Research Statement

Ugo Troiano

I am an economist whose research lies at the intersection of political economy and public economics. My research focuses on studying public policies, facing the challenge that policies are not randomly assigned but instead reflect the influence of values, beliefs, and political incentives. I believe the body of my work has the common feature of dealing with how government and government policies work, while it has approached this question from a variety of methodological perspectives.

My work can be classified into two general themes. In some of my completed work, I study how values, beliefs and political incentives affect the implementation of government policies. One of the implications of this line of research is that research designs to study government policies need to allow for change in policies to be endogenous. In the rest of the research papers, I aim to provide compelling evidence about the consequences of revenue collection policies and government expenditures on economic outcomes. These two topics overlap with each other in some of my papers.

Not surprisingly, given the importance of the topic, there is a long tradition of economists studying how the government works. What can be surprising to non-economists is that there are not one, but two fields that are mainly focused on how governments function: political economy and public economics (I am using the definition of fields by the National Bureau of Economic research: http://www.nber.org/programs/). What differentiates the two fields is not the topic of research, but the underlying view about government.

Political economy focuses on the imperfections of politics and their effect on government. For instance, the politicians may behave as self-interested actors, seeking votes more than the well-being of their citizens. Additionally, monitoring them is hard, and therefore keeping them accountable may be a daunting task for the voting process, which, in turn, is by itself imperfect (two of my research papers, discussed below, deal with political accountability). According to this view, the best way for dealing with such problems is to restrain the influence of the government on the economy through the use of fiscal restraints (one of the topics I studied, see later on).

Public economics focuses on the imperfections of the market economy. The market is exposed to market failures such as externalities and inequality in the distribution of the outcomes. Therefore, the role of the government, meant as a benevolent one, is to correct market failures. One of the fundamental ways through which governments develop fiscal capacity is through the tax system. My research has focused on taxation, starting from the effects for the state to the development of a taxation system from scratch, to topics related to tax enforcement.

I believe that in the future the boundaries between the two views will get thinner and thinner, given that they both deal with "government economics." My research focuses on how the governments function, keeping an agnostic point of view about which is the "right" way to think about government, imperfect or benevolent. I think that the proper way to combine the two views is to decide the optimal scope of government on a case by case basis, depending on the type of problem the society has to face, and the type of institutions the politicians are facing. For instance, my research suggests that political imperfections are likely to be of first-order importance for deficit policies, and likely to be second-order for tax enforcement matters.

The main way through which all modern governments have developed is through increasing government revenues, by establishing a tax system. In Cassidy, Dincecco and Troiano (2018) we study what happens when the state broadens its tax base, by focusing on the introduction of the state income tax on U.S. states' governments. We first provide a formal theory that predicts that when the tax base is broadened, it is optimal for a benevolent government to increase public goods provision. We then show that when the U.S. states introduced the income tax, not only revenues increased, but also the provision of public goods increased (mainly, education). Additionally, we find that there were mobility responses such that some people moved out of the states that were introducing the income tax. We also provide suggestive evidence that the policy responses to the introduction of the income tax varied depending on the political party of the state governor at the time of the introduction of the income tax. We deal with the potential endogeneity of the adoption of the income tax by showing that the results are robust if we compare states that adopted the income tax by a close vote (and, hence, where confounding factors are likely to be minimal) to those where the vote was not close.

Therefore, a central result of my research is that the development of government, by broadening the tax base, allows the provision of important public goods, such as education. However, a concern with that result is that some governments, if managed in an imperfect way, may over-spend compared to the optimum. As discussed above, the main policy recommendation of the political economy school for this imperfection is fiscal rules. In Grembi, Nannicini and Troiano (2016), we study whether fiscal rules help local governments balance their budgets, by analyzing data about Italian municipalities. Fiscal rules are laws that may reduce the incentives to accumulate debt, and many countries adopt them to discipline local governments. Their consequences are debated because commitment and enforcement problems may make them ineffective. In the paper we formalize in a very simple applied econometric framework the assumptions needed for tackling this question quasi-experimentally, and verify those assumptions in the data. The results indicate that local fiscal rules reduced the deficit by about 2 percent of the budget, mainly due to higher local estate taxes and income tax surcharges. The paper also offers suggestive evidence on where fiscal restraint rules matter the most: political fragmentation, mayoral term-limits, older constituencies, and the speed of program delivery all play a major role.

The last sentence suggests an interaction between political incentives and policy-making. This topic relates naturally to the findings of Brollo and Troiano (2016), Alesina, Cassidy and Troiano (2018) and Casaburi and

Troiano (2016). Brollo and Troiano (2016) and Alesina, Cassidy and Troiano (2018) fit in my research agenda because they show that the identity and the personal characteristics of politicians influence public policies. Casaburi and Troiano (2016) fits in my agenda because it shows that tax enforcement policies help politicians in their main goal, i.e., to be re-elected.

In Brollo and Troiano (2016) we provide new evidence about the role of gender in close elections. By using data from Brazilian municipalities, we first find that female mayors are less likely to be involved in administrative irregularities (measured administratively). Second, we analyze gender differences in employment in the municipal administration, which can provide some insights about the use of patronage, a dimension that has not been explored before in the gender literature. We find that male mayors tend to hire more temporary public employees during the electoral year, which is a standard way to engage in patronage in Latin America. Finally, we study the reelection outcomes of these mayors. We find that female mayors are less likely to be reelected compared to their male counterparts. We interpret our findings as showing that, despite being more corrupt, male mayors are more likely to be reelected due to their involvement in patronage. We discuss the results and provide evidence that is inconsistent with some of the alternative explanations of these data patterns.

In Alesina, Cassidy and Troiano (2018), by using data on Italian municipalities, we find that a politician's age does matter for policy. On the one hand, old and young mayors have similar levels of average expenditure and revenue, contradicting the common belief that younger politicians support higher revenues and greater investment in publicly provided goods that benefit the young, such as education. While the mayor's age does not influence average policies over the term, it does influence the timing of these policies: younger mayors tend to increase spending and revenue right before the next election by a greater amount than older mayors. In other words, younger mayors engage more in political budget cycles. Our results seem most consistent with the possibility that younger politicians are more subject to career concerns, in light of the fact that (i) we find that younger politicians are also more likely to be re-elected and proceed to be elected to higher offices, but that (ii) we do not find house price changes between municipalities ruled by younger or older politicians.

In Casaburi and Troiano (2016) we study the interaction between policy-making (tax enforcement) and political incentives (elections) by focusing on voters' response to an Italian nationwide effort (i.e. the Ghost Building program) aimed at reducing the evasion of local property taxes in Italy. The program identified over 2 million buildings not included in the land registry, by overlaying satellite images with digitized land registry information. We study whether fighting tax evasion influences the re-election rate of local politicians. Results show that incumbents in towns with higher ghost building intensity were more likely to be reelected once the program was introduced. Similarly, incumbents in towns with a higher registration rate were more likely to be reelected. Last, political returns were higher in areas with lower tax evasion tolerance and with higher speed of public good provision, suggesting complementarity amongst enforcement, tax culture and government efficiency.

The results of Casaburi and Troiano (2016) suggests the importance of a link between culture and tax enforcement. In Perez-Truglia and Troiano (2018), we study explicitly the interaction between tax enforcement and social factors. In that paper we experimentally test how the salience of shaming and financial penalties affects the probability that tax delinquents pay their debt. This is one of the first studies to look at administrative tax delinquencies actually owed by citizens, and is the first study to examine the effect of disclosing the identities of, or shaming, tax delinquents. We sent letters to 34,334 tax delinquents in three states (Kansas, Kentucky and Wisconsin) and varied the message in the letter to identify the effect of altering the salience of each type of penalty. The paper finds that the effect of the salience of the shaming penalty is highest for the lowest debt quartile (increased payment by 2.1 percentage points), but the effect was not significant for the other debt quartiles. It also finds that the salience of the financial penalty treatment increased payment by 1 percentage point for the lowest three quartiles, but had no effect on the highest quartile. The financial reminder had the highest effect in the state with the highest interest rate (Kentucky).

Perez-Truglia and Troiano (2018) suggest (but do not prove) that tax enforcement may affect not only the targeted population, but also those that are not directly treated by the policy, but linked via a network to those who are treated. In Boning, Guyton, Hodge, Slemrod and Troiano (2018), we tackle explicitly this topic by showing, in a large-scale randomized field experiment implemented by the IRS, that a specific tax enforcement policy (a visit by a tax enforcement officer) targeted at firms that were at risk to evade taxes spilled over to firms that were connected to the targeted firms via sharing the same tax preparer. Both Perez-Truglia and Troiano (2018) and Boning et al. (2018) fit in my agenda because they show that social considerations influence the way people respond to government policies.

The set of results of the previous three papers seems to suggest that cultural and social factors may affect public policy implementation. In three papers, Givati and Troiano (2012), Nannicini, Stella, Tabellini and Troiano (2012) and Ponzetto and Troiano (2018), I address the relationship between social capital and cultural factors into policymaking. Givati and Troiano (2012) fit in my agenda because it shows that government policies, such as maternity leave, are affected by the values of the affected population, i.e., their attitudes toward women. Nannicini et al. (2012) and Ponzetto and Troiano (2018) fit in my agenda because go at the root of the relationship between government policies and politicians: political accountability.

In Givati and Troiano (2012) we provide an explanation for why countries mandate maternity leaves of very different durations. We first propose a model where the costs of mandated leaves are fully borne by the protected population – women – if societies accept (culturally, or legally) gender-differentiated wages. This means that optimal leave is short or zero in discriminatory societies. Yet, if societies have some degree of preference for equal pay for women and men, maternity leave duration will be longer the more a society disapproves of unequal pay for women and men. This prediction is tested using data on the length of maternity leave around the world and on attitudes toward women from the World Values Survey. The key empirical challenge is finding a proxy for the extent to which a society is willing to differentiate wages between women and men. The paper argues that the number of gender differentiated pronouns is a good proxy for accepted levels of gender differentiation. Cross-section results indicate that the more gender differentiated pronouns the majority language of a country has, the more the attitudes will be discriminatory toward women and, in turn, the shorter is the maternity leave offered to women in these countries.

Nannicini, Stella, Tabellini and Troiano (2012) presents a simple model of political accountability to study how social capital affects political accountability. Some voters have standard preferences (denoted uncivic) and some are civic-minded – the latter derive no utility from localized (pork) spending but only from the provision of global public goods. In equilibrium, uncivic voters are less demanding: they are cheaper to buy off and thus allow a politician to capture more rents. When uncivic voters are more common, the community is interpreted to have less social capital and the model predicts that: (1) fewer rents are captured, (2) public good provision is lower, and (3) the incumbent vote share increase. The paper evaluates these three predictions using data from Italy and the results are consistent with the model predictions.

In Ponzetto and Troiano (2018) we study one of the channels through which social capital may affect economic growth. We postulate that social capital alleviates the political agency problem between citizens and politicians by increasing voters' information because greater civic engagement makes each individual more likely to acquire political information directly and, in turn, the sharing of this information makes voters more aware of all government activities and their impact on economic growth. The model incorporates a political accountability model within a real business cycle framework, where the modelling innovation is the role played by social capital on political business cycle, and produces three main results. First, lower social capital reduces growth through the reduction of government expenditure on education. Second, lower social capital causes lower and more volatile returns to public investment in human capital, which translates into lower and more volatile growth rate of output. Third, lower social capital has negative effects on growth and output volatility. We present evidence consistent with these predictions.

I have a number of research papers that are at various degrees of development. In Troiano (2017) I delve deeper into the topic of attitudes toward women, tracing the origins of those attitudes to the political institutions experienced by people during impressionable years. In Troiano (2018) I study inter-governmental cooperation and tax enforcement. In ongoing work with Mark Dincecco, we plan to look at the consequences for state capacity of studying sales taxation. In ongoing work with Will Boning, Joel Slemrod, Ellen Stuart and Alex Turk we will focus on studying quasi-experimentally the effect of tax debt forgiveness on individual outcomes.

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