# ABSTRACT


## The Italian choice for the European Monetary Union

The dissertation deals with the preferences and the choices made by Italian representatives, governors, and stakeholders in the European Monetary Union frame. Therefore, the time-period analyzed covers the years from 1992 until nowadays.

The first chapter deals with the methodological choices made in order to provide clearness and transparency to the research. From the second chapter on the core of the topic will be tackled, by analyzing the three main policies areas of the Italian participation to the European Monetary Union. Moreover, some hints about the history of the Italian experience towards European integration will be presented in each chapter from a different slant.

The second chapter provides an overlook of the Italian political economy choices; the third chapter supplies the fiscal realm of the Italian choices in the European Monetary Union frame. Finally, the fourth chapter focuses on parties' stances and Italian governors' preferences towards the European economic integration. At the end, some concluding remarks and final observations are offered.

The first chapter gives a methodological outlook. To be more precise, it also supplies a brief investigation on institutional and historical roots of Italy and of the European integration since 1992.

The method chosen in order to deal with the issue of Italian participation in the European Monetary Union is the Content Analysis. Qualitative Content Analysis has been chosen in this research because it allows a

punctual observation of the concerned data. It furnishes a core support as it provides a method to observe and sort practical empirical conclusions from the pertinent documents.
Talking about choices and preferences, it is necessary to give some hints on the governments' bargaining techniques. Indeed, a tripartite scheme of national preferences can be singles out. The first step has governments as protagonists; they are the entities in charge of formulating realistic sets of national preferences. Therefore, the second stage concerns the development of strategies and bargains made by States at the supranational level. The third and final step is about the choice to whether or not pool sovereignty in international institutions.

As it has already been introduced, the focus of the whole dissertation is on Italian preferences towards the European Monetary Union. Indeed it is important to define what national preferences are. Departing from Moravcsik's observations, a tripartite scheme can be singled out. The first step has at its core governments, which formulate realistic sets of national preferences. By referring to 'preferences', it is addressed the combination of underlying national objectives independent by any particular international negotiation or direction. The second stage concerns the development of strategies and bargains effectuated by States. The third and final step is the choice of whether or not to delegate and pool sovereignty in the international institutions that synthetize national stances and purse the substantive agreement they made.

Hence, the first chapter introduces some hints on the history of the Italy's participation to the European integration process. It is discussed that historically the Italian involvement in the European project has been considerable. Practically, among the European States that took a leading

role in the building of the Common Market Area, Italy has had undoubtedly a leading role.
From an historical viewpoint, Italy probably represents the most dualist country in the European scenario. Particularly for what concerns the supranational debate on States' participation to the European economic integration, two positions on the issue can be distinguished. On the one side, countries characterized by low inflation rates and persistent trade surpluses held the 'economist' position. This position had been taken by Italy until the seventies. Accordingly, the economic convergence should precede monetary integration and should be asymmetrical. In the aftermath of the seventies, Italy positioned its stances on the 'monetarist' viewpoint. This conviction corresponded to countries with weaker currencies, higher inflation, and persistent trade deficits. According to this view, monetary cooperation should precede economic convergence.

Italy joined the Maastricht Treaty commitment even if its public debt in 1991 reached 101% of its GDP. Moreover, the sole Maastricht requirement it was able to compel with at the time of the Treaty signature was the one on the exchange rate.
Then, the *ratio* according to which the Maastricht entrance was felt as necessary by Italian people and by its governors was that it was necessary in order to bind Italy to a correct management of its balance sheet and of its monetary policies. At that time, the sole positive aspect of joining the European Monetary Union project was the strong devaluation of Italian products, which helped exports.
A final consideration concerning the historical projection of the Italian participation to the European Monetary Union is that actually a twofold pattern can be distinguished when considering the Italian State involvement in the actuation of Maastricht deal. On the one side the 1992

commitments were only slightly anticipated by the 1979 European Monetary System, this meant for Italy a strong medium-term effort for what involves the public finance. On the other side, the convergence policy offered an escape route complying with the definition of methods and strategies by which it had to be actuated. Indeed, the Maastricht Treaty did not indicate the starting date of the third phase of integration[1], referring the decision to the European Council. European State and Government Chiefs had to express themselves by qualified majority on the adoption of the Euro by 1996. However, the final decision of joining the third phase should not have been taken later then January the 1st 1999, the decided date for the third phase to start.

As a matter of fact, since 1992 Italy has chosen the path of pooling its sovereignty for what concerns the economic field, specifically in the frame of the European Monetary Union. Has this sovereignty transfer entailed a loss of decision-making power? Has the national domestic arena benefited or suffered from the European Monetary Union?
These questions are tackled in the second, third, and fourth chapters.

The second chapter deals with political economy considerations. By doing so, it provides also a theoretical explanation of the monetary economic model that has been considered to be referential for Euro-area. The evaluation of the Euro-zone as an Optimal Currency Area however proves not to satisfy the necessary conditions in order to conclude that the Euro countries are optimally integrated.

[1] Indicatively, the other two monetary integration phases were: the 1990's liberalization of the capital movements in the Community, while the second one consisted in the creation of the European Monetary Institute (EMI) in 1994, and the creation of the European Central Bank (ECB) in 1998.

In this frame, what room has been left to Italy? Is it a core or a periphery country for what concern European economic integration? The research on the issue pursued in the second chapter proves that the role of Italy is historically ambivalent also with regards to its political economy attitude.
The introduction of Maastricht Treaty proved to be a real challenge for Italy. Indeed, Italian economy had to deal with huge modifications of its structure, moreover tackling with internal issue that had been for years left unsolved. However, the commitment of some Italian stakeholders in pursuing Maastricht objectives proved to be worthless. They have been capable to recover Italy from its unreliable status.
During the nineties, political economy provisions entailed the satisfaction of European requirements. Therefore, the rebalancing policy had been actuated.

In the aftermath of the Euro currency introduction, Italy had to comply with other political economy provisions. Indeed, Italy underwent good economic performances in the ten-year period of 2000, but afterwards it started to loose on the competition side.
In the latest part of the 2010s Italy seriously pushed, also at the European economic supranational level, for an economic governance reform. Indeed, the preferential economic policy on the banking Union has been presented also during the 2014 Italian 'Semester of Presidency' at the European Council. Proposals on the single mechanisms on the banking vigilance were an issue that Italian stakeholders sustained for a long time. Actually, Italy has always distinguished itself for its tradition on vigilance matters, which is one of the most solid in Europe.

As previously introduced, the third chapter deals with the Italian choices on fiscal and monetary policies.

European States' financial history before the introduction of the Euro currency consists mainly of a financial and monetary convergence history. Indeed, a huge coordination effort started especially in the aftermath of the Maastricht Treaty entrance.

In this frame, Italy underwent major difficulties in order to tackle with the Maastricht paradigms. From the financial perspective, the period from 1992 until 1997 was for Italy a period of great problems. Indeed, it faced a recession period during the years 1991 – 1993, and when it finally recovered, it had to deal with the European Monetary System rules. 1996, was set as the ultimate deadline for the lira currency to return in the EMS 'club'. Therefore, it represented also the final date according to which it would have been decided if Italy should have joined the Euro-countries group.

In order to accelerate the process leading to the adoption of the Euro and to the inclusion of Italy into the Euro-zone, a particular set of policies concerning the balance sheet reformation have been adopted. The aim was to reassess the way Italy managed balance sheet. Indeed, this modification was a required step in order to align Italian national economy with the other European ones'. Furthermore, the reform of national balance sheet aimed to produce a structural change of the Italian economy.

In the afterwards of the Euro currency introduction, the Italian government decided to introduce the so-called 'one-off' measures, in order to reduce the net debt without affecting the growth with depressive effects.

The financial situation of Italy finally underwent some positive results. Indeed, during 2006 public finance benefited particularly from the Government policies that were finalized to rebalance public accounts.

These modifications involved particularly Public Administration expenses distribution. From 2007 on, the policies on the deficit started to show positive results. For example, Public Administration was halved.

As a matter of fact, Italy definitively fulfilled in respecting the boundaries with the European Union, obtaining the promotion to be off from the excessive debt procedure.

However, the positive financial results turned out to be all linked to the positive economic circumstances. Indeed, as the subprime crisis blasted in 2008, Italy had to rethink about its financial situation. In spite of the difficulties, Italian governors succeeded in acting coherently with the European instruments. Moreover, the financial Italian scenario seemed relatively more reassuring than the other countries' one.

On a more general bias, the Euro-zone started a reprise in 2014, which nonetheless proved to be weaker than expected because of the low amount of international commerce registered. For what concerns Italy, in 2014 policies on balance sheet management have not significantly changed. In the frame of the European rules, Italian government has operated a reform of the public balance composition, which had as a final aim to provide sustainment to the economy. Data show that Italian economy in the last trimester of 2014 has finally succeeded in recovering from its recession phase. As a result, data from 2015 *Documento di Economia e Finanza* foresee an orientation of balance policy nearly neutral and unchanged, with references to the ones of the precedent year. On the investments side, during the last period Italy worked properly and reached also good results.

The fourth chapter analyzes the Italian political choices and the stances of the political parties. The analysis conducted in the fourth chapter consists of an effort in order to discover what kind of political discourse has led

Italian governors and stakeholders to support the European Monetary integration has evolved. What has been the strategy adopted by Italian representatives at the European level? The research led proves that they have mainly recurred to the 'voice' strategy. That is to say that Italy had mainly an active and purposive role throughout the whole discussion on the European integration. Of course, it has to be distinguished among the different governments that drove Italy since 1992. Indeed, each Prime Minister, his cabinet, and eventually the party that he stood for marked a different European policy-making. Therefore, each Italian stakeholder contributed with different policy and political choices in the European Union and European Monetary Union framework.

The chapter follows a division based on the different cabinets that ruled Italy in the past twenty-three years. The excursus that it is yielded before dealing with the core contents of the chapter furnishes some elements in order to evaluate the scenario of the Italian political and parties' situation before the Maastricht Treaty entrance. Indeed, during the period before 1992 Italian party system was characterized by the so-called 'party government' formula. In the nineties the situation changed and the commonly named 'Second' Republic started.
It is from the first cabinet of the 'Second' Republic that the analysis of Italian parties' and political stances in the frame of European Monetary Union and European integration begins.

Amato cabinet, together with Dini cabinet, Ciampi and Monti ones can be distinguished as a 'technical' government. These governments, of which just in two of them there was completely no politician, were characterized by a high European commitment. Indeed, provisions implemented by the 'technical' cabinets were directed in the effort to comply with the

European requirements. The policies implemented by these cabinets benefited also the other 'political' cabinets.
'Technical' governments have been characterized by huge and unpopular economic policies.

In the chapter, also right and left wing governments and their political stances towards the European integration have been taken into consideration.
Departing from the analysis of center-right positions, the Berlusconi cabinets have been taken into account. Berlusconi's attitude towards the European economic and political integration has been mild. Indeed, he stood for the Italian affirmation as an autonomous power both in economic and foreign policies. Moreover, the composition of his cabinets, i.e. the 1994 one, was characterized by people who fiercely stood against the European Union. However, even if always taking distances from the European project, his three following cabinets had to recognize and somehow be submitted to the European requirements.
Berlusconi's economic attitude was ambivalent. He claimed for neo-liberalism, even if towards the European Monetary Union he always took a position against the enforcement of the supranational institution.

For what concerns other right wing coalitions, *Lega Nord* and *Alleanza Nazionale* in particular showed a great opposition against the European integration issue in all its aspects. Indeed, being characterized by a strong nationalistic slant, they refused the message and the purpose of the European Union, starting by the loss of monetary autonomy that the project of the European Monetary Union entailed.
If compared to the center-right coalitions, center-left coalitions' and in particular the Prodi cabinet, held a completely diverse attitude towards the

European integration and its economic implications. Indeed, when Prodi came to the Prime Minister seat in May 1996, he set as his first governmental goal the Italian entrance in the European Monetary Union as an absolute priority. Moreover, the at-time President of Republic Ciampi, whose commitment towards the European project was well known, backed Prodi's in the European goal.
However, Prodi final success in dealing with the European issue has to be also linked to favorable contextual situations in the international politics, and to the capability of measuring the public message on the European Monetary Union commitment to the Italian people.

Generally speaking, other left wing parties' have not assumed positions so positive towards the European issue. Center-left Italian parties used pressure on the ideological bias on the welfare State system in order to gain popularity. Indeed, after the Maastricht Treaty signature, and the adoption in Italy of the austerity measures necessary to comply with the European Monetary Union participation, parties of the left wing were able to depict themselves as the defenders of the *status quo*.
For what concerns the center-left commitment in the European political arena, data reported in the fourth chapter prove that these parties included in their manifestos the European issue more than their center-right colleagues.
At the end of the fourth chapter, the Renzi cabinet is analyzed which is the latest Italian government. As it is still in charge, just few considerations mostly concerning 2014 'Presidency Semester' in the European Council and 2014 European Parliament elections are provided. Until the present days, the commitment and the responsiveness of Renzi's cabinet towards the European Monetary Union have been high.

Some concluding remarks are finally provided in order to close the dissertation. Gathering a few observations from the whole study, it is possible to affirm that, especially for what concerns the European institutional building, it can be effectively highlighted a shift towards an enhancement of supranational powers since the Maastricht Treaty entrance. Indeed, European Member States have to take into account the directives coming from the European Monetary Union institutions in their economic policies. However, this has not really penalized the policy autonomy of EMU member States; in fact, it has changed the national attitude towards economic and financial issue. This is particularly true for what concerns Italian case.

Generally speaking, it is possible to recognize a great commitment of Italy towards the European Monetary Union, both politically and on the level of effective economic and financial domestic adjustments. Sorting out all the data analyzed in the research, it can be finally stated that Italian participation towards the European Monetary Union policy process in the three main domestic fields observed has been substantial. Indeed, Italian stakeholders in the EMU frame have always adopted the 'voice' strategy, proving that Italy could really participate and contribute to the European monetary integration path. In the 'ascendant' process, Italy's representatives showed that the participation of their country, with its economic peculiarities and performance, could have been crucial for the survival of the European Monetary Union.

For what concerns the European Union's 'descendant' impact on Italy, policies implemented in order to comply with Maastricht Treaty and its following provisions have benefited Italian monetary stability, financial accountability, and political responsibility.