

# PUBLICATION

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## The Meaning of "No" – Putting the Italian Referendum in Perspective

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**Italian voters overwhelmingly rejected a set of constitutional changes that would have streamlined Italy's government and consolidated power in the hands of the Prime Minister's office. The practical impact of the "No" vote on Sunday, December 4, 2016, can only be assessed, however, by looking at the partisan political dynamics that shaped the referendum results.**

Like the United States, the Italian legislative branch is made up of two chambers, il Senato (the Senate) and the Camera dei Deputati (akin to the U.S. House of Representatives). The Senate is much larger than the United States Senate with more than 300 members, some of whom are appointed for life. Italy's proportional voting system mandates that various political parties that would be considered "fringe" parties in the U.S. are awarded seats in the Senate and the Camera; as one example, Laura Boldrini, Italy's equivalent of the U.S. Speaker of the House, is a member of a far-left party that routinely receives well under five percent of the national vote and will likely never be a mainstream party. As the result of the divergent voices in the Italian legislature, consensus is difficult to achieve and it is difficult to pass impactful legislation.

The December 4 Referendum would have reduced the number of Senators and allowed legislation to pass without the support of the Senate. This departure from the bicameral procedure was a major legislative change that would have increased executive power to enact laws, particularly in the present scenario in which the Prime Minister's coalition controls the Camera dei Deputati. Other constitutional changes would have reduced the power of the regions and provinces and would have made it easier for referenda to be enacted into law.

Most observers within and outside Italy would agree that electoral and legislative reforms are needed and Prime Minister Matteo Renzi invested a great deal of political and intellectual capital in proposing the constitutional package. During the eight month electoral campaign, Renzi insisted that he would resign if the referendum was not passed. This ultimately proved to be a political mistake as the public discourse largely shifted from the merits of the reforms to the performance of the Renzi government and "No" eventually overtook "Si" in the pre-election polls. However, most observers did not foresee the lopsided result in which "No" defeated "Si" by nearly a 20 point margin.

While voters in Italy may have recognized the need for political reform, their own daily concerns depend less on the machinations of government and more on their everyday experiences. Italy has suffered a decade of high unemployment and low to negative economic growth, extraordinarily high youth unemployment and the resulting "brain drain," the perceived failure of the working class to benefit from globalization and various social problems associated with unprecedented waves of uncontrolled immigration. These negative trends were attributed to Renzi and his government. Voters seized the opportunity to force his resignation at the ballot box, treating the referendum as a vote as to whether the country was on the "right track" or the "wrong track." The early analysis of voting trends shows that the reform package was comfortably defeated by essentially identical margins among women and men, young and old. Virtually every region voted against the reform package with the exceptions of Renzi's home region of Tuscany, Emilia-Romagna and Trentino-Alto Adige/Sudtirol.

Renzi immediately announced his resignation, leading to speculation as to the future of Italy's government. The two principal options are a snap election within a matter of days (advocated by opposition leader Beppe Grillo

of the populist Movimento Cinque Stelle) or the appointment by President Sergio Mattarella of a caretaker government to run the country until the regularly scheduled election in the spring of 2018. What appears clear is that Italy's era of relative political instability is not over.

While it is too early to tell who will ultimately benefit from the conclusive victory of "No," it would certainly appear that the Movimento Cinque Stelle's chances of forming a government have increased dramatically. Cinque Stelle is generally an anti-establishment, Eurosceptic party and, if it were to assume the leadership of the Italian government and such leadership were to translate into a clear popular majority, the likelihood of an Italian exit from the EU, even if arguably remote, would increase. Another leader of the "No" movement, Matteo Salvini of the Lega Nord, is a strident critic of the EU and would likely support such a move. Given the unpredictability of Italian politics, it would be unwise to bet on a future Salvini government, Grillo government or on "Italexit." However, if an "Italexit" were to occur, the Eurozone would have lost one of its most important economies and Italy would need to address its trade relationships in the same manner that Great Britain now must. Moreover, it cannot be ignored that the anti-establishment mood of the Italian "No" voters, and the everyday concerns that led to the "No" vote, are shared by many voters in other European countries. If the upcoming French and German elections have outcomes similar to the December 4 Italian vote, a European paradigm shift may be at hand and the EU as we know it will be at risk.

Notwithstanding Italy's ongoing economic crisis and political challenges, it remains a country that produces goods and innovates technology at a prodigious level. The "Made in Italy" moniker will continue to draw global consumers no matter who controls the strings of government in Rome and Italian businesses will continue their search for new markets in which to expand – a phenomenon that has existed since the days of Marco Polo. The Italian electoral system will someday be reformed, but the negative sentiment of everyday Italians towards the performance of Renzi government on issues of daily importance was too strong for the country to adopt the Renzi-championed constitutional changes. In the meantime, the United States remains a market in which healthy Italian businesses will invest and expand.

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