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Renzi-ferendum

Italy votes on constitutional reform

Will Italians accept the prime minister's plans for reform?

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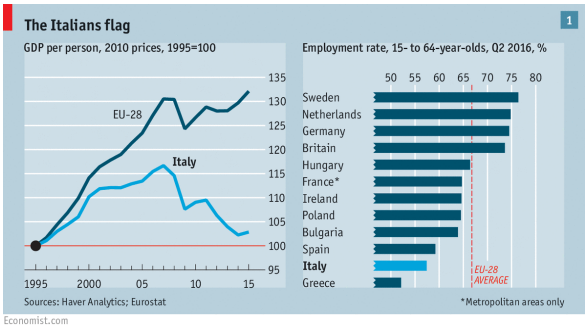
ITALIAN constitutional law does not usually hold much popular appeal. And yet, even with a storm fierce enough to rattle the windows, there was scarcely a spare seat in the council chamber of Vietri sul Mare, a town clinging to the rocky Italian coast south of Naples, when Giuseppe Foscari, a professor at the University of Salerno was invited recently to set out his view. Academics such as Mr Foscari are much in demand these days to give public talks, write newspaper columns and appear on television chat shows. Abstruse constitutional questions have taken centre stage for more than a year as the country prepares to vote in a referendum on constitutional reform on December 4th.

In a country that has seen 65 governments since the end of the second world war, Matteo Renzi, the prime minister, says that changes are needed to make the country easier to govern. In his view, Italy's problems are so deeply rooted in institutional paralysis that only a government with broad powers, a stable parliamentary majority and a reasonable expectation of lasting its five-year term can defy the vested interests that hold Italy back.

Europe's fourth-largest economy is one of its most feeble, weighed down by too much regulation and woefully low productivity growth. Its economy has grown more slowly than that of most others in Europe for years (see chart 1) and GDP per head is lower now than in 1997 at constant prices. Despite a reform of labour laws under Mr Renzi, Italy's employment rate is one of the lowest in the EU.



But the danger is that the referendum will mark the next populist upheaval, after Britain voted to leave the European Union in June and America elected Donald Trump as its next president. Mr Renzi is often seen as Italy's last hope for reform, and best bulwark against the rise of anti-EU and anti-euro parties. He has staked his personal credibility on winning the referendum, saying he would resign if (as seems likely) he loses.

In a sign of investors' nervousness, yields on the debt of wobbly Italian banks and the overindebted Italian state have started to rise, reviving fears of a banking collapse and of a return of the euro-zone crisis of 2010-13. On the other hand, many Italians are reluctant to hand Mr Renzi victory because they worry about the prospect of giving much-enhanced powers to any prime minister, be it Mr Renzi or, worse, a populist leader.

Italy's constitution of 1948 was born of the desire to avoid a return to the Fascist dictatorship of Benito Mussolini. It sought to constrain governments by spreading power equally between the lower Chamber of Deputies and the Senate, the upper house. It also gave significant autonomy to four culturally distinct regions—Sicily, Sardinia, Valle d'Aosta, bordering France and the partly German-speaking region of Trentino-Alto Adige/Südtirol. Friuli-Venezia Giulia, adjoining Slovenia, was included in 1963. In 1970 more limited powers were extended to Italy's other 15 regions.

Regional government has not been a happy experiment. Adding more layers of bureaucracy to a country that already had provincial and municipal authorities has multiplied the opportunities for patronage and corruption. It has also allowed regional administrations to run up debts the authorities in Rome cannot control and has provided new ways in which the central government can be held to ransom.

Who is responsible?

Another shortcoming is the blurred lines between responsibilities. Take the management of Italy's cultural riches. The *tutela* (protection) of cultural heritage is the responsibility of the state; its *valorizzazione* (adding value to, or drawing benefit from) falls to the regions. Sandro Gozi, a junior minister for Europe, says that 70% of the decisions of Italy's Constitutional Court have been aimed at clarifying such distinctions. Yet grey areas persist. The transport minister, Graziano Delrio, notes that the Via Flaminia, a road running from Rome to Rimini, is a regional responsibility in the first region it crosses, a national one in the second and a provincial one in the third.

Mr Renzi's reform amounts to a comprehensive recentralisation of power together with a separate reworking of the balance of power between the two houses of parliament. The least controversial part of this is the reform of regional government. Mr Renzi's plan would not affect the five original self-governing regions, but claw back to Rome several of the most important responsibilities of the others, notably infrastructure projects and energy networks. What is more, it puts regional governments, whose responsibilities include the provision of most health services, under pressure to keep their public accounts in order.

It is the reform of the legislature, however, that is most contentious. Legislation can often be bounced back and forth between the two houses for years. Bills reported in the media as having been passed turn out never to have become law. In 1989, for example, the official gazette published a law ratifying the UN Convention against Torture. Yet the bill that makes torture an offence is still in parliament, 27 years later. It was last heard of in the Senate in July.

The prospect of legislative deadlock is enhanced by the fact that members of the two chambers are currently chosen by different sets of voters under different rules. This carries the perpetual risk of different majorities in the Chamber and Senate brought about by those rules rather than the choice of voters. Italians over the age of 18 can vote for the Chamber, but only those aged 25 or more can vote for the Senate.

Senate, done it

Under the proposed reform, the 315-member upper house would be replaced by a smaller one, made up of five senators appointed by the president and 95 chosen from among the country's regional councillors and mayors by regional assemblies. Ex-presidents would also sit in the upper house. The remodelled chamber could suggest changes to legislation approved in the lower house, but only block a small number of mostly constitutional bills.

The impact of the referendum's reforms will be magnified by changes to electoral law. The electoral system has been altered three times since 1993. Proportional-representation, though leading to endless changes of government, produced an underlying stability during the cold war, as successive administrations led by the Christian Democrats held the line against a powerful Communist Party. After the discrediting of the established parties in the "Tangentopoli" corruption scandals of the 1990s, Italy adopted a system more akin to a British-style first-past-the-post election in the hope of holding MPs more accountable to voters and creating stable majorities.

This was changed in 2005 when Italy reverted to a system of proportional representation. The winning coalition was granted additional seats to ensure that it enjoyed a majority. The law was so flawed that its own author called it a *porcata* (rough translation: "a load of crap"), hence its

nickname of the Porcellum. A new law is now in place. Mr Renzi changed it last year to one known as the Italicum, but kept many of its flaws.

Voters for the lower house will have to choose, as they do now, between lists drawn up by party leaders in each multi-seat constituency. Choosing a particular slate will automatically give a vote to the candidate at the top of the list but at the same time voters will be able to express up to two preferences for other candidates, rather than accepting all of a party's predetermined choices. Each party will be allocated seats according to its share of the national vote (above a 3% threshold) and these will be distributed among the constituencies, starting with the head of the list and then according to the number of preference votes for each of the others. This means that deputies will still be largely beholden to their party leaders.

Under the Italicum, as under the Porcellum, one of the lists will be guaranteed the right to govern. The Italicum engineers an assured majority by instituting a two-round ballot, in which the winner is then guaranteed 340 of the 630 seats in the lower house. And in practice, it will have more, because the share-out applies only to 617 of the deputies. Of the remainder, 12 will be chosen by Italians abroad and one by voters in the Valle d'Aosta region. It would be unusual if none went to the winning list.

The Italicum does not apply to the Senate. Mr Renzi tempted providence on an epic scale, assuming that the constitutional reform would be approved and no election would be needed, as the Senate's members would either be elected indirectly or not at all.

Italy's odd arrangements have a nefarious logic. They supply what Italian politicians, and especially those in small parties, crave even more than sources of patronage: opportunities for *ricatto* (leverage or, less politely, extortion). Parties with just a tiny fraction of the national vote, or even individual lawmakers, can extract succulent favours from the government of the day. So there are plenty of politicians who regard the referendum's proposed reforms as a threat to their influence and listen with dismay to Mr Renzi's talk of making Italy a "simpler country". That senators will be mostly part-timers, drawn from corruption-prone local and regional governments (and that they will enjoy parliamentary immunity) offers little reassurance of good government.

Some opposed to Mr Renzi's scheme are alarmed about the concentration of power: the combination of a weakened Senate, a guaranteed majority and a voting system that still gives party leaders much control over deputies is seen as a recipe for authoritarian democracy. Add to that list of worries the fact that the choice of president of the republic, a key figure at times of crisis, will be more easily determined by the prime minister of the day.

The reforms might struggle for acceptance on their merits. But the vote has also become a referendum on Mr Renzi, which makes it harder for the Yes campaign to win. Ferruccio de

Bortoli, a former editor of *Corriere della Sera*, was only half joking when he called the prime minister a "young *Caudillo*". He accused Mr Renzi of "contempt for the institutions and difficulty accepting criticism". Though he can be disarmingly self-deprecating, Mr Renzi is also a bruiser. He recently described himself to an interviewer as "nasty at times, arrogant and maybe impulsive", before adding with a broad smile: "Otherwise, I wouldn't have replied to you like that."

His rough-house style was at first the key to his popularity. He was the self-styled *rottamatore* ("demolition man"), who would smash Italy's complacent political establishment, take on its vested interests, stand up to the faceless Eurocrats in Brussels and set the country back on the road to economic success. As prime minister, Mr Renzi has already concentrated decision-making in his own hands to a degree unprecedented in Italy's recent history. Diplomats in Rome complain that they cannot get guidance from officials on Italian policy, even in low-priority areas, because the ruling must come from Palazzo Chigi, Mr Renzi's official residence.

Reformed, in parts

The prime minister came into office claiming he would initiate constitutional reform by the end of his first month; bring in a new employment law the next; streamline the bureaucracy in the one after that; and then overhaul taxation. Mr Renzi has fallen well short of such improbable ambitions, although he has shown greater reformist zeal than most of his predecessors. His coalition rammed through parliament a bill to give legal status to civil partnerships and tackled Italy's vulnerable co-operative banks. But his labour-market reform is not yielding the expected results: one reason Italy's employment rate is so low.

A shake-up of the public administration has only just begun. An overhaul of the judicial system is stuck in parliament. And the government's educational reform has been widely criticised. Too many of his other reforms have yet to take effect, although in some cases that is because of the inertia Mr Renzi is trying to overcome.

Mr Renzi's biggest handicap as he goes into the referendum is the lacklustre performance of the economy. Soon after he took office, he declared that, "My ambition is not to do better than Greece, but to do better than Germany." Yet since he came to office at the start of 2014 GDP has risen by less than 2%, compared with a euro-zone average of more than 4%.

Nor can Mr Renzi claim to have been hamstrung by factors beyond his control. Since early 2014, oil prices have been low, the euro-dollar exchange rate has been beneficial for exports, the European Central Bank has been pumping liquidity into the euro zone and the EU has been gradually abandoning fiscal austerity.

Would Mr Renzi have done better with greater powers? He has been able to pass the Italicum,

after all. And his

In no mood for constitutional reform

controversial constitutional amendment won a majority in parliament (though not the two-thirds support needed to avoid a referendum). Luigi Di Maio, a deputy speaker of the lower house and a leading member of the Five Star Movement (M5S) argues that the premise of the referendum is mistaken: Italy's legislative machinery is not blocked. "In the three-and-a-half years of this legislature, there has been a law passed every five days. If you introduce a reform, saying we must pass laws more quickly, you are just creating more bureaucracy," he notes. Important legislation does get obstructed, as Mr Di Maio concedes. "But that is because there isn't a majority in favour of that law," he insists. "It's a question of priorities, not of constitutional procedures."

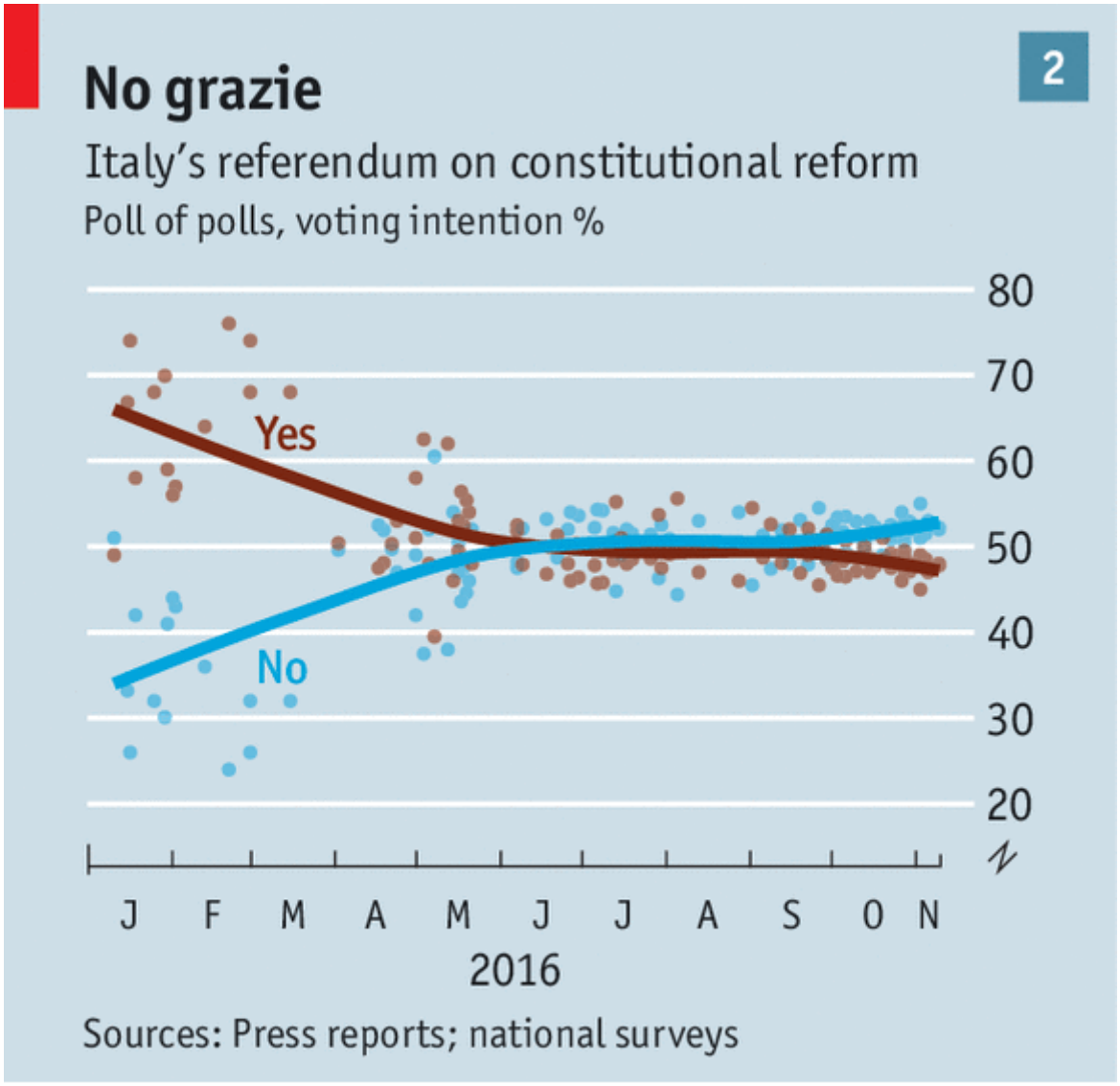
The changes are opposed by all the main opposition parties, including the M5S, and by a sizeable minority in the prime minister's own Democratic Party (PD). Though the Yes campaign once had a healthy lead, the last poll to be published gives Mr Renzi little comfort. It showed 55% against the reforms and 45% for them (see chart 2). However, 13% of those intending to vote were still undecided. In an attempt to assuage the doubters, Mr Renzi promised earlier this month to amend the Italicum after the referendum is passed. But would he do so? And if so, in what way?

If he loses, it is unlikely that the hyperactive Mr Renzi would give up politics for good. But if he resigns, or is forced out, Italian—and European—politics will enter a period of uncertainty. It would also give a short-term boost to the M5S movement led by Beppe Grillo, a former comedian, and the right-wing populists of the Northern League. But after so many changes of government Italians know how to cope with power vacuums. A caretaker government might be installed with a limited mandate to draw up a new electoral law covering both houses of parliament.

Mainstream parties may be tempted to frame one that stymied the M5S's chances of gaining office. They are talking of a highly proportional system that would prevent Mr Grillo's movement, which seems to have a ceiling at around 30% of the vote, from securing an overall majority. On the other hand, to win power for themselves, the parties of left and right would need to unite in the sort of coalition that is customarily hamstrung by policy differences.

Polls apart

The pollsters could, of course, be as wrong about the referendum as they were about the Brexit



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vote and America's presidential election. In those cases, voters who favoured the anti-establishment options felt embarrassed to say so. In Italy, however, the anti-establishment choice is not necessarily to vote against the government. Mr Renzi claims the real act of political demolition would be to vote Yes and alter the constitution. Back in Vietri sul Mare Mr Foscari and the local councillor who had invited him both said they suspected that it was voters in favour of the changes to the constitution who were reluctant to tip their hands. Mr Gozi said the PD's soundings gave the same indications.

A victory would bring Mr Renzi cachet for turning the anti-globalisation tide and reassure investors in Italy and beyond. But he cannot take for granted that he would be the one to profit from the additional powers that the reforms would confer.

Earlier this year local elections brought Rome and Turin to the M5S. This showed how a

two-round ballot system is tailor-made for a movement that claims to be neither of the left or the right, and which can win in the closing round the votes of whichever side was eliminated. A vote in favour of Mr Renzi's reforms might increase the chances of power going to a populist movement led by a Eurosceptic former funnyman. The joke would then be on Mr Renzi—and on Italy.

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