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Italian referendum on constitutional reform: what does the ‘no’ vote mean for Italy and Europe

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Abstract: In a referendum on Sunday, Italians rejected constitutional electoral reform proposed by Prime Minister Matteo Renzi. As with other recent global referendums, the question put to voters encompassed much more than the proposed changes. The official debate focused on whether the reforms would facilitate a more efficient democratic process, as proponents claimed, or allow the concentration of too much power in the hands of the government and the leading political party. The poll also became a vote on the premiership of Renzi, who had promised to resign if his proposal was rejected, and confirmed his intention to do so as soon as the results were announced.

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What Does “No” Vote Mean for Italy and Europe?

December 6, 2016 • by Eri Bertsou

In a referendum on Sunday, Italians rejected constitutional electoral reform proposed by

Matteo Renzi announces his resignation following defeat in a referendum on electoral reform. Rome, Italy, December 5, 2016. (Gregorio Borgia/ Associated Press)

Prime Minister Matteo Renzi. As with other recent global referendums, the question put to voters encompassed much more than the proposed changes. The official debate focused on whether the reforms would facilitate a more efficient democratic process, as proponents claimed, or allow the concentration of too much power in the hands of the government and the leading political party. The poll also became a vote on the premiership of Renzi, who had promised to resign if his proposal was rejected, and confirmed his intention to do so as soon as the results were announced.

By extension, some interpreted the referendum as a choice between political continuity on the one hand and, on the other, a leadership vacuum and potential repercussions that could threaten the financial stability of the European Union’s third largest economy (excluding the departing United Kingdom) and a founding member of the bloc. Given the recent global wave of anti-establishment protest, including the election of Donald Trump in the United States and Britain’s decision to leave the EU, the Italian results were also interpreted as another blow to the European establishment and the global political and economic order, though this reading is far-fetched.

It is difficult to untangle the exact reasons that led Italians to reject the reform by a clear majority of 59.1% over 40.1%. This was, nonetheless, Renzi’s proposal, and one he explicitly attached to his premiership. All other political forces in Italy, from the far right to the populist left, as well as some figures from within the prime minister’s own Democratic Party, campaigned for the “no” vote.

It is safe to say that those who came out to vote in favor of reform, which was about the same as the 40% of the vote the Democratic Party won in the latest European elections, were showing their confidence in Renzi himself and his reform-minded agenda. Of those who voted “no,” meanwhile, a significant percentage likely did so solely on the merits of the proposed changes, weighing up the risks and benefits for the country’s democratic functionality. In the Italian press and in expert discussions leading up the vote, the debate on potential impacts, including likely efficiency gains and power imbalances, was far from settled. Even the former technocratic Prime Minister Mario Monti—hardly a voice of extremist or anti-establishment sentiment—spoke out against the proposals.

The remaining significant percentage voting “no” consisted of those Italians who explicitly voted against Renzi and the policies implemented by his government. Italy’s economic situation remains poor, with close to zero growth, high unemployment, and a weak banking system that continues to pose a threat to national financial stability. A lot of voters were also frustrated with the campaign’s messages of fear and imminent financial doom that attempted to portray a “yes” vote as the only viable choice. Within those who wanted to see a change in the country, both in terms of its leadership and direction, there were undoubtedly also some who

explicitly support far right, anti-establishment, and anti-EU forces.

So what comes next for Italy and Europe? While the referendum was closely watched by the continent’s leaders and financial sector, its aftermath has not produced the shockwaves seen after Brexit. The markets had largely priced in a negative outcome and remained stable, even though Monti dei Paschi, Italy’s third largest bank, is in urgent need of a capital increase or even a state bailout.

Renzi has agreed to remain in his post until at least the end of this week, in line with President Sergio Mattarella’s request to stay until Parliament passes the 2017 budget. Snap elections to replace him are possible, although the electoral law in effect in Italy is currently being reviewed by its constitutional court. The court was expected to deliver its verdict after the referendum, although the precise timing of doing so is unclear. Given this, the most likely short-term development is the appointment of a caretaker technocratic government in the next few weeks. This could be one that is politically weak and has a limited mandate of revising the electoral law to lead the country to new elections as soon as possible, or it could have a wider mandate and stay in power until the next scheduled parliamentary elections in Spring of 2018. Already, Speaker of the Senate Pietro Grasso and Finance Minister Piercarlo Padoan have been mentioned as potential appointees to the new administration.

For the wider European region it is clear that, even without immediate elections that could bring the populist and anti-EU Five Star Movement to power, Brussels lost a reliable, progressive, and reform-minded ally this week. Though Renzi’s rhetoric had become more critical of the EU in the past year, especially over the handling of the refugee crisis, Italy has been a key European player during his tenure.

While interpreting the referendum result as a “no to the EU” would be largely misleading, this has not stopped populist forces around the continent from doing so. Marine Le Pen of France’s Front National tweeted praise only hours after Renzi’s resignation, saying “The Italians have disavowed the EU and Renzi. We must listen to this thirst for freedom of nations.” Other populist, xenophobic, and anti-European voices will attempt to turn this result to fit their narrative. It is important to remember, however, that on the same day of the Italian referendum, Austrian voters also rejected the far right Norbert Hofer and chose former Green Party leader Alexander Van der Bellen as their president.

The upcoming French presidential election in Spring of 2017 will now be closely watched in Europe and beyond. In the meantime, Italy will need to approve a new electoral law. By the time of the next election, Renzi may also have reestablished himself as a serious contender to once again lead the country. He is still young and popular among certain segments of the population. He also stood by his promise to step down following the rejection of his proposal, which is a breath of fresh air for Italian politicians who tend to cling to their posts tooth and nail. Italy’s reform agenda has certainly experienced a serious setback. Yet, if the country manages to avoid plunging into financial instability in the coming months, there is a good chance it can resume its path forward, including in Europe.