

# Renzi's defeat is not another victory of populism

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From a distance, the recent decision by Italian Prime Minister Matteo Renzi to resign after suffering a loss in a referendum on a proposed ambitious constitutional reform might look like another sign of the wave of populism and 'anti-system' sentiment that led to the Brexit vote in June and the election of Donald Trump as the new US President in November. A closer look, however, reveals that the Italian situation is more peculiar and should neither be assimilated to these earlier events, nor taken as an early warning of the possible rise of populist parties in upcoming elections in other European countries such as France, Germany and the Netherlands. Likewise, the results of the Austrian elections last weekend confirm that there seems to be no 'Trump effect' on Europe for now.

## Renzi himself emerged as a populist, anti-establishment leader

Matteo Renzi emerged as a young, talented political leader after a quick political career as local administrator (2004-09) and mayor of Florence (2009-14). His rise occurred at the expense of the more established leadership within his own party and was accompanied by the clear intention to get rid of the existing political leadership. Renzi emerged almost as a 'Trump': not favoured by his own party's established leaders, he gradually gained power by establishing transversal alliances with more conservative parties (including Berlusconi's own party, with which the original idea of the constitutional reform was extensively discussed and agreed back in 2014) and creating the preconditions for a large coalition backing his government and sending home Enrico Letta, who had stepped in as prime minister only a few months before.

Once in power, Renzi pursued some ambitious reforms by focusing mostly on speed and presenting himself as an agile and 'liquid' anti-establishment leader. His policies have since led him to part ways with many members of his own party, which ended up being split even in last Sunday's vote. On the other hand, Renzi made inroads in the centrist and conservative parties, which form part of his coalition. He made a courageous bet – keeping a hybrid coalition behind him until the next elections in 2018 – but made more enemies than friends along the way. His leadership style soon has been seen as lacking openness and becoming gradually less democratic. He did not modernise Italian institutions from the inside (for example, by strengthening the transparency and evidence-based nature of the Italian policy process) but rather announced the intention to get rid of some of the checks and balances

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that the Italian constitution contemplates, inevitably triggering an adversarial response; he did not pursue redistribution policies other than a couple of rather populist moves (e.g. a one-off contribution of €80 to people with low-income salaries); he chose the large employers' side in many battles with workers' unions, thereby creating fierce enemies in the left-wing; he courted Silvio Berlusconi and was courted by him, in an acrobatic ballet often fraught with narcissism; and they ended up falling into the same trap as has entangled many Italian governments: no sign of stronger investment in education and research, no sign of a true vision for the future of Italy in economic, social and environmental terms, no sign of better implementation of the many promised policy changes (including the ambitious and heavily contested "Jobs Act"). He surrounded himself with a group of newcomers, mostly coming from his own region (Tuscany), and displaying varying degrees of competence and communication abilities: some of them were closer to the right-wing than to the Democratic party, and some of them were implicated in scandals early on.

Renzi showed a lot of courage when he decided to champion the constitutional reform he had discussed with Silvio Berlusconi, and probably also with international investors, and did all he could to 'personalise' the referendum, by transforming it into a plebiscite on his personal leadership. In the past few weeks, courage turned into desperation, and Renzi seemed willing to conquer the electorate with resounding promises (a not-so-new commitment to build a bridge between Sicily and Calabria, a generous monthly salary increase of €85 for civil servants, etc.); and pushed himself way beyond the limits allowed by EU Treaties in presenting a budget law that will have to be significantly amended (not now, but in March 2017, as the [Eurogroup just announced](#)).

*It was a brave move to run this risk, but in hindsight not a clever one, since Italians – especially among the young – interpreted it as an attempt to hijack the popular vote.*

### The proposed reform was populist and presented as anti-establishment

The weeks that preceded the vote were characterised by a lot of turmoil in the Italian political debate, as usually occurs in the country. This time, however, a number of academics denounced the lack of clarity and the biased formulation of the question citizens were called to answer. The text asked "Do you approve the text of the Constitutional Law concerning 'Provisions for overcoming equal bicameralism, reducing the number of Members of Parliament, limiting the operating costs of the institutions, the suppression of the CNEL and the revision of Title V of Part II of the Constitution' approved by Parliament and published in the Official Gazette no. 88 of 15 April 2016?" It asked citizens to provide through a "yes/no" answer an assessment of a very complex law, and mostly highlighting the cost-reduction potential of the proposed reform rather than its impact on the democratic legitimacy of the institutional framework. Authoritative experts raised concerns on the potential anti-democratic impact of the proposed reform, fearing that the reform would weaken all the constitutional safeguards against the consolidation of power in the hands of the executive, a distinctive trait of Italy's post- (and anti-)fascist constitution. In other words, several experts rejected the proposed referendum as coming close to an attempted *golpe*.

After all, a non-elected government had relied on a partly illegitimate parliament (elected with an electoral law then declared unconstitutional by the Constitutional Court) to propose one of the most profound reforms of the Italian Constitution since the 1970s. And while the opponents included extreme right parties, 'direct democracy' advocates and old, marginalised political leaders from many political parties, an analysis of the vote reveals that it was mostly the younger generation, and even more the South of the country, that decided to send Renzi home. As much as [81% of the voters aged 18-34](#) voted against the proposed reform, and this is way above the large share of followers currently

attributed to the Five Star movement. More generally, [an analysis of the vote published by the Financial Times](#) reveals that the proposed reform was also rejected in areas where Renzi's own party had fared relatively well in past elections. Contrary to what happened in the Brexit vote, young voters in Italy opposed the young reformer, who suddenly became in their eyes part and parcel of the *ancien regime* and tainted by a thirst for unconstrained power. And even if Renzi himself vibrantly proclaimed that voting yes was the only choice against the establishment, he did not convince many, and suffered a severe defeat probably due to the low credibility he had earned in 1,015 days of government.

### The consequences for Europe should not be exaggerated

Italy is still a solid country, and the result of the referendum should be taken as an evidence that the *Bel Paese* is still able to decide for itself. That said, the President of the Republic shall now appoint a transition government led by an institutional figure. This is not necessarily a bad idea: paradoxically, in Italy, transition governments often take a more pragmatic stance than a political one. And Renzi's own government was not elected, nor was it backed by a well-defined, compact political coalition with a shared set of values and policy goals. Besides approving the budget law for 2017 (immediately, and under Renzi's *interim* leadership), the government will certainly have to face immediate policy challenges in the credit sector (with some banks like MPS being [very close to the bail-out zone](#)); and will approve a new electoral law especially for the Senate, which survived a severe risk of institutional downgrading and power dilution. In late January the Constitutional Court will decide on the viability of the current voting system for the House of Representatives; meanwhile, two completely different voting systems apply to the two Houses, potentially leading to further instability in future elections.

Once the government is formed, it will also become clearer if the prospects are to go back to the ballot in 2017, or wait until 2018. Current Members of Parliament might opt for the latter in order to acquire the right to a lifelong pension; and political uncertainty might in any event lead the President of the Republic to opt for such a solution in order to avoid a major reaction of financial markets. Whatever the solution, the real risk is the *limbo* that reigns in the country, with its enduring lack of leadership in the traditional political parties, the looming shadow of Berlusconi's (partial) return, and the relative lack of preparedness of the emerging parties like the Five Star movement, which rely on a too limited spectrum of political proposals that still undermines their credibility as future country leaders (which they might well end up being). Still, until a strong government is formed and democratic legitimacy is restored, the country will remain incapable of addressing its most evident weaknesses: stagnant productivity, growing inequality (29% of the population are at risk of poverty according to [recent data](#)), poor infrastructure and lacklustre prospects in terms of skills and entrepreneurship (with Italy in the lowest positions among OECD countries for both PISA numeracy and literacy scores); and of course a public debt that overburdens the economy and the government's room to manoeuvre. Until then, Italy is doomed to remain the 'sick man' in an already 'sick Europe'.

In the coming months, the country will have to appoint a productivity board in charge of exactly this goal: an ambitious regulatory governance and reform are currently among the most urgent but most-often ignored steps in Italy. Whoever embraces this challenge in earnest will benefit the country in the long term: whether that is Renzi himself, or the deeply feared (by EU leaders) Five Star Movement, accused of being Euro-sceptic and possibly (but not certainly) willing to call a referendum on Italy's Eurozone membership.

*Navigating the road towards a stronger Italy in a stronger Europe is a complicated but not impossible task, and it may require a strengthening of Italy's institutions at all levels of government and a stronger ability to deliver on policy implementation, evaluation and enforcement.*

As of now, uncertainty reigns. And even the Five Star Movement does not seem to go beyond a “constructive Euro-scepticism”, coupled with a minimalist domestic policy agenda. But have a quick look at what is happening around Europe, and in particular in the UK, Hungary, Poland and the Mediterranean: Should one really be that surprised and scared by the mounting scepticism on the current effectiveness and legitimacy of EU institutions?