Selectorate Theory: Solving Italy's Instability

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Introduction

Political instability and the Italian government are commonly associated terms. This is unsurprising given that since its formation in 1946, the republic of Italy has experienced 61 different government coalitions in less than 65 years. Clearly, a government lasting an average of 1 year and 1 month shows that Italy suffers from chronic political instability. Defined as the "propensity of a change in the executive, either by constitutional or unconstitutional means," political instability has been a topic of scrutiny due to its effect on the economic and social well-being of countries.[1] For Italy, there have been various explanations regarding the cause of this chronic political disease. One existing explanation singles out the flaws within the electoral system, emphasizing that based on its historical legacy, the system insufficiently provides mechanisms to exclude the formation of small political parties. This means that even parties which garner only 1% of votes are able to be included in elections, resulting in a divisive effect on society. In another popular explanation, Italian social culture is accused and political instability is blamed on the "alienation of the citizenry from the political system". [2]Therefore, due to the fact that Italian citizens are not interested in participating in the political system, Italian politicians are allowed free reign in a climate of instability without being electorally punished.

While it might be true that Italians have historically been alienated from the political process, the 2011 European sovereign debt crisis has brought Italy and its political instability back to the center of the domestic and international scene. Looking away from conventional and popularized arguments, this paper seeks to highlight and examine this political issue from a different perspective. Using Bruce Bueno de Mesquita's Selectorate Theory, this research will show some preliminary

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[1] Alesina, 3
[2] Bull, 203

findings—that the source of Italian political instability lies in the size of its winning coalition. Specifically, the larger the winning coalition is, the more likely the country will face political instability. The paper will begin by describing the detriments of political instability, thereby highlighting the issue's saliency. Next, it will provide an introduction to the main findings of Selectorate Theory that are relevant to this particular case study, and finally, it will conclude with a comparative study of the three Italian electoral systems, rooted in Selectorate Theory, that will allow us to make predictions and policy recommendations.

Background

August 2011 saw the unraveling of the Italian sovereign debt crisis that has since led Silvio Berlusconi to resign as Prime Minister and forced the new Prime Minister Mario Monti to embark on unprecedented austerity measures. With regard to these events, Massimo Franco, the chief political columnist of Italy's leading daily, Corriere della Sera, has defined the Italian political climate as "stable instability."[3] In October 2011, Olin Rehn, the European commissioner for Economic and Monetary affairs, declared that in order to avoid default, the Italian priority should be "to restore political stability and decision-making capacity."[4] It has been argued that the Italian debt crisis was not merely caused by political instability but also by the fact that the Italian public debt stood at 116% of GDP in 2010, ranking number two in European Union right after Greece.[5]

However, scholars researching the relationship between political instability and the economy have shown that uncertainty has a concrete impact on the well-being of a country. The paper "Political Instability and Economic Growth" by Alessio Alesina et al., provide robust findings on the connection between economic growth and political uncertainty. Using a sample of 113 countries

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[3] http://www.nytimes.com/2011/08/03/world/europe/03italy.html?pagewanted=all
[4] http://www.europeanvoice.com/article/2011/november/italian-growth-at-risk-if-interest-rates-remain-high/72605.aspx
[5] https://www.cia.gov/library/publications/the-world-factbook/rankorder/2186rank.html

for the period 1950-1982, the research studied the "joint determination of the propensity of government changes and economic growth" and showed that economy growth in countries with a high propensity of government collapse was significantly lower than otherwise.[6] Research on sovereign debt crises produced by Cuandra and Sapiza have also suggested that "political instability is often associated with an increase in both the level of the volatility of spreads, as well as with a rise in the frequency of sovereign defaults."[7]

The inverse relationship can be attributed to the fact that when business are uncertain about taxes and regulatory initiatives due to political instability, they tend to be more cautious with their investments and wait for calmer times to expand.[8] Furthermore Alesina et al. also point out that existing government changes increases the probability of a subsequent changes, hence political instability continues to be persistent.[9] This is extremely dangerous for the long-term growth of a country because if too many business wait to invest and grow, recovery will never take off.

Having shown how political instability is detrimental to a country, we can see how uncertainty has been extremely costly for Italy. Current explanations for Italy's instability have not been comprehensive, thereby limiting our ability to solve the problem. This paper hopes to take a novel approach in analyzing the political cancer of instability through the use of Selectorate Theory. This institutional approach will explain the root of Italian political instability through a quantitative analysis of the Italian electoral system.

Selectorate Theory

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[6] Alesina, 1
[7] http://www.economonitor.com/blog/2010/09/the-cost-of-political-instability-the-italian-case/
[8] http://www.voxeu.org/index.php?q=node/7137
[9] Alesina, 1

Selectorate Theory presents an argument in which "a leader's motivation to retain power and the institutional context in which he or she operates play a major role in determining a state's policy choices."[10] The two institutions that determine how political systems retain and select leaders are the selectorate ("the set of people with a say in choosing leaders") and the winning coalition ("the set of people whose support keeps the incumbent in office").[11] In this paper, we refer to the sizes of these sets as S and W respectively. For example, the selectorate (S) for a democratic country like Italy would be formed by all the Italian citizens who has the right to vote in elections. For elections to the Chamber of Deputies, voters must be at least 18 years old to be eligible, and for elections to the Senate of Republic, they need to be 25 years old. The winning coalition (W) in Italy would be composed by the minimum number of voters necessary for a party or politicians to win elections and stay in power. As the comparative research will show, the size of this winning coalition W will vary based on the electoral system and the voter turnout.

Democracies are generally characterized by a large selectorates and large winning coalitions, whereas autocracies tend to have smaller winning coalitions than democracies even if their selectorates may be large.[12] Leaders promote their political survival through producing public and private goods for the members of the W through state policy. The smaller the size of the winning coalition, the greater the incentive for the leader to provide private goods.[13] Thus, it is costly for the members of the W to defect. Similarly, the larger the winning coalition size, leaders have less incentive to provide private goods and instead will provide more public goods.[14] Considering the large size of Italy's winning coalition W, Selectorate Theory would argue that Italian leaders are incentivized to provide general public goods such as public transportation, health care, primary

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[10] Downs, 629
[11] Morrow, 1
[12] Morrow, 2
[13] ibid
[14] ibid

education and national defense, in order to satisfy and maintain the loyalty of their winning coalition so as to secure their political survival.

The Loyalty Norm

For the purposes of our research, the most interesting aspect of Selectorate Theory is the loyalty norm. Selectorate Theory suggests that the loyalty norm is the "link between the number of people who make up the winning coalition or the selectorate and an incumbent's prospects of political survival."[15] Made of the ratio of the winning coalition over the selectorate (W/S), the loyalty norm shows that the smaller the ratio W/S, the lower the probability that a member of the W will risk the benefits that he/she receives within the coalition to support a challenger.[16] This is due to the fact that a small ratio implies that there is a low probability that a member of the incumbent winning coalition will also be a member of the challenger's winning coalition. Thus, the more loyal the member will be.[17]

The loyalty norm shows that survival is harder for larger-coalition leaders, because there is a higher probability that a member of the incumbent W will also be a member of the challenger W.[18] Given that all the challenger has to do is promise more personally advantageous public policies for potential defectors, the survival of the incumbent is easily threatened. [19]The loyalty norm emphasizes the fact that leaders and members of the winning coalition have different preferences when it comes to the W size.[20]   While the leader wants to increase S and decrease W in order to increase the loyalty of his coalition, those in the winning coalition would either prefer to decrease

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[15] Bueno de Mesquita, 65
[16] Bueno de Mesquita, 66
[17] ibid
[18] Bueno de Mesquita, 334
[19] ibid
[20] ibid

W/S so that they each get more private goods or beyond a certain point, they would prefer to increase W/S, so as to gain more public goods. [21]

In Italy's case, the latter appears to hold true. The loyalty norm could explain why it took the Italian parliament almost 50 years to change the highly criticized and unstable pure proportional electoral system: the members of the winning coalition had no reason to give up a large W system that was providing them with a high level of public goods. Furthermore, the W size was too large, so a reduction in W would not bring about a significant increase in private goods. In the following comparative research, we will argue that the loyalty norm is the best way to explain the Italian political instability. The hypothesis is that the electoral system that results in the greatest W/S ratio, would result in a shorter duration of governance, and hence more government transitions. In other words, we expect that the electoral system with the lowest W will be the most stable, while the one with the biggest W will be most unstable.

Comparative Study of the three electoral systems

The parliament of Italy, formed by the Chamber of Deputies and the Senate of the Republic, is only 65 years old but has already experienced 61 different coalition governments. To find the source of the disease that has caused Italy's historical instability, this paper will conduct a comparative study between the three electoral systems that Italy has adopted since it became a republic. Focusing on the ratio W/S, our hypothesis is that the larger the W in proportion to the S, the more the country will be politically unstable. Data for the study was extracted from the official election results published online by the Italian Ministry of the Interior.[22] In the research between

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[21] Bueno de Mesquita, 335
[22] http://elezioni.interno.it

the three electoral systems, only the results from the Chamber of Deputies are taken into consideration for the following reasons:

1. The Chamber of Deputies reflects the larger selectorate.

    To vote in the chamber of deputies an Italian citizen has to be at least 18 years old, while to vote at the Senate of the Republic he/she has to be at least 25 years old. Given that more citizens are allowed to vote at the Chamber of Deputies, it is assumed that the number of votes to have a political control of the Chamber of Deputies is superior to the number of votes to control the Senate.[23] This assumption is proved correct by the data furnished by the Ministry of the Interior.[24]

2. The results from the Chamber of Deputies are paralleled by the results in the Senate.

    During the nineteen elections that have been held in Italy, the coalition that won at the Chamber of Deputies always won at the Senate.[25]

The 1946- 1993 electoral system

The electoral system adopted in Italian Chamber of Deputies between 1946 and 1993 was considered an almost pure proportional system where the only condition for a party to be represented was the attainment of 300,000 votes—on average, less than 1% of the selectorate. The design of the electoral law clearly benefitted the small parties. A total of 17 parties were represented in the parliament in 1970, the highest number ever recorded.[26] As we can see from Table 1 this electoral system led to three interesting phenomena:

*   Coalition governments were extremely unstable with an average of 328 days per coalition;

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[23] http://www.interno.it/mininterno/site/it/temi/elezioni/app_sottotema005_sistema_elettorale.html
[24] http://elezioni.interno.it
[25] ibid
[26] http://www.interno.it/mininterno/site/it/temi/elezioni/app_sottotema005_sistema_elettorale.html

- Given the wide range of options, every Italian citizen had the opportunity to choose the candidate that would represent him or her the most, and this led to an extremely high average voter turnout of 91.54%;

- Given that the proportional system requires an absolute majority to take power, the average percentage of the ratio W/S was 45.78%, showing that the size of W was approximately half of the size of the S who decided to vote plus one. This means that this system had the largest W/S ratio.

Table 1[27]

Leader of the Coalition	Duration of the Governement in days	S	Voter Turnout	W	W in % of S
De Gasperi	199	29,117,270	92.23%	13,428,885	46.12%
De Gasperi II	100				
De Gasperi III	347				
De Gasperi IV	599				
De Gasperi V	535				
De Gasperi VI	704				
De Gasperi VII	12	30,272,236	93.84%	14,206,760	46.93%
Pella	141				
Fanfani	12				
Scelba	497				
Segni	670				
Zoli	397				
Fanfani II	209	32,434,835	93.83%	15,218,425	46.92%
Segni II	374				
Tambroni	116				
Fanfani III	556				
Fanfani IV	449				
Leone	137	34,199,184	92.89%	15,885,521	46.45%
Moro	231				
Moro II	548				
Moro III	833				
Leone II	148	35,566,493	92.79%	16,502,853	46.40%
Rumor	205				
Rumor II	186				
Rumor III	101				
Colombo	527				
Andreotti	9				
Andreotti II	351	37,049,351	93.21%	17,268,703	46.61%

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[27] http://elezioni.interno.it

Rumor IV	238			
Rumor V	203			
Moro IV	410			
Moro V	78			
Andreotti III	536	40,426,658	93.39%	18,879,249	46.70%
Andreotti IV	325			
Andreotti V	615			
Cossiga	228	42,203,354	90.62%	19,126,560	45.32%
Cossiga II	177			
Forlani	220			
Spadolini	405			
Spadolini II	82			
Fanfani V	152			
Craxi	1,058	44,526,357	88.01%	19,596,050	44.01%
Craxi II	214			
Fanfani VI	11			
Goria	228	45,692,417	88.83%	20,296,572	44.42%
De Mita	402			
Andreotti VI	615			
Andreotti VII	378			
Amato	298	47,435,689	87.29%	20,705,678	43.65%
Ciampi	353			
Average	**328.38**	**38,083,986**	**91.54%**	**17,374,114**	**45.78%**

T*he 1993-2005 electoral system*

Between 1993 and 2005 Italy used a mixed electoral system. Fully 25% of the seats were still allocated using the proportional method, and parties needed 4% of the vote to enter the Chamber of Deputies.[28] The remaining 75% of the seats were allocated on a pure plurality basis. Candidates had to run in districts and only the winner of each district would get elected. Given the 4% threshold, as well as the difficulties encountered to win a district without allies, this reform forced parties to form alliances before the elections.[29] This decreased fractionalization of parties may have been integral in instilling more stability. From Table 2, we observe the following phenomena:

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[28] http://www.interno.it/mininterno/site/it/temi/elezioni/app_sottotema005_sistema_elettorale.html
[29] ibid

- A 10,000,000 increase in the selectorate, which can be explained by Italy's population growth rate, and the winning coalition saw a real decrease of 281,000 people;

- The Government of Berlusconi II, which is the Italian government that has lasted the longest amount of time, was elected under this mixed electoral system;

- The average length of the duration of the government increased significantly from 328 days to 523 days;

- There is a substantial decrease in the W size and the new W/S percentage is about 35%, down 10% from the previous electoral system, which was about 45%;

- We can assume that, given that a lot of parties had to merge or ally with other parties in order to be elected with this mixed electoral system, the Italian voter had less options and therefore felt less represented, causing a decrease in the voter turnout of 9%, from 92% to 83%.

Table 2[30]

Leader of the Coalition	Duration of the Government in days	S	Voter Turnout	W	W in % of S
Berlusconi	226	48,135,041	86.14%	17,713,695	36.80%
Dini	360				
Prodi	875	48,744,846	82.88%	16,670,737	34.20%
D'Alema	423				
D'Alema II	119				
Amato II	400				
Berlusconi II	1,409	49,256,295	81.38%	16,894,909	34.30%
Berlusconi III	374				
Average	**523.25**	**48712060.67**	**83.47%**	**17,093,114**	**35.10%**

The current electoral system

The current electoral system for the Italian Chamber of deputies has a series of conditions that encourage parties to form coalitions:

- Minimum 10% of votes for a coalition to get seats;

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[30] http://elezioni.interno.it

- Minimum 4% for any party not in a coalition to get seats;

- Minimum 2% for any party in a coalition to get seats.

The main difference from the previous system is that this system guarantees at least 54% of the seats to the party or coalition that obtains the plurality of the vote.[31] Parties reacted to the implementation of this system by forming coalitions so that the strict threshold this new electoral system would not exclude smaller parties. As a result, Italy saw an unprecedented political bipolarization. This "fear" of being excluded by the parliament affected the data for the elections of governor Prodi II. This was the only election in Italian history where there were only two main coalitions running, resulting in a higher than expected winning coalition size. However, we see an immediate decrease in the size of W in the 2008 election of the government Berlusconi IV showing that parties are now repositioning themselves in the system. As seen by the most recent polls, the formation of the 2010 new coalition known as the "Third Pole" is evidence of this argument. [32]Due to the fact that the current electoral system guarantees a 54% majority to the winning coalition, the next Italian election scheduled in 2013 will see smallest size of W at about 30% of the selectorate.

Table 3

Leader of the Coalition	Duration of the Governement in days	S	Voter Turnout	W	W in % of S
Prodi II	617	46,997,601	83.62%	18,987,030	40.40%
Berlusconi IV	1,283	47,041,814	80.51%	17,029,137	36.20%
Average	**950**	**47,019,707**	**82.07%**	**18,008,084**	**38.30%**

Cross System Comparison

Table 4

	Average Duration of Government in days	Average Voter Turnout	Average W/S

[31] http://www.interno.it/mininterno/site/it/temi/elezioni/app_sottotema005_sistema_elettorale.html
[32] http://www.ft.com/intl/cms/s/0/b1c48e06-a636-11df-8767-00144feabdc0.html

Proportional Electoral System	328.38	91.54%	0.457
Mixed Electoral System	523.25	83.47%	0.351
Current Electoral System	950	82.07%	0.383

Table 4 offers a comparative study of the results represented in the previous three tables. We see that the results are generally in line with our hypothesis that as loyalty norm (W/S) decreased, political stability, as measured in terms of average duration of the government, increased. This trend is especially clear when we compare the change from the Proportional Electoral System to the Mixed Electoral System. In the proportional system, the average W/S was about 0.46 and the average duration of the government was 328 days. In contrast, the mixed system produced a smaller W/S at 0.35, and the average duration of the government increased by 60% to 523 days. These results confirm our original hypothesis..

It is essential to note that the current electoral system does not appear to follow the same trend. The current system's average W/S is larger than the mixed system's average, yet produces a longer duration of government. However, this can be explained by (1) the lack of observations in the current system and (2) the uncharacteristic reaction of Italian political parties that led to political bipolarization. Firstly, the fact that the current electoral system was only installed in 2005 and only experienced 2 general elections suggests that this research will be more consistent and statistically relevant in the future when the election sample will be larger. Secondly, the fear of being excluded from the parliament, led political parties to ally in unfamiliar circumstances. Reversal of this bipolarization has already taken place, as seen by the formation of the third pole.[33] Using forecasted polls, the entrance of the third pole is expected to decrease the W/S from its existing 0.38

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[33] http://www.ft.com/intl/cms/s/0/b1c48e06-a636-11df-8767-00144feabdc0.html

to about 0.30. [34]This would make the W/S of the current system the smallest yet, and it is likely that data from the next election will be in line with our hypothesis.

Despite the limitations in the data, the available electoral data is also able to show us meaningful trends in the average voter turnout. As new election systems have reduced the number of parties and coalitions running, voters see less options and potentially feel less represented, and hence are less likely to turn up to vote. While it could be argued that the decrease in the ratio W/S has been produced by the decrease in the average voter turnout, we can dismiss this claim by comparing the percentage decrease in voters from proportional to mixed elections (8.8%) to the percentage decrease in the winning coalition from proportional to mixed elections (23.2%). As we can see, the percentage decrease in the winning coalition far outweighs the decrease in vote turnout.

Conclusion

According to *Le Figaro*, a widely respected French national newspaper, "the leading Italian specialty is not pizza or pasta, but miracles."[35] The inspiration for this comment came from Italy's ability to rapidly lower its budget deficit to 3 percent, push inflation below 2 percent, and fill the coffers of the Treasury with a Europe tax without sparking a revolt in September 2000. Indeed, considering the social and political problems Italy has faced, Italy's achievements since the end of the Second World War is impressive. The problem with miracles lies is its definition; miracles are extraordinary events that rarely can get repeated. The 2011 European sovereign debt crisis showed that for Italy the time for miracles is over. The increasing likelihood of a possible default has brought Italians to rethink a political disease that has been slowly but constantly damaging the well-being of the country - political instability. This paper has proposed a novel way to look at Italian political instability and suggests that a small loyalty norm (W/S) is integral to promoting political

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[34] http://www.sondaggipoliticoelettorali.it/
[35] Violante, 34

stability. What this implies is that Italy's current trend in moving towards a smaller winning coalition is the right step towards great political stability. Keeping in mind that this research needs to be expanded and tested for significance once more data on the new system is available, we can still safely say that there is an important link between the loyalty norm and political stability, which may very well hold the key to curing this political disease.

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