"The Italian Local Economic Development between the Maastricht Constrain and Austerity Policies (1992-2012)"

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Abstract

Since the 1990s, local self-governments experienced significant shifts in their role and in the governance of their areas; such a path was by no means without limits and contradictions and was deeply affected by the changes occurring within both the Italian and the international context during those years. Therefore, the two decades spanned by the so-called "Italian transition" featured significant changes, compared with the model by means of which Italy had succeeded, during the second half of the 1900s, in joining the center of the economic system worldwide. Furthermore, the evidence gathered in recent years put into question the very effectiveness of using the term "transition" to define the changes happened during the last twenty years. Indeed, this time span seems less and less of a "bridge" between an ill-defined new system and the old one.It appears on the contrary, at least considering its historical and economic features, to be an historical phase in Italy, and a very articulate and differentiate one at that. In such a context, during the last twenty years, local self-governments in Italy reshaped the main forms of support to economic development, with mixed success when trying to enhance to competitiveness of Italy as a country, also because of the uncertainties connected with the process of institutional reform and, especially during the latter years, because of the growing financial commitments. This contribution is going to analyze the main features of the path walked by Municipalities and Provinces, especially highlighting the shift, happened during the second half of the 2000s, from policies containing expenditure to full-blown austerity from 2011 onwards, coinciding with the worst of the economic and sovereign-debt crisis in Italy.

Keywords: Local development, Italian Transition, Maastricht, Crisis, Austerity, Euro

1. Development and Local Self-Government during the EMU years

The 1992-1994 periods went down in Italian history as one of the most meaningful moments of caesura during the second half of the 1900s[1]. During a few months, Italy is caught flat-footed and partly overwhelmed by the ongoing within the international political and economic context changes (the fall of the Berlin Wall, the end of the bipolar world, the beginning of the new globalization and the *information technologies* revolution) and the resulting significant changes of the internal situation in its different areas (i.e. the financial crisis, the so-called *Bribesville*(Tangentopoli) corruption scandal and the moral question, as well as the quest for a new political and institutional structure).

The parameters supporting the economic and social growth of Italy since after the Second World War change rapidly; the very Italian national identity and the overall understanding of the Italian Republic, from its inception up to the end of the bipolar world is hotly debated, and not only in the field of history[2].

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[1] On the evolution of the Italian social and political system during the last decades, see the following: A. Giovagnoli, *Ilpartitoitaliano. La democrazia Cristiana dal 1942 al 1994*, Laterza, Rome-Bari 1997, pp. 130-146; G. De Rosa, *La transizione infinita. Diario politico 1990-1996*, Laterza, Rome-Bari 1997; P. Scoppola, *La Repubblica dei partiti. Evoluzione e crisi di un sistema politico (1945-1996)*, il Mulino, Bologna 1997, pp. 381-539G. Crainz, *Il Paese mancato. Dal miracolo economico agli anni Ottanta*, Donzelli, Rome 2005[2]; S. Colarizi, M. Gervasoni, *La cruna dell'ago. Craxi, il partito socialista e la crisi della Repubblica*, Laterza, Rome-Bari 2006[2];G. Crainz, *Autobiografia di una Repubblica. Le radici dell'Italia attuale*, Donzelli, Rome 2009; P. Scoppola, *Lezioni sul Novecento* (edited by U. Gentiloni Silveri), Laterza, Rome-Bari 2010, pp. 119-146; U. Gentiloni Silveri, *Contro scettici e disfattisti. Gli anni di Ciampi 1992-2006*, Laterza, Rome-Bari, 2013.

[2] For a goodbibliography, pleasesee:U. Gentiloni Silveri, Identità italiana tra crisi e trasformazioni. Il dibattito sull'ultimo decennio, 1989-1998, in "Storia e problemi contemporanei", 22, 1998, pp. 111-133.

While Italy seems to be frail in the face of the challenges arising after the end of the Cold War, its political system is shaken from the ground up; the delegitimation of the former governing class seems to forbid "ordinary" solutions to an extraordinary crisis. In a few months, Italy witnesses the birth of the first technical government in its history- led by the then-Governor General of the Bank of Italy, Mr. Carlo Azeglio Ciampi-and then to the disassembly and reconstruction of the national political system towards a new bipolar model, itself very articulated and plagued by limits and contradictions. Two features emerge in particular from an analysis of the 1992-1994 period and, most of all, of its consequencies during the following twenty years: 1) Italy fails to intercept the recovery phase of the world economic cycle, taking, on the contrary, the brunt of a substantial and structural loss of competitiveness on the global stage[3]; 2) The political and institutional caesura of the 1992-1994 and the beginning of the so-called "transition" coincide -not only because it happened at the same time- with the birth of the Maastricht system and with the changes in the economic policies and functions the States belonging to the new EMU underwent during the second half of the 1900s[4].

During the 1990s, the shift from the previous "European Community" model to the Eurozone- carried out with some uncertainties[5] – was accompanied by the parallel onset of the new globalization. This phenomenon shaped the world economic balance from its base and posed new and complex challenges to the former development-leading countries [6]. Therefore, one of the most important and delicate moments of Italian history overlaps with the significant changes undergoing within the global framework. The very loss of competitiveness Italy underwent during the last two decades cannot be fully understood, if one does not base them within the interactions between the national and the international frameworks[7]. At the mid-1990s, in the beginning of the two decades featuring significant global changes, the troubles of Italian economy coincided with the institutional and political crisis of the so-called "First Republic", with the failure of Italy as a country in outgrowing the complex legacies of the 1980s (such as its high public debt, low productivity, poor investments in innovation, lack of reforms in its institutional system, and the like) and to carry out during the 1990sthose choices which would have proven useful in a structural overhaul of the economic and political systems[8].

In such a context, in the last ten years had spread on the newpapers and book industry one of the most fashionable dual concepts used to describe the Italian situation: transition/decline. Such a terminology, gracing tens of publications may very well sound captivating but may prove unfit to describe, if used inadequately, the main background reasons underlying a transformation that (as proven by the ample historical and economic bibliography on the subject) finds its origins in the years preceding the 1992-1994[9] period as well. The concept of "transition" itself may appear as almost useless for a variety of reasons, since the results and the outcomes of the 1992 caesura appeared unclear; on the contrary, the following two decades seem less and less a viable "bridge" between the old and an ill-defined new system.

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[3] For a deep and accurate analysis about the Italian economic "decline", see. G. Ciccarone and E. Saltari, Cyclical Downturn or Structural Disease? The Decline of the Italian Economy in the Last Twenty Years, in "Journal of Modern Italian Studies", forthcoming.

[4]On the birth of the Maastricht system, please see:L. Capogna,*L'Unioneeuropeadopo Maastricht*, Pisani, Rome 1994; M.G. TenagliaAmbrosini,*La moneta e l'Europa: da Bretton Woods a Maastricht, e oltre*, Giappichelli, Turin 1996; K. Dyson and K. Featherstone, *The Road to Maastricht. Negotiating Economic and Monetary* Union,OxfordUniversity Press,Oxford 1999; T.PadoaSchioppa, *La lunga via per l'Euro*, il Mulino, Bologna 2004; G. Magnifico, *L'Euro. Ragioni e lezioni di un successo sofferto*, Luiss University Press, Rome 2005; J.D. Savage, *Making the EMU. The Politics of Budgetary Surveillance and the Enforcement of Maastricht*,Oxford University Press,Oxford 2005;F. Spinelli and C. Trecroci, Maastricht. New and Old Rules, in "Open economies review", 17, 2006, pp. 477-492.

[5]On this, please see: P. Savona, The Impact of the Stability and Growth Pact on Real Economic Growth: Automatic Mechanisms or Policy Discretion?, in "Review of Economic Conditions in Italy", 2, 2003, pp. 263-279; G. Di Taranto, *L'Europatradita. Lezioni dalla moneta unica*, Luiss University Press, Rome 2014.

[6]See: G. Di Taranto (ed.), *Dai sistemi economici alla globalizzazione sistemica,* Luiss University Press, Rome 2007; J.K. Galbraith, *The Economics of InnocentFraud, HoughtonMifflin*, Boston 2004; V. Castronovo (ed.) *Storia dell'economia mondiale, vol. VI, Nuovi equilibri in un mercato globale*, Laterza, Rome-Bari 2002.

[7]See:E.Saltari and G. Travaglini, *Le radici del declino economico. Occupazione e produttività in Italia nell'ultimo decennio*, UTET, Turin 2006; G. Ciccarone, M. Franzini andE.Saltari (ed.), *L'Italia possibile. Equità e crescita*, Brioschi, Milan 2010; S. Rossi, Aspetti della politica economica in Italia: dalla crisi del 1992-1993 a quella del 2008-2009, in M. Ciaschini andG.C. Romagnoli, *L'economia italiana: metodi di analisi, misurazione e nodi strutturali. Studi in onore di M. Rey*, FrancoAngeli, Milan 2011, pp. 295-322.

[8] On this, pleasesee: P. Scoppola, *La Repubblica dei partiti. Evoluzione e crisi di un sistema politico (1945-1996)*, cit. pp. 381-539; G. Crainz, *Autobiografia di una Repubblica. Le radici dell'Italia attuale*, Donzelli, Rome 2009; U. Gentiloni Silveri, *Contro scettici e disfattisti, Gli anni di Ciampi, 1992-2006*, cit.

[9]See: G. Sapelli, *Sul capitalismo italiano: trasformazione o declino*, Feltrinelli, Milan 1993; E.Saltari and G. Travaglini, *Le radici del declino economico. Occupazione e produttività in Italia nell'ultimo decennio*, cit.

They instead seem to be more and more, considering their historical and economic features, a new phase of our country's history. Such a phase is very articulated and diversified; it does also integrate the diverse interactions of the global framework. The basic elements of such a process are the following: 1) the specific features and limits with which Italy joined the Maastricht system; 2) The growing weight, from the 1990s onwards, of the so-called "Maastricht constraint", due to its then-brand new inference with regards to the choices concerning the economic, fiscal and social policies; 3) the effective skills of institutions and of the ruling class to start the necessary renewal during the transition years, in order to rise to the challenges of globalization[10].

At the same time, the "decline" word, if not used in an appropriate economic and historical way, may be employed for the temporary controversy into politics and newspaper world; on the contrary, if it's used as a tool to read the history of the last twenty/thirty years of the country, could be another key to understand the roots and the scheme of the actual Italian economic and social crisis[11].

The relationship between the Maastricht constraint and the development of Italy becomes all the more clear when one considers a possible periodization of the last twenty years; after the 1992-1994 fracture, during the second half of the 1990s, Italy sees in the coming Euro an opportunity to enter the global stage again and to exit the crisis which began with the decade. However, the lack of an effective push towards reforms able to support such a push by means of the necessary structural changes within the institutional and the economic systems, coupled with the change in the governing majority and overall governments from 1999 up to the following decade, downsized the more positive elements of the push. And it is also because of such a situation that Italy went to face the 2008 crisis not only having some years of low growth (when not of outright stagnation) under its belt but also substantially unprepared to tackle those changes brought to bear by the globalization process and by the 2008 crisis itself.To the difficult legacy of the 1980s (i.e. a high public debt, a low degree of technological innovation, a poor output of the productive factors, and the like …) the inefficiencies and the failed reforms of the system during the 2000s must be added; the significant impact on Italy of the *austerity* policies started in Europe following the 2008 crisis may also be traced back to this situation. In such a context, featuring an overall crisis and reorganization of Italy as a country, here proposed at a glance because of pressing space constraints, an important role has been taken by local self-governments who, since the beginning of the 1990s, underwent a transformation upon which the briefly aforementioned national and international changes have been grafted. It was all about a "transition within the transition", able to bring about- despite very slowly and with several inconsistencies- to gradual changes in their economic, social and institutional jobs, as well as in their support to local and national development. This change is still underway and has taken two specific features, because of the following two concurrent factors: 1) the path to devolution of powers to local government gained speed; 2) the birth of the Italian Stability Pact as a tool to control and seamlessly integrate local and national public spending but also–especially during the second half of the 2000s– as a way to contain the resources intended for the local policymaking bodies and as a key to reinforce the *austerity* policies.Reading the Italian crisis of the last decade and the impact of the *austerity* policies put into force after 2009 from the viewpoints of local self-governments and their effectiveness in supporting growth may therefore represent an useful step in understanding the complexities (and contradictions) Italy faced during the latter decades; the approach followed here enhances, from a certain point of view, and somewhat goes beyond the concept of "local development", in order to fully partake in the analysis of the development of the Italian development (and crisis) model [12].

Suffice it to say that, in recent years, the attention- not only in Italy- focused back on the different behavior of local economies and on how they jousted within the international competition in areas all the more linked to the attraction- and production-based challenges of great metropolitan or regional areas[13].

[10]See the following: A. Graziani, *Lo sviluppo dell'economia italiana. Dalla ricostruzione alla moneta europea*, Einaudi, Turin 2000[2], pp. 120-230; S. Rossi, *La politica economica italiana, 1968-2003*, Laterza, Rome-Bari 2003[3]; A. Sadun (ed.), *Italy in the International Economy since the Second World War*, Rubettino, Soveria Mannelli 2011.

[11]Cf.:G. Ciccarone and E. Saltari, Cyclical Downturn or Structural Disease? The Decline of the Italian Economy in the Last Twenty Years, cit.; S. Rossi, *La politicaeconomicaitaliana, 1968-2003*, cit.; G. Di Taranto, *L'Europatradita*, cit.

[12] For an effective medium-term overview of the Italian development process, please see the following: G. Garofoli, *Modellilocali di sviluppo*, FrancoAngeli,Milan, 1991; F. Dini, *Geografiadell'industria. Sistemi locali e processi globali*, Giappichelli, Turin 1995; A. Arrighetti, G. Seravalli (eds.), *Istituzioni intermedie e sviluppo locale*, Donzelli, Rome 1999; M. Moroni, *Lo sviluppo locale. Storia, economia e sociologia*, ilMulino, Bologna 2007.

[13] For a comparative approach on the subject, please see the following: A. Amin, N. Thrift, *Città. Ripensare la dimensione urbana*, il Mulino, Bologna 2005; P. Le Galès, *Le città europee. Società urbane, globalizzazione, governo locale*, il Mulino, Bologna 2006.

In such a competition, the local governments –and, in several cases, the Italian Regions, even if the latter are not considered in this paper–may carry out significant tasks, not only directly, i.e. by allocating expenditures, but indirectly as well, for example by helping define the social, juridical and infrastructure related contexts the economic operators move in (having an effect on the so-called "positive externalities"[14]), in enhancing the overall competitiveness of their local system[15],in supporting the growth of social capital[16] or even, especially in some specific areas of Italy, in helping the industrial district grow[17].

In such a framework, the relationship between public interventions and local development clearly depends also on the choices concerning the allocation of resources carried out by local governments[18], especially regarding investment expenditures. Two data who emerged in Italy in recent years are outstanding also because of that: 1) the greater incidence of current expenses compared with investment expenditures and such a feature is by no means only and Italian one[19]; 2) the overall decrease in investment expenditures carried out by local governments even since the mid-2000s, something which may also be connectedwith the effects of national budget laws and actions, with the need to recover expenses and debts for many Regions and local governments, as well as with the consequences of the Italian Stability Pact. The importance of these elements for the growth of Italy as a whole is also due to the fact that the specialization in capital expenditure is a specific feature of local governments, whose contribution towards the total of public administration reached, between the end of the 1990s and the first half of the following decade, an amount beyond 60%[20].

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[14]On this, pleasesee the following: M. Salinghini, Investimenti e infrastrutture per puntare alla crescita, in "Guida agli enti locali. Il sole 24 Ore", 3.2008, pp. 88-91; B. Smith, *Good Governance and Development*, Palgrave Macmillan, New York 2007.

[15]On this, pleasesee the following: R. Bin and L. Coen, *Poteri pubblici e sviluppo economico locale*, CEDAM, Padua 2009;S. Palermo, *Da Maastricht a Roma. Autonomie e sviluppo locale negli anni dell'Unione monetaria: la Provincia di Roma*, Carocci, Rome 2012. An historical and social analysisi of the issueand a reasonedexplanation of the relevantbibliographyispresent in M. Tamberi, Crescita, competizione internazionale e trasformazioni strutturali nei sistemi locali, in M. Moroni, *Lo sviluppo locale. Storia, economia e sociologia*, cit., pp. 261-286.

[16]On the historical trends, please see T.P. Lyon, Making Capitalism Work. Social Capital and Economic Growth in Italy, 1970-1995", in "Quaderni del Dipartimento di Scienze Sociali Donatello Serrani", 18, 2007.

[17] An interpretive summary concerning the relationship between economic development and Italian industrial district during the latter years is present in the following works: C.M. Belfanti and T. Maccabelli (eds.), *Unparadigma per idistrettiindustriali. Radici storiche, attualità e sfide future*, Grafo, Brescia 1997; S. Paba and S. Brusco, "Per una storia dei distretti industriali italiani dal secondo dopoguerra agli anni novanta", in F. Barca (ed.), *Storia del capitalismo italiano dal dopoguerra ad oggi*, Rome, Donzelli, 1997, pp. 265-333; G. Corò and S. Micelli, "The Industrial Districtsas Local Innovation System: Leader Firms and New Competitive Advantages in ItalianIndustry", in A. Sadun (ed.), *Italy in the International Economy since the Second World War*, cit., pp. 425-458;M. Omiccioli (ed.),*I sistemi produttivi locali*, Rome, Carocci, 2014.Obviouslyit'snecessary to see the *compendium* of the first Italianeconomistthatfocused the industrial district reality in the mid-1960s: G. Beccattini, *Distretti industriali e made in Italy*, Turin, Bollati Boringhieri, 1998; Id., *Dal distretto industriale allo sviluppo locale*, Turin, Bollati Boringhieri, 2000; G. Beccattini (with M. Bellandi, G. Dei Ottati and F. Sforzi), *From Industrial Districts to Local Development. An Itinerary of Research, Cheltenham*, Elgar, 2003.

[18] On the relationshipbetween public interventions and territorialdevelopment, pleasesee: R. Paci and S. Saddi, Capitale pubblico e produttività nelle Regioni italiane, in "Scienze Regionali", 1, 2002, pp. 5-26; S. Cassese, *La nuova costituzione economica*, il Mulino, Bologna 2004; N. Parmentola and S. Rotondo (eds.), *Investimenti pubblici e processo decisionale*, Formez, Rome 2004. A convincingreconstruction of the relevantliterature and an interestingempiricalanalysisispresent in: P. Puntillo, P. Tenuta and D. Sposato, Le scelte strategiche degli enti locali nei processi di sviluppo territoriale. Profili teorici ed evidenze empiriche, in "Impresa e Progetto", 2, 2011, pp. 1-30.

[19]On this, pleasesee the following: P. Puntillo, P. Tenuta and D. Sposato, Le scelte strategiche degli enti locali nei processi di sviluppo territoriale. Profili teorici ed evidenze empiriche, cit., pp. 7-8; A. Mehrotra andT. Valila, Public Investment in Europe: Evolution and Determinants in Perspective, in"Fiscal Studies", 4, 2006, pp. 443-471.

[20]See L. Greco and D. Iacovoni, Decentramento e mercato del debito pubblico locale, in "Moneta e Credito", 228, 2004, pp. 437-480.

It is not by chance that, in recent years, the attention went back to the growing international competition between the great metropolitan and/or regional areas, where public governments are able to perform a significant function in enhancing the competitiveness of the local systems[21], through both expenditure allocation and intervening on the so-called "positive externalities", themselves useful in sustaining and supporting instances of virtuous development[22] and the overall competitive capacity of the whole country with them.

2. A Periodization Proposal: From the "Reformist Decade" to the "System Crisis"

Based on the aforementioned observations, it is possible to hypothesize a periodization of the changes undertaken by the relationship between local self-governments and the economic development of the last two decades in order to try and assess the impact the course of local development had within the hardships the Italian economy endured, the changes these structures undertook both before and after the beginning of the*austerity* policies, as well as to gauge the capacity local governments have to support the competitiveness of Italy as a country.

I. The first phase can be traced back to the so-called first "reformist decade"; the 1990s begin with the approval of the Italian national law n. 142 of 1990 and are closed, between 2000 and 2001, by the entry into force of the new text on local government and by the reform of Title V of the Italian Constitution, something bound to affect the overall relationship between the Italian State and its Regions (and then to the Municipalities and Provinces). The aim and the spirit of these innovations lies in turning local governments into autonomous juridical persons having their own *governance* and a different ratio between resource gathering and expenditure capacity. This was an ambitious project, based also on the concurrent reform of the electoral law for mayors and Region Presidents[23], introducing the majoritarian method, the direct election of the candidate and in this way modifying the former "relationship" between voters and elected, as well as the "perception" of local governments and their tasks after fifty years of proportional methods. Furthermore, this reform stepped in during the opening phase of the Italian transition, contributing towards modifying the *mission* of local governments themselves, even beyond the legislator's intentions. It is not by chance that, between 1993 and 1995, the "season of mayors" was seen as one of the cornerstone to exit the political system crisis[24]. During those years, the choices made by the Ciampi government and the first Prodi government seemed to allow for reforms useful to break the *impasse* following the caesura of the 1992-1994 period. While Italy, in a cohesive effort, achieves to join the Euro, some important reforms focused on decentralization (the so-called "Bassanini laws"), also affecting local governments are started in the 1997-1999 period. Europe and local development are the two points of convergence of a growth process recorded in other areas of the continent as well. Such a path to growth is first interrupted and then left incomplete, both because of the uncertainties of the delicate government coalitions and of the substantial changes in the framework during the following decade.

II. The second phase, which took place between the late 1990s and the early 2000s, saw a slowdown in the reform process and the start of a new phase of political divisions, institutional uncertainties and frequent changes in the governing coalitions. The 2001 victory of Silvio Berlusconi's Center-Right coalition gave increased power to the Lega Nord (the pro-independence party of the north of Italy) and opened the door to highly manipulative attempts to reform public and political institutions that were rejected by the constitutional referendum of June 2006.

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[21] On this, please see the following: A. Amin, N. Thrift, *Città. Ripensare la dimensione urbana*, il Mulino, Bologna 2005; P. Le Galès, *Le retourdesvilleseuropeennes: societesurbaines, mondialisation, gouvernement et gouvernance*, Presses de Sciences Po, Paris 2003; M. Tamberi, Crescita, competizione internazionale e trasformazioni strutturali nei sistemi locali, in M. Moroni, *Lo sviluppo locale. Storia, economia e sociologia*, cit., pp. 261-286.

[22]See B. Smith, *Good Governance and Development*, Palgrave Macmillan, New York 2007.

[23]On this, pleasesee the following: S. Gambino, Le riforme elettorali (a livello nazionale e locale) fra rappresentanza e responsabilità politica. Alcune premesse teoriche per il dibattito politico, in "Rivista Anci", 10, 1992; A. Barbera (ed.), *Elezione diretta del sindaco, del presidente della provincia, del consiglio comunale e del consiglio provinciale. Commento alla legge 25 marzo 1993, n. 81*, Maggioli, Santarcangelo di Romagna 19942; M. Cammelli, Eletto del popolo: il sindaco tra nuovo ruolo e vecchi poteri, in "il Mulino", 4, 1993, pp. 775-84; S. Gambino (ed.) *Il nuovoordinamentoregionale in Italia. Competenze e diritti*, Giuffrè, Milan 2003;G. Parodi (ed.), *La revisione costituzionale del Titolo V tra nuovo regionalismo e federalismo*, CEDAM, Padua 2003.

[24]See: M. Segni, *La rivoluzione interrotta. Diario di quattro anni che hanno cambiato l'Italia*, Rizzoli, Milan 1994; P. Scoppola, *Lezioni sul Novecento*, cit. pp. 130-146.

The choices carried out between 2008 and 2011 (during the last Berlusconi government) appear even more complex and somewhat contradictory. Actually, while on one hand the processing of law norms concerning the Italian fiscal and territorial federalism gained speed, on the other hand the need to decrease expenditure volumes, due to the slowdown in economic growth which began during the years preceding the current economic crisis, forced a reduction in State transfers, thereforelimiting the substantial autonomy and the effectiveness of intervention by local governments, even, as we'll see hereinafter, using the tool of the Italian Stability Pact.

III. The third and final phase occurred between mid-2010 and 2012. This is a moment when all the contradictions, the unresolved issues and the failed (or incomplete) reforms of previous years come to a head; the relationship between the Italian State and the local governments becomes a part of the more complex and vast crisis of Italy as a country, having a hand in the fall of the values of economic growth. While Italy is overwhelmed by the effects of the international recession, the rest of Europe begins a round of *austerity* policies. These policies are particularlyfelt in the Mediterranean area of Europe, whose countries were weaker at the onset of the crisis. Both economic and political issues (the onset of a technocracy government and the worsening of scandals and criminal behavior in both Regions and local governments) brought a complex phase, still to be concluded nowadays. In such a phase, the attempts at rationalizing the system following the assignment of the Monti government (established in November 2011) integrate well with the need to drastically reduce the "costs connected with politics" and the expenditures carried out by the Italian State and local governments. These are the years during which the constraints of the Italian Stability Pact and the linear cuts to transfers not only substantially weaken the decentralizing process, but also contribute to hold back the possible ant cyclical interventions by local government entities, easing a reduction in value for the investment expenditures.

3. The Italian Stability Pact as a Tool to Reduce Expenditures

In order to understand the evolution of the investment policies followed by local governments during the last 15 years, their relationship with *austerity*begun in 2011 and the following effects on the economic growth of Italy, it is mandatory to connect the issue of financial autonomy, resources gathering and the resulting spending capacity with the two following specific elements: 1) the birth of the Italian Stability Pact in 1999, whose effects involved the local governments directly, particularly concerning their budgetary planning and their spending capacity; 2) the enactment, since 2009, of the first policies focused towards reducing expenditures, which became full-blown *austerity* during the following two years. These are two important cornerstones, by means of which not only the action of financial recovery for Italy, but also the effective capability of local governments to intervene in supporting development, both in the quantitative and in the qualitative framework (i.e., concerning both the allocative choices and the size of the resources committed), may be understood.

As it is widely known, the discipline underlying the Growth and Stability Pact was born in the EU in 1997, in order to identify those measures able to maintain and improve the levels of convergence achieved by the different countries taking part to the European single currency; the efforts carried out by the countries involved in order to reach the required convergence during the 1990s underwent a retreat when, since the beginning of the 2000s, some of the European economies encountered greater difficulties in the face of the economic circumstances, and therefore problems in complying with the parameters of the Growth and Stability Pact. Such a situation sparked a path of reform which concluded in 2005 after a reworking of the rules towards relaxing the conditions to start the infringement procedures in the case of excessive deficit and proposing a review of the corrective mechanism, of the multilateral *governance* and surveillance process [25]. Such a review underwent further evolution after the beginning of the global economic crisis, up to the recent *fiscal compact* discipline[26].

In such a context, the Growth and Stability Pact forced the EU Member States to set up "stability objectives" within their three-year programs during non-recessive phases, assigning the responsibility of the deficit in the whole of their public administration.

[25]See:R. Morris-H. Ongena-L.Schuknecht, *The Reform and Implementation of the Stability and Growth Pact*, European Central Bank, Occasional Paper Series, n. 47, 2006.

[26] On the technical aspect of the fiscal compact see: G. Bonviciniand F. Brugnoli (eds), *Il fiscal compact*, NuovaCultura, Rome, 2012.

And precisely because of the structural budget differences and the diversity between center an periphery within each and every Member State, the tools of internal coordination have been significantly different[27].

Summarizing somewhat, it is possible to distinguish between those States which adopted an overall national planning and those which relied on a multilevel governance effort between center and periphery. In Italy, as well as in other countries (such as Belgium, Germany and Spain) the national legislator chose to implement National Stability Pact. These tools- albeit developed on the base of different calculation methods and kinds of constraints- all have the final purpose to commit the different local governments to achieve national goals.

Even in such a scenario some typically Italian features may be detected. The Italian Stability Pact is a brainchild of the Italian Law 448/1998[28], in order to foster the cooperation between the different State levels and entities towards the recovery of resources trough economically sound behavior. Between 1998 and 2012 such a goal has been pursued through several different tools and calculation methods; this was also due to changes within the macroeconomic context and to those *policy* goals underlying the choices undertaken by the legislator and the different government[29].

Within their 1998 setup, those investments carried out by the Italian Regions and local governments were exempted from the constraints of the Stability Pact[30]; following the first reform in 2003[31] - something carried out during a phase in which the evolution of the economic situation required a further decrease in expenditures - the aforementioned constraints were extended also to the cash-related budget parts, therefore enacting an increase on payments by local governments; this happened yet again with the Italian budget law in 2005, which, for the first time, inserted some constraints on the expenditures connected with investments, as well as with transferred and delegated tasks[32].

Nevertheless, the change appears all the more evident since the Italian budget law of 2006, by means of which the Pact was used by the Italian government directly in order to impose a decrease in the level of current expenditures[33]; this choice was deepened two years later, with the birth of the so-called "mixed jurisdiction"[34], a particularly complex calculation system having the substantial goal to impose a local governments the obligation of choosing the part of their cash outflow they intended to act on.

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[27]For a comparative analysis, pleasesee the following: F. Clementi and M. Frondaroli (eds.), *Il Patto di stabilità in Italia e in Europa*, Rome, 2005; V. Patrizii, C. Rapallini and G. Zito, I Patti di stabilità interni, in "Rivista di diritto finanziario e scienza delle finanze", 1, 65 (2006), pp. 156-189; M.F. Ambrosanio and M. Bordignon, *InternalStabilityPacts: the European Experience*, European Economic Governance Monitor Papers, n. 4, 2007; F. Gastaldi and L. Giurato, Il Patto di stabilità interno: l'esperienza italiana e il confronto con i paesi dell'Unione monetaria europea, in "Economia italiana", 1 (2008), pp. 79-135; A.F. Pattaro, E. Caperchioneand A. Sancino, Un confronto internazionale: come altri Paesi europei hanno declinato il Patto di stabilità interno, in *Le scelte di finanziamento degli enti locali*, cit., pp. 91-110.

[28]Italian Law n. 448 of December 23 1998, Misure di finanza pubblica per la stabilizzazione e lo sviluppo.

[29] For an overall summary of the normative evolution of the National Stability Pact from 1998 onwards, please see:M. Nicolai and L. Bisio, *Ilpatto di stabilità e glistrumenti di finanza locale. Analisi evolutiva e prospettive per il futuro*, Santarcangelo di Romagna 2009; Iid., *Il patto di stabilità e il federalismo fiscale*, Santarcangelo di Romagna 2010. On the connection between the changes in the National Stability Pact and the budgetary policies of local governments, please allow me to mention S. Palermo, *Da Maastricht a Roma. Autonomie e sviluppo locale negli anni dell'Unione monetaria: la Provincia di Roma*, cit., pp. 58 and following.

[30] The Italian law then in force mentioned "financial balance" to underline the fact that the debts were to be recovered by means of an improvement in the balance of payments. Furthermore, the constraints the Pact brought with itself concerned only the balance's "jurisdiction" (i.e., on the three-year plans); it was therefore a mechanism not involving cash-related and investment policies.

[31]Italian Lawn. 289 of December 27, 2002 ,Disposizioni per la formazione del bilancio annuale e pluriennale dello Stato (legge finanziaria 2003, i.e. the Italian budget law for 2003).

[32]Italian Law n. 311 of December 30, 2004, Disposizioni per la formazione del bilancio annuale e pluriennale dello Stato (legge finanziaria 2005, i.e. the Italian budget law for 2005).

[33]Italian Law n.266 of December 23, 2005, Disposizioni per la formazione del bilancio annuale e pluriennale dello Stato (legge finanziaria 2006,i.e. the Italian budget law for 2006).

[34]Italian Law n.244 of December 24, 2007, Disposizioni per la formazione del bilancio annuale e pluriennale dello Stato (legge finanziaria 2008, i.e. the Italian budget law for 2008).

The aforementioned "mixed jurisdiction" is indeed based on the fact that, when increasing the allocations for current expenditures, the payments for capital expenditures (included the investments) must likewise decrease and vice versa, in order to respect the limits enshrined in the Pact.

Finally, the two decrees issued by the Berlusconi government during the summer of 2011, in order to contain the pressure on the public finances of Italy and the effects of the international crisis, increased the efforts required of local governments in order to reach the goals of the Italian Stability Pact, worsening the constraints originally envisioned by the Italian Legislative Decree 78/2010 and their advance from 2014 to 2012[35].

As this brief summary shows, the internal discipline of the Pact, itself crucial to understand those policies connecting the Italian public finances during the last 15 years, underwent important and constant modifications, themselves only apparently technical. These modifications allowed a "top- bottom" definition of the ways and the procedures managing the budgets of local governments. Methodologically speaking it may clearly be seen how, delegating everything to the budget laws the Italian Parliament approves, the rules of the Pact are mostly established at the central level of government, in a hierarchical relationship leaving precious few areas of discussion. Such a system does furthermore live open the debate on the inequalities within the contributions given towards the financial recovery of public administration between the Italian State and local governments concerning their respective debts[36].

Considering the more macroeconomic issues, on one hand the changes the Pact underwent pushed towards a greater rationalization of expenditures, while on the other they followed - almost inevitably- the economic situation, as well as the burden of the significant Italian *stock* in public debt. The twofold objective to reduce both expenditures and the debt of the Italian public administration brought some change in progress regarding the legislator's actions[37]. If during the first phase, between 1999 and 2002 it seemed possible to keep the expenditures for investment in payments out of the rules, also because of a better cycle situation; from the mid-2000s, also due to the worsening of the economic data (and to the following pressure on fiscal income and on the debt/GDP ratio) the legislator's focus widened to the whole cash outflows, up to the innovations of 2008, when the "mixed jurisdiction" imposed to find a new balance between outflows and investments. In this way, also because of a greatertendential rigidity in current expenses, an implementation of the Pact would have reduced the size of the investments by local governments, as it was reminded by the Italian Parliament itself in September 2010[38]. Such a situation brought -according to the Italian Chamber of Deputies- modification in the tools for intervention since 2010, focusing the local governments' contribution to fiscal recovery especially on the cuts to transfers[39], but without made any modification on the Italian Pact Rules.

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[35]Italian Legislative Decree 98/2011 (turnedinto the Italian Law 111/2011), Disposizioni urgenti per la stabilizzazione finanziaria; Italian Legislative Decree 138/2011 (turnedinto the Italian Law 148/2011), Ulteriori misure urgenti per la stabilizzazione finanziaria e per lo sviluppo.

[36] According to IFEL, an important statistical body in Italy, between 2007 and 2011 the Italian municipalities considered together carried out budget actions for over 14 billion Euros; therefore the contribution these municipalities gave towards recovering the Italian public finances amounted to a quarter of the total, even if such a sector amounts to less than a tenth of the overall Italian public administration. Between 1997 and 2011, thedeficit weighing on the Italian municipalities decreased from 1,6% to 1,1% of the GDP, whereas that of the Italian Public Administration grew by 50%, from 2,7% to 3,9% of the GDP. (See S. Parlato and S. Scozzese, *Chi paga la manovra? La governance della PA*, IFEL, 2012, pp. 17-19).

[37] According to Mr. Guarini, «the significant overlapping between the Italian budget laws and the national Growth and Stability Pact is evident in the process followed in recent years: once the total value of any budget law is defined , specific criteria will be set up to allocate a part thereof on local governments, limiting the latter's autonomy by setting maximum financial balances» (E. Guarini, Un modello di riferimento per la revisione del Patto di stabilitàinterno, in F. Amatucci, F. Pezzani and V. Vecchi (eds.), *Le scelte di finanziamentodeglientilocali*, cit., pp. 375-398, p. 375).

[38] «The stringent nature of the coefficients of the national Growth and Stability Pact consequent to the goal of this action , and the concurrent freezing of the financial leverage caused a significant decrease in the capital expenditure carried out by local authorities: such expenditure, because of its discretionary nature, has been indeed found as being the component of spending most penalized by such a constraint [...]; since the national Stability Pact is set up in terms of mixed jurisdiction, has created a strong compression of payments in investment spending», *Parliamentary acts of the Italian Chamber of Deputies, Document approved by the V Permanent Commission on Budget, treasury and economic programming in the session of September 28, 2010*, following the conclusion of the session held on January 28, 2009 on local finance.

[39] «The choices carried out with the Legislative Decree n. 78 of 2010 – as written in the final document of the Budget Commission of the Italian Chamber of Deputies in September 2010 – seem to somewhat take awareness of the excess of

4. From the Connection Policies to Austerity

Between 1999 and 2011, the income structure ofItalian Municipalities and Provinces underwent several deep changes, both theoretically and economically, as well as substantially. To summarize, it is possible to notice the following three phases: 1) the first one, which was also the more fruitful, both in producing and implementing law and happening between the entry into force of the Italian Law 142 of 1990 and the approval of the Tuel; 2) the second one, ranging between the reform of Title V of the Italian Constitution in 2001 and Italian Law n.42 in 2009, featuring both accelerations and slowdowns of the overall system reform, as well as a disjointed overhaul of the resource-gathering systems; 3) the third phase is still ongoing and is the one in which data legislator has begun to detect and implement general reorganizing tools. In such a context, it is nevertheless necessary to distinguish between the changes in law and the substantial buildup of an autonomous spending capacity. For example, between the second and third phase - that is to say, since the second half of the 2000s- also because of some partial legislative interventions, the implementation of budgetary autonomy felt the effects of the crisis which caused a decrease in the resources allocated to local governments as well.

Reading the provincial and municipal balance sheets in a medium-term period confirms those trends pointing towards a greater and greater implementation of budgetary autonomy, at least until the end of the 2000s. The data gathered by Istat, the main Italian statistical body, on the Italian Provinces, recognize 1999 as the pivot year: budgetary and tax autonomy shifted, within a year, from 27,5% to 57,5% and from 22,4% to 52,6% respectively[40]; when considering municipalities, financial autonomy gets from 37,8% in 1991 to 55,1% in 1994, raising again to 62,6% in 2000 and to 74,8% in 2006.[41]. However, the influence of the economic crisis which began in 2008 appears evident; as the Italian Court of Auditors noted in its 2011 report on municipalities, during 2009 the effects of the trend in current revenue caused a setback in budgetary autonomy, while "the dependency on transfers goes up from 33,82% to 40,10%"[42].

Generally speaking, the reforms of the 2000s, especially the one in 2009, concerning the implementation of fiscal federalism[43] would have been able to complete the implementation of financial autonomy, as well as the functional one. However, together with the definition of an articulate lawmaking path to be implemented between 2012 and 2013, the system of resources and the operational capacity of local governments has been strongly downsized between 2009 and 2012, as well as because of the aforementioned tightening of the constraints of the National Pact of Stability and Growth and of the reduction in transfers (be they direct or indirect) from the National or the Regional government. The curtailment of these resources began in 2008 and was considerably quickened in 2010; since 2011, it has been bumped up, making it part of the *austerity* policies from several points of view.

Considering just the reduction in transfers towards the Italian Municipalities and Provinces (and without assessing the potential ripple effects on Regions of the cuts in regional transfers), local governments were subject to a first cut in expenditures in 2008, amounting to €200 million a year for Municipalities and €50 million for Provinces, starting in January 2009[44].

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goals pursued up to that moment through the budget constraints contained in the national Pact for Stability and Growth. In this case, the help to the action of local administrations and governments has been carried out through a different tool, i.e. transfer cuts, without enacting substantial changes on those budget constraints already part of the National Stability Pact in force», *Parliamentary acts of the Italian Chamber of Deputies, Document approved by the V Permanent Commission on Budget, treasury and economic programming in the session of September 28, 2010* following the conclusion of the survey held on January 28, 2009 on local finance.

[40]ISTAT, *Entrate e spese del bilancio delle Amministrazioni provinciali, autonomia finanziaria, autonomia impositiva e incidenza percentuale della spesa corrente sulla spesa complessiva, Anni 1967-2011*(years 1967-2011).

[41]ISTAT, *Entrate e spese del bilancio delle Amministrazioni comunali*, cit. A similar trend can be seen on tax autonomy, raising from 28,4% in 1993 to 37,5% in 1994; another bump happened in 2002 (45,9%) up to 52,7% in 2005.

[42]Corte dei Conti, the Italian Court of Auditors, *Relazione sulla gestione finanziaria degli enti locali, esercizi 2009-2010*, p. IX.

[43]Italian Law 42/2009, Delega al Governo in materia di federalismo fiscale, in attuazione dell'articolo 119 della Costituzione.

[44]Italian Legislative Decree112/2008 (turnedinto the Italian Law 133/2008), Disposizioni urgenti per lo sviluppo economico, la semplificazione, la competitività, la stabilizzazione della finanza pubblica e la perequazione tributaria, Article61, subsection 11.

A year and a half later, the Italian Legislative Decree 78/2010 established a decrease amounting to €300 million for 2011 and to €500 million a year since 2012 for the Provinces, as well as a decrease amounting to €1.500 million for 2011 and €2.500 million a year since 2012 for those municipalities having a population of more than 5.000[45]. Nevertheless, it is during 2011 and 2012 that an extraordinary worsening came to be.

The so-called *DecretoSalva Italia* issued by the Monti government imposed a first curtailment amounting to €415 million for Provinces and to €1.450 million for Municipalities from 2012[46]; a few months later, during the summer of 2012, the approval of theLaw Decree on the "*Spending review*" brought further cuts- for the first time during the financial statements-amounting to €500 million in 2012 and to €2 billion in 2013 for municipalities and to €500 million in 2012 and €1 billion in 2013 for the Provinces respectively[47]. Finally by means of the 2012 Stability Law, the Italian government forced local governments to significantly reduce their previous level of debt, connecting these constraints with the management (and possible dismissal) of their real estate assets[48].
Both the time and the size of this series of transfer cuts effectively weakened the decentralization process, up to putting the feasibility of the fiscal federalism into question, as well as the capability of supporting local economies. Actually, it is no wonder how, in recent years, a substantial drop in the volume of investments carried out by local governments has been recorded, while, on the other hand, the importance of current expenditures vs. the overall cash outflow grew. Just to remind the most significant numbers, the capital expenditure concerning municipalities dropped, between 2001 and 2011, from 26,7 to 15,6 billion euros [49], while the one regarding Provinces went down from 5,3 billion euros in 2002 two 2,3 billion euros in 2011[50]. During the same years, the weight of current expenditures on the overall cash outflow for Municipalities grows from 57,9% in 2001 to 69,8% del 2011[51]. Therefore, it appears possible to state that, during the second half of the 2000s, there was a progressive drop in investment expenditures carried out by local governments. Such a process accelerated after the beginning of the crisis in 2008[52].

[45]Italian Legislative Decree78/2010 (turnedinto the Italian Law 122/2010), Misure urgenti in materia di stabilizzazione finanziaria e di competitività economica, Article14, subsection 1-2.

[46]Italian Legislative Decree 201/2011 (turnedinto the Italian Law 214/2011), Disposizioni urgenti per la crescita, l'equità e il consolidamento dei conti pubblici.

[47]Italian Legislative Decree95/2012 (turnedinto the Italian Law 135/2012), *Disposizioni urgenti per la revisione della spesa pubblica con invarianza dei servizi ai cittadini*, Article 16.

[48] This law reduced the parameters of the ratio between current income and payable interest from 10% to 8% for 2012, from 8% to 6% for 2013 and from 6% to 4% for 2014; the Italian Government allowed local governments to reach these goals by transferring their assets to a new national real estate fund, to be set up.

[49]ISTAT, *Entrate e spese del bilancio delle Amministrazioni comunali*, cit.

[50]ISTAT, *Spese di parte capitale impegnate dalle Amministrazioni provinciali, Anni 1952-2011*. These values have been calculated by excluding the expenditures connected with "debt payoffs"; it should also be noted that, during the same years, the "direct investment" drops from 3,2to 1,6 billion euros.

[51]ISTAT, *Entrate e spese del bilancio delle Amministrazioni comunali, cit.;* Istat, *Entrate e spese del bilancio delle Amministrazioni provinciali,* cit.

[52] According to several studies, the average investment expenditure carried out by Italian Municipalities went down from 1,4 to 0,98 billion euros between 2004 and 2008 da (on this please see:P. Puntillo, P. Tenuta and D. Sposato, Le sceltestrategichedeglientilocalineiprocessi di sviluppoterritoriale. Profiliteoriciedevidenzeempiriche, in "Impresa e Progetto", cit., pp. 20 and following.); by the same token, the investment expenditure carried out by the Italian Provinces dropped by 34,7% on average, between 2007 and 2010 (L. Senn and R. Zucchetti, *Unaproposta per ilriassettodelle Province*, Upi, Cernet, Bocconi University of Milan, 2011). Analyzing the capital expenditures within the balance sheets of those municipalities also being provincial capitals, Legautonomie, and Italian body studying local governments, underlines the following «in 2006 the percentage of current expenditures amounted to 40,8% vis-à-vis the 59,2% recorded for capital expenditures.In2009, the overall effect of current expenditures grows up to 44,7% while the capital expenditures goes down to 55,3%. That is the result of the policies enacted by the central government on investments which, making the Stability Pacts and their constraints stricter, enacted a strong drawback in those resources allocated to improve territorial infrastructure.An analysis of the financial plans for the 2006-2009 period shows a decrease in capital expenditures amounting to 3,7% (from 27,3 to 26,3 billion euros). Parent expenditures, on the other hand, went up by 12,9%», Legautonomie, *Il federalismoallaprovadeifatti. La recente evoluzione degli investimenti delle amministrazioni pubbliche locali*, October 2009. Such a trend was confirmed also by the most aggressive analysis carried out by ANCI, the national Association of Italian municipalities, according to which a significant drop in investment expenditure(-12,8%)happened in the 2004-2008 period, vis-a-vis an increase in current expenditures. The latter was determined by an increase (+25,4% between 2004 and 2008) in welfare-related expenditures.On this, pleaseseeANCI-IFEL, *Il quadro finanziario dei comuni*, July 2010.

These data, even in the face of the need for greater rationalization of Public Administration expenditures, as well as those of the local governments themselves, may explain a part of the reasons for the economic tailspin following the crisis in Italy in recent years, as well as the difficulties encountered in generating ant cyclical interventions in the face of which local governments can, usually, warrant a greater transmission speed in their areas. This feature, in order to be fully understood, should be substantiated by further research both the theoretical and of the quantitative kind.

5. Italy between the System Crisis and the Austerity Policies. Some Notes for a Possible Research

After more than 20 years since the signing of the Maastricht Treaty and the beginning of the so called "Italian transition", it is possible to try and draw a picture of the two latter decades. The "Maastricht constraint" became more and more binding as time went by, becoming one of the cornerstones to understand the choices and the influences on the Italian economic policies, all the more in a context where Italy did not succeed in seizing the opportunities offered by the new global economic cycles and by the new Industrial Revolution. The very same innovations partly achieved during the 1990s, even if they had the value of opening a recovery process of the Italian public finances, as well as reforms in some sectors, did not succeed in affecting, as they could have instead, on the legacies of the "First Republic", also because of the lack of homogeneity in the Italian governments and of the inability of completing the reforms they started.

After the social and political mobilization which ended up with Italy joining the Euro, the lack of a clear and shared vision on the future of Italy within the new global scenarios slowed down the affirmation of that experience and potential which had their expression thanks to those innovative entrepreneurs, social forces and people from institutions more careful to the needs of a collective path. Especially during the following decade, the absence of a reform-based vision led to the scattering of those advantages arising from the low interest rates of the Euro and from the possibilities of development present in the process of globalization[53].

The industrial system itself (at least its wide part, except some good or new experiences),didn't really try to review its internal and external organization or to invest in ICT and innovation technology to improve the rate of productivity; this is one of the main reason why the Italian factory system (together with the whole country) marked during this twenty years animportant decline of competitiveness in the OECD countries[54]. Or why we attended at the increase of the inequalities[55]and at the loss of economic growth in the new globalization, taking Italy in a new "System Crisis", based on political, economic and institutional critical problems very similar to the 1992-1994 caesura, but very worst respect the past because, meanwhile, the word around the country is totally changed[56].

The curve of local autonomies during these decades is part of this past and its analysis may contribute towards explaining the contradictions and the difficulties of these twenty years. The process of transformation of the local governments underwent is made of a series of *stop and go* and was affected by a further contradictory phase since the end of the 2000s, when the effects of the economic crisis– and of the previous low growth years– seamless integrated with the need to contain public expenditures through transfer cuts and the stiffening of the constraints of the National Stability Pact; such a path quickened in 2011 with the beginning of the *austerity* policies.

The first results of the analyses carried out on the effects of the National Stability Pact highlight the limits and the inconsistencies of the choices carried out at the national level. After Italy entered the Maastricht system, in the face of the need to reorganize the Italian economy and the structure of the country, and ambivalent process came to be: on one hand, new power subtasks have been bestowed on local governments and on the other, the need to recover the Italian public finances and the evolution of the economic situation actually curtailed the possibilities of intervention by the local governments themselves.

[53]See:T.Padoa-Schioppa, *Italia, una ambizione timida. Classe dirigente e rischi di declino*, Milan 2007, pp. 36-51.
[54] On this subject please see: G. Ciccarone and E. Saltari, Cyclical Downturn or Structural Disease? The Decline of the Italian Economy in the Last Twenty Years, in "Journal of Modern Italian Studies", forthcoming.
[55] See: OECD,*Divided We Stand: Why Inequality Keeps Rising*, 2011; Id.,*Income, Inequality and Poverty*, 2014.
[56]See: U. Gentiloni Silveri, Italy's Unfinished Transition: Between Domestic Dynamics and International Change, in "Journal of Modern Italian Studies", forthcoming; Id., *Controscettici e disfattisti. Glianni di Ciampi 1992-2006*, cit.

It goes without saying that the permanence of a phase entailing political and institutional transformations during almost 20 years produced significant effects of Italy as a whole. Therefore, the two latter decades should be read as a phase of the Italian economic history, more than like a "transition" between an old and an ill-identified new system.

Therefore, also the history of local governments during the 20 years we just put beyond our shoulders, if inserted in that medium and long-run view used by the economic historians in assessing the evolution of each economic systems, confirms the image of Italy as a country taking the brunt of the overlapping between the elements of continuity and discontinuity with the previous structures. A country where the interactions between the national data and the international context and, yet again, the limits of the choices, both enacted and failed during the 1990s and the 2000s, did not allow to begin a path of relaunch, itself useful to start development policies in order to restart the competitiveness of local systems and, with that, the competitiveness of Italy within the new global context. Such a situation had a hand in making Italy more fragile and subject to the consequences of the current international economic crisis. This context, to be fully understood, should be supported by further researches, on both the quantitative and the theoretical side, able to analyze - with specific economic data - how the drop of local government investment expenditures to support the local development had influenced directly the decline of the Italian GDP in the last decade.