



“Kicking the Can Down the Road” Deferring Fiscal Adjustment as a Premise for Italian Budgetary Populism

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INTRODUCTION: THE BUDGET ROLE FOR A POPULIST CONSTITUTIONAL PROJECT

The diverse composition of revenues and expenditures within the state budget is crucial to the realization of any political project, including the populist one, to build or implement a new social order aimed at promoting the common good of ordinary people against the partial interests of corrupt élites. In particular, populist leaders in power conceive the state budget as an instrument to shape the national economy towards certain political and social realignments, namely, to reduce the divergence between a purported general will of the people and the will of the élites. While somewhat akin to the democratic constitutional idea, whereby the budget law is a legislative tool enabling citizens through their own elective representatives to control how much taxes are raised and how resources are spent, the populist constitutional narrative rejects several distinctive

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features of the liberal constitutional understanding of the budgetary process. In this respect, the populist approach in budgetary matters is characterized by a radical denial of the usefulness of constraints, which are considered being imposed mostly by non-democratic supranational institutions such as the European Union or the International Monetary Fund, whereas the abidance by them is portrayed as an illegitimate impediment to expansionary fiscal and social policies. Budgeting, therefore, is not regarded as a legal process under which the executive branch is limited in determining the allocation of resources among competing claims by the attainment of annual or multiannual financial objectives. By contrast, it is regarded as a mere political instrument in the hands of a ruling majority, which has free rein to design policies for the people who have been marginalized by a set of ruthless and self-dealing élites. Consequently, economic and social policies ought not to be subject to any test of rationality or feasibility by independent and technical bodies or ministerial bureaucrats; that is, they might also end up being contradictory to one another, thus making economic and financial planning more unpredictable and arbitrary. The permanent electoral campaign, in which populist regimes are immersed, therefore, makes variations or adjustments to the budget more frequent and unexpected, as in fact populists in power tend to react tactically to what the public opinion from time to time arguably regards as sensitive issues in order to guarantee their own re-election (on the functioning of democracy according to public choice theory see Buchanan and Wagner 1977: 98, 161–161, 183 and ff.).

Against this background, populists in power frequently adopt and overestimate the impact of measures having a short-term stimulus effect in order to keep together social groups at different levels of society and, conversely, often deny the possible adverse effects of more public spending and/or lower taxes in terms of a growing public debt or inflation (see Ifo Institute 2017: 53–54; Dornbusch and Edwards 1991: 8–11). For the same reason, they abstain from properly delivering a spending review for every area of expenditures, as across-the-board spending reductions (*tagli lineari*), if anything, are by far a less demanding task than a strategic reallocation of resources. This means a populist constitutional regime rejects the idea of a proper budgetary planning, as it generally would be the case in a traditional multiparty democracy, in which the ruling majority accepts interferences by technical bodies, as they are expected to bring in relevant elements of rationality.

For the enactment into law of their economic and social policies, populist leaders believe, in fact, that the people's majority just ought to regard them as politically urgent. The inherent disregard of budget constraints, therefore, goes hand in hand with a distorted conception of representative democracy, whereby the ruling majority should get rid of any sort of institutional checks and balances, since it represents homogeneous and self-evident interests of a unified people, whose indivisible will by no means can be limited by formalistic legal rules. This critical attitude towards liberal democracy and, in particular, division of powers results in a disruption of the relationship between the executive and the legislative branch, the latter no longer being expected to control the former, but, on the contrary, the former being designed to expand its decision-making power with no need of authorization or evaluation by the latter. The structural alteration of the separation of powers' doctrine has a serious impact on the budgeting process as a whole, since it restrains the work of independent fiscal councils and weakens oppositional as well as minority prerogative powers, which end up being severely curtailed. The populist deliberate attempt to blur the difference between the executive and the legislature and to do away with an allegedly faceless bureaucratic financial supervision is meant to allow the state to be captured from within in the name of achieving the ultimate goals of the people. This phenomenon inevitably produces "legal resentment" by populist leaders towards those laws and procedures enjoying a higher rank than ordinary laws, that is, constitutional and quasi-constitutional prescriptions, including supranational laws. Once the distinction between constitutional and ordinary provisions has also been removed, a constitutional or a supreme court might be the very last institution required to address the unavoidable question of the limits to legislative discretion, thus becoming essential to the survival of a liberal-democratic understanding of the Constitution as a whole.

This chapter will draw on these theoretical assumptions to show that Italy finds itself "and not since yesterday" in a political situation in which populism risks to prevail also in budgetary matters. Budget constraints in fact have been long considered as an obstacle to the legitimate realization of fiscal and social policies by leaders who claimed to truly act in the name of a unified will of the people. This attitude harks back to how questions of public finance have been dealt with by both right- and left-wing cabinets over the last 40 years (Paragraph 1). An attempt to reverse the weakening of the financial constitutional framework caused by a bipartisan populist course of action has been made with a number of reforms passed

between 2009 and 2012, which aimed to strengthen the entrenchment of the Italian normative framework into the European one. However, this attempt backfired, as it appears that the parliamentary budgetary process still lacks faithful abidance by constitutional and EU legal prescriptions (Paragraph 2). Therefore, the Constitutional Court has been most recently unleashed to act as the “last bastion” against the typical populist approach towards the Constitution, whereby if the latter supports populists’ views, it will be revered as sacred, but if it does not, it will be demonized or, at most, ignored (Paragraph 3).

THE DEEP ROOTS OF A BIPARTISAN POPULIST APPROACH IN THE ITALIAN BUDGETING PROCESS

Manifestations of populist constitutionalism do not come out of the blue, but are a tangible sign of a deep popular distrust towards certain institutions of liberal democracy or sometimes even of a precarious societal embedment thereof. Fiscal discipline in Italy is an example of this kind, since it was never well rooted in the social Constitution of the country. During the constitutional history of the Italian Republic, legal constraints on the budget have been strained and misinterpreted, while judicial review of legislation for a long time barely played a role in implementing them. Besides, the entrenchment of budget constraints is, still nowadays, all but accepted in the academic legal community, since some authors consider them to call into question the neutrality of the Constitution *vis-à-vis* different economic thoughts and, in particular, lean it towards a modern form of authoritarian constitutionalism (see *inter alia* Alvar Garcia 2019: 37–56).

As the Italian Constituent Assembly enshrined Article 81 into the text of the new Constitution in 1946–1947, the primary concern of the Founding Fathers and among them, especially, of the future Finance and Budget Minister, Ezio Vanoni and the future second President of the Republic, the economist Luigi Einaudi, was to restrict the parliamentary spending initiative, since an expanded role of the legislature, that is, its capacity to amend budget decisions, appeared as a potential source of deficit finance (Santagostino 2017: 44–48; Einaudi 1956: 205). What the Founding Fathers had before their eyes, in fact, was the early twentieth-century degeneration of parliamentary powers, when political majorities were prompted to loosen the public purse strings in order to meet the multifarious interests of their constituencies. In their view, therefore, an effective constitutional