

PhD THESIS ABSTRACT

PhD Candidate: Francesco Privitera

Essays in Empirical Political Economy

Keywords:

Italy, Political Budget Cycle, Investment Promises, Globalization, China Shock, Populism

PhD in Economics

XXX Cycle

LUISS Guido Carli

Supervisor: Prof. Francesco Sobbrivo

Abstract

The work in chapter 1 exploits the timing and public circulation of budget forecasts in Italian municipalities in order to produce empirical evidence of strategic behaviour by mayors on their promised investments. In particular, using a province fixed-effects model, mayors are shown to over-promise investments in election years by 20% more than over the rest of the term. The results are driven by mayors who are not term-limited, and also by those unaffiliated to national parties and with greater levels of education, in line with previous evidence produced over political budget cycles. Moreover, mayors who over-promise more in election years are those who engage in higher pre-electoral increases in investments, thus creating a bridge between traditional political budget cycle and this strategic behaviour. Lastly, I present some suggestive evidence of a positive effect of the strategic behaviour on the probability of re-running and of being re-elected.

There has been a recent surge of interest in the link between globalization and the political repercussions caused by increased exposure to low-cost import competition, which has found it to cause increased political polarization and a surge in vote for radical right-wing parties. The second chapter focuses on Italy, which is an interesting case study given its highly-exposed economy, and its multi-party system which includes radical right- and left-wing parties and also populist movements. In order to investigate the political effects caused by the trade shock determined by China's exogenous growth in productivity I construct an exhaustive database on the period between 1994 to 2016 and find that, in contrast to the related literature, there is no causal positive effect on the support for radical parties, nor is the rise in populist politics caused by increased exposure to the Chinese trade shock.