



Italy Referendum Results Illustrate Sense of Alienation Electorate Has From Governing Elites

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On Sunday evening, I watched as **Matteo Renzi** acknowledged the negative outcome of the **constitutional referendum** and resigned, as promised, as Italy's prime minister. Renzi called the plebiscite in order to streamline Italy's baroque governing bureaucracy—a necessary prerequisite, he claimed, for much-needed economic reform. By a margin of close to 20 percentage points, the Italians said "No" and Renzi threw in the towel.

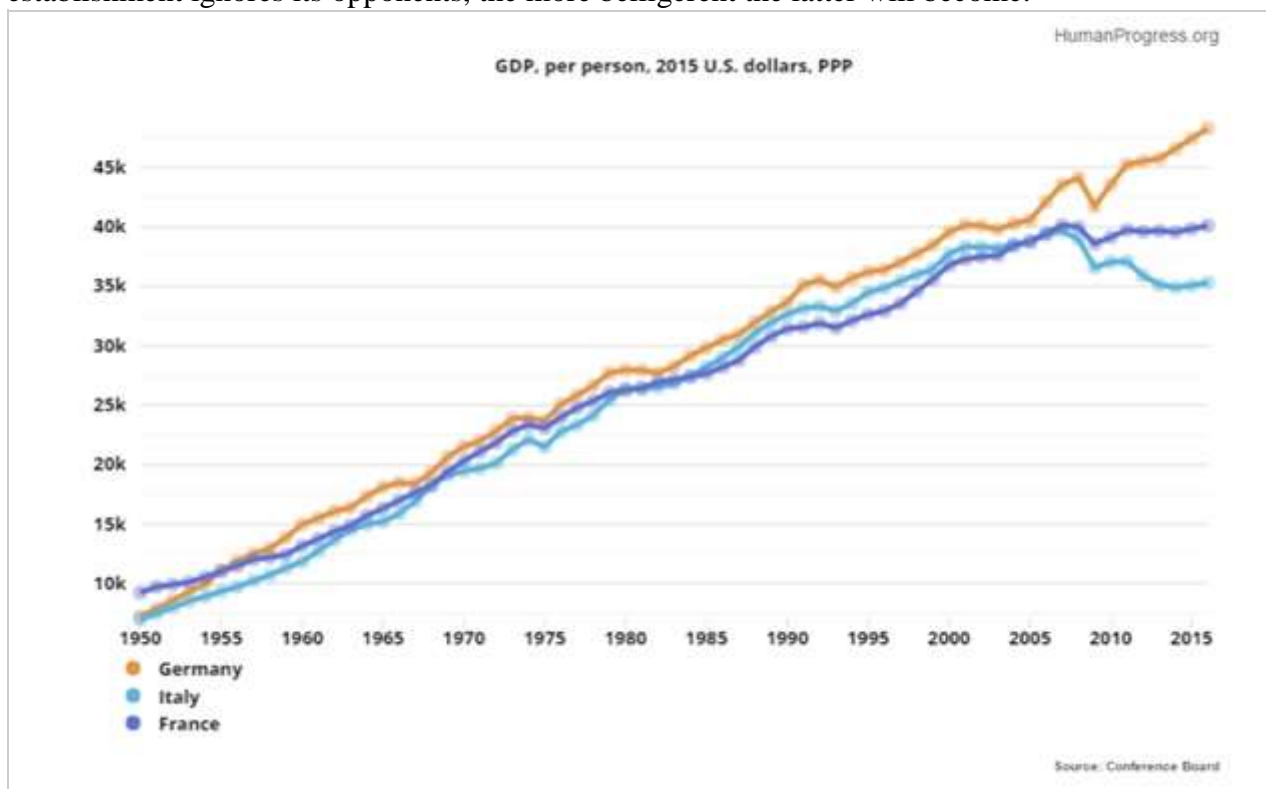
As he spoke, I emailed an Italian friend of mine to gauge her reaction. As a professor of economics and a free marketer, I expected her to be horrified by the events. Instead, she responded on Monday morning by saying that she too voted "No." "Nothing ever changes in Italy, anyway," she continued. I guess that I should not have been surprised. It is 2016, after all, and, in the political arena, anything seems possible.

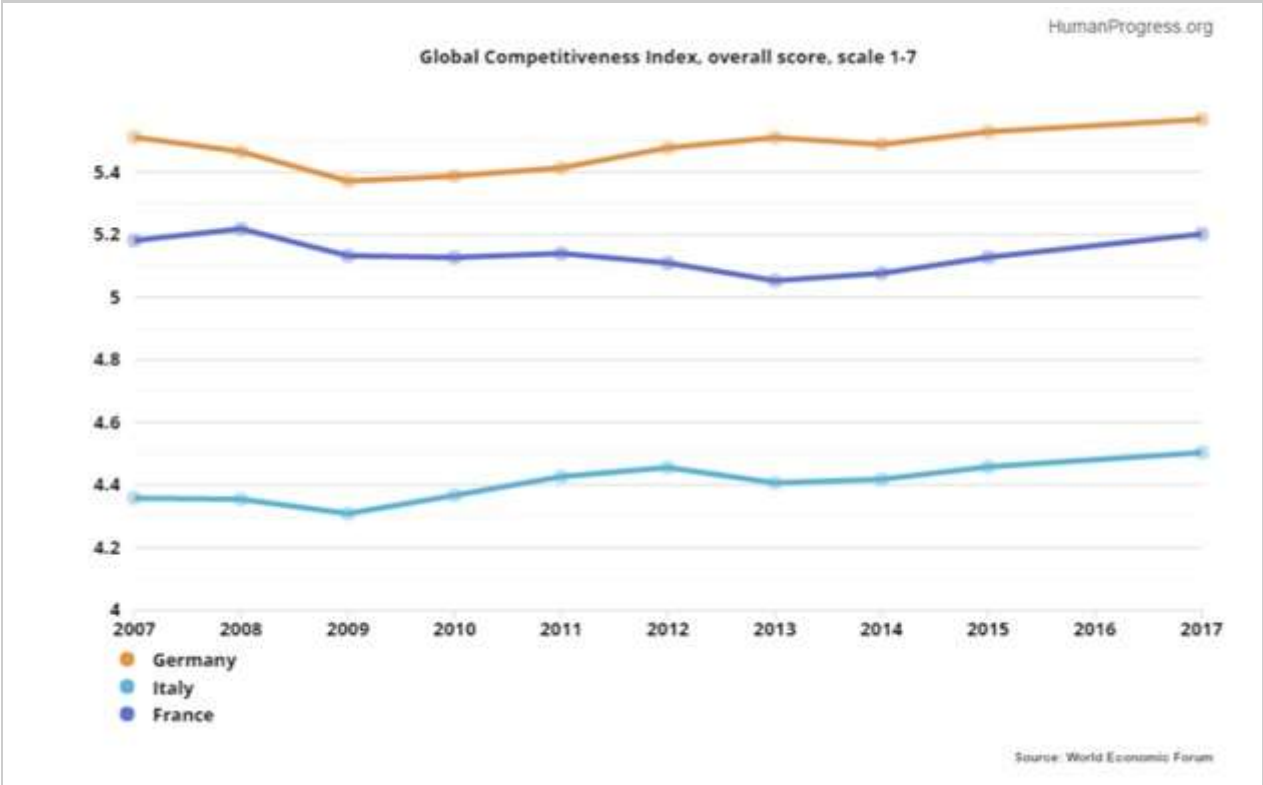
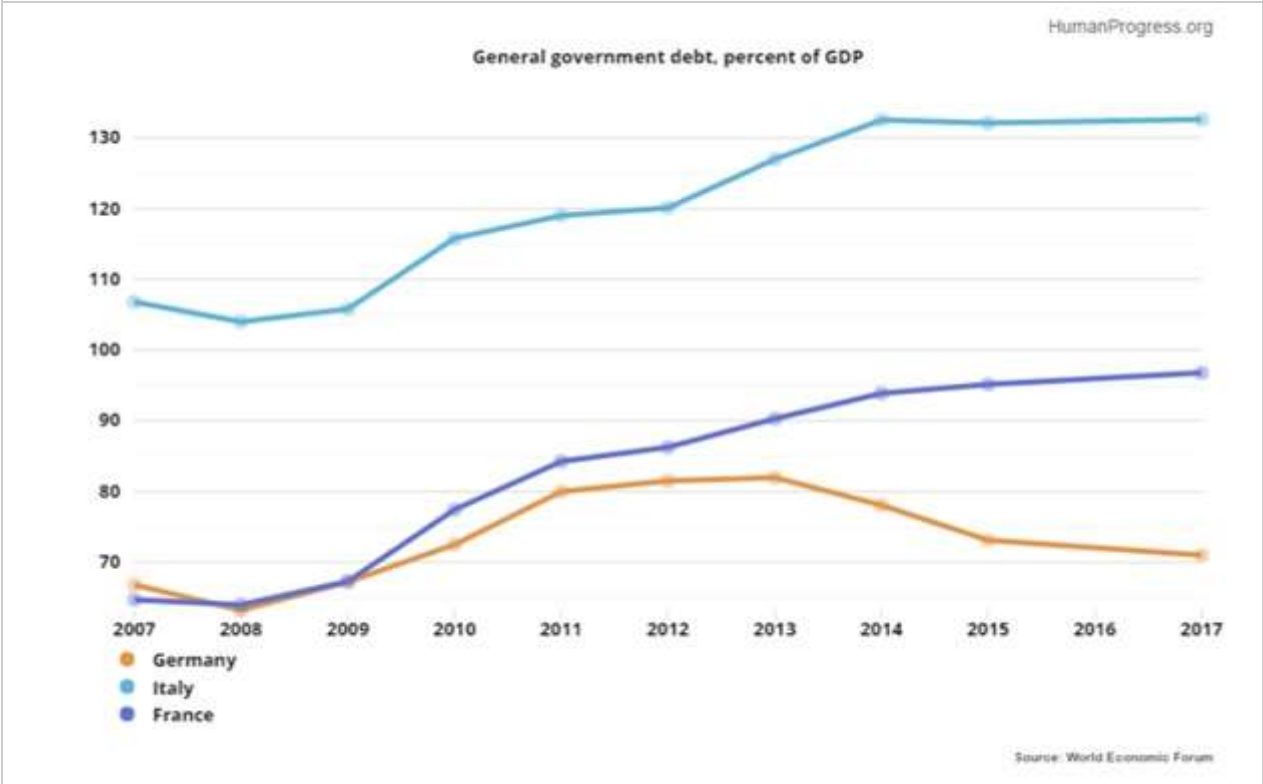
Thinking about my friend's response more carefully, however, I have come to see some parallels between what happened in Italy, and the British decision to withdraw from the European Union and Donald Trump's victory in the U.S. presidential election. Tying all these events together is a profound sense of alienation of the electorate from their respective governing elites. Vast chunks of the populace in these three countries see their governments as, at best, inept, and, at worst, venal.

They feel that no matter who wins, be it center-left or center-right, "nothing ever changes." So, yes, Italy needs reforms, but the people did not trust Renzi, a conventional center-left apparatchik, to deliver them. What will follow is unclear. A new prime minister from the center-left could emerge. Or, the Italian Parliament could opt for a caretaker government under an unelected **technocrat**.

Or, there could be an early election. The party that stands to benefit most from early elections is the **Five Star Movement of Beppe Grillo**, who wants to call a referendum on whether Italy should stay in the Eurozone or return to the Lira. (Many Italians believe that the euro is responsible for Italy's economic problems. Whether they are right or wrong, there is no doubt that the country's economy is in dire straits—as my charts below show.) As such, I expect the forces of the European establishment to do everything possible not to allow Grillo anywhere near the **Palazzo Chigi**.

And that could be a problem. As I explained in my recent **paper** on the European Union, "With every electoral cycle, 'establishment' parties committed to further European integration are growing weaker and anti-EU parties are getting closer to power. The EU has been very successful in plodding along, but its rearguard action cannot succeed indefinitely. At some point, one of the EU's 28 member states will elect an anti-EU government. I fear that the longer the EU establishment ignores its opponents, the more belligerent the latter will become."





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