

Term Limits for Mayors and Intergovernmental Grants: Evidence from Italian Cities¹

Chiara Dalle Nogare^{a*}, Björn Kauder^b

^aUniversity of Brescia, Italy

^bIfo Institute, Munich, Germany

*Corresponding author: Dipartimento di Economia e Management, University of Brescia, Via San Faustino 74b, 25122 Brescia, Italy, , tel. +39-030-2988818. email: chiara.dallenogare@unibs.it

Abstract

We investigate how term limits for mayors influence central government transfers to municipalities. Estimates are based on a dataset of Italian cities over the 1998–2010 period. To credibly identify the influence of term limits, our estimations include mayor fixed effects. We also consider intra-term differences in intergovernmental grants. We provide evidence that electoral incentives distort rather than discipline incumbent mayors' behavior because transfers are higher before an election with an eligible incumbent, in line with the political budget cycle literature. This evidence is also consistent with the idea that the allocation of intergovernmental grants is influenced by lobbying on the part of eligible local government officeholders, as in Borck and Owings (2003).

JEL classification: D72; H72; H77; R51

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1. Introduction

The effect of term limits on fiscal policy has been investigated by both political scientists and economists over the last 20 years. However, theoretical models still differ widely in their predictions

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