

# ONLINE APPENDIX FOR: “DO BETTER PAID POLITICIANS PERFORM BETTER? DISENTANGLING INCENTIVES FROM SELECTION”

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## Abstract

Online Appendix containing additional discussion on the estimation methods and further robustness checks discussed in the paper. (JEL: M52, D72, J45, H70)

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## Appendix: Estimation Methods

In order to test (H1), (H2), (H2.1), and (H2.2), we need to implement equations (1), (3), (4), and (5) in the paper. In the baseline specifications, we apply a local linear regression (LLR) approach, as suggested by Imbens and Lemieux (2008). This method fits linear regression functions to the observations distributed within a distance  $\Delta$  on either side of the threshold. To implement equation (1), we restrict the sample to towns in the interval  $P_i \in [P_c - \Delta, P_c + \Delta]$  and estimate the model:

$$X_i = \delta_0 + \delta_1 P_i^* + D_i(\gamma_0 + \gamma_1 P_i^*) + \eta_i,$$

where  $X_i$  captures some observable traits of the mayor or candidates,  $D_i$  is a treatment dummy equal to one if  $P_i \geq P_c$ , and the normalized variable  $P_i^* = P_i - P_c$  allows us to interpret  $\gamma_0$  as the jump between the two regression lines at  $P_c$ . As a result:  $\tau_{sel} = \gamma_0$ . We select the bandwidth  $\Delta$  by means of a cross-validation method (Ludwig

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and Miller, 2007).<sup>1</sup> As the same city is observed in different terms, we control for intra-city correlation in the error term  $\eta_i$ .

As an alternative to LLR, we use the whole sample and choose a flexible functional form specification to fit the relationship between  $X_i$  and  $P_i$  on either side of  $P_c$ . Specifically, we estimate the following (spline) polynomial approximation:

$$X_i = \sum_{k=0}^p (\delta_k P_i^{*k}) + D_i \sum_{k=0}^p (\gamma_k P_i^{*k}) + \eta_i.$$

Usually, a third-grade polynomial ( $p = 3$ ) is used in the empirical literature.

In a similar way, to implement equations (3), (4), and (5) in the paper, we fit two different regression functions on both sides of the threshold  $P_c$ : one for politicians *without* a binding term limit ( $TL = 0$ ) and one for politicians *with* a binding term limit ( $TL = 1$ ). The jump in the regression functions for the subsample  $TL = 0$  can be interpreted as an estimate of  $\tau_{per}$ , while the jump in the regression functions for the subsample  $TL = 1$  is an estimate of  $\sigma_{per}$ . The difference between the two jumps delivers an estimate of  $\varphi_{per}$ . Formally, with the LLR approach, we choose  $\Delta$  with cross-validation, restrict the sample to cities in the interval,

$$P_i \in [P_c - \Delta, P_c + \Delta],$$

and estimate the model,

$$Y_i = \delta_0 + \delta_1 P_i^* + D_i(\gamma_0 + \gamma_1 P_i^*) + (1 - TL_i)[\alpha_0 + \alpha_1 P_i^* + D_i(\beta_0 + \beta_1 P_i^*)] + \xi_i,$$

where  $Y_i$  is some performance indicator for the mayor,  $D_i$  the treatment, and  $P_i^*$  the normalized population size. Standard errors are clustered at the city level. It is straightforward to show that the overall effect of the wage on performance is  $\tau_{per} = \gamma_0 + \beta_0$  (when  $TL_i = 0$ ), while the composition effect on performance is  $\sigma_{per} = \gamma_0$  (when  $TL_i = 1$ ). It follows that the (re)election incentive effect on performance is  $\varphi_{per} = \tau_{per} - \sigma_{per} = \beta_0$ .

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1. The cross-validation method consists in choosing  $\Delta$  so as to minimize the loss function,

$$CV_X(\Delta) = \frac{1}{N} \sum_{i=1}^N (X_i - \hat{X}_\Delta(P_i))^2,$$

where, for every  $P_i$  to the left (right) of the threshold  $P_c$ , we predict  $\hat{X}_\Delta(P_i)$  as if it were at the boundary of the estimation using only observations in the interval  $[P_i - \Delta, P_i]$  ( $[P_i, P_i + \Delta]$ ). We choose the optimal  $\Delta$  among all multiples of 50 up to 1,500.

Analogously, with the spline polynomial approximation, we estimate the model:

$$Y_i = \sum_{k=0}^p (\delta_k P_i^{*k}) + D_i \sum_{k=0}^p (\gamma_k P_i^{*k}) \\ + (1 - TL_i) \left[ \sum_{k=0}^p (\alpha_k P_i^{*k}) + D_i \sum_{k=0}^p (\beta_k P_i^{*k}) \right] + \xi_i,$$

where the overall, composition, and (reelection) incentive effects of the wage on performance are identified as above,

$$\tau_{per} = \gamma_0 + \beta_0, \quad \sigma_{per} = \gamma_0, \quad \varphi_{per} = \beta_0.$$

### Further Robustness Checks

TABLE A.1. Mayor's gross monthly wage over time (in €2000).

Year	Population brackets									
	Below 1,000	1,000- 3,000	3,000- 5,000	5,000- 10,000	10,000- 30,000	30,000- 50,000	50,000- 100,000	100,000- 250,000	250,000- 500,000	Above 500,000
1993	1,227	1,227	1,841	2,455	2,455	2,762	3,375	3,989	4,603	6,137
1994	1,306	1,306	1,959	2,612	2,612	2,939	3,592	4,245	4,898	6,531
1995	1,240	1,240	1,860	2,480	2,480	2,790	3,410	4,030	4,650	6,200
1996	1,190	1,190	1,785	2,381	2,381	2,678	3,273	3,869	4,464	5,952
1997	1,286	1,286	1,929	2,571	2,571	2,893	3,536	4,178	4,821	6,428
1998	1,262	1,262	1,892	2,523	2,523	2,838	3,469	4,100	4,731	6,308
1999	1,241	1,241	1,861	2,482	2,482	2,792	3,412	4,033	4,653	6,204
2000	1,291	1,446	2,169	2,789	3,099	3,460	4,132	5,010	5,784	7,798
2001	1,256	1,407	2,110	2,713	3,014	3,366	4,019	4,873	5,627	7,586
2002	1,226	1,373	2,060	2,648	2,943	3,286	3,924	4,757	5,493	7,406
2003	1,291	1,446	2,169	2,789	3,099	3,460	4,132	5,010	5,784	7,798
2004	1,263	1,415	2,122	2,728	3,031	3,385	4,042	4,901	5,659	7,629
2005	1,238	1,387	2,081	2,675	2,972	3,319	3,963	4,805	5,548	7,480
2006	1,396	1,563	2,345	3,015	3,350	3,741	4,466	5,415	6,253	8,430
2007	1,371	1,535	2,303	2,961	3,290	3,674	4,386	5,318	6,141	8,279

Notes: *Population* is the number of resident inhabitants as measured by the last available Census. The real monthly salary is computed using the OECD CPI index.

TABLE A.2. Candidates and mayor selection, alternative RDD estimates.

Population	Female	Age	Years school	Not employed	Entrepreneurs	White collar	Blue collar
<i>All candidates</i>							
LLR with optimal bandwidth and covariates							
Effect	0.009 (0.017)	-0.833 (0.583)	0.841*** (0.270)	-0.022 (0.025)	-0.035 (0.028)	0.066* (0.039)	-0.011 (0.024)
$\Delta$	1,300	1,700	900	900	1,700	1,300	1,400
Obs.	4,805	6,405	3,295	3,295	6,405	4,805	5,191
<i>3<sup>rd</sup> spline polynomial approximation</i>							
Effect	-0.000 (0.030)	-0.257 (1.168)	1.205*** (0.415)	-0.047 (0.035)	-0.037 (0.059)	0.158** (0.070)	-0.074 (0.045)
Obs.	6,544	6,544	6,544	6,544	6,544	6,544	6,544
<i>4<sup>th</sup> spline polynomial approximation</i>							
Effect	0.020 (0.035)	-0.540 (1.444)	1.205** (0.526)	-0.050 (0.044)	-0.005 (0.073)	0.125 (0.088)	-0.070 (0.055)
Obs.	6,544	6,544	6,544	6,544	6,544	6,544	6,544
<i>Mayors</i>							
LLR with optimal bandwidth and covariates							
Effect	-0.011 (0.022)	-0.793 (0.819)	0.788** (0.342)	-0.005 (0.033)	-0.019 (0.046)	0.059 (0.046)	-0.029 (0.035)
Obs.	2,971	2,971	1,905	1,738	2,396	2,971	2,396
<i>3<sup>rd</sup> spline polynomial approximation</i>							
Effect	0.015 (0.043)	-0.006 (1.631)	1.633*** (0.558)	-0.057 (0.050)	-0.053 (0.085)	0.193** (0.092)	-0.083 (0.064)
Obs.	3,039	3,039	3,039	3,039	3,039	3,039	3,039
<i>4<sup>th</sup> spline polynomial approximation</i>							
Effect	0.086* (0.049)	-0.234 (2.043)	1.522** (0.700)	-0.063 (0.063)	-0.035 (0.105)	0.166 (0.116)	-0.068 (0.079)
Obs.	3,039	3,039	3,039	3,039	3,039	3,039	3,039

Notes: Effect of the 33% wage increase at the 5,000 threshold on the characteristics of the three best candidates (top panel) and of the elected mayor (bottom panel). Terms from 1993 to 2001. Cities with population between 3,250 and 6,750 inhabitants. First estimate: Local Linear Regression (LLR) with optimal symmetric bandwidth  $\Delta$  and invariant town characteristics (*Area* in km<sup>2</sup>, *Sea level* in meters, and *North/South* dummy) as additional covariates; the optimal symmetric bandwidth  $\Delta$  is chosen with cross-validation methods. Second estimate: 3<sup>rd</sup> order polynomial approximation on either side of the threshold. Third estimate: 4<sup>th</sup> order polynomial approximation on either side of the threshold. *Age* and *Years school* are measured in years; the other variables are dummies. *Not employed* includes unemployed, retired, and any other individual out of the labor force. *Entrepreneur* includes self-employed and entrepreneurs. *White collar* includes lawyers, professors, physicians, and managers. *Blue collar* includes blue collars, clerks, and technicians. Standard errors robust to clustering at the municipality level are in parentheses. Significance at the 10% level is represented by \*, at the 5% level by \*\*, and at the 1% level by \*\*\*.

TABLE A.3. Executive committee selection, RDD estimates

Population	Female	Age	Years school	Not employed	Entrepreneurs	White collar	Blue collar
LLR with optimal bandwidth							
Effect	-0.029* (0.016)	-1.120** (0.486)	0.252 (0.205)	-0.014 (0.016)	0.022 (0.029)	0.028 (0.029)	-0.026 (0.025)
$\Delta$	1,600	1,700	1,100	1,500	1,400	1,300	1,300
Obs.	10,900	11,719	7,484	10,211	9,455	8,759	8,759
LLR with optimal bandwidth and covariates							
Effect	-0.025 (0.016)	-0.877* (0.473)	0.133 (0.197)	-0.010 (0.016)	0.018 (0.029)	0.016 (0.029)	-0.015 (0.025)
$\Delta$	1,600	1,700	1,100	1,500	1,400	1,300	1,300
Obs.	10,900	11,719	7,484	10,211	9,455	8,759	8,759
$3^{rd}$ spline polynomial approximation							
Effect	-0.017 (0.033)	-0.966 (0.956)	0.538* (0.325)	-0.014 (0.031)	0.041 (0.055)	0.035 (0.051)	-0.063 (0.046)
Obs.	11,978	11,978	11,978	11,978	11,978	11,978	11,978
$4^{th}$ spline polynomial approximation							
Effect	-0.038 (0.042)	-1.309 (1.134)	0.704* (0.401)	0.010 (0.039)	0.069 (0.070)	0.043 (0.063)	-0.122** (0.057)
Obs.	11,978	11,978	11,978	11,978	11,978	11,978	11,978

Notes: Effect of the 33% wage increase at the 5,000 threshold on the characteristics of the members of the executive committee. Terms from 1993 to 2001. Cities with population between 3,250 and 6,750 inhabitants. First estimate: Local Linear Regression (LLR) with optimal symmetric bandwidth  $\Delta$ . Second estimate: Local Linear Regression (LLR) and invariant town characteristics (*Area* in km<sup>2</sup>, *Sea level* in meters, and *North/South* dummy) as additional covariates. Third estimate:  $3^{rd}$  order polynomial approximation on either side of the 5,000 threshold. Fourth estimate:  $4^{th}$  order polynomial approximation on either side of the threshold. *Age* and *Years school* are measured in years; the other variables are dummies. *Not employed* includes unemployed, retired, and any other individual out of the labor force. *Entrepreneur* includes self-employed and entrepreneurs. *White collar* includes lawyers, professors, physicians, and managers. *Blue collar* includes blue collars, clerks, and technicians. Standard errors robust to clustering at the municipality level are in parentheses. Significance at the 10% level is represented by \*, at the 5% level by \*\*, and at the 1% level by \*\*\*.

TABLE A.4. Candidates and mayor selection at 1,000, RDD estimates.

Population	Female	Age	Years school	Not employed	Entrepreneurs	White collar	Blue collar
<i>All candidates</i>							
LLR with optimal bandwidth							
Effect	0.004 (0.017)	-0.690 (0.797)	-0.033 (0.219)	0.010 (0.027)	0.009 (0.027)	0.019 (0.031)	-0.024 (0.026)
$\Delta$	700	400	600	500	700	400	700
Obs.	4,863	2,845	4,266	3,573	4,863	4,266	4,863
LLR with optimal bandwidth and covariates							
Effect	0.004 (0.017)	-0.774 (0.789)	0.022 (0.207)	0.007 (0.026)	0.009 (0.027)	0.024 (0.030)	-0.028 (0.026)
$\Delta$	700	400	600	500	700	400	700
Obs.	4,863	2,845	4,266	3,573	4,863	4,266	4,863
$3^{rd}$ spline polynomial approximation							
Effect	-0.007 (0.035)	-0.477 (1.158)	-0.065 (0.391)	0.034 (0.044)	-0.031 (0.052)	0.009 (0.055)	-0.012 (0.048)
Obs.	5,184	5,184	5,184	5,184	5,184	5,184	5,184
$4^{th}$ spline polynomial approximation							
Effect	-0.032 (0.044)	-0.489 (1.452)	-0.265 (0.491)	0.056 (0.056)	-0.045 (0.065)	-0.040 (0.069)	0.029 (0.059)
Obs.	5,184	5,184	5,184	5,184	5,184	5,184	5,184
<i>Mayors</i>							
LLR with optimal bandwidth							
Effect	0.007 (0.027)	-0.744 (1.082)	-0.134 (0.251)	0.036 (0.034)	-0.019 (0.036)	0.003 (0.035)	-0.036 (0.032)
$\Delta$	400	300	700	500	600	700	700
Obs.	1,829	1,380	3,135	2,295	2,739	3,135	3,135
LLR with optimal bandwidth and covariates							
Effect	0.005 (0.027)	-0.799 (1.079)	-0.043 (0.239)	0.032 (0.034)	-0.020 (0.036)	0.012 (0.034)	-0.040 (0.031)
$\Delta$	400	300	700	500	600	700	700
Obs.	1,829	1,380	3,135	2,295	2,739	3,135	3,135
$3^{rd}$ spline polynomial approximation							
Effect	0.020 (0.040)	0.511 (1.404)	-0.015 (0.467)	0.106* (0.056)	-0.084 (0.065)	-0.003 (0.068)	-0.019 (0.059)
Obs.	3,341	3,341	3,341	3,341	3,341	3,341	3,341
$4^{th}$ spline polynomial approximation							
Effect	0.013 (0.048)	0.732 (1.792)	-0.140 (0.577)	0.110 (0.071)	-0.102 (0.084)	-0.065 (0.085)	0.057 (0.073)
Obs.	3,341	3,341	3,341	3,341	3,341	3,341	3,341

Notes: Effect of the 12% wage increase at the 1,000 threshold on the characteristics of the three best candidates (top panel) and of the elected mayor (bottom panel). Terms from 2000 to 2007. Cities with population between 250 and 1,750 inhabitants. First estimate: Local Linear Regression (LLR) with optimal symmetric bandwidth  $\Delta$ . Second estimate: Local Linear Regression (LLR) and invariant town characteristics (*Area* in km<sup>2</sup>, *Sea level* in meters, and *North/South* dummy) as additional covariates. Third estimate:  $3^{rd}$  order polynomial approximation on either side of the 5,000 threshold. Fourth estimate:  $4^{th}$  order polynomial approximation on either side of the threshold. *Age* and *Years school* are measured in years; the other variables are dummies. *Not employed* includes unemployed, retired, and any other individual out of the labor force. *Entrepreneur* includes self-employed and entrepreneurs. *White collar* includes lawyers, professors, physicians, and managers. *Blue collar* includes blue collars, clerks, and technicians. Standard errors robust to clustering at the municipality level are in parentheses. Significance at the 10% level is represented by \*, at the 5% level by \*\*, and at the 1% level by \*\*\*.

TABLE A.5. Budget components per capita, alternative RDD estimates.

	Deficit	Expenditure			Revenues				
		Total	Investments	Personnel and debt	Goods and services	Total	Transfers	Taxes	Tariffs
<b>LLR with optimal bandwidth and covariates</b>									
<i>A. Overall</i> (no term limit)	-0.605 (8.090)	-199.042*** (65.036)	-57.062 (37.699)	-5.853 (15.135)	-77.691*** (25.264)	-195.602*** (65.049)	10.319 (57.827)	-26.268* (13.652)	-117.098*** (42.550)
<i>B. Composition</i> (term limit)	5.979 (5.153)	-167.579*** (64.215)	-52.000 (42.158)	-14.713 (19.018)	-83.918*** (22.208)	-211.309*** (78.577)	-16.662 (49.474)	-42.678** (17.503)	-109.144** (44.051)
<i>C. Reelection</i> (A-B)	-6.761 (8.492)	37.372 (54.842)	-0.013 (36.834)	9.397 (16.330)	8.677 (15.354)	20.260 (50.637)	29.390 (63.210)	7.354 (8.789)	-4.854 (19.563)
$\Delta$	1,300	1,500	1,700	1,400	1,500	1,000	1,400	1,700	1,100
Obs.	880	1,016	1,168	950	1,016	696	950	758	758
<b>3<sup>rd</sup> spline polynomial approximation</b>									
<i>A. Overall</i> (no term limit)	-8.171 (11.020)	-210.952* (117.022)	-68.139 (80.653)	-42.855 (28.933)	-99.959** (50.839)	-202.782* (118.113)	-59.677 (94.985)	-21.760 (31.015)	-121.345* (73.385)
<i>B. Composition</i> (term limit)	14.075* (7.841)	-254.564** (128.265)	-159.246* (89.964)	-17.092 (33.567)	-78.226** (39.032)	-268.639** (132.183)	-100.668 (84.790)	-23.059 (30.779)	-144.912 (92.585)
<i>C. Reelection</i> (A-B)	-22.246** (11.153)	43.611 (94.144)	91.108 (89.237)	-25.763 (32.437)	-21.733 (30.088)	65.857 (92.775)	40.991 (84.318)	1.299 (13.437)	23.567 (27.919)
Obs.	1,194	1,194	1,194	1,194	1,194	1,194	1,194	1,194	1,194
<b>4<sup>th</sup> spline polynomial approximation</b>									
<i>A. Overall</i> (no term limit)	-18.432 (14.024)	-243.042* (133.215)	-94.422 (82.377)	-26.239 (28.523)	-122.381* (65.315)	-224.610* (136.096)	-53.847 (92.433)	-33.399 (39.994)	-137.365 (106.117)
<i>B. Composition</i> (term limit)	14.075* (7.847)	-254.564** (128.374)	-159.246* (90.040)	-17.092 (33.596)	-78.226** (39.065)	-268.639** (132.295)	-100.668 (84.862)	-23.059 (30.805)	-144.912 (92.663)
<i>C. Reelection</i> (A-B)	-32.507** (13.614)	11.522 (105.648)	64.824 (87.164)	-9.147 (35.222)	-44.155 (51.021)	44.029 (103.986)	46.821 (93.308)	-10.339 (27.471)	7.547 (41.055)
Obs.	1,194	1,194	1,194	1,194	1,194	1,194	1,194	1,194	1,194

Notes: Effect of the 33% wage increase at the 5,000 threshold on budget variables. Terms from 1993 to 2001; only mayors observed over two consecutive terms, with binding term limit in the second. Cities with population between 3,250 and 6,750 inhabitants. First estimate: Local Linear Regression (LLR) with optimal symmetric bandwidth  $\Delta$  and invariant town characteristics (*Area* in km<sup>2</sup>, *Sea level* in meters, and *North/South* dummy) as additional covariates; the optimal symmetric bandwidth  $\Delta$  is chosen with cross-validation methods. Second estimate: 3<sup>rd</sup> order polynomial approximation on either side of the threshold. Third estimate: 4<sup>th</sup> order polynomial approximation on either side of the threshold. All variables are in per-capita terms, expressed in euros at 2000 prices, and averaged over the mayoral term (election years excluded). Standard errors robust to clustering at the municipality level are in parentheses. Significance at the 10% level is represented by \*, at the 5% level by \*\*, and at the 1% level by \*\*\*.

TABLE A.6. Budget components per capita, robustness exercises.

	Deficit	Expenditure				Revenues			
		Total	Investments	Personnel and debt	Goods and services	Total	Transfers	Taxes	Tariffs
Contestable cities									
<i>A. Overall</i> (no term limit)	-10.414 (9.011)	-244.237** (94.823)	-75.702 (55.292)	-46.011 (34.163)	-133.215*** (42.694)	-229.152** (95.379)	10.744 (58.604)	-22.859 (20.164)	-182.397*** (68.072)
<i>B. Composition</i> (term limit)	1.852 (5.367)	-220.730* (112.085)	-78.923 (63.015)	-26.279 (31.773)	-115.432*** (35.288)	-224.483* (114.922)	-7.194 (70.721)	-55.052** (25.773)	-172.851** (70.846)
<i>C. Reelection</i> (A-B)	-12.266 (9.058)	-23.507 (69.898)	3.221 (52.510)	-19.733 (37.515)	-17.783 (25.293)	-4.669 (68.365)	17.938 (58.222)	3.294 (11.288)	-9.546 (30.724)
Δ	1,400	1,100	1,700	900	1,100	1,100	1,700	1,700	1,100
Obs.	581	453	699	373	453	453	699	453	453
Freshmen after 1993									
<i>A. Overall</i> (no term limit)	-1.700 (9.959)	-182.840* (94.979)	-90.123 (79.762)	-24.413 (17.447)	-63.510** (28.892)	-179.994* (93.490)	-82.126 (81.686)	-16.504 (22.076)	-84.444** (40.082)
<i>B. Composition</i> (term limit)	-0.835 (4.460)	-186.530** (72.388)	-78.857 (50.398)	-25.133 (22.939)	-80.898*** (27.108)	-186.958** (72.858)	-101.239 (63.459)	-18.277 (22.740)	-67.728** (30.917)
<i>C. Reelection</i> (A-B)	-0.865 (10.208)	3.690 (81.813)	-11.265 (76.860)	0.720 (19.341)	17.388 (17.172)	6.965 (79.944)	19.113 (79.586)	1.774 (10.525)	-16.716 (20.986)
Δ	1,200	1,400	1,400	1,400	1,500	1,400	1,400	1,000	1,400
Obs.	642	746	746	746	796	746	746	546	746

Notes: Effect of the 33% wage increase at the 5,000 threshold on budget variables. Terms from 1993 to 2001; only mayors observed over two consecutive terms, with binding term limit in the second. Cities with population between 3,250 and 6,750 inhabitants. Local Linear Regression (LLR) with optimal symmetric bandwidth  $\Delta$ . All variables are in per-capita terms, expressed in euros at 2000 prices, and averaged over the mayoral term (election years excluded). First robustness exercise: sample restricted to mayors elected in contestable cities (i.e., with less than 55% of votes). Second robustness exercise: sample restricted to mayors elected for the first time after the 1993 reform. Standard errors robust to clustering at the municipality level are in parentheses. Significance at the 10% level is represented by \*, at the 5% level by \*\*, and at the 1% level by \*\*\*.



TABLE A.7. Efficiency measures, alternative RDD estimates.

	Speed of collection	Speed of payments
LLR with optimal bandwidth and covariates		
A. Overall (no term limit)	4.418* (2.582)	1.439 (0.903)
B. Composition (term limit)	0.545 (2.608)	0.693 (0.997)
C. Reelection (A-B)	3.629 (3.611)	0.689 (1.067)
$\Delta$	900	1,500
Obs.	624	1,016
$3^{rd}$ spline polynomial approximation		
A. Overall (no term limit)	6.207* (3.279)	0.986 (1.661)
B. Composition (term limit)	-1.604 (4.169)	0.747 (1.987)
C. Reelection (A-B)	7.811 (5.002)	0.238 (1.819)
Obs.	1,194	1,194
$4^{th}$ spline polynomial approximation		
A. Overall (no term limit)	9.553** (3.723)	1.224 (2.035)
B. Composition (term limit)	-1.604 (4.169)	0.747 (1.987)
C. Reelection (A-B)	11.157** (5.240)	0.477 (2.107)
Obs.	1,194	1,194

Notes: Effect of the 33% wage increase at the 5,000 threshold on efficiency measures. Terms from 1993 to 2001; only mayors observed over two consecutive terms, with binding term limit in the second. Cities with population between 3,250 and 6,750 inhabitants. First estimate: Local Linear Regression (LLR) with optimal symmetric bandwidth  $\Delta$  and invariant town characteristics (*Area* in km<sup>2</sup>, *Sea level* in meters, and *North/South* dummy) as additional covariates; the optimal symmetric bandwidth  $\Delta$  is chosen with cross-validation methods. Second estimate:  $3^{rd}$  order polynomial approximation on either side of the threshold. Third estimate:  $4^{th}$  order polynomial approximation on either side of the threshold. All variables are in percentage points, and averaged over the mayoral term (election years excluded): *Speed of collection* is the ratio between collected and assessed revenues; *Speed of payment* is the ratio between paid and committed outlays for public expenditure. Standard errors robust to clustering at the municipality level are in parentheses. Significance at the 10% level is represented by \*, at the 5% level by \*\*, and at the 1% level by \*\*\*.

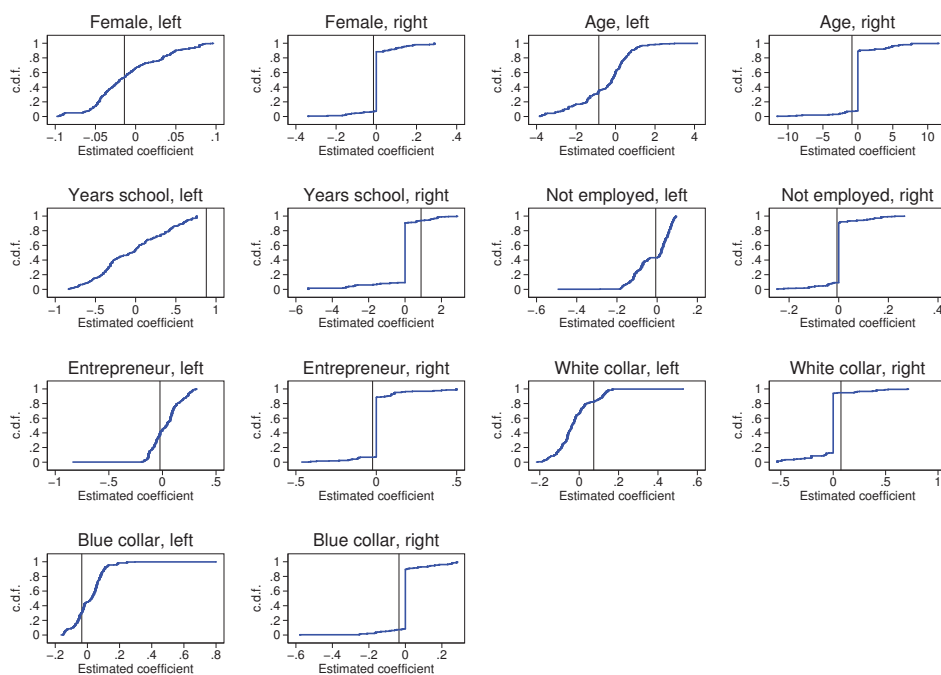


FIGURE A.1. Mayor characteristics placebo estimates. Empirical c.d.f. of the placebo estimates from a set of RDD estimates at 500 fake thresholds at any point below and above the 5,000 threshold (from 4,900 to 4,400, and from 5,100 to 5,600);  $3^{rd}$  order spline polynomial approximations. The vertical line indicates our benchmark estimate from Table 3 in the paper. Terms from 1993 to 2001. *Age* and *Years school* are measured in years; the other variables are dummies. *Not employed* includes unemployed, retired, and any other individual out of the labor force. *Entrepreneur* includes self-employed and entrepreneurs. *White collar* includes lawyers, professors, physicians, and managers. *Blue collar* includes blue collars, clerks, and technicians.

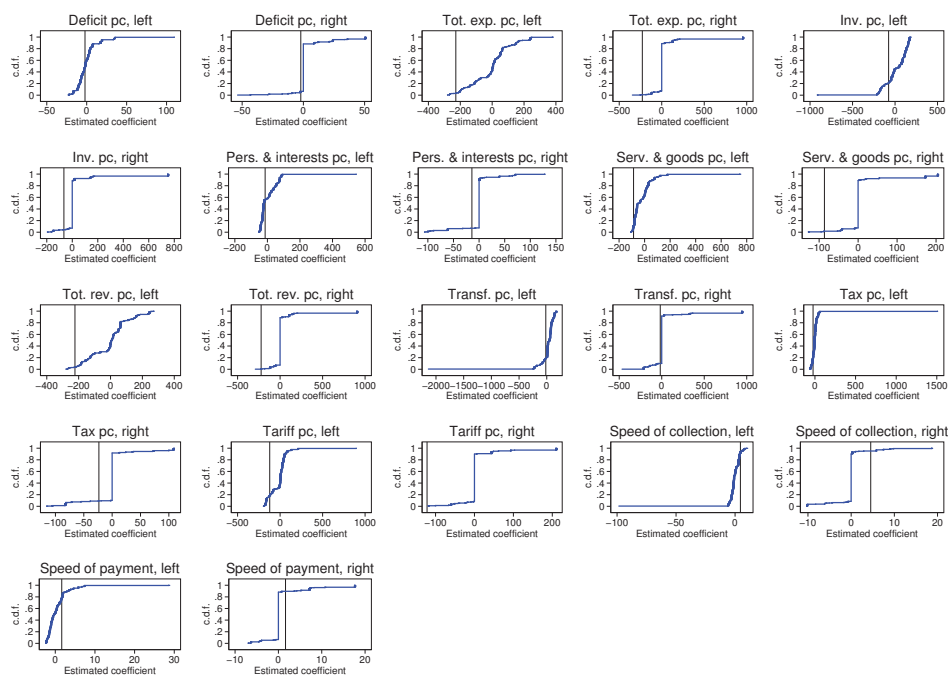


FIGURE A.2. Budget performance and efficiency measures placebo estimates, no term limit. Empirical c.d.f. of the placebo estimates from a set of RDD estimates at 500 fake thresholds below and above the 5,000 threshold (any point from 4,900 to 4,400, and from 5,100 to 5,600);  $3^{rd}$  order spline polynomial approximations. The vertical line indicates our benchmark estimate from Table 4 in the paper. Terms from 1993 to 2001; only mayors observed over two consecutive terms, with binding term limit in the second. Cities with population between 3,250 and 6,750 inhabitants. All budget variables are in per-capita terms, expressed in euros at 2000 prices, and averaged over the mayoral term (election years excluded). All efficiency variables are in percentage points, and averaged over the mayoral term (election years excluded): *Speed of collection* is the ratio between collected and assessed revenues; *Speed of payment* is the ratio between paid and committed outlays for public expenditure. *TL* is an index for the term limit.

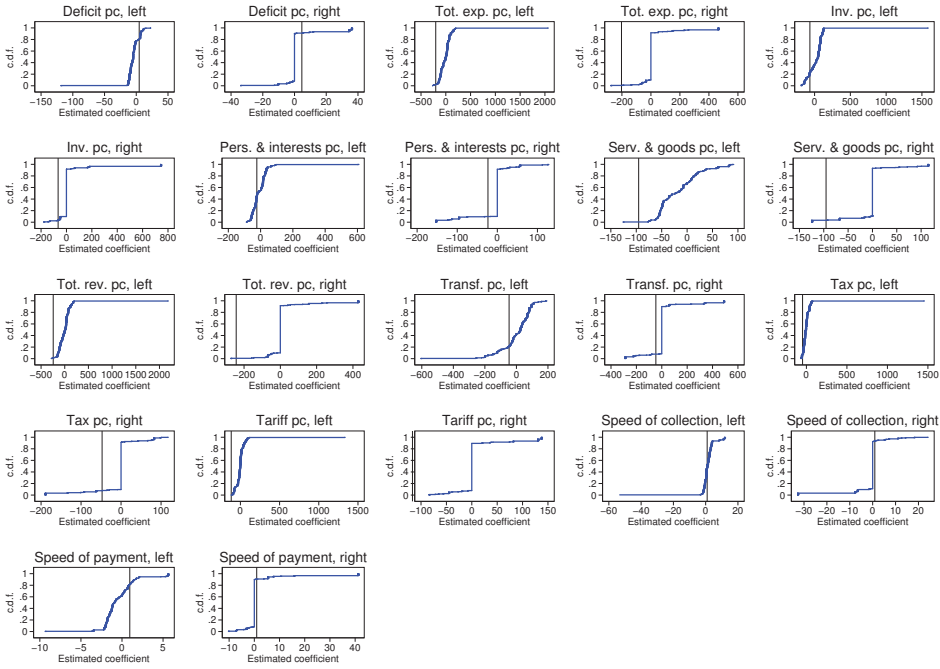


FIGURE A.3. Budget performance and efficiency measures placebo estimates, binding term limit. Empirical c.d.f. of the placebo estimates from a set of RDD estimates at 500 fake thresholds below and above the 5,000 threshold (any point from 4,900 to 4,400, and from 5,100 to 5,600);  $3^{rd}$  order spline polynomial approximations. The vertical line indicates our benchmark estimate from Table 4 in the paper. Terms from 1993 to 2001; only mayors observed over two consecutive terms, with binding term limit in the second. Cities with population between 3,250 and 6,750 inhabitants. All budget variables are in per-capita terms, expressed in euros at 2000 prices, and averaged over the mayoral term (election years excluded). All efficiency variables are in percentage points, and averaged over the mayoral term (election years excluded): *Speed of collection* is the ratio between collected and assessed revenues; *Speed of payment* is the ratio between paid and committed outlays for public expenditure. *TL* is an index for the term limit.

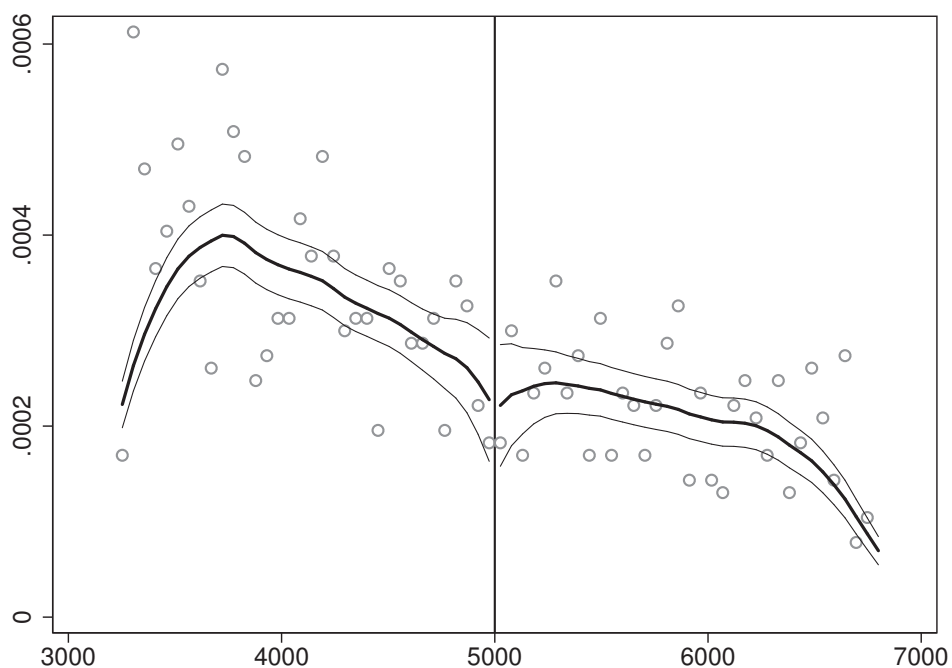


FIGURE A.4. McCrary test. Weighted kernel estimation of the log density (according to the 2001 Census), performed separately on either side of the 5,000 threshold. Optimal binwidth and binsize as in McCrary (2008). Confidence intervals at 5% level in solid thin line.

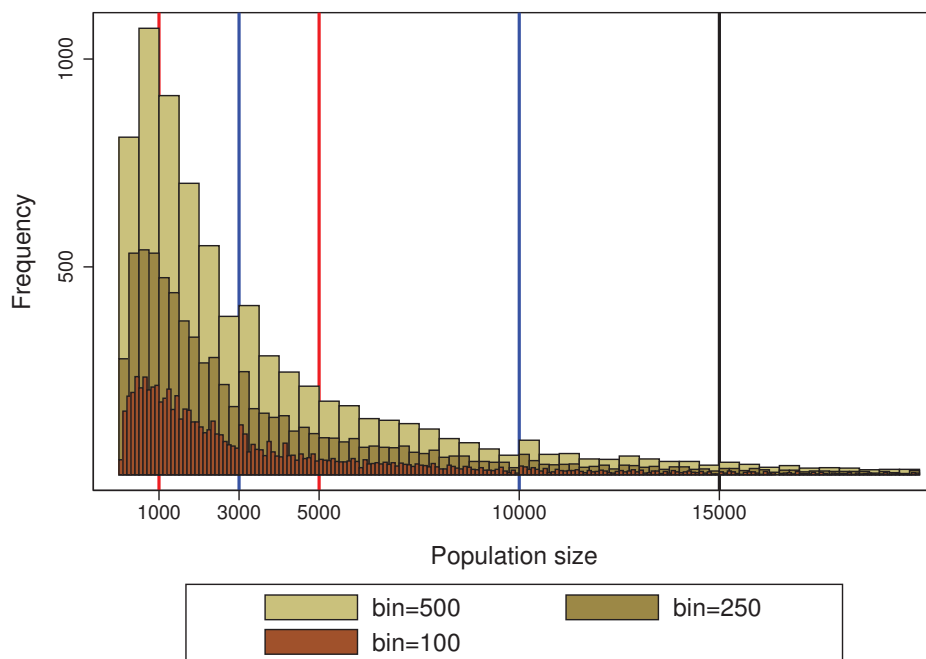


FIGURE A.5. Population distribution (<20,000). Frequency of cities according to population in the 2001 Census. Cities below 20,000 inhabitants only. Vertical lines identify policy thresholds.