



Sending the pork home: Birth town bias in transfers to Italian municipalities

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ABSTRACT

We ask whether the birthplaces of Italian members of Parliament are favoured in the allocation of central government transfers. Using a panel of municipalities for the years between 1994 and 2006, we find that municipal governments of legislators' birth towns receive larger transfers per capita. Exploiting variation in birthplaces induced by parliamentary turnover for estimation, we find that this effect is driven by legislators who were born in a town outside their district of election. As a result, we argue that our findings cannot be a consequence of re-election incentives, the usual motivation for pork-barrel policies in the literature. Rather, politicians may be pursuing other personal motives. In line with this hypothesis, we find that the birth town bias essentially disappears when legislative elections are near. We explore several possible mechanisms behind our results by matching parliamentarians to a detailed dataset on local level administrators.

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1. Introduction

In parliamentary systems, elected representatives often have power to affect resource allocations to favour their preferred areas or projects, a practise known as *pork-barrel*. In particular, in single member district systems, it is common to find legislators targeting their district of election. The importance of this behaviour is difficult to quantify in this context because it potentially involves all members of Parliament and, consequently, all districts. Furthermore, it is unclear whether favouring a particular area is a source of concern since it is typically the district that the legislator has been elected to represent that benefits from these extra resources.¹

Identifying empirically pork-barrel transfers to geographical areas presents some challenges. Given that district boundaries are generally drawn so that all districts have the same population, there is usually no variation in the strength of the connection between districts and the body that decides how funds are allocated. Empirical analyses of pork-barrel politics typically use expenditure or investment data at

the electoral district level and rely on either (i) differences in some measure of influence of representatives such as seniority or the number of individual votes received (Golden & Picci, 2008), (ii) over representation of certain districts relative to their population (see Atlas et al., 1995 or Knight, 2008 for the US case), (iii) comparing representatives who have reached their term limit with those instead seeking re-election (Aidt & Shvets, 2012).

In contrast, in this paper we use changes in the distribution of legislators' birthplaces and expenditure data disaggregated at the municipal level to study whether Italian members of Parliament send additional funds to their birthplace while in office. Using expenditure data at a more disaggregated level than electoral districts provides us with a rich source of variation to identify pork-barrel politics. More importantly, this level of detail allows us to understand whether this behaviour seeks to favour voters or to pursue other personal benefits of the politician that are not in line with her district's interests. To this end, we exploit the fact that the birthplace of roughly half of Italian members of Parliament lies outside their electoral district.

The institutional setting in Italy, discussed in Section 2, is ideal for studying pork-barrel at the municipal level. Public transfers in Italy account for as much as one quarter of the financial needs of the 8101 municipal administrations, and their distribution is a matter of discussion and negotiation in Parliament. Even if objective criteria for allocation are established by law, elected representatives have the possibility to

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¹ Weingast et al. (1981), however, notice that when benefits are linked to a geographical area but costs are spread across the nation via taxation, district representatives may choose an inefficiently high level of spending because they do not internalize the costs on other districts. Battaglini and Coate (2007) point out that, in a dynamic model, this is true only under certain conditions.

divert resources towards specific targets for electoral, partisan or other reasons. The way in which these incentives translate into geographical distributions of funds depends, among other things, on electoral rules (Lizzeri and Persico, 2001). After the 1994 reform, Italy moved to a single member district system, which stayed in place for the subsequent three elections.² Members of Parliament in majoritarian systems are typically re-elected within the same district, so elected representatives have strong incentives to please voters in this district (Gagliarducci et al., 2011). We use the fact that Italy had a single member district system in the 1994–2006 period to isolate re-election incentives from other motives that may be driving the allocation of pork-barrel spending to municipalities.

In our sample period, Italian municipalities are grouped into 232 electoral districts for the Senate and 475 for the House, each electing only one representative. If the winner of one of these races is born in a municipality that belongs to her district of election, we classify this municipality as having an internal connection. Instead, if the winner is born in a municipality that does not belong to this district, this municipality has an external connection. This classification is useful because a politician generating an external connection with Parliament has no direct re-election interest in increasing the transfers to her birthplace, since her electoral base is elsewhere. Clearly, the same argument does not apply to the case of internal connections.

We collect data on central government transfers to municipalities for the years 1994 to 2006 to test whether connected towns receive more transfers. The fact that some towns are the birthplace of a legislator and some are not generates cross-sectional variation in the strength of the link with the Parliament that can be used for estimation.³ In addition, parliamentary turnover generates longitudinal variation in the connection status of some municipalities, which allows us to include fixed effects. In our baseline estimates, identification of the effect of having a connection in Parliament is then obtained by comparing the same town when it is connected and when it is not, thus removing all fixed unobservable municipal-level factors.

In Section 4, we show that municipalities with an external connection receive yearly roughly 2% more transfers per capita than other municipalities, while no increase is found for internal connections. Over a legislature, this amounts to about 1 million euros for a municipality of 50,000 inhabitants. This result cannot be explained by re-election incentives alone because, by definition, the municipality of birth of external politicians lies outside their electoral district. Given that these incentives have been the typical explanation given for distributional policies in the literature, documenting that pork-barrel spending can arise for other reasons is one of the main contributions of this paper. We find no effect for internal connections even if, for them, the municipality of birth is part of their electorate.

One reason explaining the discrepancy in our results between externals and internals is related to the trade-off between favouring their district – hence helping their re-election chances – and securing transfers to their town of birth for personal reasons.⁴ In order to provide evidence of this trade-off, we study how the birth town bias varies across the electoral cycle. Electoral incentives for parliamentarians should be stronger when legislative elections approach (and voters' attention increases). Hence, politicians seeking to be re-elected in Parliament may decide to reduce the amount of bias in transfers to their birth town in years close to elections. Indeed, we find that the birth town bias essentially disappears when legislative elections are near.

This trade-off may also be different for internal and external politicians. Internal politicians are more likely to have local level experience – as, for instance, town mayors or council members –

while externals have more parliamentary and government experience, and are generally national party members. Moreover, by definition the birthplace of internals is surrounded by other municipalities that also belong to the politician's district. As a consequence, internal politicians may have weaker incentives to favour their town over others, since they are subject to stricter voters' control and are already well established local figures. On the other hand, these issues play less of a role for externals, whose birth town is outside their district of election.

In Section 5, we consider several possible explanations for the fact that municipalities with an external connection in Parliament receive more transfers.

A career in Parliament is not the only goal of a politician and this is especially true in Italy, where turnover often exceeds 50%. Politicians might use transfers to their birth town as a way to improve their prospects of a career in the local administration after serving in Congress. We identify those parliamentarians who ran for office in their birthplace after exiting Parliament, and test whether these connections generate larger increases in transfers. An external connection through a politician later having a post-congressional career at the local level is associated with 11.9 more euros per capita each year to the municipality of birth relative to other externals. No additional effect is found in the case of internals. In fact, using transfers as a way to become more popular might be especially relevant for external politicians who, being less known locally, have stronger incentives to show interest in the birth town. On the other hand, internals have less to win and more to lose. They have less to win because they usually have substantially more experience at the local level and do not need to obtain more notoriety; and they have more to lose because voters from neighbouring towns might punish favouring the birth town over others in the district.

We then explore whether birth town bias is due to the presence of personal connections in the municipality of birth. One of these connections arises when the local mayor and the parliamentarian belong to the same party. In this case, members of the Parliament may follow party guidelines and divert money to their birthplaces when they are aligned. We find that internal connections with an aligned mayor are associated with substantially more transfers to their birth town, whereas for externals the evidence is much weaker.

Another type of personal connection is generated when the family or friends of an elected representative live in the birth town. In an attempt to capture these links, we test whether connected towns whose mayor shares the last name with a member of the Parliament receive more transfers than other municipalities, finding no evidence supporting this hypothesis.

Finally, we run a series of placebos and robustness checks in Section 6 to assess the validity of our results. We construct dummies analogous to the ones used for our main specification but which capture connections that should, in principle, have no effect on transfers. Specifically, we first use an indicator for the municipality being the birthplace of a runner-up in one of the district elections. Then, we do the same for members of the regional (as opposed to national) Parliament and confirm that, as expected, none of those connections yields extra transfers. We interpret these results as evidence that our findings are not driven by confounding factors correlated with the connection status of municipalities. The Online Appendix includes a series of additional estimates which underline the robustness of our findings.

Our results suggest that, overall, politicians' decisions are shaped by motives that extend beyond being re-elected. In this sense, our work is an empirical contribution to the literature on the determinants of politicians' decisions. Traditional models assume that re-election concerns (Downs, 1957) or policy preferences (Wittman, 1983) are the main drivers of politicians' decisions. Recently, however, Diermeier et al. (2005) and Keane and Merlo (2010) emphasize that the political career is a long process of which serving in Parliament is only a step. Because politicians are rational economic agents, they make career decisions by comparing alternative choices. Members of Parliament typically come from the national party ranks, local politics or the private sector,

² More precisely, the system, promptly baptized “Minotaur” for its dual nature, prescribed that three quarters of the seats were allocated via single member districts and one quarter proportionally.

³ Throughout the paper we use the words town and municipality interchangeably.

⁴ This trade-off can be framed within the career concerns model by Persson and Tabellini (2002) in which politicians have to choose between providing a public good to the constituency and extracting personal rents.

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