. Kaufman (1992). Institutions and Economic Adjustment. The Politics of Economic Adjustment - International Constraints, Distributive Conflicts, and the State. S. K. Haggard, Robert, Princeton University Press.

Hamann, K. and J. Kelly (2007). "Party Politics and the Reemergence of Social Pacts in Western Europe." Comparative Political Studies **40**(8).

Hamann, K. and J. Kelly (2010). Parties, Elections, and Policy Reforms in Western Europe: Voting for Social Pacts, Taylor & Francis.

Honohan, P. (1992 ). "Fiscal Adjustment in Ireland in the 1980s." The Economic and Social Review **23**(3).

Honohan, P. (1999). Fiscal adjustment and disinflation in Ireland: Setting the macro basis of economic recovery and expansion. Understanding Ireland's Economic Growth. F. Barry. Basingstoke, Macmillan.

Hopkin, J. and P. Ignazi (2008). Newly governing parties in Italy. New parties in government: in power for the first time. K. Deschouwer, Routledge.

IMF (1998). Country Report - Ireland.

Jacobson, D. and P. Kirby (2006). Globalization and Ireland. Taming the tiger: social exclusion in a globalised Ireland. D. Jacobson, P. Kirby and D. Ó Broin, New Island.

Katzenstein, P. J. (1987). Corporatism and Change: Austria, Switzerland, and the Politics of Industry, Cornell University Press.

Kirby, P. (2010). Celtic Tiger in Collapse, Palgrave Macmillan.

Mair, P. (1990). Ireland: From Predominance to Moderate Pluralism and Back Again. Understanding Party System Change in Western Europe. P. Mair and G. Smith.

Mair, P. (1992_). Party competition and the changing party system. Politics of the Republic of Ireland. Coakley and Gallagher.

Mammone, A. and G. A. Veltri (2010). Italy today: the sick man of Europe, Routledge.

Marsh, M. and P. Mitchell (1999). Office, votes and then policy: Hard choices for political parties in the Republic of Ireland 1981-1992. Policy, Office or Votes? W. C. Muller and K. Strom.

Martinelli " Recent Social Trends in Italy 1960-1995."

Maurizi, G. and D. Monacelli (2003). Corporate Tax Reform in Italy in the late 1990s and beyond.

McAllister, I. and D. O'Connell (1984). "The Political Sociology of Party Support in Ireland A Reassessment." Comparative Politics **16**(2).

McDonough, T. and T. Dundon (2010). "Thatcherism delayed? The Irish crisis and the paradox of social partnership." Industrial Relations Journal **41**(6).

McDonough, T. and J. Loughrey (2009). The HEAP Chart: Hierarchy of Earnings, Attributes and Privilege Analysis. Dublin, TASC.

Molina and Rhodes (2007 ). "Industrial relations and the welfare state in Italy: Assessing the potential of negotiated change." West European Politics **30**(4): 803 - 829.

Murphy, G. (1992). The role of interest groups in the policy making process. Politics of the Republic of Ireland. J. Coakley and M. Gallagher.

Mussa, M. and P. R. Masson (1995). Long-Term Tendencies in Budget Deficits and Debt. IMF Working Papers International Monetary Fund.

Natali and Rhodes (2004). "Trade-offs and Veto Players: Reforming Pensions in France and Italy." French Politics **2**(1): 1-23.

O'Donnell, R., M. Adshead, et al. (2011). Ireland: Two Trajectories of Institutionalization. Social Pacts in Europe: Emergence, Evolution, and Institutionalization
Oxford University Press, 2011. S. Avdagic, M. Rhodes and J. Visser.

O'Malley, E., S. Quinlan, et al. (2012). Party Patronage in Ireland: Changing Parameters. Party Patronage and Party Government in European Democracies. P. Kopecky, P. Mair and M. Spirova.

OECD Italy, OECD Publishing.

OECD Tax Policy Development in Denmark, Italy, the Slovak Republic and Turkey - Section 2: Italy.

Partridge, H. (1998). Italian politics today, Manchester University Press.

Pontusson, J. ( 1995). "From Comparative Public Policy to Political Economy'. Putting Political Institutions in Their Place and Taking Interests Seriously." Comparative Political Studies **28**(1): 117-147.

Quaglia and Radaelli (2007). "'Italian politics and the European Union: A tale of two research designs' " West European Politics **30**(4): 924-943.

Quaglia, L. (2004). "Italy's policy towards European monetary integration: Bringing ideas back in?" Journal of European Public Policy **11**(6).

Radaelli, C. (2000). Discourse and Institutional Change: the case of Italy in the Euro-Zone. Queen's Papers on Europeanisation

Regini and Regalia (1997). "Employers, unions and the state: The resurgence of concertation in Italy?" West European Politics **20**(1): 210-230.

Regini, M. (2000). "Between Deregulation and Social Pacts: The Responses of European Economies to Globalization." Politics & Society **28**: 5-33.

Roubini, N. and J. D. Sachs (1989). "Political and Economic Determinants of Budget Deficits in the Industrial Democracies." European Economic Review **33**(903-938).

Ruzza, C. and S. Fella (2009). Re-inventing the Italian right: territorial politics, populism and 'post-fascism', Routledge.

Sassoon, D. (1991). Contemporary Italy: politics, economy, and society since 1945, Longman.

Simoni, M. (2013). "The Left and Organized Labor in Low-Inflation Times." World Politics **65**(2): 314-349.

Walsh, J. I. (1999). "Political bases of macroeconomic adjustment: evidence from the Italian experience." Journal of European Public Policy **6**(1).