

PhD THESIS ABSTRACT

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Abstract

This thesis investigates two different issues in applied microeconomics. Both issues broadly attain to fiscal policy. The first aspect relates to the optimal geographical allocation of public spending; the second issue concerns the use of fiscal incentives to boost retirement saving, thus alleviating tension on public social security expenditure.

In Chapter 1 (co-authored with Giuseppe Albanese and Pietro Tommasino) we contribute to the literature by exploring how formal rules and informal cultural traits (namely, the degree of civicness) interact in shaping elected officials' behaviour. We use a dataset which includes the expenditure proposals sponsored by each member of the Italian Senate from 1993 to 2012 (as well as other individual and district characteristics) and exploit the 2005 electoral reform. As a first step, we are able to confirm previous empirical findings: in particular, legislators elected in first-past-the post districts show higher propensity to sponsor pork barrel bills and to put effort in legislative activity than those elected with a closed-list proportional system. More importantly, we find that the effects of the change in the electoral rule are muted (and in some cases reversed) in areas characterised by a high degree of civicness. We also propose a simple theoretical probabilistic voting model with altruistic preferences to rationalise these findings.

In Chapter 2 I study the effect of fiscal and behavioural incentives towards private retirement saving, brought about by an Italian reform in 2007, on total wealth accumulation and on the composition of financial portfolio. According to life-cycle model, any permanent shock to life-cycle wealth is likely to affect savings. Any major social security reform, such as the one under investigation, may qualify as permanent shock. I find evidence that workers who subscribe to private pension funds raise their current propensity to save and tilt their financial portfolio towards less risky assets. The possible explanations to rationalize such evidence may be several, ranging from standard life-cycle hypothesis to behavioural economics models.