Research Statement

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I am an economist whose research lies at the intersection of political economy and public economics. I focus on the study of public policies, with the challenge that policies are not randomly assigned, but instead are influenced by values, beliefs, and political incentives. And while the body of my work shares a common feature—addressing how government and government policies work—I approach this question from diverse methodological perspectives.

My work has two general themes. In some of my completed work, I have examined how values, beliefs, and political incentives affect the implementation of government policies. One of the implications of this line of research is that research designed to study government policies must allow changes in policies to be endogenous. In the rest of my research papers, I aim to provide compelling evidence on the consequences of revenue collection policies and government expenditures on economic outcomes. Finally, in some papers, these topics overlap.

Not surprisingly, given the importance of the topic, economists have long studied how governments work. What can be surprising to non-economists is that not one, but two fields primarily focus on how governments function: political economy and public economics (as defined by the National Bureau of Economic Research: http://www.nber.org/programs/). What differentiates the two is not the topic of research, but rather the underlying view of government.

Political economy focuses on the imperfections of politics and their effects on government. For instance, politicians may behave as self-interested actors and care more about winning votes than ensuring the well-being of their constituents. In addition, monitoring their actions is difficult, and therefore holding them accountable may be daunting for the voting process—which, in turn, is itself imperfect (two of my research papers, discussed below, deal with political accountability). According to this view, the best way to address such problems is to limit the influence of the government on the economy through the use of fiscal restraints (this is also a topic I study, as described below).

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 outcomes. Therefore, the role of the government, which is intended to be benevolent, is to correct market failures. One of the fundamental ways governments develop fiscal capacity is through the tax system. My research has focused on taxation, starting from the effects on the state and the development of a taxation system from scratch, and extending to topics related to tax enforcement.

I believe that in the future, the boundaries between the two views will become steadily thinner, given that they both deal with "government economics." I examine how governments function, while maintaining an agnostic point of view about which is the "right" way to think about government: imperfect or benevolent. I think that the most effective way to combine the two views is to identify the optimal scope of government on a case-by-case basis, depending on the type of challenge the society faces and the types of institutions politicians must work within. For instance, my research suggests that political imperfections are likely to be of first-order importance for deficit policies and second-order importance for tax enforcement matters.

The main strategy all modern governments have adopted is 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 examining the introduction of a state income tax by U.S. state legislatures. 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 U.S. states introduced the income tax, not only did revenues increase, but the provision of public goods also increased (primarily for education). Additionally, we observed mobility responses: Some people moved out of states that were introducing the income tax. We also provide suggestive evidence that policy responses to the introduction of a state income tax varied depending on the political party of the state governor at the time of introduction. We investigate the potential endogeneity of the adoption of a state income tax by showing that the results are robust if we compare states that adopted the income tax by a close vote (and in which, therefore, confounding factors are likely to be minimal) to those in which the vote was not close.

Therefore, a central result of my research is that the development of government, by broadening the tax base, allows for the provision of important public goods, such as education. However, a concern with that result is that some governments, if managed imperfectly, may overspend 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 examine whether fiscal rules help local governments balance their budgets by analyzing data from Italian municipalities. Fiscal rules are laws that may reduce the incentive to accumulate debt, and many countries adopt them to discipline local governments. Their consequences are debatable, however, because commitment and enforcement problems may render them ineffective. In this paper, we formalize—in a simple applied econometric framework—the assumptions necessary to tackle this question quasi-experimentally and verify these assumptions in the data. Our results indicate that local fiscal rules reduced the deficit by about 2% 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 are most needed; we find that political fragmentation, mayoral term limits, older constituencies, and speed of program delivery all play major roles.

This suggests an interaction between political incentives and policy-making—a topic that relates naturally to the findings of Brollo and Troiano (2016); Alesina, Cassidy, and Troiano (2018); and Casaburi and Troiano (2016). Brollo and Troiano and Alesina et al. fit my research agenda, because they show that politicians' identities and personal characteristics influence public policies. Casaburi and Troiano fits my agenda because it demonstrates that tax enforcement policies help politicians achieve their main goal: re-election.

In Brollo and Troiano (2016), we provide new evidence on the role of gender in close elections. 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 municipal administrations, which offers insights into the use of patronage—a dimension that has not previously been explored 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 re-election outcomes of these mayors, and find that female mayors are less likely to be re-elected than their male counterparts. We interpret our findings as showing that despite being more corrupt, male mayors are more likely to be re-elected due to their involvement in patronage. We discuss the results and provide evidence that conflicts 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, which contradicts 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 his or her 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, given our findings that (i) younger politicians are also more likely to be re-elected and to later be elected to higher offices, but (ii) house prices do not vary between municipalities ruled by younger and 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 (the Ghost Building program) aimed at reducing the evasion of local property taxes. The program identified more than 2 million buildings that were not included in the land registry by overlaying satellite images with digitized land registry information. We examined whether fighting tax evasion influences the re-election rate of local politicians, and found that incumbents in towns with higher ghost building intensity were more likely to be re-elected once the program was introduced. Similarly, incumbents in towns with a higher registration rate were more likely to be re-elected. Lastly, political returns were higher in areas with lower tax evasion tolerance and with higher speeds of public goods provision, which suggests complementarity among enforcement, tax culture, and government efficiency.

The results of Casaburi and Troiano (2016) suggest the importance of a link between culture and tax enforcement. In Perez-Truglia and Troiano (2018), we explicitly study the interaction between tax enforcement and social factors by experimentally testing how the salience of shaming and financial penalties affects the probability that tax delinquents will pay their debts. This is one of the first studies to examine real-world administrative tax delinquencies owed by citizens, and first to identify the effects of disclosing the identities of—i.e., 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. Our results demonstrate that the effect of the salience of the shaming penalty is highest for the lowest debt quartile (which 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).

Taken together, the results of these two papers seem to suggest that cultural and social factors may affect public policy implementation. In another set of three papers—Givati and Troiano (2012), Nannicini, Stella, Tabellini, and Troiano (2012), and Ponzetto and Troiano (2018)—we explore the relationship between social capital and cultural factors with respect to policymaking. Givati and Troiano fits 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. and Ponzetto and Troiano fit my agenda because they go to 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 markedly different durations. We first propose a model in which the costs of mandated leave 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. However, 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 (YEAR). 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-sectional results indicate that the more gender-differentiated pronouns a country's majority language has, the more discriminatory attitudes toward women will be and, in turn, the shorter the maternity leave these countries will offer to women.

Nannicini, Stella, Tabellini, and Troiano (2012) presents a simple model of political accountability to elucidate 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 as having less social capital and the model predicts that: (1) fewer rents are captured, (2) public goods provision is lower, and (3) the incumbent's vote share increases. The empirical results are consistent with 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 problem of political agency 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, sharing this information renders voters more aware of government activities across the board and their impact on economic growth. The model incorporates a political accountability model within a real business cycle framework—in which the modeling innovation is the role played by social capital in the political business cycle—and yields 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 a lower and more volatile growth rate of output. And third, lower social capital has negative effects on growth and output volatility. We present consistent evidence.