

The Costs of Populism for the Bureaucracy and Government Performance: Evidence from Italian Municipalities*

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Abstract

We study the consequences of populism for bureaucratic quality and government performance. When voters lose trust in representative democracy, populists strategically supply policy commitments that are easier to monitor for voters. When elected, populists replace expert bureaucrats - who would undermine the implementation of the populist agenda - with non-experts. We use novel data on about 8,000 municipalities in Italy, over a period of 20 years, and we estimate the effect of electing a populist mayor with a close-election regression discontinuity design. We find that the election of a populist mayor leads to (1) higher turnover among top bureaucrats; (2) a decrease in the percentage of graduate bureaucrats; (3) a decrease in the ability of government to repay debts; and (4) a lower share of paid procurement contracts. These results contribute to the literature on populism, bureaucratic appointment, and government performance.

Keywords: Populism, Bureaucracy, Turnover, Government Performance.

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1 Introduction

A vast literature studies the cultural, economic, technological, and political *causes* of populism,¹ but very little is known about the *consequences* of populism for policy-making. In this paper, we study the consequences of populism for bureaucratic expertise, quality, and government performance.

There is ample anecdotal evidence about populist politicians purging the bureaucracy in order to attain desired policy goals and ensure control over administrative bodies. US former President Donald Trump fired and forced several top bureaucrats to resign because they questioned Trump’s political agenda. Chris Krebs, head of the Cybersecurity and Infrastructure Security Agency, Alexander Vindman, Director at the National Security Council, and James Comey, FBI director, all suffered the same hostile and abrupt fate, often realising they had been fired from a tweet. Similarly, five UK permanent secretaries left their post over a six-month time in 2020 because of political clash with Boris Johnson’s government. The departure of experts when populists are in government is likely to have detrimental consequences for government performance. In this paper, we show the data supports this concern.

Despite great media attention, little academic research has been done on the relationship between populism, bureaucracy, and government performance. Peters and Pierre (2020) provide a categorisation of the type of populism and its consequences for public administration, suggesting that populism is likely to translate into lower expertise in government. Bauer and Becker (2020) discuss the public administration goals and strategies of populist governments, showing how purges of personnel and top bureaucrats occurred in many historical cases of populist governments. Populists’ anti-bureaucracy attitudes

¹For recent reviews, see Guriev and Papaioannou (2020), Noury and Roland (2020), Berman (2021).

have recently been documented by Rockman (2019), and Reiser and Hebenstreit (2020) examine the party manifestos of populist parties in Europe and find that most of them accuse the technocratic nature of the EU bureaucracy of cutting the ties between political decision-making and the people. Even though both anecdotal evidence and extant literature firmly suggest populism is incompatible with expertise, there is no empirical evidence on the causal effect of populism on bureaucracy and government performance. In this paper we fill this gap.

When economic, technological, or cultural shocks erode citizens' trust in the traditional tools of representative democracy and political elites, voters demand simple protection policies (see e.g. Guiso et al. 2017; Guiso, Morelli, and Sonno 2021). Populist politicians intercept this shift from a trustee to a delegate model of representation (Fox and Shotts 2009; Morelli, Nicolò, and Roberti 2021) and run for office committing to a set of policies easy to monitor (e.g., Brexit). Because of such commitments, when populists come into power they are not open to expert bureaucrats' assessment of the feasibility and consequences of their policies. Expert bureaucrats will hence be replaced with non-expert bureaucrats, who will more willingly follow the populist directives. The increased turnover and decrease in expertise and quality of the bureaucracy that result from personnel changes weakens the functioning of government, with negative consequences for performance.

We test this argument with novel administrative data on bureaucratic composition, fiscal performance, and public procurement of municipal governments in Italy over a 20-year period, from 1998 to 2019. We use a regression discontinuity design (RDD) and compare municipalities in which a populist mayor barely won the elections to municipalities where a populist barely lost in order to isolate the effect of electing a populist mayor

on turnover, quality of bureaucrats, and government performance (Lee 2008; Eggers et al. 2015). Italian local government is a good case to study the effects of electing a populist government on political outcomes. First, Italy has more than 8,000 municipalities and several populist parties populate the Italian party system at both national and local level, yielding to large sample size and large variation in “treatment status.” Second, populist parties exert a tight discipline over their members, hence there is a precise match between the populist nature of the party and the populist attribute of affiliated mayors. Third, mayors have high discretion over appointment and removals and top bureaucrats have a central role in administering policies.

Throughout the five-year-long government term that follows the (close) election of a populist candidate we find higher turnover (almost by half of the average turnover in the data) and the percentage of bureaucrats with a university degree decreases by 9.4 percentage points. Municipalities governed by a populist mayor are also worse at repaying the debts they create (−11.9 percentage points decrease in repaid debts) and are slower at paying firms awarded procurement contracts (−11.0 percentage points in the payment/cost ratio). We clarify the mechanism via subgroup analysis and we perform a number of robustness tests.

By studying Italian municipal government we bring a new comparative perspective to a scholarship that has generally studied the US federal bureaucracy. In fact, while the context of Italian municipal government shares several features with the US bureaucracy, such as the separation between politics and administration, the presence of political appointees and career civil servants, and significant influence of government leaders on bureaucracy; it differs under four crucial respects. First, mayors generally operate in small communities with small administrative offices (average population size is 7,262 and

average number of employees is 51). Second, while many theories of presidential appointments model presidents' decisions to centralise and/or politicise agencies as a function of agency ideology, independence, and issue-importance (Lewis 2008; Kumar 2009), the organisation of municipal governments is highly hierarchical and unitary, with executive leaders able to allocate and withdraw tasks from offices/bureaucrats to their liking. Third, while a significant strand of the scholarship looks at how Senate confirmation alters presidents' incentives to appoint loyalists (McCarty and Razaghjan 1999; Kinane 2021), local councils (i.e., the municipal equivalent of legislative bodies) are excluded from the appointment process. These differences in institutional context contribute to the theoretical and empirical literature on delegated policy-making, strategic appointments, and bureaucratic politicisation.

The anti-expertise consequences of populism we document is consistent with recent work on populism and the economy too. Funke, Schularick, and Trebesch (2020) assemble a new dataset on populist leaders spanning over 120 years and find large long-term economic costs of populism, with GDP per capita being more than 10% below compared to the most plausible non-populist counterfactual. Even though this macro evidence is important *per se*, we believe that our micro causal evidence and analysis of the mechanisms through which these effects materialise is an additional contribution of this paper.

2 Populists' Political Agency and the Strategic Supply of Commitments

The literature in formal political theory considers two types of principal-agent relationships: one between constituents and politicians; one between politicians and bureaucrats.

The rise of populism is a response to a crisis of confidence in the first type of principal-agent relationship, where the agent (the politician) is granted discretion by the electorate (the principal). Research on the causes of populism has shown how economic, technological, and socio-cultural factors concur to explain the diffusion of populism (Berman 2021). What these explanations have in common is the erosion of voters' trust in the traditional tools of representative democracy (Dustmann et al. 2017; Inglehart and Norris 2019).

When trust is eroded, voters consider politicians – even the competent ones – not to be trusted to implement the policies that promote the general welfare, perhaps as a result of capture by interest groups or elites, or because they are considered selfish rent-seekers. In contrast, when trust is sufficiently high politicians are entrusted to adjust policy-making to changing circumstances. The trigger of populism is therefore associated precisely with the moment in which the decline in trust is sufficient to switch from the trustee to the committed delegate model of representation (Morelli, Nicolò, and Roberti 2021). Voters want to take back control over policy and implicitly or explicitly demand simple policy commitments that are easier to monitor. Hence, populist politicians propose and commit to what voters want (e.g., Brexit, build-wall and zero-immigration types of policies).

Fox and Shotts (2009) show how trustee representation is more likely when voters prioritise and value competence in the selection of their agent (i.e., politicians). Morelli, Nicolò, and Roberti (2021) expand on this, showing that once a party or politician shifts to the committed delegate model, then the committed delegate rationally chooses all the complementary strategies associated with populist behaviour, namely anti-elite rhetoric, fake news production, anti-media, anti-experts, and anti-bureaucracy denigration. Because in the delegate model of representation populists are rewarded against delivered policy outcomes, populists commit to a set of policies that can be easily monitored by

voters.

Committing to a set of (easily monitorable) policies has consequences for policy-making and affects the second type of principal-agent relationship between politicians and bureaucracy. Classical work on the political control of the bureaucracy shows that politicians can influence policy-making via explicit or implicit contracts (Carpenter and Krause 2015). Principals can specify or amend the stock of discretion in the delegation contract (Epstein and O'Halloran 1999; Vannoni, Ash, and Morelli 2021), they can create procedures in order to oversee what bureaucracy does and intervene in case agency policy-making departs from the principal's preferred policy (McCubbins, Noll, and Weingast 1987), or they can politicise the bureaucracy via appointment or removal of agency heads and top civil servants to ensure policies are administered by political allies (Lewis 2008, 2011). Control is ultimately exerted over the bureaucracy so that political principals can achieve their policy goals. Similarly, populist politicians will control and reform the bureaucracy in the attempt to implement the policies they committed to during the electoral race.

Because commitment-type policies are by definition incompatible with adjustments or alternatives, populist politicians are not open to expert assessment of the feasibility of their proposed policies (Peters and Pierre 2020). Populists will be reluctant to bureaucratic expertise and will be deaf to expert bureaucrats' recommendations implying policy solutions different from or not included in their commitment-type agenda. Expert bureaucrats, who have information about the expected consequences of populists' agenda, might hinder the implementation of populist policies because of their mission-oriented work ethics and their stronger policy motivation (Dur and Zoutenbier 2014). Conversely, non-expert bureaucrats, who are more uncertain about policy outcomes, are more likely

to implement populist policies without resisting populists' directives. Populist politicians therefore have a strict preference for non-expert bureaucrats who will obsequiously implement the populist agenda.

By hindering populists' commitments, expert bureaucrats represent a threat to populists' accountability to voters. This idea is in line with Fox and Jordan (2011), who show how delegation of authority to bureaucracy can undermine politicians' accountability to voters, who would not be able to attribute blame for suboptimal outcomes to politicians' decision to delegate or to bureaucrats' flawed administration. In our account of populist policy-making, the presence of expert bureaucrats can undermine populists' accountability to voters too, for the expertise of bureaucracy would dismantle the implementation of the policies promised by populists.

Sasso and Morelli (2020) formalise these intuitions and present testable expectations about the consequences of populism for the bureaucracy. They demonstrate that populism leads to sub-optimal outcomes both in terms of performance and quality of bureaucrats. Two channels lead to this effects. First, populists replace expert with non-expert bureaucrats in order to ensure that expert judgement does not undermine the implementation of the policies they committed to (turnover mechanism); second, populists alter bureaucrats' incentives to deploy their expertise in administering policies. Expert bureaucrats who are not replaced by populists can feign to be non-expert compromising on policy today in order to wait for a non-populist tomorrow (feigning loyalty mechanism).² Because of the difficult empirical tractability of the feigning loyalty mechanism, we limit our attention to the turnover mechanism. We argue that populist politicians replace expert with non-expert bureaucrats, thereby decreasing bureaucratic quality, and

²A similar mechanism is discussed in Cameron and Figueiredo (2020), when they show that zealous bureaucrats may be willing to wait out an incumbent president they dislike in the hope of shaping future policy under a friendlier president.

worsening government performance.

We derive three testable hypotheses. If populists reshuffle administrative offices and replace expert with non-expert bureaucrats, we should expect populist governments to lead to higher bureaucrats' turnover and lower quality of bureaucrats.

HYPOTHESIS 1: Populist governments lead to higher bureaucratic turnover.

HYPOTHESIS 2: The quality of bureaucrats decreases under populist governments.

Personnel changes and increased turnover have important implications for the functioning of the administration, with detrimental effects for government performance. This relationship is clear in the literature on the effects of appointments on performance, which shows how turnover can produce leadership vacuums, hinder the ability of bureaucracy to commit to policies, and undermine institutional continuity in planning and implementation (Gailmard and Patty 2007; Lewis 2011). As a result, we expect populism to worsen government performance.

HYPOTHESIS 3: Populist governments lead to lower government performance.

These hypotheses on the populist political agency show the consequences of policy commitment for the appointment/removal decisions of populist politicians to replace expert with non-expert bureaucrats. These decisions come with a heavy price for the quality of bureaucrats and government performance.

3 Municipal Government and Populism in Italy

Italian municipalities represent a good case to study the consequences of populism for bureaucracy and government performance. First, the presence of several populist parties in Italy makes it less arbitrary for researchers to measure the populist attribute of candidates. Second, municipal bureaucrats play a central role in the administration of public policies, and mayors have large discretion over appointment and removal of top municipal bureaucrats.

Populism is generally conceptualised as a thin ideology which interprets society as ultimately separated into two homogeneous and antagonistic groups, “the pure people” versus “the corrupt elite,” and which argues that politics should be an expression of the will of the people (Mudde 2004). A major challenge in empirical work on populism is therefore measurement at the candidate level. Two strategies are available, based on individual behaviour or party identification. The suitability of these strategies rests on data availability for the former (e.g., speeches or campaign messages), and the presence of clearly populist parties for the latter. Gennaro, Lecce, and Morelli (2021), for instance, look at politicians’ rhetoric and use the populism dictionary built and validated by Pauwels (2011) to construct a continuous measure of populism for US congressional candidates based on campaign speeches and on-line contents, and the Global Populism Database analyses speeches of 215 chief executives across 66 countries (Hawkins et al. 2019). Measuring populism from candidates’ rhetoric, besides being a precise way to measure populism at the individual level, is also the only viable strategy when populism does not manifest at the party level (e.g., the US). However, when populism is a characteristic of political parties and there is no textual data to produce individual-level estimates of populism, researchers can rely on candidates’ party identification and code populist

politicians based on whether they identify with a populist party or not. Using party-level characteristics to infer individual-level characteristics clearly implies a loss in construct validity, which can be minimised if two conditions hold: *i*) the presence of parties that are clearly considered populist; *ii*) a strong partisan identity among party members, so that the populist nature of the party can be assumed to apply to the party members too. There is evidence that these conditions hold in the Italian party system. According to the PopuList Database, Italy is the fourth European country for number of populist parties, and deviation from party lines is punished by populist parties (Fasone 2020).³

Italian municipal government follows the patterns of semi-presidential systems of government, with a directly-elected mayor, a directly-elected local council, and an executive committee appointed by the mayor comparable to an executive cabinet. Elections are held every five years on a Sunday between 15 April and 15 June, with the precise date being set by the Ministry of Interior and applying to all the municipalities. Mayoral candidates are linked to one or more party-lists of candidates to the local council. The lists mirror the political parties at the national level, although it is common for candidates to be linked to civic lists (i.e., *liste civiche*) that do not match any of the parties at the national level. Voters can cast a ballot for the mayoral candidate directly, for one of the lists linked to the candidate, or both. Votes cast for a list automatically count towards the number of votes of the mayoral candidate linked to the list. The candidate who wins a plurality is elected mayor, except for municipalities with more than 15,000 inhabitants, where a two-round system is in place. If none of the candidates obtain 50% of the votes, the two candidates with the largest vote share run in a second round.

Municipalities are responsible for a wide set of services, from primary schooling to local

³By February 19, 2021, the number of 5-Star-Movement members expelled from the party because of non-compliance with party directives amounts to 40. See <https://www.agi.it/politica/news/2021-02-19/m5s-espulsioni-parlamentari-governo-draghi-11478409/>

police, waste management, public roads and infrastructure, social services, and security. As a result, municipal governments have large bureaucratic apparatuses, accounting in 2017 for 12% of the 3.5 million employees working in public organisations in Italy.⁴

The principle of separation between politics and administration is enshrined in national legislation, which provides that elected politicians are responsible for the definition of the political agenda of the administration, which shall be implemented - with large degrees of autonomy - by bureaucrats. The bureaucratic organisation of Italian municipal governments consists of two types of employees, those with managerial rank (*qualifica dirigenziale*) and those without managerial rank (*qualifica non dirigenziale*). These two main categories are associated with different contractual frameworks and different responsibilities. For simplicity, we shall consider bureaucrats without managerial rank as rank-and-file employees and bureaucrats with managerial rank public managers. While rank-and-file employees have limited discretion on policy, public managers have large levels of autonomy in the management of the municipality. Within the scope of the political agenda set by elected politicians, public managers are responsible for the implementation of directives adopted by the executive committee, the financial and personnel management of the municipality, public service delivery and monitoring, procurement of goods and services, and every activity that commits the municipal government with external actors and organisations. In case a municipality has no public managers, managerial tasks can be delegated to rank-and-file employees with the highest rank within each office.⁵

Rank-and-file employees are generally hired through public competitions and with permanent contracts agreed at the national level through collective bargaining, whereas

⁴Data from the 2017 census of public organisations carried out by the National Institute of Statistics (<http://istat.it/it/censimenti-permanenti/istituzioni-pubbliche>).

⁵The responsibilities of public managers are governed by the Consolidated Law on Local Government, Legislative Decree 267/2000, Article 107, and by the Consolidate Law of Public Employment, Legislative Decree 165/2001, Article 4.

politicians have large discretion over the hiring and firing of public managers. There are three ways to hire public managers: public competitions published by the municipality, mobility across organizations, and direct appointment with temporary contracts. Municipal governments have increasingly opted for fixed-term contractual frameworks that allow them to exert a tighter control over bureaucrats, with many scholars arguing for the emergence of a “spoil system” in Italian local government, in line with the status of Presidential appointees requiring Senate confirmation (PAS), members of the Senior Executive Service (SES), and Schedule C employees in the US (Ongaro and Valotti 2008; Borgonovi and Ongaro 2011). The cap to the share of public managers hired with fixed-term contract is set to 5% of the total number of managers. However, mayors can appoint public managers to cover temporary vacancies, and in this case the cap increases to 30% of the total managers of the municipality.⁶ In the period we study, the average share of temporary contracts among all bureaucrats with managerial rank is 20%, increasing from 16% in 2003 to 25% in 2019.

While mayors have full discretion over temporary contracts, permanent contracts can be terminated only for serious failures. However, mayors have discretion over the allocation of managerial tasks and demotion within the government, and are therefore able to incentivise public managers to leave even when the contract is permanent.⁷ Mayors can therefore affect turnover in municipal government through the termination of temporary contracts and (indirectly) through mobility across organizations for permanent contracts.

As a result of these contractual differences, the probability of a new or terminated managerial contract is twice as large as that of all municipal contracts as a whole. The

⁶See Legislative Decree 267/2000, Article 110, as modified by Decree Law 90/2014, Article 11.

⁷See Article 50(10), Lgs. D. 267/2000. Demotion practices have been documented in the literature by Doherty, Lewis, and Limbocker (2019b), who find that presidents marginalise those ideologically distant career executives in key regulatory positions by transferring responsibilities to other individuals.

average percentage of new managerial contracts over the total number of managerial contracts in each year is 7.1%, whereas it is 3.6% if we look at municipal employees as a whole. Similarly, the percentage of managerial contracts being terminated every year over the total number of managers is 10.4%, whereas the termination rate among all municipal employees is 5.1%.⁸

4 Data

We assemble a rich dataset about government composition and bureaucratic organisation of municipal governments in Italy covering more than 20 years, from 1998 to 2020. We collect three blocks of data: *i*) municipal elections, mayoral candidates, and partisan affiliation of politicians, *ii*) quality of bureaucrats (i.e., level of education) and turnover, *iii*) government performance and public procurement data.

We combine several sources of data.⁹ We obtained data on all municipal elections, mayoral candidates, and their party affiliations from the Historical Electoral Archive of the Ministry of the Interior (1989-2020). We used the Database on Local Administrators for other information on local councillors, members of the executive committee, and their party identification (1998-2020). Data on the number of bureaucrats, their rank, education, type of contract, and data on hiring and lay-offs is obtained from the Annual Account of the Italian General Accounting Office (2001-2019). This is at the same time an extremely rich and complex source of data which allows us to capture variation in

⁸However, municipalities are not required by law to have public managers. Our data shows that 15% of municipalities have public managers, and the average number of managers in those municipalities is 7. By November 15 of every year, municipalities shall adopt a three-year workforce plan where they outline the current staffing situation and the new roles they need to hire (Article 6, Lgs. Decree 165/2001). Rome, Milan, and Naples are the municipalities with the largest average number of public managers (i.e., 242, 145, 144 managers, respectively), whereas 609 municipalities of the 1,256 unique municipalities with public managers have an average of one manager throughout the period under study.

⁹In the Online Appendix we provide detailed description and URLs of the original sources as well as instructions on how to access and download the data.

bureaucratic composition of municipal governments over 20 years and across 8,069 unique municipal governments. To the best of our knowledge, it is the first time it is used in scholarly work. Finally, for our measures of performance we collected novel data on public procurement (2012-2020) from the archives of the National Anticorruption Authority, which we combined with data on fiscal performance from the National Institute of Statistics (2008-2015).

4.1 Populist Government

We code populist mayoral candidates based on the political party-lists linked to the candidate. We delegate the identification of populist parties to the PopuList database (Rooduijn et al. 2019). PopuList is a collective enterprise that brings together researchers and journalists in the attempt to provide a comprehensive list of populist, far right, far left, and eurosceptic parties in Europe since 1989. It is commonly used in academic work both in political science and economics and is regularly peer-reviewed by more than eighty academics from different countries. PopuList codes parties as populist if they interpret the people and the elites as two antagonist entities; embrace the idea of popular sovereignty; and uphold an ideal vision of the people and a denigratory vision of elites (Van Kessel 2015). PopuList identifies the following six populist parties in Italy: Lega (Nord), Movimento 5 Stelle (Five-Star Movement, 5SM), Fratelli d'Italia, Forza Italia - Il Popolo della Libertà (only until 2018), and two minor parties, Liga Veneta and Lega d'Azione Meridionale. The four largest parties - i.e., Lega Nord, 5SM, Fratelli d'Italia, and Forza Italia - are also the Italian political parties with the largest score of anti-elites and people versus elites salience in the 2019 Chapel Hill Expert Survey (Bakker et al. 2020). In Section A.1 in the Online Appendix we provide qualitative information about

these parties.

4.2 Bureaucratic Turnover and Quality

To measure the consequences of populism for bureaucratic quality and turnover, we focus on public managers. We do this for two reasons. First, public managers have large levels of discretion in the administration of policies and populist politicians are more likely to replace bureaucrats in strategic decision-making positions. Second, as discussed in Section 3, it is easier for politicians to fire and hire managers compared to rank-and-file employees.

We measure bureaucratic turnover in municipality i and year t as the sum of managers who leave (lay-offs) and join (hires) the government divided by the total number of managers in the same year.¹⁰ The precise metric is given by the following formula:

$$\text{Turnover}_{it} = \frac{\text{N. Lay-offs}_{it} + \text{N. Hires}_{it}}{\text{N. Public Managers}_{it}} \quad (1)$$

We also build a measure of bureaucratic quality based on managers' education. Perfect measures of quality of bureaucrats are hard to produce, for quality is a latent, multifaceted concept. We follow a long tradition of work in political economy that uses education as a proxy the quality of politicians and interpret bureaucrats' quality as the percentage of managers with a university degree (in the Italian context, see e.g. Galasso and Nannicini 2011; Baltrunaite et al. 2014; Gagliarducci and Nannicini 2013).

¹⁰Because the sum of the number of hired managers and lay-offs can be larger than the number of total managers in the same year, $\text{Turnover}_{it} \in [0, \infty]$.

4.3 Government Performance

We present two measures of government performance. First, we measure the proportion of paid procurement contracts, namely the ratio between total payments and total adjudicated costs of all public contracts awarded by the municipality. Every public organisation that awards contracts to publish on its website a large set of information about each awarded contract such as object, cost, duration, beneficiary, and awarding procedure (Article 1(32), Law 190/2012). This information is also sent to the Anticorruption Authority for verification and quality control, before publishing the data on open-access archives. We therefore web-scraped procurement data from the archives of the National Anticorruption Authority for approximately 3.5 million contracts awarded by 5,715 municipalities over a period of time from 2012 to 2020.

Public procurement data is often used in the literature to study performance (Spenkuch, Teso, and Xu 2021; Decarolis et al. 2021). This literature generally uses cost overruns and delays at contract-level as measures of performance. We depart from this literature for there is no single contract in our data whose payment exceeds the adjudicated cost. We therefore measure the ability of the municipality to pay the awarded parties and we focus on contracts terminating by 2020 so that we make sure that every contract is terminated at the time of the data collection in May 2021. More specifically, for each contract we divide the payment by the initial adjudicated cost. We then compute the average of this metric for every municipality in any given year, obtaining a dataset of 28,405 municipality-year observations. This measure is particularly useful to study government performance in the Italian context. In fact, the payment of contracts of public organisations is one of the main plagues of the Italian public sector. The stock of unpaid debt to businesses at the end of 2018, for instance,

Variable	All Dataset	With Populist Candidate
N. Observations	178,610.00	29,063.00
N. Municipalities	8,254.00	3,079.00
N. Municipalities with Managers	1,257.00	697.00
Resident Population	7,261.72	21,539.24
Quality of Bureaucrats		
Public Managers' Turnover	0.23	0.23
% Graduate Managers	0.48	0.43
Government Performance		
Debt Repayment	1.15	1.07
Contract Payment/Cost	0.64	0.64

Table 1: Descriptive statistics of main variables in the entire dataset and for municipality-year observations where a populist candidate ran for office.

accounted for 28 million bills, for a total of 26.9 billion euros.¹¹ This large stock of debts weakens the financial structure of firms and determines frequent instances of insolvency with cascade effects to other sectors of the economy.¹²

Second, we measure the fiscal quality and sustainability of the administration proxied by the ability of municipalities to dispose of residual liabilities from accrual accounting. Debts that are not paid by the end of the fiscal year ($t - 1$) appear in the following year's budget as residual liabilities (t). We use a measure of debt repayment as the ratio of paid (in year t) over residual liabilities (from year $t - 1$).

Table 1 below reports descriptive statistics for the main variables in the full dataset and in the subset of municipalities where a populist candidate run for office. 2,984 out of the 8,249 municipalities in our dataset had a populist candidate in any of the elections they held. These municipalities are on average larger, with a population size three times as large as the average population size in the entire dataset. The average for the remaining variables are similar in both datasets.

¹¹<https://www.mef.gov.it/focus/Si-riducono-i-tempi-di-pagamento-delle-Pubbliche-amministrazioni/#cont1>

¹²See for instance <https://www.lavoce.info/archives/66556/quei-debiti-della-pa-che-pesano-sulleconomia/>

5 Close-election Regression Discontinuity Design

Identifying the effect of populist governments on our outcomes of interest is a challenging task. Municipalities governed by a populist may differ from municipalities governed by a non-populist mayor due to many unobservable characteristics. However, municipalities where populist candidates win the elections by very thin margins can be, in expectation, comparable to municipalities where the populist candidate barely lost. Close-election sharp RDD is a canonical method in political science and economics, and it allows us to estimate the local average treatment effect of electing a populist candidate as mayor on our downstream outcomes (Lee 2008; Eggers et al. 2015). This approach has been already used in the context of Italian municipal governments. Gagliarducci and Paserman (2012) and Casarico, Lattanzio, and Profeta (2020) use a similar approach to estimate the effect of electing a female mayor on government termination and fiscal policy, Romarri (2020) to estimate the effect of electing a far-right mayor on hate crimes, Alesina, Troiano, and Cassidy (2015) to study the relationship between politicians' age, re-election rates, and policy outcomes, by Mitra (2020) to estimate the effect of mayors' education on fiscal outcomes, and by Bordignon, Colussi, and Bordignon (2020) to estimate the effects of a populist candidate reaching the second round of the elections on voters' turnout.

Formally, let E be a set of municipal elections in which *one* populist candidate runs against one or more non-populist candidates. For each E_{iT} , namely each municipality i and election year T , let M_{iT} be the margin of victory of the populist candidate, calculated as the difference between the vote share of the populist candidate and the most voted non-populist candidate. Let V_{iT} be a dichotomous variable equal to 1 if $M_{iT} > 0$ (the populist candidate wins) and 0 otherwise. The mayoral term lasts five years, so we observe the outcomes for as many years t as there are before the next elections. Let Y_{1it}

and Y_{0it} be the potential outcomes for $V_{iT} = 1$ and $V_{iT} = 0$, respectively. We can then define the estimand as $\tau_{(m)} = \lim_{\epsilon \downarrow m} \mathbb{E}[Y_i | M_i = \epsilon] - \lim_{\epsilon \uparrow m} \mathbb{E}[Y_i | M_i = -\epsilon]$ as the local average treatment effect of electing a populist candidate (Matias D. Cattaneo, Idrobo, and Titiunik 2019).¹³

We follow recent advancements in the RDD literature and we estimate $\tau_{(\hat{m})}$ with a continuity-based framework that uses nonparametric local polynomial methods for estimation and inference. We fit local WLS models where weights are determined by the triangular kernel function based on the ratio between the distance of unit i from the cutoff m and the mean-squared-error minimising bandwidth h (i. e., $w_i = 1 - \frac{M_{it}-m}{h}$). Units outside the optimal bandwidth receive a weight equal to zero, therefore estimation is performed on a restricted sample of units so that $M_{iT} \in [m - h, m + h]$. The selection of the bandwidth follows a data-driven approach, proposing an optimal solution to the “bias-variance trade-off,” whereby local fits on smaller bandwidths decrease bias but simultaneously increase the variance of the estimator (Calonico, Cattaneo, and Titiunik 2014). Inference adjusts for the variability introduced in the bias-estimation step and uses a new variance estimator that yield cluster robust bias-corrected confidence intervals and p-values (clusters at municipality level) (Matias D. Cattaneo, Idrobo, and Titiunik 2019). Therefore, point estimates will not be centred in the confidence interval. We estimate the following full treatment-interaction model:

$$Y_{it} = \beta V_{iT} + \phi M_{iT} + \eta V_{iT} \times M_{iT} + \zeta X_{it} + \delta_t + \gamma_T + u_{it} \quad (2)$$

Recall that V_{iT} is a dummy for treated units above the cutoff, M_{iT} is the margin of

¹³We summarise the composition of the treated and control groups in Table A.1 in the Online Appendix.

victory (i.e., the running variable), and u_{it} a robust error term clustered by municipality. We include a set of pre-treatment covariates X_{it} in the specification as well as year and election-year dummies (δ_t and γ_T) to boost efficiency (Calonico et al. 2019). However, to avoid suppression effects we also report results of specifications without covariates (Lenz and Sahn 2020). The coefficient β is the RDD estimator and identifies the average outcome jump at the cutoff after partialing out the effect of the covariates. Mayors stay in office for five years, while the other variables are at the municipality-year level. β is therefore the average yearly effect of electing a populist mayor within the government term.

5.1 Validity

In the Online Appendix we provide support for the identification assumptions of the sharp RDD. First, we document the absence of sorting at the cutoff with density tests aimed at detecting whether there is a proportional number of elections where populist candidates barely won or lost (McCrary 2008; Matias D. Cattaneo, Jansson, and Ma 2020). Figure A.1 shows no discontinuities in density at the cutoff.

Second, we address the possibility of imbalances that may exist between populists and non-populists at the cutoff. For the RDD estimator to recover the local average treatment effect of populism *all else equal*, pre-determined characteristics at the municipality and candidate level should be balanced between the treatment and control group. However, populist candidates in close elections might differ from non-populist candidates according to other unobservable characteristics and as a result the RDD estimator would recover the effect of electing a *populist candidate* and not that of *populism* alone. β would therefore recover the effect of the populist attribute of the mayor and any other compensating

differentials, namely context- or candidate-level characteristics that are distinct from populism but affect the probability of populist candidates to be in close elections with non-populists (Marshall 2019).

Figure A.2 shows balance tests for the 13 pre-treatment covariates. Municipalities above and below the cutoff are very similar with respect to demographic, geographic, and political characteristics of the municipality. Importantly, we find no discontinuity for the value of the margin of victory from the previous election. However, populist candidates are more likely to win in larger towns (we detect a discontinuity in the surface of the municipality), are more likely to have a university degree, and less likely to be women.

Despite the main specifications including all these pre-treatment covariates, the discontinuity in the potential outcomes of the level of education and the gender of the mayor might in fact hide other unobservable differences which could potentially undermine the assumption for which populists barely winning are similar in expectation to their non-populists counterparts. Unless strong ignorability assumptions with respect to the effects of the confounding treatments are invoked (Marshall 2019), the RDD estimator would therefore need to be interpreted as a compound local average treatment effect. In most cases, this interpretation is sensible, for causal claims about fixed characteristics like populism, gender, and race should be operationalised as a “bundle of sticks” (Sen and Wasow 2016). However, the level of education and the gender of mayors are candidate-level characteristics conceptually different from the bundle of sticks that characterises populism. The lower probability of populists to be female and the higher probability to have a university degree might suggest that populists need to be more competent/educated than non-populists to remain in close elections and that being male on average helps the

populist candidate to end up in a close race.

We address this source of confounding both theoretically and empirically. Consistently with extant literature (see e.g., Besley and Sturm 2010; Gagliarducci and Nannicini 2013), we might expect competence and education to be associated with enhancing expertise and increasing performance. We should therefore expect the higher probability of populists to have a university degree to mitigate the effect of populism on our outcomes of interest and hence we expect our estimates to be lower bounds.¹⁴ As far as the mayor's gender is concerned, Casarico, Lattanzio, and Profeta (2020) look at budget allocation to different policy portfolios in the same context of Italian municipalities and find no differences in the policies implemented by male and female mayors. This suggests that we may expect the higher probability of populist mayors to have a university degree to mitigate the effect of populism, whereas the larger probability of populist mayor to be male to be play a negligible role for our outcomes. It is worth noticing that, while these findings might speak to the effects we find for performance outcomes, none of these studies look at the effect of gender and education on bureaucratic quality and turnover. We address this point empirically by replicating the analysis on two additional samples, one where all candidates do *not* have a university degree and one where all candidates are male. We then compare the results with the estimates from the total sample. Consistently with the expectations discussed above, we find larger effects in the no-university-degree sample compared to the all-sample results. Moreover, there are very few differences between the male-only and the total-sample estimates.

Third, in Figure A.4 in the Online Appendix we report estimates from alternative

¹⁴For the Italian context, Mitra (2020) shows that more educated mayors boost public investments without compromising the fiscal stability of the municipality and Bordignon, Colussi, and Bordignon (2020) find that the low education and the young age of populist candidates are detrimental to the efficiency of the local administration.

placebo margins of victory, namely assuming $V_{iT} = 1$ if $M_{iT} = m_j$, where m_j is a vector of margins ranging from -30% to $+30\%$. When adjusting the estimation for multiple testing across each outcome variable, we detect a discontinuity which is statistically different from zero at 95% level in 14.6% of the tests with placebo cutoffs.

Fourth, we show that the estimates are robust to alternative bandwidth selections. Our baseline estimation implements the bandwidth selection proposed by Calonico, Cattaneo, and Titiunik (2014). In Figure A.3 in the Online Appendix we report the results from alternative estimations employing for each outcome fifteen different bandwidths ranging from $.5 \times h$ to $4 \times h$, where h is the MSE-minimising optimal bandwidth.

Fifth, we perform a set of falsification tests with lagged values of the outcome and the forcing variable. We use the margin of victory in election T to estimate jumps at the cutoff in the outcomes during the years between election T and $T - 1$, as well as the margin of victory in election $T - 1$ to estimate discontinuities in the outcomes during the years between election T and $T + 1$. After covariate adjustment, we find a discontinuity only for one outcome (see Table A.2 in the Online Appendix).

6 Results

Merging the database on the bureaucratic composition and government performance with the election data, and keeping only the elections where one populist candidate was running for office against at least one non-populist candidate, we obtain a sample of 7,500 municipality-elections pairs, for a total of 29,063 municipality-year observations. 1,990 elections were won by a populist (36% of the total). In most cases, the populist mayor was supported by one single populist party (i.e., 1,399 elections) and only in 591 and 55 elections was a populist candidate supported by two or three populist parties, respec-

tively. All the 55 instances where three parties were supporting a populist mayor are always the right-wing populist coalition: Forza Italia, Lega (Nord), and Fratelli d’Italia. Table 2 shows the distribution of populist mayors across supporting populist parties for all mayors supported by one (diagonal of the matrix) or two parties (every other entry).

	Forza Italia	Pop. Libertà	Lega (Nord)	Fratelli d’Italia	Movimento 5 Stelle	Liga Veneta	Lega Az. Meridionale
Forza Italia	446	0	149	19	0	0	0
Popolo della Libertà	0	175	242	4	0	0	0
Lega (Nord)	149	242	731	121	0	1	0
Fratelli d’Italia	19	4	121	11	0	0	0
Movimento 5 Stelle	0	0	0	0	36	0	0
Liga Veneta	0	0	1	0	0	0	0
Lega d’Azione Meridionale	0	0	0	0	0	0	0

Table 2: Distribution of populist parties supporting winning populist candidates. Diagonal of the matrix shows the number of candidates supported by one single populist parties. Each other cell shows when a populist mayor was supported by two candidates. The 54 instances where mayors are supported by the right-wing populist coalition (Forza Italia, Lega (Nord), and Fratelli d’Italia) have been omitted.

Figure 1 shows binned averages of the outcome variables as a function of the margin of victory of the populist candidate. All outcomes display a large jump at the cutoff, where we can compare populists barely winning and barely losing the elections.

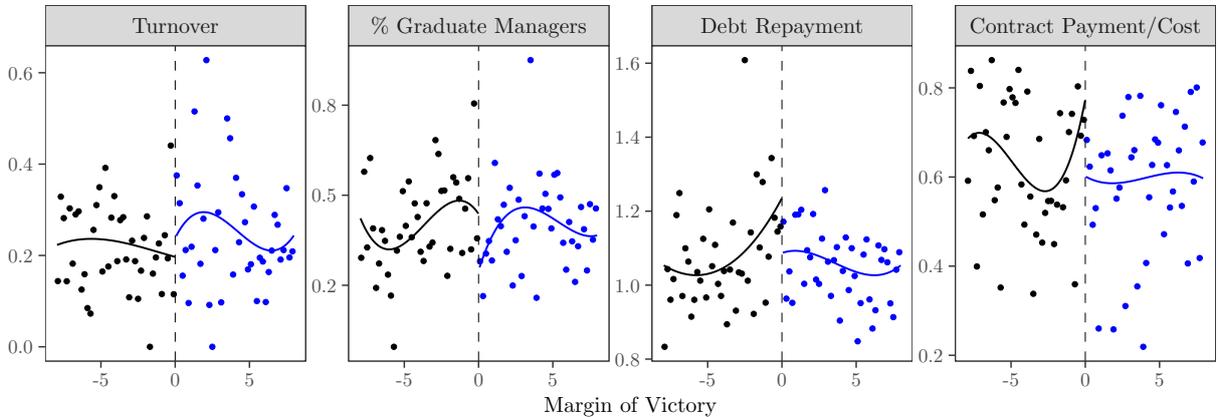


Figure 1: Binned averages of the four outcomes in close electoral races (i.e., $M_{it} \in [-8, +8]$). The solid line is third-order polynomial fit using control and treated units separately. Scatter points are averaged over 0.2% margin of victory.

Table 3 shows the regression results. We report the estimated effect of electing a populist mayor *in close electoral races* on the four outcomes as well as 95% cluster-robust confidence intervals.¹⁵

There is ample support for the expectations. Electing a populist mayor leads to an increase in turnover by 0.1 points (average turnover is 0.23), and the percentage of managers with a university degree decreases by -10.3 percentage points. Consistently with the RD plots in Figure 1, there are economically and statistically significant effects on debt repayment and payment/cost ratio of procurement contracts. Populist barely winning the elections do a worse job of repaying accumulated debts, with debt repayment decreasing by -0.1 points (-10% compared to the mean), and the paid portion of procurement contracts' costs decreases by -6.4 percentage points.¹⁶

<i>Outcomes</i>	Quality of Bureaucrats		Government Performance	
	Turnover	% Graduate Managers	Debt Repayment	Contract Payment/Cost
<i>LATE</i>	0.108	-0.103	-0.105	-0.064
<i>Robust 95% CI</i>	[0.065, 0.177]	[-0.170, -0.060]	[-0.174, -0.060]	[-0.130, -0.010]
<i>Robust p-value</i>	0.000	0.000	0.000	0.022
<i>h</i>	9.19	7.00	10.53	18.64
<i>Obs. Used</i>	1,544	1,099	2,523	1,541

Table 3: RD estimates constructed using local polynomial estimators with triangular kernel. Robust p-values and confidence interval constructed using bias-correction with cluster robust standard errors at municipality level, h is the MSE-optimal bandwidth. Covariates include: population (log), surface (sq.km), surface at hydro-geological risk (sq.km), number of local councillors, gender and education of mayor (both dummy), year and year-election dummies.

A joint look at the estimates can help us corroborate the bad-replace-good logic behind the increase in turnover we observe, which might also be explained by ideological differences between bureaucrats and mayors. Mayors could in fact appoint (remove) bureaucrats who are ideologically close (far) from their ideal points (Epstein and O'Halloran

¹⁵Regression results without covariates are reported in Table A.3 in the Online Appendix. Analysis implemented with the *rdrobust* package in R (Calonico, Cattaneo, and Titiunik 2015).

¹⁶We should note that the effects on payment/cost ratio of procurement contracts are less precise without covariate-adjustment (point estimate = -0.04 and robust p.value = 0.266, see Table A.3).

1999). Ideological distance is also considered the main “political” predictor of turnover in studies of US federal bureaucracy (Doherty, Lewis, and Limbocker 2019a; Bolton, Figueiredo, and Lewis 2021). Recent work on the effects of ideological congruence on procurement activities of bureaucrats have nonetheless found a positive effect of ideological assonance on procurement efficiency. Spenkuch, Teso, and Xu (2021) find that contracts overseen by an ideologically similar officer exhibit cost overruns that are, on average, 8% lower than the mean overrun. If populists appointed ideological clones, we might expect an increase in the payment/cost ratio of procurement contracts. Similarly, we should not find a large drop in the percentage of graduate managers. Even if we have no data on the ideological leanings of bureaucrats and we cannot exclude that ideology plays a role in appointment/removal decisions, the negative effect on procurement performance, coupled with a large drop in the percentage of graduate managers, lend support to the anti-expertise motives of populist mayors.

6.1 Mechanism

We present four tests to further support our general mechanism. Let us first recall that the estimated effects represent the average effect of electing a populist over the entire government term until the next election. To unpack the average effect, we run the analysis on three additional samples, subsetting the data from the second, third, and fourth year of term. Figure 2 shows that the point estimates of the effects on the quality of bureaucrats decrease when looking at the second part of the government term, whereas the point estimates of the effects on government performance are larger when limiting the analysis to the final years of the term. This is consistent with our theory, for it might take time for populist mayors to affect the performance of the municipality, whereas they

can more quickly affect the overall quality of bureaucracy in the first part of term through appointments/removals.

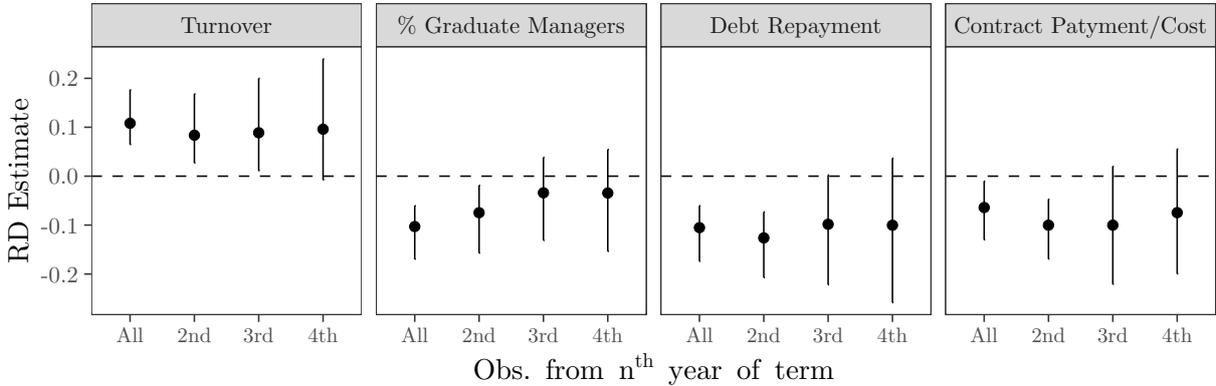


Figure 2: RD estimates with 95% cluster-robust CI of the effect of electing a populist mayor across four samples subsetting the data from the second, third, and fourth year of term. Estimates constructed using local polynomial estimators with triangular kernel and MSE-optimal bandwidth. Robust p-values constructed using bias-correction with cluster robust standard errors at municipality level. Same covariates as in Table 3.

Second, the effects of electing a populist mayor on government performance are estimated on the total sample of municipalities, while the effects on the quality of bureaucrats only on municipalities with public managers. Mayors in municipalities without public managers have larger control over policy-making. In Figure 3 below, we show the effects on government performance estimated on a sample of all municipalities without managers are larger than those in the total sample.

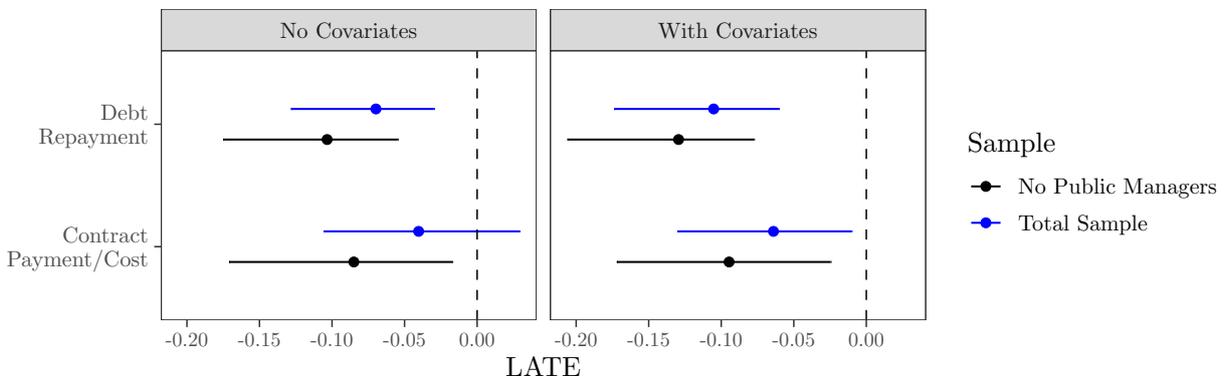


Figure 3: RD estimates with 95% cluster-robust CI of the effect of electing a populist mayor on government performance outcomes in full and no-public managers samples. Estimates constructed using local polynomial estimators with triangular kernel and MSE-optimal bandwidth. Robust p-values constructed using bias-correction with cluster robust standard errors at municipality level. Same covariates as in Table 3.

Third, in line with classical work on delegation arguing that multiple principals with diverging preferences are less likely to delegate discretion to agencies (Epstein and O'Halloran 1999), we expect that populist mayors elected with the support of more than one party (populist or not) will be more constrained in implementing their political agenda. If an agent (the mayor) is chosen by multiple principals (supporting parties) with heterogeneous preferences, the agent will have to accommodate some of the other principals' requests, thus reducing the incentives to weaken the bureaucracy. A similar logic has been documented in the lobbying literature. If multiple lobbyists with different preferences participate to the policy-making process, the policy outcome is likely to be a moderate compromise (see e.g., Felli and Merlo 2006). We therefore split the sample and show that the effects decrease when populist candidates are supported by more than one party (see Figure 4). Except for turnover and the payment/cost ratio of procurement contracts, the difference between the estimated effects is distinguishable from zero at 95% level.

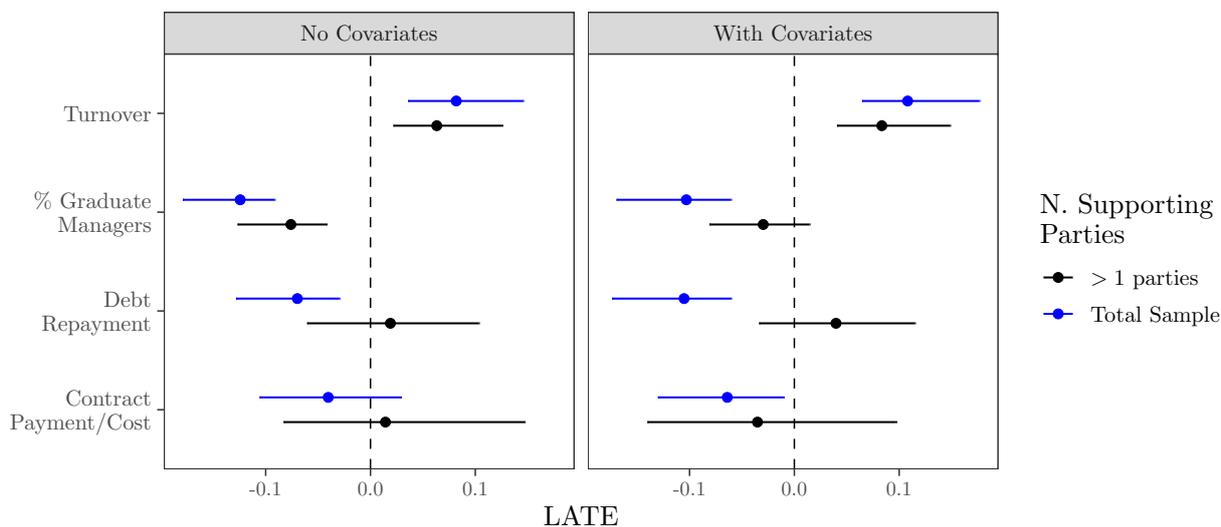


Figure 4: RD estimates with 95% cluster-robust CI of the effect of electing a populist mayor in two different samples: full sample and populist candidates supported by more than one party. Estimates constructed using local polynomial estimators with triangular kernel and MSE-optimal bandwidth. Robust p-values constructed using bias-correction with cluster robust standard errors at municipality level. Same covariates as in Table 3.

Fourth, we can show that the firing incentive mechanism (the demand side of turnover) is truly the mechanism at play, since the potential supply-side mechanism (more voluntary departures by managers) is not supported by the data. Bolton, Figueiredo, and Lewis (2021) and Doherty, Lewis, and Limbocker (2019a) argue that top bureaucrats might decide to leave the organisation when facing a newly-elected principal with diverging policy positions either because they are marginalised by the new government or the because the value they obtain from public office decreases. As shown in Figure A.5 in the Online Appendix, there is in fact a small *negative* effect of electing a populist mayor on the number of resignations over the total number of lay-offs (percentage points).¹⁷

7 Robustness Analysis

We present four robustness tests to further strengthen the causal interpretation of our results. First, we show how the results are robust to omitting one of the five major parties when coding the mayor as populist, sequentially considering the 5SM, Lega (Nord), Fratelli d'Italia (FDI), Forza Italia (FI), and the Popolo della Libertà (PDL) non-populist. As displayed in Figure 5, most of the estimated effects are consistent with the main results reported in Table 3.

Second, in order to show that the larger probability of populist mayors to have a university degree mitigates the effect of their populist attribute and that the lower probability of populist mayors to be female plays a negligible role for our outcomes (see Section 5.1), we replicate the analysis on three separate samples: the total sample, a sample where all mayors do not have a degree, and a sample of male-only mayors. The data supports

¹⁷Our data features several reasons of contract termination for public managers, most of them generically coded “other reasons” (almost 40% of all terminations). The three most-frequent reasons are voluntary resignations (30% of total), retirements (13%), transfers to other organisations (14%).

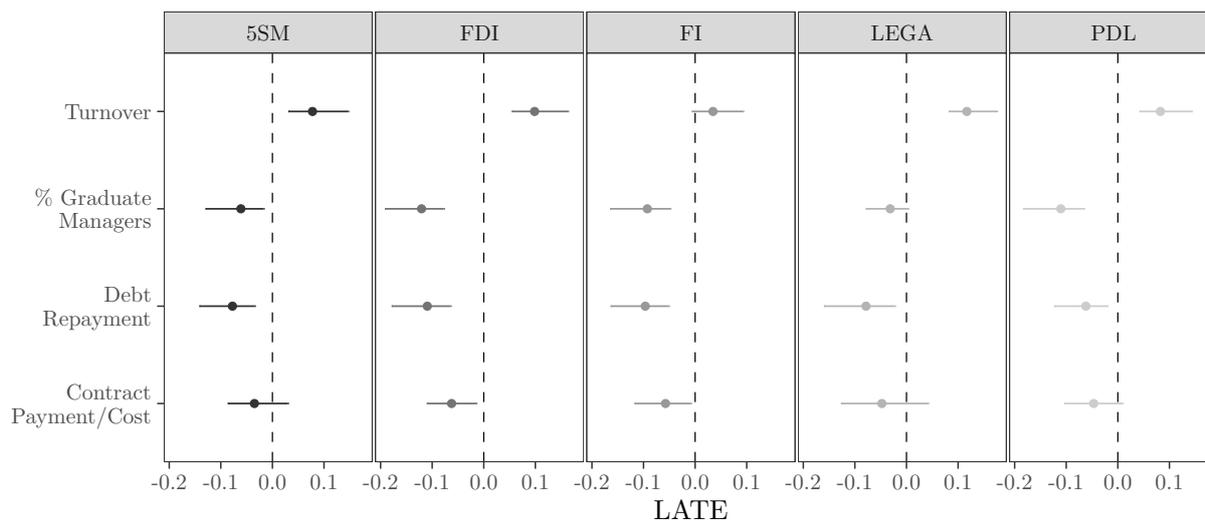


Figure 5: RD estimates with 95% cluster-robust CI of the effect of electing a populist mayor under alternative coding strategies. Panel labels report the party omitted when coding the mayor as populist. Estimates constructed using local polynomial estimators with triangular kernel and MSE-optimal bandwidth. Robust p-values constructed using bias-correction with cluster robust standard errors at municipality level. Same covariates as in Table 3.

these expectations. Except for the payment/cost ratio of procurement contracts, we find the effects in the no-degree-sample on turnover to be generally larger than those in the total sample, while the effects when all mayors are male are very similar to the results for the total sample.

Third, we address the possibility that higher turnover among public managers and the decrease in performance due to the election of a populist leader are confounded by incumbency effects. A common feature of public sector employment is the change in executive leadership corresponding to a change in electoral leadership (Bolton, Figueiredo, and Lewis 2021; Boyne et al. 2010). It may be less likely for populist candidates to be incumbents, and the drastic change in bureaucratic organisation and the lower performance might be the product of inexperience and reasonable change in administrative leadership resulting from the election of a new mayor. To rule out this possibility, we exclude from the sample all incumbent mayors and find even larger effects. Even though the effect on the payment/cost ratio of procurement contracts is distinguishable from zero at 90%

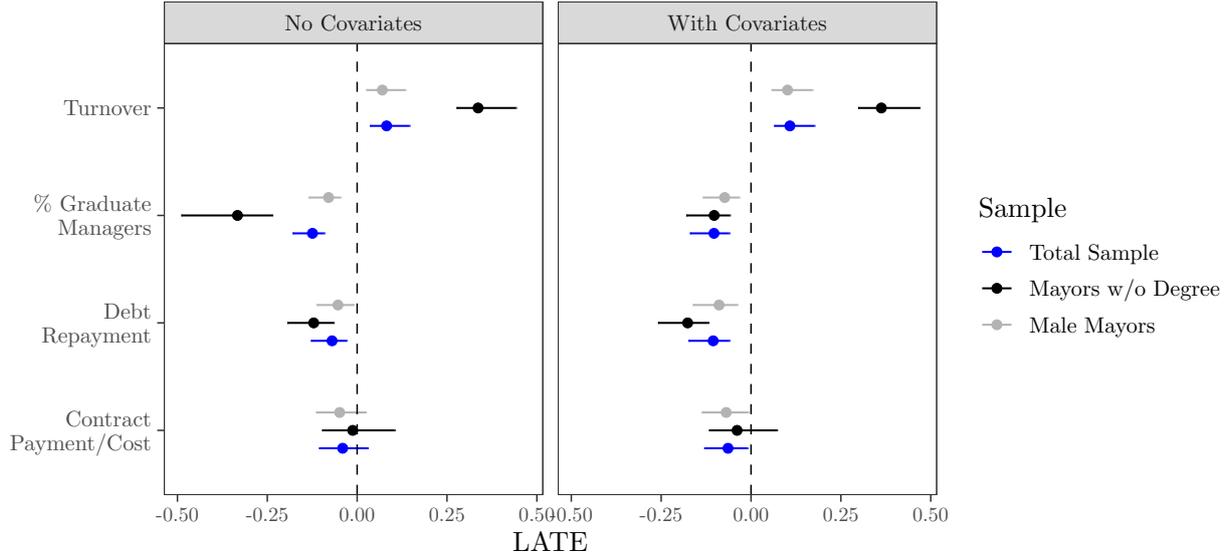


Figure 6: RD estimates with 95% cluster-robust CI of the effect of electing a populist mayor across three different samples: total sample, mayors without degree, male mayors. Estimates constructed using local polynomial estimators with triangular kernel and MSE-optimal bandwidth. Robust p-values and confidence interval constructed using bias-correction with cluster robust standard errors at municipality level. Same covariates as in Table 3.

level (robust p.value = 0.059), we do find that the point estimates are on average 18% larger compared to the main results including incumbent mayors. Full results reported in Table A.4 in the Online Appendix.

Fourth, except for the 5SM, the other populist parties are also right-wing, hence there may be a concern about what is driving the results, whether being populist or being right-wing. We address this form of composite treatment in two ways. First, we show that the point estimates of the effects of electing a populist mayor are larger in the period following the 2008 financial crisis, which is considered the tipping point of populism (Judis 2016; Guiso, Morelli, and Sonno 2021). If the results were driven by right-wing ideology, we should not see marked differences before and after this critical juncture.

Finally, we limit our analysis to the 5SM, the only non-right-wing populist party in Italy. We remove all right-wing populist candidates from our sample of elections and we build a new running variable for the RDD equal to the margin of victory of 5SM candidates competing against all the remaining candidates. 5SM candidates run

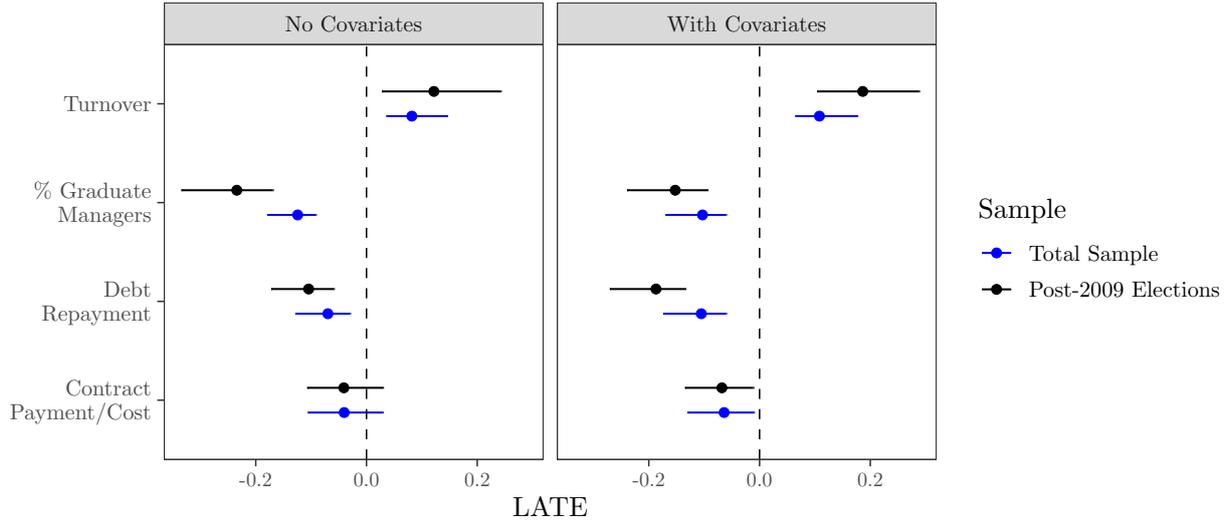


Figure 7: RD estimates with 95% cluster-robust CI of the effect of electing a populist mayor across three different samples: total sample, municipality-year observations which held elections after 2008, total sample but Forza Italia coded as non-populist. Estimates constructed using local polynomial estimators with triangular kernel and MSE-optimal bandwidth. Robust p-values and confidence interval constructed using bias-correction with cluster robust standard errors at municipality level. Same covariates as in Table 3.

in 1,138 elections and they win only in 45 elections, for a total of 165 municipality-year treated observations. We perform the same RDD as in the total sample. In order to save statistical power, we do not include covariates (many of them have missing observations) and we allow for asymmetrical optimal bandwidth above and below the cutoff.¹⁸ Except for debt repayment, whose estimated effect is not distinguishable from zero, all the other estimated effects are consistent with the theoretical expectations (see Table 4).

¹⁸This is recommended when the number of treated and control observations is very different. However, using a symmetric bandwidth yields very similar results.

<i>Outcomes</i>	Quality of Bureaucrats		Government Performance	
	Turnover	% Graduate Managers	Debt Repayment	Contract Payment/Cost
<i>LATE</i>	0.347	-0.699	0.264	-0.125
<i>Robust 95% CI</i>	[0.191, 0.557]	[-0.746, -0.620]	[-0.030, 0.610]	[-0.255, -0.022]
<i>Robust p-value</i>	0.000	0.000	0.075	0.020
$h_-; h_+$	26.18; 29.27	7.87; 13.29	28.81; 47.35	24.64; 34.84
<i>Obs. Used</i>	108	41	318	416

Table 4: RD estimates of the effects of electing a 5SM mayor. Estimates constructed using local polynomial estimators with triangular kernel. Robust p-values and 95% confidence interval and 95% confidence intervals constructed using bias-correction with cluster robust standard errors at municipality level, h_- and h_+ are the the asymmetric MSE-optimal bandwidths below and above the cutoff. No covariates included. No discontinuity detected in the density function of the running variable.

8 Conclusions

In this paper we explored how populist governments affect the bureaucracy and government performance. We take stock of different theoretical approaches to the study of populism, bureaucracy, and policy-making, which argue that when citizens lose trust in traditional political parties and elites, populist politicians have an incentive to propose a commitment-type policy platform that can be easily monitored by voters. When populists come to power with such platform, they replace experts with non-experts to ensure commitments are turned into implemented policies, for non-expert bureaucrats are less likely to raise concerns about the feasibility and the impact of the populist policies.

We analyse all municipal elections in which a populist mayor ran for office in a regression discontinuity design and find that municipalities where a populist mayor barely wins the election have higher turnover, lower quality of bureaucrats, and lower performance, measured with the proportion of paid procurement contracts and debt repayment. We

present several tests to support our mechanism and four different robustness analyses that reinforce our confidence in the commensurability of our estimates with the effect of electing a populist mayor in close electoral races (Bueno De Mesquita and Tyson 2020). We also discuss some limitations due to composite treatment resulting from populist mayor *in close elections* being on average more likely to be male and more educated than their counterparts below the cutoff, and we show suggestive evidence that gender and education are not affecting and mitigating the effects of the populist attribute of mayors, respectively. Furthermore, our single party analysis with the 5-Star-Movement and the sub-group analysis without incumbent mayors allows us to exclude that the effects are driven by right-wing ideology or incumbency status.

Three notes about the generalisability of our results are in order, concerning the representativeness of our sample, the scope conditions of the theoretical set-up, and alternative mechanisms linking populism and lower performance. First, the RD estimates are local by design and there may be a concern about the representativeness of close races with populist candidates. While populists run in approximately a quarter of all the elections in our data, they also run in larger towns, with the average population size with a populist candidate being 3 times as large as the average population size across all municipalities (see Table 1). While our results are based on small political communities, our theoretical framework suggests that the relationship between populist governments, turnover, and performance should hold in larger polities and higher levels of government too, where politicians have more influence over more salient policies.

Second, as far as the underlying features of the Italian political system are concerned, there are reasons to believe that the theory discussed in this paper applies to modern bureaucracies with clear tasks and organisations, which are delegated significant stocks of

discretion in managing policies. In political systems where crony or corrupted practices prevail, it is harder for expertise to affirm as a distinctive feature of bureaucratic policy-making, and populist politicians might not be concerned about replacing experts with non-experts. Similarly, for the theory to apply, bureaucratic administrations ought to have a certain level of capacity in order to attract expert professionals in the first place. If no expert works for bureaucratic bodies, we would not expect turnover to increase or bureaucratic quality to drop as a consequence of populism.

Third, it should be noticed that the turnover effect we focus on is only one force among those that make populist politicians responsible for worsening bureaucracy and government performance. While the data allows us to prioritise this demand-side mechanism over a supply-side one based on bureaucrats' self-selection, we cannot rule out alternative ways through which populism undermines bureaucratic effectiveness. An important one, highlighted in theoretical work, is that those expert bureaucrats who remain in the administration can "pause" their commitment to good-quality policies and feign to be non-expert while waiting out the incumbent government (Sasso and Morelli 2020; Cameron and Figueiredo 2020). Because of the empirical limitations of observing bureaucratic feigning we were only able to study how populism affects turnover and the quality of bureaucrats. Future research could focus on this alternative channel and examine the conditions under which bureaucrats are willing to compromise on policy today to remain in their post tomorrow.

While it is important to highlight these specificities of the Italian context and more general scope conditions of the theoretical framework, we believe that the main concepts used in this paper are generalisable to other countries and political systems. Populism is on the rise across the world¹⁹ and it is likely to interfere with the appointment and removal

¹⁹The aggregate 2020 vote share of populist parties in Europe, for instance, doubled with respect to

decisions that characterise the relationship between political principals and bureaucratic agents. Moreover, by providing the first empirical test of the consequences of populism for bureaucratic quality and government performance, our paper opens new paths to the study of the policy-making under populism. If populist politicians worsen the functioning of government, they might undertake patronage and clientelistic tactics to remain in power (Hicken 2011; Gáspár, Gyöngyösi, and Reizer 2021), or they can allocate resources and programs in the attempt to consolidate their electoral consensus across their most loyal voters (Peters and Pierre 2020). Our findings can therefore inform a large body of work studying populism, bureaucracy, and government performance more broadly.

the total share in 2010 (from approximately 15% to more than 30%) (Rooduijn et al. 2019).

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Online Appendix

A.1 Populist Parties in Italy

In this section we provide qualitative information about the populist nature of parties in Italy. The Lega (Nord) was established in 1991, with a strong regionalist and secessionist focus (Meardi and Guardiancich 2021). Together with Giorgia Meloni’s Fratelli d’Italia, established in 2012, the new leadership of Salvini in 2013 moved the party to a more right-wing, conservative, nationalist platform, with a strong focus on anti-immigration and security. The 5SM, instead, was established as a more participatory and deliberative platform, advocate of direct democracy, and with a strong anti-elite identity (Mosca and Tronconi 2019). Despite some stark differences, they all share the aversion to austerity measures and see the European Union as a technocratic organisation which puts at risk the national interest (Caiani and Graziano 2019). Silvio Berlusconi’s Forza Italia and, then, the Popolo della Libertà, has been portrayed as the first instance of populist party in Italy, known for its anti-establishment and people-centric rhetoric against corrupt elites, intellectuals and members of the judiciary (Van Kessel 2015). These features that can be found in the Italian populism are far from being a distinct characteristic of Italian politics. The combination of anti-establishment sentiment with right-wing conservatism, holistic-representation ambitions, and economic nationalism can be found in many countries and regions of the world (Van Kessel 2015), from Latin to North America (Conley 2020), Europe (Mudde and Kaltwasser 2017), and Africa alike (Resnik 2017).

A.2 Datasets

In this section we provide detailed information about the source of data used in the manuscript.

We obtained election data directly from the Ministry of Interior, although the same data is reported in the Historical Electoral Archive accessible at <https://elezionistorico.interno.gov.it/>. The dataset includes information about every mayoral candidate in the total population of municipal elections from 1989 to 2020. We focus on the elections where *one* populist candidate ran against *at least one* non-populist candidate. Municipalities with more than 15,000 inhabitants have a two-round electoral system, where the two most voted candidates compete in a second round when no one obtains more than 50% of votes in the first round. When a second-round occurred, we focused on the two candidates running in the second round. As a result, if a populist was running in the first round but did not qualify to the second round, the election is excluded from the sample.

Data on bureaucratic composition of municipal governments is obtained from the Annual Account of the Italian General Accounting Office which is a department within the Ministry of the Economy and Finance (available at <http://contoannuale.mef.gov.it>). The richness of this data allows us build fine-grained measures of bureaucratic turnover and quality from 2001 to 2019 across all Italian public organisations. Importantly, we are able to focus on key bureaucrats within municipal governments, namely those with managerial rank. To do this, we subset each datasets of the Annual Account to macro-categories of contracts which contain the word *dirigente* (manager).

Database on Local Administrators with information on the number of local councillors

and members of the executive committee is available at <http://dait.interno.gov.it/elezioni/open-data>, data on debt repayment for the period 2008-2015 available at <http://dati.statistiche-pa.it>. Procurement data available at <https://dati.anticorruzione.it>.

Because not every dataset resorts to unique code identifiers, we alternated merging strategies using strings that combined both the municipality and region name, the unique identifiers assigned by the National Institute of Statistics, or the unique code attached to each municipality's budget data.

A.3 Treatment and Control Group

In the table below we report a summary description of the treatment and control groups for the RD analysis.

Treatment Group

- 1) one populist candidate runs against one or more non-populist candidates in election year T
- 2) the populist candidate barely wins
- 3) we analyse outcomes for that municipality during every calendar year t until the next election in $T + 1$

Control Group

- 1) one populist candidate runs against one or more non-populist candidates in election year T
 - 2) the populist candidate barely loses
 - 3) we analyse outcomes for that municipality during every calendar year t until the next election in $T + 1$
-

Table A.1: Description of treatment and control groups.

A.4 Validity of RDD

In this section we report falsification tests for the regression discontinuity design.

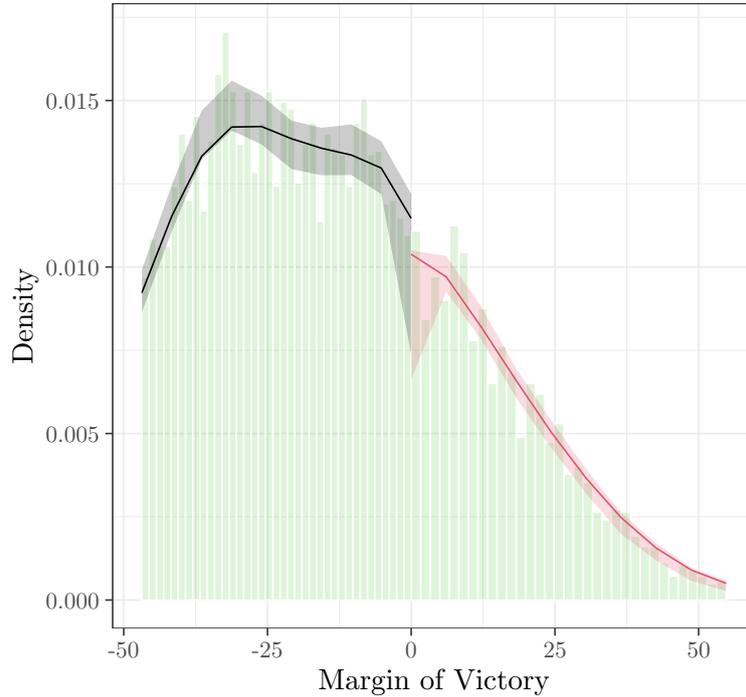


Figure A.1: Manipulation test using the local polynomial density estimators proposed in Matias D. Cattaneo, Jansson, and Ma (2020). Histogram estimate of the running variable computed with default values in R; local polynomial density estimate (solid dark and red) and robust bias corrected confidence intervals (shaded dark and red) computed using *rddensity* package in R. We fail to reject the null hypothesis of sorting with $p.value = 0.44$.

	RD Estimate	Robust 95% CI	p.value	h	Obs. Used
Lagged DV					
<i>Turnover</i>	-0.011	[-0.075, 0.056]	0.773	13.882	1,819
<i>% Graduate Managers</i>	-0.111	[-0.182, -0.048]	0.001	10.514	1,468
<i>Debt Repayment</i>	-0.002	[-0.061, 0.065]	0.946	14.437	2,668
<i>Contract Payment/Cost</i>	-0.120	[-0.256, 0.019]	0.090	19.039	525
Lagged Margin					
<i>Turnover</i>	-0.004	[-0.043, 0.04]	0.942	14.330	2,202
<i>% Graduate Managers</i>	-0.010	[-0.077, 0.037]	0.501	12.062	1,861
<i>Debt Repayment</i>	-0.046	[-0.125, 0.045]	0.360	16.213	3,161
<i>Contract Payment/Cost</i>	-0.024	[-0.082, 0.025]	0.299	13.292	1,700

Table A.2: Lagged DV: RD estimates of the effects of electing a populist in year T on outcomes observed between election T and T-1. Lagged Margin: RD estimates of the effects of electing a populist in year T-1 on outcomes observed between election T and T+1. Estimates constructed using local polynomial estimators with triangular kernel. Robust p-values and confidence interval constructed using bias-correction with cluster robust standard errors at municipality level, h is the MSE-optimal bandwidth. No covariates included.

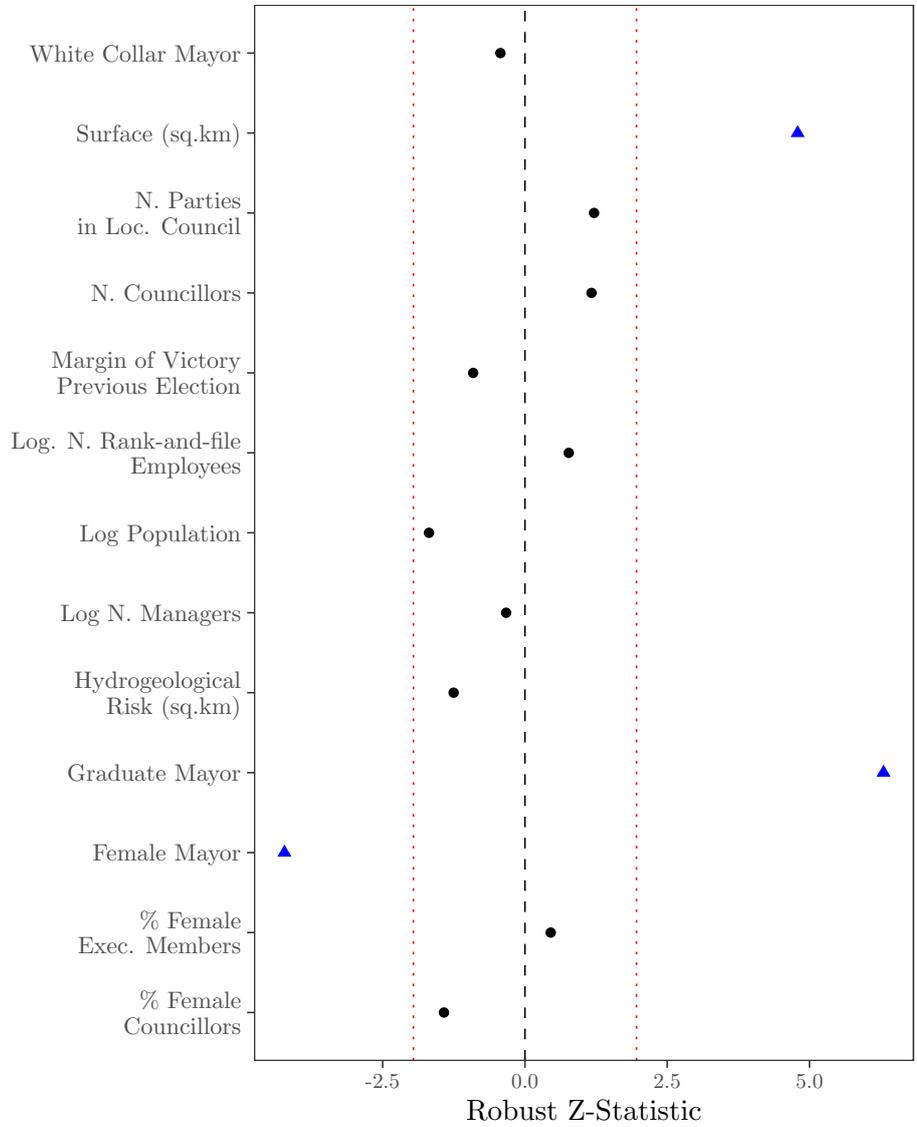


Figure A.2: RD robust Z-statistics of the effect of electing a populist mayor on pre-treatment covariates with vertical line at 95% confidence level. Estimates constructed using local polynomial estimators with triangular kernel and CER-optimal bandwidth (as suggested by Matias D. Cattaneo, Idrobo, and Titiunik 2019, Ch. 5). Robust p-values using bias-correction with cluster robust standard errors at municipality level. Same covariates as in Table 3, except for the covariate used as outcome variable.

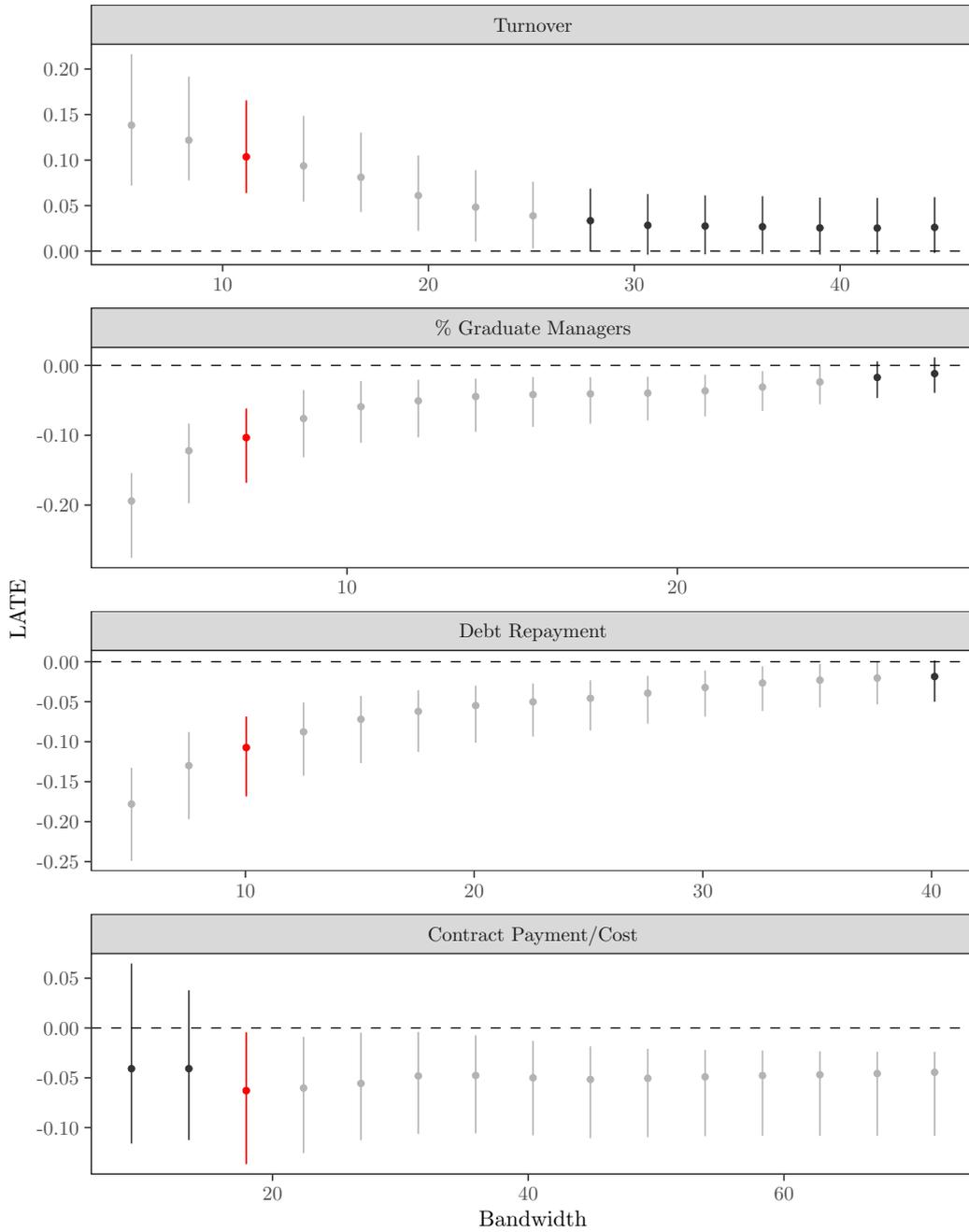


Figure A.3: RD estimates with 95% cluster-robust CI of the effect of electing a populist mayor with alternative bandwidths. Red coefficients estimated with MSE-optimal bandwidth and grey coefficients statistically significant at 96% level. Estimates constructed using local polynomial estimators with triangular kernel and MSE-optimal bandwidth. Robust p-values and confidence interval constructed using bias-correction with cluster robust standard errors at municipality level. Same covariates as in Table 3.

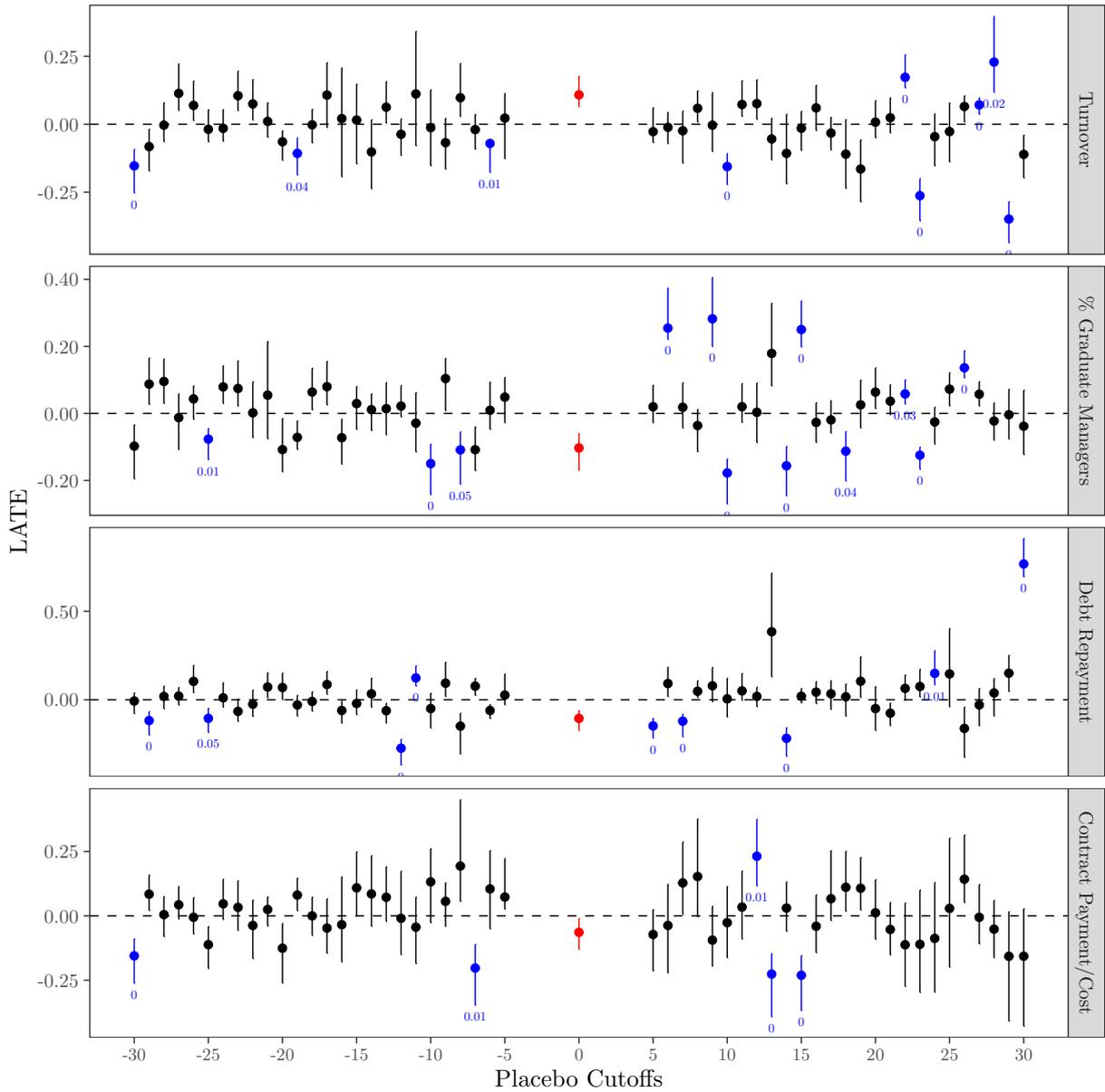


Figure A.4: RD estimates with 95% cluster-robust CI of the effect of electing a populist mayor with placebo cutoffs. Red coefficients at true cutoff (margin of victory = 0). Blue coefficients when p.value after multiple testing adjustment smaller than 0.05. Multiple-testing adjustment performed with Bonferroni procedure to control for the false discovery rate separately for each outcome variable. Estimates constructed separately on control unit when placebo cutoff < 0, and on treated unit when placebo cutoff > 0. Placebo cutoffs very close to 0 omitted due to small sample size. Estimation performed using local polynomial estimators with triangular kernel and MSE-optimal bandwidth. Confidence interval constructed using bias-correction with cluster robust standard errors at municipality level. Same covariates as in Table 3. We find statistically significant effects in 14.6% of the tests.

A.5 Main Results, No Covariates

<i>Outcomes</i>	Quality of Bureaucrats		Government Performance	
	Turnover	% Graduate Managers	Debt Repayment	Contract Payment/Cost
<i>LATE</i>	0.082	-0.124	-0.070	-0.040
<i>Robust 95% CI</i>	[0.036, 0.146]	[-0.179, -0.091]	[-0.128, -0.030]	[-0.106, 0.029]
<i>Robust p-value</i>	0.001	0.000	0.002	0.266
<i>h</i>	9.93	6.84	10.70	15.72
<i>Obs. Used</i>	1,850	1,188	2,783	1,536

Table A.3: RD estimates constructed using local polynomial estimators with triangular kernel. Robust p-values and 95% confidence interval and confidence intervals constructed using bias-correction with cluster robust standard errors at municipality level, h is the MSE-optimal bandwidth. No covariates included.

A.6 Testing the Mechanism

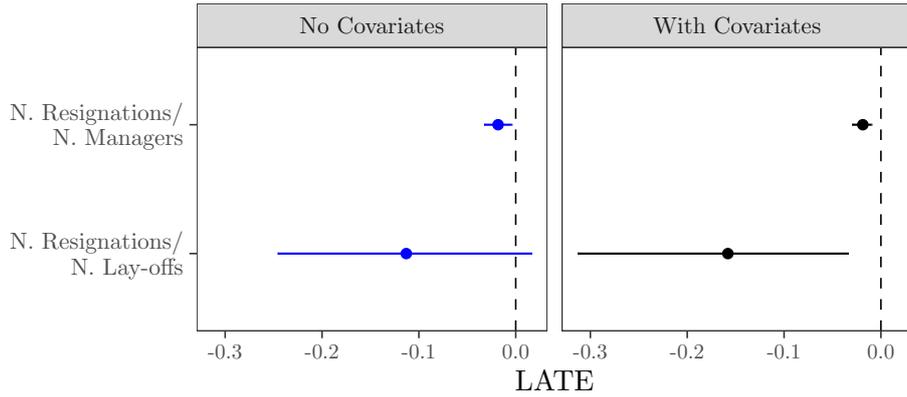


Figure A.5: RD estimates with 95% cluster-robust CI of the effect of electing a populist mayor on resignation outcomes. Estimates constructed using local polynomial estimators with triangular kernel and MSE-optimal bandwidth. Robust p-values and confidence interval constructed using bias-correction with cluster robust standard errors at municipality level. Same covariates as in Table 3.

<i>Outcomes</i>	Quality of Bureaucrats		Government Performance	
	Turnover	% Graduate Managers	Debt Repayment	Contract Payment/Cost
<i>LATE</i>	0.152	-0.080	-0.149	-0.072
<i>Robust 95% CI</i>	[0.107, 0.225]	[-0.149, -0.037]	[-0.22, -0.106]	[-0.164, 0.003]
<i>Robust p-value</i>	0.000	0.001	0.000	0.059
<i>h</i>	10.35	6.79	7.49	15.13
<i>Obs. Used</i>	1,413	897	1,364	939

Table A.4: RD estimates of the effects of electing a populist mayor excluding incumbent mayors (we keep the first term of all mayors who have been elected more than once). Estimates constructed using local polynomial estimators with triangular kernel. Robust p-values and 95% confidence interval and 95% confidence intervals constructed using bias-correction with cluster robust standard errors at municipality level, h is the MSE-optimal bandwidth. Same covariates as in Table 3.