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The Interplay of the Legislature  
and the Executive**



# Decoding Local Public Finance: The Interplay of the Legislature and the Executive

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## Abstract

In the world of government and politics, the interaction between the executive and the legislature raises a fundamental question: Does a larger political class enhance public finance by boosting revenues, or does it constrain expenditures and financial stability? Using unique administrative data from Italian municipalities and a generalized difference-in-difference strategy, this paper explores the fiscal impact of the roles that politicians play in local government. The study finds that a larger executive leads to increased expenditures, primarily driven by higher investments financed through capital transfers, while a larger legislature tends to constrain public spending. These patterns are understood by examining the role of specialization within a broader executive entity and the political divisions that figure within a larger council. Voters respond positively to additional spending by the executive, supporting upward career movement for the mayor and the reappointment of executive board members. On the other hand, councilors' careers do not benefit from liberal spending behavior. This research contributes to the understanding of the complex relationship between political class size and state finances, a relationship which the literature has found to be ambiguous.

**JEL:** D72, H11, H71, H72, P16

**Keywords:** Budget, City council, Executive board, Local government, Local politicians, Politicians' career

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## 1. Introduction

In studying the extensive domain of government and politics, where every decision carries a fiscal consequence, one must address the age-old question: Does a larger number of politicians boost budgets and burden the treasury? This study sets out to elucidate the complex relationship between the number of politicians and the financial well-being of local governments (Weingast et al. 1981; Alesina and Spolaore 1997; Bradbury and Crain 2001).

Does the size of a government’s political class impact its finances? More specifically, to answer this question, I inquire whether the relative sizes of two of the essential branches of a democratic government—the executive, tasked with governing and making day-to-day decisions, and the legislature, responsible for guiding and overseeing executive actions—significantly affect budgetary outcomes. I posit that the bargaining dynamics between these branches during budget-drafting processes bear greater weight in shaping a government’s financial state than the overall size of the political class as such (Romer and Rosenthal 1978; Snyder et al. 2005; Diermeier and Fong 2011; Eraslan and Evdokimov 2019).

Indeed, it is when drafting a budget that the interplay between the executive and the legislature becomes most pronounced. The compromises reached in the process exert a substantial influence on government finances (Morelli 1999; Merkel and Vanberg 2020). This paper contends that understanding the impacts of the numbers of representative within these branches, rather than the size of the political class as a whole, is essential to grasping the dynamics of fiscal responsibility and budget management.

The study explores these dynamics through an analysis of Italian municipalities. By drawing on comprehensive administrative data covering a representative array of Italian local governments, their political representatives, and budget figures, this research explores

the question of the effect of a change in the size of the municipal council and the executive board, respectively the legislative and executive arms of Italian municipalities, on local fiscal outcomes.

The city council is contextually elected with the mayor by voters in a majoritarian system. The mayor's lists get 2/3 of the council seats, the remaining are distributed proportionally to the other lists. The mayor can appoint an executive board, which in most cases<sup>1</sup> is formed by members of the winning coalition.

The sizes of both the council and the executive board are determined by exogenous factors such as population and electoral schedules.

The ideal experiment using such data would randomly assign a certain number of councilors and executive board members to each municipality and to compare the municipalities' average fiscal outcomes. However, this is not possible. Among the factors complicating the identification of the effect is the possibility that municipalities may experience changes in the size of both political bodies simultaneously, making it difficult to generate a good counterfactual. Accordingly, the approach taken here is to approximate the ideal identification by juxtaposing municipalities that experience large changes in the size of their government branches with those that undergo small changes ([Callaway et al. 2024](#)). These two groups are comparable, for their public finance outcomes can be shown to follow similar trajectories before any change in size.

The following step entails combining all the cross-sectional and time variation in political body sizes in a generalized difference-in-difference specification to separately estimate the effect of a change in the size of a municipality's council and its executive board. It is important to note that the actual sizes of a municipal council and executive board may deviate from those mandated by law due to factors endogenous to local public

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<sup>1</sup>In the sample, the coalition has member of the opposition parties in .56% of the municipality-year pairs. The robustness of the results to this case is tested in [Section 5.2](#)

finance conditions. These factors include the mayor's choice to appoint fewer executive board members than the maximum allowed or the resignation of a municipal councilor. To offset such deviations, my strategy has been to use legally mandated sizes as instrumental variables for actual sizes (De Chaisemartin and D'Haultfoeuille 2018).

The analysis reveals that on average a 10% increase in the size of a municipality's executive board led to a 1.7% increase in expenditures and a 1.5% rise in revenues. These changes were primarily driven by substantial increases in investments (+5.3%) and capital transfers (+4.6%). These translate to an expenditure increase of EUR 50.93 and a revenue increase of EUR 46.80 per capita. Importantly, such shifts did not alter the municipal deficit. By contrast, the same increase in council size resulted in a 1.8% reduction in expenditure sticks and a 2% decrease in revenues.

These findings can be attributed to two contextual mechanisms: specialization within the executive board (Crain et al. 1985) and political fragmentation within the council (Nupia 2013). A larger executive board allows the mayor to assign fewer departments per board member, enabling specialization and larger projects. Conversely, a larger municipal council allows for broader representation of the opposition, which translates into a negative effect on expenditures.

Going beyond these fiscal dynamics, the study also presents findings on how these changes were perceived by voters and how the changes affected local politicians' careers (Keane and Merlo 2010). A 10% increase in the size of the executive board decreased the probability of a mayor being reelected by 0.9 p.p but increased the probability of the mayor advancing to a higher office, at both the provincial (1.2 p.p.) and regional (0.27 p.p.) levels. The same increase has positive consequences for executive board members too, who experienced an increase in the probability of being reappointed by 3.18 p.p. and a 1.01 p.p. increase in the probability of being appointed as deputy mayor. Looking at councilors, a change in the size of the council does not affect the probability of reelection

or joining the winning coalition in subsequent elections; the size of the executive board instead does and in a negative way, -0.46 p.p. and -0.17 p.p, respectively. This can be explained by the fiscal illusion theory, when government revenues are not fully perceived by taxpayers and then the cost of government is seen to be less than it actually is.

These findings collectively demonstrate that the number of politicians can have both positive and negative effects on budget size. The critical factor is not merely the absolute number of politicians but also the roles that they assume within the government. An increased number of executive board members tends to expand the size of the budget, whereas a larger municipal council has the opposite effect, reducing budget size. The need to reconcile what have been conflicting findings in the literature highlights the importance of considering distinct roles within the two bodies. Further I exclude alternative explanations as within-coalition dynamics, change in quality of local politicians, political alignment and political leaning and test the robustness of the findings to variations in the identification strategy to corroborate the validity of the findings.

This paper makes significant contributions to a number of strands of the literature. It enriches the extensive body of research on the connection between the number of politicians in a municipality and the size of the municipality's budget. The seminal work by [Weingast et al. \(1981\)](#) postulated a positive link between the number of representatives and government spending, and numerous studies have examined this hypothesis since. In a significant turn, [Primo and Snyder \(2008\)](#) uncovered flaws in the hypothesis, however, revealing that it relied heavily on stringent assumptions; when these were relaxed, the same data pointed to the opposite relationship. Subsequent empirical studies further accentuated this incongruity. In related work, several papers (e.g., [Baqir \(2002\)](#); [Gilligan and Matsusaka \(2001\)](#); [Bradbury and Crain \(2001\)](#)) have tested for the common pool problem in the case of legislative bodies in the US and found that a larger legislature increases the size of the budget.

Other studies have found the opposite result. [Pettersson-Lidbom \(2012\)](#) finds a negative effect of legislature size in Finland and Sweden. [Garmann \(2015\)](#) studies the effect of government fragmentation in Germany, specifically the change from appointed to elected city mayors, and finds that when the city manager is elected by voters, the number of municipal councilors has a negative effect on budget size<sup>2</sup>. Finally, some authors find a null effect, an example being [Baskaran \(2013\)](#), who tests [Weingast et al. \(1981\)](#) hypothesis in the context of Germany and with a focus on cabinet size and coalition governments<sup>3</sup>. On balance, what the literature has to offer is mixed findings within and across countries as well as studies focusing on the legislature and executive in isolation with no consideration of the bargaining process that might take place between the two.

The present study undertakes to reconcile the conflicting evidence by focusing on the role that politicians play within local government and the interactions between the executive and the legislature. In addition, the research broadens the conventional analysis of government spending by delving into how expenditures are financed, providing a more comprehensive perspective on local public finance.

More broadly, the paper aligns with the literature on the different forms of local government, studying the dynamics of the mayor-council system and its influence on public finance decisions. This area of research has a substantial history in the United States, with initial contributions dating back to the 1960s ([Booms 1966](#); [Clark 1968](#)). These studies investigated the reasons for the growth in national spending in the post-war era in the US and found that the transition from mayor to city manager that many cities underwent had an impact on this trend. More recent contributions have focused on the comparison between the council-manager and mayor-council systems, as well as modeling the behavior of local politicians based on the particular form of government in which they work. [Hayes](#)

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<sup>2</sup>[De Benedetto \(2018\)](#) and [Castellon \(2016\)](#) find similar results for Italy and Colombia.

<sup>3</sup>[Schaltegger and Feld \(2009\)](#) finds a positive effect of cabinet size on budget size in Swiss cantons. The same is true for Flemish municipalities ([Ashworth et al. 2005](#)).

and Chang (1990) explore the relative efficiency of the two forms of government and find no systematic difference. On the other hand, Coate and Knight (2011) find that the mayor-council system leads to lower spending than the council-manager system inasmuch as the approval of projects under the former requires the support of both the mayor and a majority of councilors, whereas under the latter only the support of the council is required<sup>4</sup>.

Analogous research on Europe is scarce, largely because the two forms of government do not coexist in that context<sup>5</sup>. The present study can be seen as a contribution to this literature, demonstrating empirically as it does one mechanism bringing to light why mayor-council systems are more efficient than council-manager ones; specifically, it shows that the interactions between a mayor and their executive board and municipal council lead to a smaller budget given that a larger municipal council can exert greater control over the decisions made by the mayor and executive board.

Finally, this study adds to the literature addressing the distortions arising from politicians' career concerns. Originating with the pioneering work of Romer and Rosenthal (1978), which illuminated how political incentives could lead to the excessive production of public goods, this body of literature has expanded to offer numerous other salient contributions (e.g. Diermeier and Fong (2011); Mattozzi and Merlo (2008); Persson and Tabellini (2002); Ash et al. (2017); Gratton et al. (2021)). Collectively, these studies have demonstrated that career incentives compel politicians to engage in excessive productivity to signal their competence. This paper's contribution is to transpose this dynamic into the context of local government. This makes it possible to distinguish between the career

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<sup>4</sup>Another related strand of literature focuses on the comparison of political and fiscal outcomes between elected and appointed government officials as in Hessami (2018); Baskaran and Lopes Da Fonseca (2021); Galletta (2021) among the most recent contributions.

<sup>5</sup>Two main exceptions are Garmann (2015) and Egger et al. (2007), who study the German experience with the transition from the council-manager to mayor-council system. The former finds that a negative council effect is present only in mayor-council systems, while the latter find evidence of increased expenditure after the mayor is directly elected rather than appointed.



perspectives of the executive and the council when they are on opposing sides in budget negotiations. What is more, the approach allows for insights into how politicians' actions are perceived by the voters and how these behaviors translate into electoral benefits.

The remaining sections of this paper are structured as follows: providing crucial background, Section 2 offers an overview of the Italian institutional context, with a focus on the political system and local public finance. It also presents a conceptual framework outlining the interactions between executive boards and municipal councils. Section 3 provides detailed information on the administrative data utilized in the analysis and outlines the procedures used in constructing the sample. Section 4 goes on to describe the empirical strategies employed, with Section 5 then presenting the results obtained. Drawing on the results, Section 6 delves into the mechanisms underlying the findings. Broadening the scope of the analysis, Section 7 examines the consequences of public finance choices on politicians' careers. Section 8 concludes the paper, bringing together the contributions of the research and presenting policy recommendations.

## **2. Institutional Background and conceptual framework**

In Italy, municipalities constitute the lowest tier of government. They are administered by a mayor, who is supported by an executive board and a municipal council. The size of the two collegial bodies is determined by law based on the municipality's population and the years when elections will be held. Interestingly, both the executive and the legislature engage in the drafting of the budget, which determines the local fiscal policy. This makes it an ideal setting to study the effect on public finance outcomes of shifts in the size of local political bodies.

## 2.1. Institutional Background

In Italy, municipalities have a local government built on the mayor-council system. The mayor (*sindaco*) is directly elected alongside the council (*consiglio comunale*) for a five-year mandate with a two-term limit for consecutive terms. Once elected, the mayor appoints an executive board (*giunta*), which functions akin to a government cabinet at the national level<sup>6</sup>. The sizes of both the executive board and the municipal council are defined in the law. Originally, they depended solely on the municipal population; more recently, they have changed depending on electoral schedules as well.

The first reference to the size of municipal councils and executive boards dates to 1990, when the law stipulated that the sizes of both bodies would be determined based on the most recent census<sup>7,8</sup>. Panel B of Figure A1 shows the distribution of municipalities by population.

A reform introduced in 2000 imposed a maximum limit on the size of an executive board and gave mayors the power to determine the actual size of the executive board by appointing their preferred number of members within that limit<sup>9</sup>. Following the 2008 economic crisis, a series of additional reforms further adjusted the sizes of municipalities' political bodies such that the sizes came to depend not only on a municipality's population but also on the electoral schedule to which it belongs. Italian municipalities have staggered elections adhering to five distinct election schedules, as depicted in Panel A of Figure A1.

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<sup>6</sup>In municipalities with fewer than 15,000 inhabitants, executive board members are selected from among the municipal councilors. Conversely, in larger municipalities, the two roles are incompatible, meaning that executive board members must vacate their council seats upon appointment.

<sup>7</sup>The census relevant for computing the municipal council and executive board sizes is the one published at the time of the elections. If a new census is published during the electoral term, the sizes remain unchanged until the next elections.

<sup>8</sup>The relevant population for determining the sizes of the two bodies depends on the election year. The 1991 census was used until 2002, the 2001 census was used until 2012, and the 2011 census for elections from 2013 onwards. Moreover, province capitals with populations below 100,000 inhabitants are assigned the size of municipalities with populations between 100,000 and 250,000 inhabitants.

<sup>9</sup>There is an exception when the municipal statute stipulates a fixed number of board members.

The grouping of municipalities under each schedule has a historical explanation ([Coviello and Gagliarducci 2017](#); [Repetto 2018](#))<sup>10</sup>. Tables 1 and 2 set out the detailed distributions of municipal council and executive board sizes across population counts and election years.

The series of reforms has resulted in there being a wide variety of council and executive board sizes across municipalities at any point in time. While the size of the political bodies typically increases with population, municipalities with the same population in the same year but subject to different electoral schedules will have bodies of different sizes. For example, in a given year, Marzano, which has 1500 inhabitants, had only six councilors and a maximum of two executive board members. However, in the same year, Bascapè, which has the same population as Marzano, was allowed twelve council members and could have as many as six executive board members, because it has a different electoral schedule.

Fiscal decentralization allows Italian municipalities to have full control of a wide range of essential public services such as environmental protection and waste management, social services for elderly and disabled persons, childcare, and nursery schools.

Municipalities are granted extensive autonomy and manage around 8% of the total public expenditures nationally (over €55 billion). Locally, current expenditures are financed by fiscal revenues (87%) and transfers from the central government (13%); borrowing is allowed only to finance investments and is subject to strict quantitative limits ([Grembi et al. 2016](#)). Own revenues come from two main sources: (1) local taxes, the most relevant being the property tax and the local income tax surcharge, and (2) local fees charged for building permits and other services as well as revenue from traffic fines and the like.

The budget process proceeds in three sequential phases. In the first, the municipality's

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<sup>10</sup>For example, some municipalities adopted these schedules due to the replacement of war councils following World War II in 1946. Most municipalities held their elections from March to November 1946. In the subsequent years (1947, 1948, and 1949), elections occurred in municipalities facing governmental crises and in cities like Bolzano or Gorizia, which officially became part of Italy after 1946. In 1950, elections to renew local governments elected in 1946 were postponed approving a new electoral law (only municipalities experiencing governmental crises voted in that year), and they took place in 1951.

accounting department drafts a budget based on input from the mayor and the executive board. This is then subjected to a vote by the executive board, inclusive of the mayor. Upon receiving approval, the budget is presented to the municipal council. During this phase, councilors have the right to propose amendments, which are put to a vote. Following comprehensive discussions and votes on all proposed amendments, the entire budget is subjected to a vote by the municipal council. The budget must receive approval by December 30th of each year<sup>11</sup>. It is worth noting that the local government may be dissolved if it fails to pass the budget.

When the budget has been approved, the figures in it become legally binding<sup>12</sup>. At the end of the fiscal year, typically before April 30th of the following year, a comprehensive budget report is finalized. This report provides a detailed account of the actual funds collected and spent in the course of the year. The municipal council convenes to vote on this year-end budget report, with this marking the end of the annual budgeting process.

## 2.2. Conceptual Framework

The purpose of this paper is to estimate the effect on local public finance outcomes of a change in the number of representatives in the municipal government. However, the direction of the effect is ambiguous a priori: on the one hand, where a larger number of representatives is involved, this might increase the size of the budget if there is a common pool of resources and the number of electoral districts increases (Weingast et al. 1981); on the other hand, a larger number of representatives might decrease the size of the budget if it increases decision-making costs and leads to inefficiencies and conflict (Buchanan and

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<sup>11</sup>In cases where the provisional budget fails to secure approval by December 30th, the municipality can request an extension until March 30th. During this extension, the municipality can continue functioning, albeit with certain restrictions. These restrictions include a prohibition on borrowing and limited commitments to current expenses and urgent interventions. Additionally, monthly commitments are capped at one-twelfth of the appropriations from the second year of the previously approved budget.

<sup>12</sup>In cases where changes become necessary during the fiscal year, the executive board holds the authority to propose additional spending measures along with corresponding revenue sources. These proposals are subsequently put to a vote by the municipal council.

Tullock 1962) or if it facilitates oversight by the executive (Pettersson-Lidbom 2012).

Unlike the analyses in previous work on this topic, the approach here considers the possibility that politicians with distinct roles have different effects on spending and revenue collection. The interaction of the executive and legislature as reflected in the municipal bodies considered here constitutes a setting close to that in the legislative bargaining model put forward by Baron and Ferejohn (1989).

Similarly to the original model, in this setting, there are two groups of politicians: the executive and the legislature. The crucial feature of this scenario is that the executive and the legislature have distinct functions and distinct ideal budget sizes, conditions that create space for bargaining.

The objective of the research is to estimate how public finance outcomes change with the number of politicians who have distinct roles within the government. In practice, this consists in estimating the signs of the following derivatives:

$$(1) \quad \frac{dx}{dex} \quad c,z \quad \text{and} \quad \frac{dx}{dc} \quad ex,z$$

where  $x$  is the size of the budget measured by expenditures or revenues,  $ex$  is the number of executive board members,  $c$  is the number of municipal councilors, and  $z$  is a set of controls for other correlates of public finance outcomes. The main difference of the present approach vis-à-vis those put forward in the literature is that I consider the changes in  $c$  and  $ex$  as two distinct treatments, rather than as a unique change in the size of the municipality's political bodies as a whole.

Unlike in Baron and Ferejohn's model, in the present setting the executive is always the first proposer. In other words, if the executive could choose its desired budget size, it would. The desired size of the budget, however, depends on the size of the executive. On

the one hand, the budget may increase with the number of executive politicians if each of them claims a share of the budget, if the larger number creates competition within the executive to signal competence, or if a larger executive allows greater specialization among its members. On the other hand, the budget could decrease if the increased decision-making costs and inefficiencies of a larger executive complicate the budget approval process. For example, the need for consensus may lead to compromises favoring smaller expenditures and demands for greater accountability can discourage ambitious spending. Additionally, a focus on fiscal responsibility may prioritize essential spending, ultimately reducing the overall budget (Niskanen 1971; Bawn and Rosenbluth 2006).

However, the bargaining process has an open rule, that which allows each member of the council to present amendments to the original proposal. Once the executive has submitted its proposed budget to the council, councilors can present amendments, which will then supersede items in the original proposal and be voted on. This rule explains why the size of the council matters for the budget outcomes. A larger council is more representative of all political forces, including the opposition. Larger representation for the opposition will increase the number of amendments, and the budget outcome will be farther from the executive's bliss point (Alesina and Rosenthal 1996).

**Hypothesis:** The size of the budget changes in opposite directions depending on whether it is the size of the legislature or the size of the executive that changes.

To test this hypothesis and determine the direction of this relationship for the two political bodies, I perform the comparative statics exercise detailed in Section 4.

### 3. Data and Sample

The unit of observation of this study is the Italian municipality. To answer my research question, I have collected a set of administrative data on a sample of municipalities. The

data consist of the sizes of the municipal councils and executive boards, details on the members of these bodies, as well as each municipality’s budget figures. After applying sample restrictions, I obtain a consistent and representative panel of Italian municipalities.

### 3.1. Data Sources

The primary data source for this study consists of administrative datasets provided by the Italian Ministry of Internal Affairs.

The dataset drawn from *Anagrafe degli Amministratori Locali* (Registry of Local Administrators) includes comprehensive information on municipal administrations and their political representatives. The data span the period from 1995 to 2022. This material encompasses municipal-level information such as the size of the executive board and municipal council, and the role that each local representative occupies in the municipality, as well as a wealth of demographic characteristics on them such as age, gender, level of education<sup>13</sup>, and most recent occupation<sup>14</sup>.

These data are complemented by census results from 1991, 2001, and 2011, providing the population figures used to assign the statutory size of the executive board and municipal council for each municipality in the sample<sup>15</sup>.

The principal findings are based on an examination of the budget figures for expenditures and revenues by category. To ensure consistency and eliminate outliers, all measures are winsorized at the 1% level and computed in 2015 real euros per capita. Due to there being a substantial number of small municipalities, budget figures exhibit a highly left-skewed distribution. Population size can be seen to affect the demand for local public goods and,

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<sup>13</sup>The level of education is quantified in completed years, where a value of 0 years signifies an absence of formal education, while 13 years signifies the attainment of a higher secondary education diploma as in [De Paola and Scoppa \(2011\)](#).

<sup>14</sup>I use this information to identify politicians that had a professional occupation as engineers, medical doctors, or architects ([Baltrunaite et al. 2014](#)).

<sup>15</sup>Figure [A2](#) shows the distribution of the population over the three censuses.

accordingly, local public expenditures (Figure A3), an effect theorized by Buchanan (1965). To account for this, I transform all outcomes using the natural logarithm. This procedure reduces the dynamic range of a variable such that the differences are preserved while the scale is not as dramatically skewed as it would be otherwise.

Finally, I construct a set of control variables using data from various sources. To this end, I collected information on the age structure of the population, specifically the share of young people (ages 0-14), old people (ages 65+), and foreigners in the population, from the censuses available at the Italian Statistical Institute (ISTAT). Additionally, I collected average per capita taxable income data from the Ministry of Finance and information on the fiscal rules in place that might constrain spending in each municipality and year. Lastly, I determined whether a municipality was a member of an inter-municipal community, an arrangement that has been shown to affect spending and, consequently, local public goods provision (Sovera 2023).

### 3.2. Sample Construction and Summary Statistics

I apply several sample restrictions to ensure that the municipalities are comparable in terms of fiscal context and political structure.

To ensure a consistent political context, I limit the analysis to municipalities with populations under 15,000 persons. There are two significant differences in the political setting between municipalities that exceed this threshold and those that do not. First, larger municipalities may have to hold run-off elections if no candidate obtains a majority of the votes cast in the first electoral round, while this is not the case for smaller ones. Second, in municipalities with populations above 15,000, executive board members cannot be councilors at the same time, while in those with smaller populations a single person may serve on both bodies<sup>16</sup>. Importantly, this restriction does not affect the representativity of

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<sup>16</sup>In municipalities above 15,000 inhabitants, the executive board members do not need to be chosen



the sample: only 735 municipalities out of the total of 8046 were excluded, and thus more than 90% of Italian municipalities are still represented<sup>17</sup>.

In an additional restriction, I removed a further 1383 municipalities belonging to what are known as Special Status Regions<sup>18</sup>. These regions operate under different fiscal rules and receive more substantial government transfers. Next, I excluded 37 additional municipalities that had undergone boundary modifications, such those that had merged with other municipalities or had been created during the period of study. The rationale here is that the decision to merge may have been influenced by fiscal outcomes.

Finally, I excluded municipalities whose council had been dissolved prior to the subsequent electoral round. Where a council is dissolved, a commissary or commission is appointed to manage all municipal functions until the next elections. This may leave the municipality without a council and executive board for as many as three years<sup>19</sup>. Exclusion of these instances was necessary, as municipalities that have been dissolved lacked data for the main explanatory variables as well as information on the size of their council and executive board. Moreover, early dissolution of a municipality's executive board and council may be the result of its public finance circumstances. This removes 1855 municipalities.

The final sample comprises data on 4,028 municipalities for the period 2000-2015. The summary statistics are displayed in Table 3.

Panel A presents descriptive figures for public finance outcomes. On average, a municipality spends EUR 850 and collects around EUR 900 per capita. A sizable proportion among the elected councillors; the mayor can appoint anyone that satisfies the requisites.

<sup>17</sup>Table ?? shows the distribution of Italian municipalities by population size in the last available Census. The median population is 1980 inhabitants; small municipalities are more representatives of the Italian context than larger ones.

<sup>18</sup>The Special Status Regions are Sicilia, Trentino-Alto Adige, Friuli-Venezia-Giulia, Sardegna, and Valle d'Aosta.

<sup>19</sup>Depending on the reason for early dismissal, the commissioner can be in place until the subsequent election, or, in case of mafia dismissal, the commission is in place for a minimum of 18 months and up to three years.

of these expenditures are dedicated to current spending (e.g., personnel wages), which encompasses the day-to-day functioning of the municipality. Conversely, capital expenditures are modest, averaging approximately EUR 76 per capita. This is attributed to the nature of investment spending, which is typically recorded in a single year despite the long-term nature of the projects themselves. On the revenue side, the primary sources are taxes, contributing an average of EUR 204 per capita, and transfers, amounting to approximately EUR 277. These transfers, broken down into current and capital sources, form a significant component of the overall revenue stream.

Panel B offers valuable insights into the composition of municipal governing bodies. On average, a municipality in the sample has approximately 13.5 councilors, while the average executive board comprises some 4 members. Importantly, these figures align closely with the average of the sizes assigned by law. The slight difference between actual and statutory sizes stems from the possibility that councilors may resign from their position and from the fact that the size of the executive board prescribed by law is only a ceiling.

Panel C provides a demographic snapshot of local politicians, revealing that, on average, they fall within the age range of 45 to 50 years. Furthermore, it highlights that female representation within all local political bodies remains notably low. Specifically, only 12% of mayors are female, with a similar figure of 21% for both council and executive board members, indicating a gender imbalance in local politics. When it comes to educational backgrounds, mayors and local politicians exhibit similar levels of education, some 13 to 14 years of formal education, the equivalent of an upper secondary diploma. Furthermore, it is worth noting that mayors tend to rise to their positions from professional careers when compared to councilors or board members; nevertheless, this career path is uncommon, applying in the case of only 26% of the total sample.

Lastly, Panel D indicates that the average municipality had around 5,700 inhabitants over the period 2000-2015. On average 23% of the population were above 65 years old, while

13% were below 14 years of age. Foreigners made up an average of 6% of the population. Roughly 40% of municipalities were subject to fiscal constraints. Approximately 40% belonged to an inter-municipal community.

## **4. Empirical strategy**

In this section, I discuss the identifying variation used to estimate the impact of a change in the size of the municipal council and the executive board on public finance outcomes. I start by outlining a small-scale natural experiment employing a difference-in-difference estimation that allows me to estimate the effect of the reduction of one executive board member. Thereafter, I go on to describe the main specification, which uses an instrumental variable strategy that makes it possible to estimate both treatment effects at the same time.

### **4.1. The Identifying Variation**

The identification of the effect on public finance outcomes of a change in the sizes of a municipality's municipal council and executive board relies on the variation in sizes across different municipal populations and electoral schedules. In other words, the sizes of the political bodies change across municipalities with different populations but also across municipalities with the same population but subject to different electoral schedules. This heterogeneity is summarized in Figure 1, which shows the distribution of the statutory sizes of the council and the executive board over time by population size. Each line represents a different population bracket, while the x-axis reports the different election years. The figure shows that both sizes are increasing in population size but also that, from 2010 on, the sizes of a municipality's political bodies vary depending on the electoral schedule to which it belongs.

One caveat is that there are discrepancies between the statutory sizes shown in Figure 1 and the actual sizes measured in the data. Three reasons accounting for these may be cited: Council members have resigned, and their replacements might not have been appointed before the data collection on December 31st; too few candidates ran for municipal council seats; and the mayor has appointed fewer members to the executive board than the maximum allowed by law<sup>20</sup>. These circumstances suggest the need for the adoption of an instrumental variable approach, which will be discussed in detail in Section 4.3.

These figures show that a municipality's population is the primary factor influencing the size of its council and executive board. The existence of population cutoffs would make a regression discontinuity design a natural choice for the empirical strategy. While this approach has been employed in prior studies by [Pettersson-Lidbom \(2012\)](#), [De Benedetto \(2018\)](#), and [Castellon \(2016\)](#), among others, two significant limitations obtain in the current case that preclude its use.

First, the same population cutoffs that determine changes in the sizes of both the municipal council and executive board impact other municipal policies. These policies span a broad range of concerns, such as local politicians' wages, electoral rules, the existence of neighborhood councils, requirements for inter-municipal cooperation, and the application of the Stability Pact<sup>21</sup>. All these potentially affect the size of the budget in terms of the size and composition of expenditures and revenues. The compound treatment that would result here constitutes the first limitation. The second is evidence suggesting that population figures might have been manipulated at the municipal level to move municipalities up to the more desirable side of the cutoff; for example, in those above the cutoff local

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<sup>20</sup>While both measured numbers can be affected by measurement error as they are self-reported by the municipality, the information is validated by the Ministry of the Interior, which limits concerns about accuracy.

<sup>21</sup>Refer to [Gagliarducci and Nannicini \(2013\)](#) for more details

representatives receive higher wages. In Italy, the census is initially carried out at the local level and then aggregated nationally, introducing the possibility of manipulation at the source (Eggers et al. 2018).

Due to these concerns, the following subsections describe the more precise identification strategies I adopt to pinpoint the causal relationship of interest.

#### 4.2. Defining comparable treatment and control groups and testing assumptions

As shown by Tables 1 and 2, for most population bin-election year combinations both the council and the executive board sizes change at the same time. This poses a major challenge in studying the effects of a change in the size of the legislature and the executive in this context: with the two treatments always changing at the same time and all municipalities facing changes, no clear control group can be defined.

Ideally, one would randomly assign municipal council and executive board sizes to different municipalities and then compare their public finance outcomes. However, this is not possible. The closest feasible comparison is between municipalities whose governing bodies change a great deal in size and those in which those bodies change less. Unfortunately, the latter group is not necessarily a good counterfactual for the former.

The feasibility of the comparison can be tested by ascertaining whether the parallel trends assumption holds in the difference-in-difference specification; that is, in the absence of any change in the size of either political body, the fiscal outcomes of the two groups should follow similar trends. In practice I estimate the following regression:

$$y_{it} = \sum_{j \in \{-m, \dots, 0\}} \alpha_j D_{i,t-j} + \sum_{j \in \{0, \dots, n\}} \beta_j D_{i,t-j} + \gamma_i + \delta_t + \phi X_{it} + \varepsilon_{it}$$

This represents an event study of the outcome on time indicators for before and after any change in size of either the executive board or the municipal council;  $t = 0$  represents the year in which the first change in the size of either body occurs; negative (positive) time indicators represent years before (after) the change. If the parallel trends assumption is satisfied, we expect to find non statistically significant  $\alpha_j$  for  $j < 0$ . The interpretation of  $\alpha_j$  for  $j > 0$  is not relevant for this exercise, because it compounds changes of any size and at any time in either the executive board or the municipal council. The remaining elements of the regression are defined as follows:  $i_t$  represents municipality fixed effects,  $\delta_t$  represents year fixed effects and  $X_{it}$  is a vector of municipal-level control variables. The following subsection explains how to distinguish and identify the two effects independently.

Figure 2 shows the event study plot for the regression. As shown by Figure 1, longitudinal changes in the size of the executive board and the municipal council date from 2010 on, depending on the electoral cycle to which each municipality belongs. This then determines the length of the x axis, which extends from fourteen years before to three years after any policy change. The y-axis reports one of the outcome variables,  $\ln(\text{investments})$ <sup>22</sup>. All policy change dates are centered around  $t = 0$ , with  $t = -1$  being the omitted year, the one before each policy change.

Figure 2 shows clearly that none of the pre-reform coefficients is statistically significant and that there is no discernible trend in the pre-period. The confidence intervals become smaller as the event date becomes closer because of the larger sample in the five years before the policy change. The estimates start becoming significant from  $t = 0$  on, that is, only after a change occurs in the size of either local government body.

The conclusion that can be drawn here is that no differential trends can be observed before the policy change resulting in municipalities undergoing changes of differing size in

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<sup>22</sup>The conclusion about the parallel trend assumption do not change using a different outcome on the y axis.

the number of members of their local political bodies. This point of departure establishes, as asserted in the introduction, that the analysis to follow will identify the causal effect of a change in the executive board and municipal council of Italian municipalities.

### 4.3. Instrumental variable estimation

While the above arguments establish that it is meaningful to compare municipalities that have seen a large change in the size of their governing bodies and those that have experienced a smaller one, there remains a challenge that must be addressed before the analysis can proceed: The sizes of both the municipal council and the executive board might be endogenous to local public finance conditions, which would pose challenges in estimating the effect on public finances of a change in the size of either of the bodies. Two contingencies in particular might correlate with determinants of public finances. First, the size of the executive board may vary given that each mayor is free to choose the number of board members appointed within the statutory maximum. Second, the size of the municipal council may also deviate from that mandated by law if too few candidates run for councilor positions, a possibility given that the pay is low pay compared to the number of responsibilities.

The approach chosen to address this challenge makes use of instrumental variables (IV). Specifically, the statutory sizes of the municipal councils and executive boards are used as instruments for the actual sizes. It is my contention that these are valid instruments for endogenous treatments. Accordingly, in what follows I proceed to test the validity of the instruments by assessing their strength and the validity of the exclusion restriction.

Figure 3 presents binscatter plots of the actual and statutory council (left) and executive board (right) sizes. In both figures, the bins are aligned along the 45-degree line, indicating a strong correlation between the statutory and actual sizes of the two political bodies. The correlation is striking in the case of the municipal councils, for which the two sizes are

almost perfectly correlated (0.97), while it is weaker, though compelling, for the executive boards (0.81). This indicates a strong first stage; that is, the instruments effectively predict the changes in the treatment variables. Later, since there are two endogenous variables, I report the (Sanderson and Windmeijer 2016) F-statistic and compare it to the critical values by Stock and Yogo (2005).

Turning to the exclusion restriction, the instruments, the statutory sizes, cannot be correlated with the error term in the explanatory equation, conditionally on the other covariates. This assumption is untestable but I claim that neither census figures nor election years—the two criteria used to determine the statutory size for the municipal council and executive board—can be influenced by current public finance conditions. In the case of the first, there is a delay of several years between a census and population figures becoming available to determine the size of the municipal political bodies. Regarding the second, as mentioned before, the election schedules a municipality is assigned to depend on historical factors, ones going back to the end of the Second World War and thus independent of current public finance status.

As the instruments satisfy both assumptions, they are deemed valid, and I proceed to estimate a Two-Stage Least Square (TSLS) regression as follows:

$$(2) \quad CSIZE_{mt} = \beta_1 \overline{CSIZE} + \beta_2 \overline{EXSIZE} + \theta X_{mt} + \mu_m + \eta_t + \varepsilon_{mt}$$

$$(3) \quad EXSIZE_{mt} = \beta_1 \overline{CSIZE} + \beta_2 \overline{EXSIZE} + \theta X_{mt} + \mu_m + \eta_t + \varepsilon_{mt}$$

$$(4) \quad Y_{mt} = \gamma_1 \widehat{CSIZE} + \gamma_2 \widehat{EXSIZE} + \theta X_{mt} + \mu_m + \eta_t + \varepsilon_{mt}$$

Equations 2 and 3 represent the first-stage regressions, in which the actual council and executive board sizes,  $CSIZE$  and  $EXSIZE$  are regressed on the two instruments,  $\overline{CSIZE}$  and  $\overline{EXSIZE}$ , that is, the statutory sizes prescribed by law. Equation 4 defines the



second-stage regression. It estimates the parameters of interest,  $\gamma_1$  and  $\gamma_2$ , which denote the effect of a one-unit increase in the council and executive board sizes, respectively, on the outcome  $Y_{mt}$ . The model includes municipality fixed effects  $\mu_m$  and year fixed effects  $\eta_t$ .  $X_{mt}$  represents the set of controls as described in the difference-in-difference example. The error terms are clustered at the municipal level.

In this specification, the council and executive board sizes are expressed using natural logarithms to account for the fact that the marginal effect of an additional councilor/board member may be different depending on the starting size of the body. Moreover, when the dependent variables are also expressed using logarithms, the estimates may be interpreted as elasticities.

## 5. Results

This section presents the main results. The focus is on the public finance outcomes as measured by the budget figures for expenditures and revenues. The analysis estimates the effect of a simultaneous change in the size of both the municipal council and the executive board; for this purpose, it employs an instrumental variable strategy, which taps all the variation in the data.

### 5.1. The impact of a change in the size of the city council and the executive board

The next step entails estimating the effect of a simultaneous change in the size of both the municipal council and the executive board, as commonly happens in most municipalities<sup>23</sup>.

The tables that follow present both the reduced form (RF) and instrumental variable

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<sup>23</sup>The only exception refers to municipalities who had elections in 2010 and had more than 3000 inhabitants. At that election they faced a reform that reduced the size of the executive board by one member, while the size of the council stayed the same. This reform affected only 32 municipalities in the sample.

(IV) estimates for the expenditure and revenue outcomes. Notably, the reduced form and IV estimates for the municipal council treatment are almost indistinguishable, given the close-to-one first-stage relationship. However, for the executive board, the IV estimates are larger, reflecting the attenuation bias in the OLS estimates. [Sanderson and Windmeijer \(2016\)](#) F statistic is always larger than the 1% critical value. For the remainder of this section, I will focus on the IV estimates.

Column (2) of Table 4 shows that a 10% increase in the size of an executive board leads to a 1.8% increase in total expenditures. This estimate is statistically significant at the 1% level. The same is true for a 10% increase in the size of a municipal council, but this leads to a reduction of total expenditure by 2.3%; in other words, the sign of the change is reversed. These estimates are driven by changes in investment expenditures (column (6)), which increase by 5.45% when the executive board size increases by 10% and decrease by 4.1% when the municipal council size increases by the same proportion. The negligible impact on current expenditures can be attributed to the stability of that budget item over time: It depends heavily on historical levels, in particular those established in wage bills limiting the autonomy of mayors in hiring and firing public servants<sup>24</sup>.

Moving one step ahead, the analysis examines whether the change in investment expenditure can be attributed to a change in its composition. Investment expenditures are divided into twelve functions in a municipal budget, and it will be instructive to determine how a change in the number of councilors and executive board members affects the spending in each category<sup>25</sup>. Table 5 shows the relevant IV estimates<sup>26</sup>. A 10% increase in the size of an executive board increases investments in spending on Environment by 6.1%,

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<sup>24</sup>Rank-and-file employees, constituting the majority municipal employees, are typically hired through public competitions with permanent contracts agreed at the national level through collective bargaining, while the mayor and executive committee exercise more discretion over public managers' hiring and departures ([Bellodi et al. 2022](#))

<sup>25</sup>In the analysis, I exclude the category *Justice* because it is equal to zero for 99% of the municipality-year cells.

<sup>26</sup>The reduced form estimates can be found in Table A1.

Transport by 3.5%, Tourism by 2.6% and Culture by 1.7%. There is no detectable effect on any other category of spending. The effect of a 10% increase in the size of a municipal council again has the opposite sign and results in a reduction of 4.8% in Environment, 3.3% in Tourism, and 2.1% in Culture. There is no evidence that that a larger municipal council affects expenditures on Transport. This analysis shows that a change in the size of local government bodies does not trigger a reallocation of expenditures; rather, the effect of a change is a tangible increase in total investments.

Table 6 presents the estimates for the revenue outcomes, with a focus on the main sources of revenues, namely taxes and transfers. Column (2) shows that the estimates for total revenues mirror those for total expenditures: a 10% increase in the size of an executive board leads to a 1.6% increase in revenues, while the same increase in the size of a municipal council reduces them by 2.5%. In the case of different sources of revenue, a 10% increase in the number of executive board members does not affect either taxes<sup>27</sup> or current transfers, but it increases capital transfers by 4.4%. The null effect on current transfers can be explained by the fact that these transfers can only be used to finance current expenditures, which are not affected by a change in the number of local politicians. By contrast, capital transfers can be used to finance investments, whereby they increase with a larger executive board. The effect of a 10% increase in the number of municipal councilors is the opposite: It reduces capital transfers by 7.3%, while it has no effect on taxes or current transfers. The changes in revenues mirror those in expenditures, as the law prescribes that every expenditure must be covered by a revenue stream<sup>28</sup>.

Taken as a whole, the changes noted do not affect the budget deficit and thus do not

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<sup>27</sup>I also explore the effect of these changes on fees, encompassing costs for accessing public services and a range of small taxes, which are less salient to voters (Bracco et al. 2019) Although they could potentially serve as viable revenue sources, I find no significant effects, with coefficients close to zero.

<sup>28</sup>Current expenditures must be covered by current revenues, such as taxes, fees, and public service revenues.

affect the fiscal sustainability of a municipality<sup>29</sup>. The results permit no claims about the welfare effects of these changes in investments.

These results support the theoretical hypothesis in Section 2.2. A larger executive board leads to higher expenditure, primarily driven by increased investments, and fosters an increase in capital transfers to finance this additional spending. Conversely, a larger municipal council counteracts these trends. This result helps reconcile the contrasting findings in the literature. It shows that the total effect of a change in the number of representatives can indeed go either way depending on which of two political bodies has increased in size. This more generally applies to contexts where there are two sets of politicians with contrasting objective functions, as in the case of a divided government (Ortner 2017) or legislators belonging to opposite groups.

## 5.2. Robustness and Alternative Explanations

One concern that might arise regarding the findings is how government transfers are distributed to municipalities. The focal question is whether municipalities where the mayor and the mayor's majority are aligned with the party in power nationally are more likely to obtain transfers from higher levels of government, a phenomenon which Brollo et al. (2013) and Baskaran and Hessami (2017), among others, have shown to be common. To test whether the findings are robust to political alignment between the municipalities and higher level of governments, that is, the central and regional levels, the original identification is augmented with an indicator for alignment between the municipalities and central or regional government. Of particular interest here is the absence of statistical significance of the interaction term between the sizes of an executive board and municipal council, on the one hand, and the alignment indicator, on the other. Table A3 shows the results of this analysis. The table only reports IV estimates. It shows that the effects of a 10% increase in

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<sup>29</sup>Estimates can be found in Table A2.

the size of the council and the executive still maintain the sign and the precision estimated in the main regression. Interestingly, if the focus is trained on how a municipality’s political alignment mediates these effects, the outcome shows no statistically significant evidence of such influence. It seems that it is the size of the political bodies as such that affects the outcomes and that political alignment does not play a role.

Another concern might be that the results are affected by the political leaning of the local executive, especially in the case in which populist parties are in power. Populism is defined as a political style that centers on an alleged conflict between “the people” vs. “the elites” and then claims to be the sole representative of the true people (Mudde 2004). This concern has become particularly salient in recent years, given findings in the literature, summarized by Guriev and Papaioannou (2022), that populist governments tend to produce budgets with greater expenditures. To test the relevance of this concern, I identified the populist parties in the sample<sup>30</sup> and created an indicator for their presence in the municipal governments. Similarly to the previous exercise, this indicator is interacted with the sizes of the municipal councils and the executive boards to explore if and how the presence of populists changes the estimates. Table A4 shows that having a populist mayor does not interact with the effect of the size of local political bodies for any of the fiscal outcomes of interest. The original effect remains comparable to the main regression results, confirming that the presence of a populist majority plays no role in whether size affects fiscal outcomes in Italian municipalities.

A potential concern deriving from both the literature (Gratton et al. 2021) and anecdotal evidence is that an executive board with more than one party represented, as in the case of a mayor supported by a coalition, might spend more. The putative rationale at work here is that each party wishes to claim a share of the budget for itself to signal to voters

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<sup>30</sup>The parties identified as populists are Forza Italia, Lega Nord, Fratelli d’Italia and Movimento 5 Stelle. The selection is based on Funke et al. (2023).

the effort it is expending on their behalf as well as its competence. Here the finding that a larger executive board spends more might be confounded with the fact that it is the composition of the executive that matters and not its size. To investigate this possibility, an indicator was created for distinguishing an executive board made up of politicians from a single party as opposed to one made up of politicians from multiple parties within a coalition. The median number of parties represented in an executive board is one. Table [A5](#) shows that the presence of a coalition in an executive board does not affect the size of any of the fiscal outcomes in the analysis. None of the interaction coefficients between the size of a local political body and the presence of a coalition are statistically significant. At the same time, the effects estimated for the size of an executive board and municipal council remain comparable to those in the original specification.

Another possibility to consider in the realm of executive coalitions is the possibility that the coalition is composed of parties with different political alignment. This is common in many countries in the Nordics, where the executive board composition depends on a proportional system ([Meriläinen and Tukiainen 2022](#)), and it is a possibility in Italy too, even though not common (only .56% of the municipality-year combinations in the sample). Nonetheless, Table [A6](#) shows the estimates of the original specification augmented to include the interaction between the sizes of the council and the executive board with an indicator for an executive coalition including members of opposed political leaning (right and left). The results show that the estimates for the interaction terms are never statistically significant, indicating that this other measure of coalition composition does not explain the findings.

Another potential concern regarding the validity of the estimates is whether changes in the size of the municipal council and executive board affect the composition of local politicians. There is extensive research correlating budget size with the characteristics of local politicians, such as gender ([Svaleryd 2009](#)), age ([Baskaran et al. 2024](#)), and education

([Jokela et al. 2025](#)), making it essential to assess whether these factors influence the estimates. [Table A7](#) presents the results concerning local politicians' gender, age, years of education, and professional background. The odd columns indicate that changes in the size of the municipal council do not alter the composition of councillors along any of the dimensions considered. Conversely, an increase in the size of the executive board is associated with a higher probability of its members being female (11.6%) and a reduction in the average number of years of education by 1.34 years. There is no effect of a change in the size of a body on the composition of the other one, which once again works as a placebo test that the estimation is capturing the correct variation. While an increase in female representation may correlate with higher spending in specific areas such as childcare and elderly care, it does not necessarily lead to increased overall expenditure. Furthermore, the observed decrease in educational years is likely negligible; on average, Italian executive board members possess 12.8 years of schooling, which corresponds to an incomplete high school degree. Thus, this reduction does not affect degree completion, which could raise concerns about how funds are allocated or revenues are collected.

Before investigating the mechanisms driving the public finance outcomes of differently sized executive boards and municipal councils, several robustness checks are in order to corroborate the findings of the previous sections.

The first check assesses the robustness of the estimates to the inclusion and exclusion of control variables in the main specification. [Table A8](#) shows the estimates of the effect of increasing the size of an executive board and municipal council by 10% without controls. Removing controls does not affect the conclusions, and the estimates are consistent with the main findings. As a further check, a specification is run that includes additional controls that can interact with public finance conditions, such as the age structure of the population, the share of foreign population, fiscal rules in place, and membership in an inter-municipal community. [Table A9](#) shows that the results again remain unchanged.

The second check performed shows that the main results hold when using a linear or a log-linear specification. Table [A10](#) shows the reduced form and IV estimates for the linear specification, where the dependent variables are expressed in real per capita terms and the sizes of the councils and executive boards in absolute numbers. Table [A11](#), in contrast, shows the estimates for the log outcomes using the political bodies' sizes in absolute numbers. The estimates have slightly different magnitudes, but the conclusions remain the same. The findings thus do not depend on the functional form, but their interpretation changes. This justifies the choice of the log-log form, which brings the benefit that the estimates can be interpreted as elasticities.

The third check examines the robustness of the estimates to the exclusion of very small municipalities, that is, those with fewer than 1000 inhabitants. The rationale for their exclusion was that their functioning might be peculiar compared to that of larger municipalities, whereby the subsample might skew the main estimates. Table [A12](#) shows the estimates. The conclusions for total expenditures and investments are identical to those for the full sample; if anything, the magnitude of the estimates is larger. What changes when excluding these municipalities is that the size of a municipality's executive board becomes significant for current expenditures: A 10% increase in the size of the executive board increases current expenditure by 0.8%; the size of the council does not affect it. In the case of revenues, the main conclusions remain the same: There is a positive effect of executive board size on current transfers, which are used to finance current expenditures. A 10% increase in the number of executive board members increases current transfers by 2.7%; the council size is irrelevant.

The fourth and final robustness check shows that the main conclusions stand when considering the planned budget figures rather than the actual ones. Planned budget figures are the ones that are discussed by a municipality's executive board and council and are the figures that determine the actual spending and revenue patterns. Table [A13](#) shows



the estimates. A 10% increase in the number of executive board members increases total expenditures by 1.5% and investment expenditures by 3.9%, whereas there is no effect on current expenditures. The same increase in the number of municipal councilors reduces the outcomes by 2.2% and 5%, respectively. Similar conclusions can be drawn for revenues, with a 10% increase in the size of an executive board increasing total revenues through an increase in capital transfers by 4.1%, and a larger municipal council decreasing them by 6.3%. The magnitudes of the effects are readily comparable to those found in Section ???. This stands in contrast to the findings of [Morelli and Bellodi \(2023\)](#), who submit that an Italian reform that reduced the size of municipal executive boards affected only the planned, not the actual budget because local governments only have a limited capacity to enact the policies proposed by the executive.

## **6. Mechanism**

This section explores the mechanisms underlying and accounting for the main findings. The positive spending effect of a larger executive board can be attributed to a higher degree of specialization among the members, and the negative council effect to stronger political fragmentation within the body.

### **6.1. Specialization**

The executive board of Italian municipalities works like a government cabinet. The mayor appoints its members and assigns them a department to oversee and manage, such as Welfare, Urbanism, or Education. The rationale here is that the mayor can create a cabinet to delegate some of the mayor's functions to individuals who have better expertise in a particular field or have more opportunities to develop it. There are eleven departments over which municipalities have control, with these then further subdivided into eighty-four

sub-mandates, as listed in Table [A14](#).

Each executive board member can be assigned one or more departments, with the unassigned ones remaining the mayor's mandates. Each executive board member is fully responsible for their department. They can choose and plan projects and allocate a share of the budget to finance them. Once defined, all the budget proposals are voted on by the executive board. If approved, they become part of the draft budget that is voted on by the council.

Given this setting, a change in the maximum number of executive board members that a mayor can appoint might influence the distribution of the departments and related responsibilities between the mayor and the board members. Looking at the data, on average a larger municipal executive board results in the assignment of fewer mandates per member than in a smaller one, indicating that the mayor tends to evenly distribute mandates among executive board members when the mayor is allowed to appoint more. This would enable the board members of a large executive board to better specialize in their area of expertise and thus to either attract more transfers to finance larger projects or, simply, to produce larger projects than members of a small board with a similar amount of effort.

More formally, I estimate the effect of a change in executive board and city council sizes on the distribution of mandates among executive board members using data from the Italian Ministry of the Interior on executive board members' mandates, with data available for the electoral rounds from 2009 onwards. The data are self-reported by municipalities, but filing a report is not mandatory, which means the data are incomplete. Despite these shortcomings, the present study has gathered information on 4612 municipalities, with data in each case for at least two consecutive electoral rounds. [Figure 6](#) shows the distribution of mandates among the executive board members across municipalities, highlighting the most popular areas of responsibility (e.g., Welfare, Public Works, and Environment).

If the supposition concerning specialization is true, the number of mandates per

executive board member should decrease when the board gets larger, while the variety of mandates within the board should increase. This hypothesis is tested using the same IV strategy from Section 4.3. Figure 7 shows the estimates graphical representation, while Table 7 presents their magnitudes. The columns report the reduced form estimates with and without controls and the IV estimates (columns (3) and (6)). As pointed out in the figure, the size of a municipal council has no bearing on specialization within the board. This works as placebo test, confirming that what the model is capturing is the effect of a change in size of the two local bodies, separately. In contrast, the size of an executive board does affect the specialization of its members: a 10% increase in the number of executive board members reduces the number of mandates per member by 5% and increases the variety of mandates within the executive board by 40%.

## 6.2. Political fragmentation

Municipal elections in Italian municipalities smaller than 15,000 inhabitants follow a majoritarian system. The councilors and the mayor are contextually elected. This means that in every election each party presents a list of candidates for the council and one mayoral candidate. A candidate is elected mayor if they receive the majority of the votes; thereupon, two-thirds of the council seats are assigned to councilors on the mayor's list or coalition. The remaining seats are assigned to the other lists following the d'Hondt rule, which results in a proportional distribution of the remaining seats.

This setting suffices to explain the behavior of a larger council. It is not my contention that the opposition councilors will be able to defeat the mayor's policies (except in cases where the majority of councilors support the opposition claims) but having a larger opposition makes it easier to filibuster the executive's proposals, hindering the budget-drafting process such that the executive will make some concessions to the opposition.

This is enough to explain the behavior of a larger council because I do not claim that

the opposition councilors will be able to overthrow the mayor's party policies (unless cases where the majority of councilors support the opposition claims) but having a larger opposition makes it easier to filibuster the executive's proposals and to hinder the budget drafting process so that the executive will allow some concessions to the opposition.

To measure this tendency, some indicators of political fragmentation were constructed: the number of opposition parties with at least one seat in the council; the number of seats occupied by opposition councilors; and a measure of seat concentration, based on the HHI index<sup>31</sup>.

Table 8 indicates that this tendency indeed obtains. As anticipated, the results reveal that the size of the executive board holds no sway over political fragmentation. By contrast, the size of the municipal council exhibits a significant impact. Specifically, a 10% increase in the number of municipal councilors corresponds to a 2.9% rise in the number of opposition parties, which is accompanied by a decrease of roughly 1.2% in both the proportion of seats held by the mayor's party or coalition and the degree of seat concentration. Taken together, these findings display remarkable consistency, indicating that a larger municipal council intensifies political fragmentation; this in turn strengthens opposition groups, who may then wield greater influence in budget negotiations.

## **7. The effect of the size of boards and councils on politicians' careers**

The main analysis has concluded that the number of local politicians on municipal governing bodies does influence public finance outcomes. However, the direction of the effect depends on the role that politicians play within the government. A larger executive board, assuming

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<sup>31</sup>The measure is defined as the sum of the squared party shares of seats within the council, or  $\sum_i s_i^2$ , where  $i$  is the number of parties represented in the council. The conclusion does not change using the effective number of parties (ENoP), measure commonly used in political science and first defined by Laakso and Taagepera (1979).

responsibility for administrative tasks alongside the mayor, leads to increased expenditure and higher revenues. Conversely, a larger council, representing all political forces and acting as the legislative arm of the government, results in the opposite effect.

These estimates speak to a partial equilibrium. Accordingly, it is not possible to make any claim about the welfare effects of these behaviors. That is, as is commonly acknowledged (Pettersson-Lidbom 2012), it cannot be asserted that the executive board is overspending or that the council is reducing expenditures to a more efficient level. However, it is feasible to study how these behaviors are perceived by voters and what the consequences are for the careers of the politicians involved.

All politicians have career objectives, and local politicians are no different. Mayors aim at being reelected or being elected to a higher office in the regional or provincial government. Board members hope to be re-appointed, or appointed as deputy mayor, but they may also entertain running for mayor themselves or reaching a higher level of government. Finally, opposition councilors want their parties to win the next elections, to become the next mayor or a board member themselves, or at least to be reelected to the council.

The actions of local politicians that are salient to voters might thus influence their future political careers. Figure A4 illustrates the high saliency of local politicians in the news, as reported by ANSA<sup>32</sup>. The data have been collected from the Factiva database, and report the number of mentions of councilors, executive board members, or mayors in newspaper articles. The mayors are the most frequently cited actors, with an average of 67,000 mentions per year, followed by executive board members (11,000) and councilors (9000).

To explore this salience, I complement the data on municipal politicians with information

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<sup>32</sup>ANSA is a not-for-profit cooperative, distributing fair and objective news reporting through multiple media channels such as newspapers, TV news, and internet articles.

on all politicians in the regional and provincial governments. This allows me to follow the transitions between offices. Since transitions to a higher government office are rare events, I consider transitions to any office within the region or province (president, executive board member or councilor). This data is aggregated at the election-year level, yielding five electoral rounds for each municipality.

Table 9 presents the estimates for mayors' career outcomes. As before, odd columns report the reduced form estimates, while even columns show the IV estimates. The focus here is on the IV estimates. Notably, a 10% increase in the number of executive board members decreases the likelihood of a mayor being reelected by 0.97 percentage points (p.p.), a statistically significant estimate. However, this is more than compensated by an increase of 1.24 p.p. and 0.3 p.p. in the probability that the mayor will move up to an office in the provincial or regional government. This means that additional spending by the executive pays off in terms of career advancement for the mayor. Provincial and regional offices are more prestigious than municipal offices, because they encompass more challenging responsibilities covering a larger geographical area and entail higher compensation. This aligns with the proposed mechanism explaining the additional spending of a larger executive board due to career prospects. The size of the municipal council is of no consequence for the career perspectives of the mayor, as a change in its size does not affect the likelihood of reelection or advancement to a higher office.

Table 10 displays the estimates for executive board members' career outcomes. A 10% increase in the size of the executive board increases the probability of a member being reappointed by 3.2 p.p. and the probability of being appointed deputy mayor by 1.01 p.p. There is no detectable effect on the probability of being elected as mayor or to a regional or provincial office in the next electoral round. This is because these are rare events and thus estimation lacks the requisite power to determine their likelihood. Again, a change in the size of the municipal council does not affect these probabilities. These effects are

interesting per se because mayors are less likely to be reelected, meaning that the effect is not an automatic consequence of the mayors' career ambition, but a direct consequence of the additional effort put in by the board members.

The concluding analysis examines how changes in the sizes of the executive board and municipal council affect the careers of councilors. Table 11 reports the estimates. It indicates that a 10% increase in the size of a municipality's executive board reduces the probability of reelection of a councilor by 0.46 p.p. and the probability that a councilor becomes an executive board member by 0.17 p.p. This latter finding matches the result established earlier that a larger executive board increases the likelihood of current board members being reappointed. No effect was found on the transition from councilor to mayor. The size of the council has no bearing on the career of councilors. This points to the fact that the executive board is the one with the greatest power within the government and thus even if the council can moderate the executive's spending behavior, it is not enough to guarantee that the councilors are reelected or that the opposition will win the next elections.

If voters are sophisticated enough, they can differentiate the size effect of various public expenditures from other factors influencing electoral behavior. This level of understanding enables them to assess politicians based on their effectiveness in resource allocation. Conversely, if voters are less sophisticated or naive, they may focus predominantly on the visible outcomes of government spending rather than the complexities of public finance. In such cases, voters are likely to prioritize tangible results—such as improved public services and enhanced infrastructure—over the nuanced realities of budgetary constraints and funding sources.

One crucial question that arises in this connection is, why should voters reward politicians for additional spending? Politicians can cultivate voter support by showcasing the tangible benefits of increased expenditures. When voters observe that additional

public spending translates into larger investments in infrastructure or superior public goods, their perceptions may shift positively. If these investments are financed through intergovernmental transfers or sources other than tax revenue, voters may feel they are reaping the rewards of increased spending without bearing the corresponding costs. This perception of gaining benefits without financial trade-offs can foster a favorable view of the politicians advocating for such fiscal measures. This would fit within the fiscal illusion theory, when government revenues are not fully perceived by taxpayers and then the cost of government is seen to be less than it actually is.

These dynamics parallels the findings in [Gratton et al. \(2021\)](#), which suggest that politicians often produce legislation to signal their competence and improve their electoral prospects. When voters witness legislative actions resulting in beneficial outcomes—whether through public investment or resource allocation—they are likely to view their representatives as effective and deserving of reelection. Similarly, [Persson et al. \(2000\)](#) note that the public provision of goods plays a crucial role in securing voter support, particularly in contexts where constituents prioritize effective governance.

These perceptions on the part of voters would explain why councilors may not benefit politically from cutting investments. If voters perceive such cuts as a reduction in public goods provision, councilors do not gain any advantage from these cost-saving measures. Rather, voters view reductions in services unfavorably, considering them harmful to community welfare. Ultimately, spending cuts may lead to voter backlash rather than support, as constituents feel deprived of expected services and improvements.

Overall, this relationship underscores the critical role of voter perception in the political calculus surrounding funding and resource allocation. Politicians who visibly enhance public goods are better positioned to secure electoral support, particularly in environments where voters are primarily focused on outcomes rather than on the complex factors that underlie them.



## 8. Conclusion

One key determinant of local public finance choices is the local political class. While the literature has explored how the number of local politicians affects public finance outcomes, this paper contends that this finding masks substantial heterogeneity. A crucial aspect that previous literature has overlooked is the role that politicians play in the local government and how each of the politicians discharging distinct responsibilities affects public finance outcomes in their own way.

Using a rich administrative dataset covering Italian municipalities and local politicians, the analysis presented here has estimated the impact on local budget outcomes of a change in the size of a municipality's executive board and municipal council. The main finding is that the number of politicians affects budget outcomes differently depending on their roles. Specifically, a larger executive board leads to higher spending, particularly on investments. This additional spending is financed through increased capital transfers. Contrastingly, a larger municipal council can be seen to reduce spending.

One conclusion to be put forward based on the present findings is that the positive effect of a larger executive board may be related to the increased specialization of its members, as each can be assigned fewer departments and thus concentrate on a narrower range of projects. Conversely, the potentially negative effect of a larger municipal council might be attributed to the fact that a more politically fragmented, and therefore more representative, group of councilors has enhanced opportunities to exercise its oversight function.

Italy serves as an ideal setting for this investigation due to the substantial autonomy municipalities enjoy and the considerable variation in size across municipalities and over time. However, similar political structures exist in other countries, such as the US, Brazil, Canada, Israel, and New Zealand, settings that feature many municipalities with mayors

supported by executive boards or cabinets and a municipal council with legislative functions. Moreover, the present results extend to higher levels of government where the executive and the legislative power are held by opposing sides.

It is essential to reiterate that this research cannot advance any claims about the welfare effects of the changes in spending promoted by a municipality' executive board or council. Whether a larger board necessarily leads to overspending remains uncertain; the same holds for the smaller expenditure promoted by the council. The literature on council size and public goods suggests that politicians tend to prioritize the more salient public goods, not necessarily those most desired by the voters, to secure electoral benefits (Cepaluni and Mignozzetti 2019). Further investigation is needed to estimate the optimal sizes of a municipality's executive board and municipal council, one that would strike a balance that maximizes collective welfare. This would be a crucial step toward enhancing policy-making processes and promoting the effective allocation of public resources.

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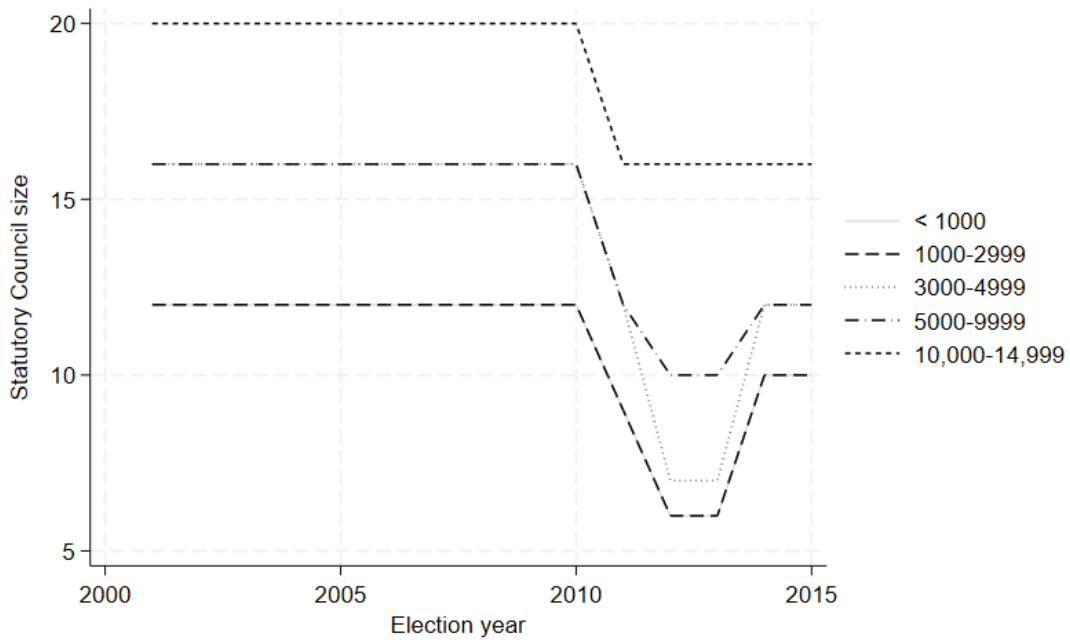
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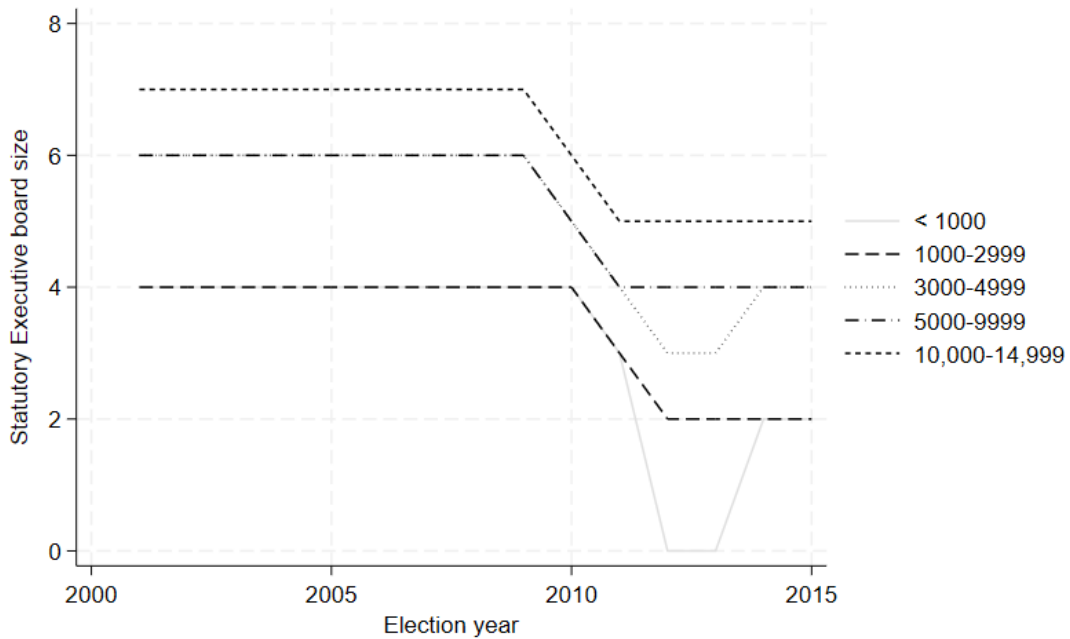
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FIGURE 1. Statutory council and executive board sizes



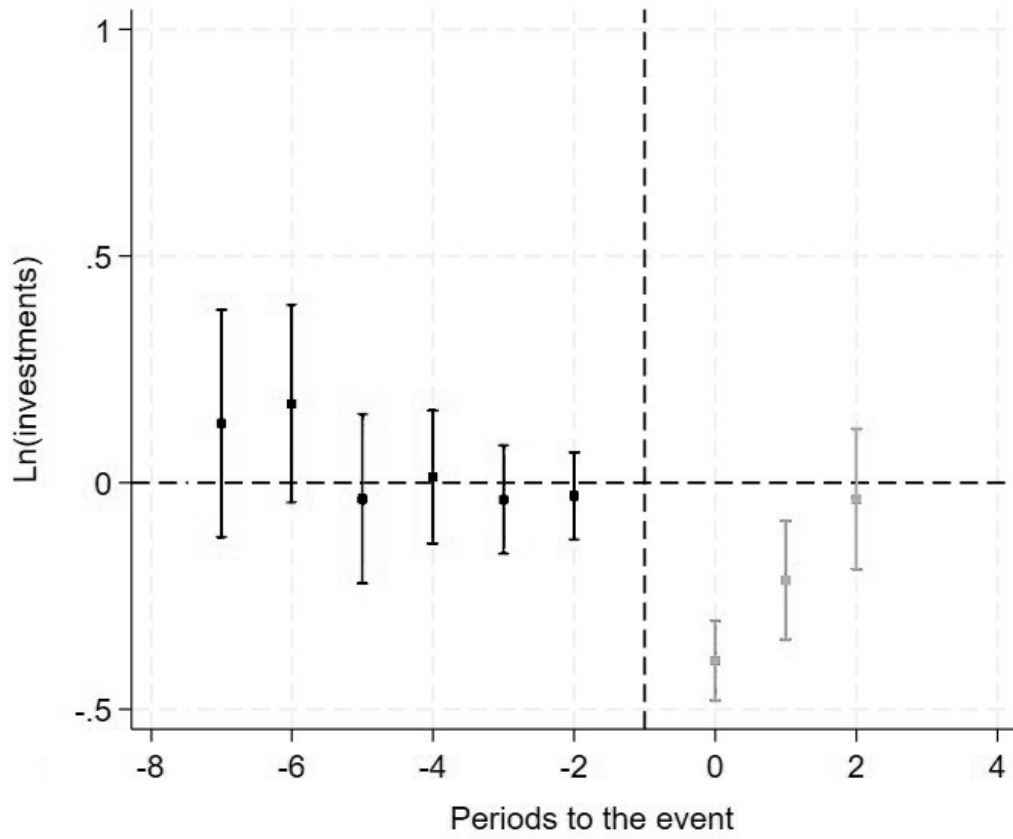
A. Municipal council



B. Executive board

The figure illustrates the variation in statutory council and executive board sizes (y-axis) across different population brackets (represented by various line patterns) and over election years (x-axis) for municipalities with populations under 15,000 inhabitants. This graphical representation corresponds to the data in Tables 1 and 2. Both council and executive board sizes generally increase with population size over the entire period analyzed, and they may also vary for municipalities within the same population bracket across different years, influenced by the timing of local elections.

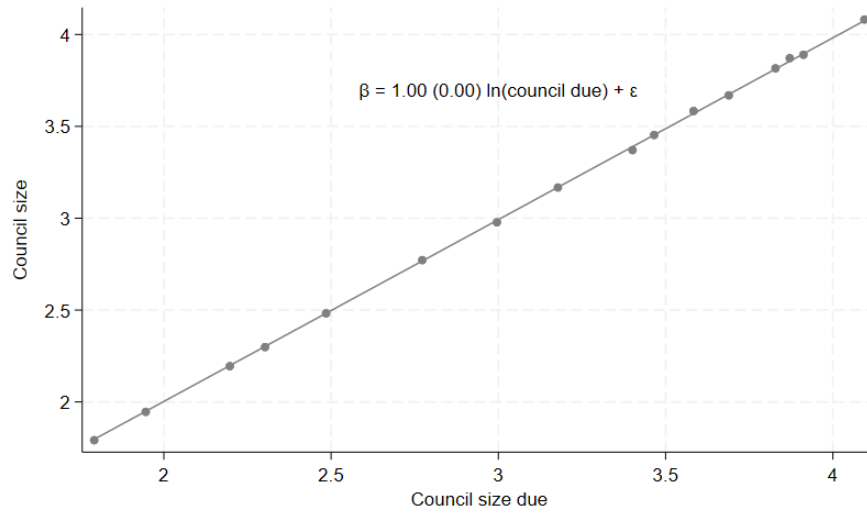
FIGURE 2. Parallel trends test



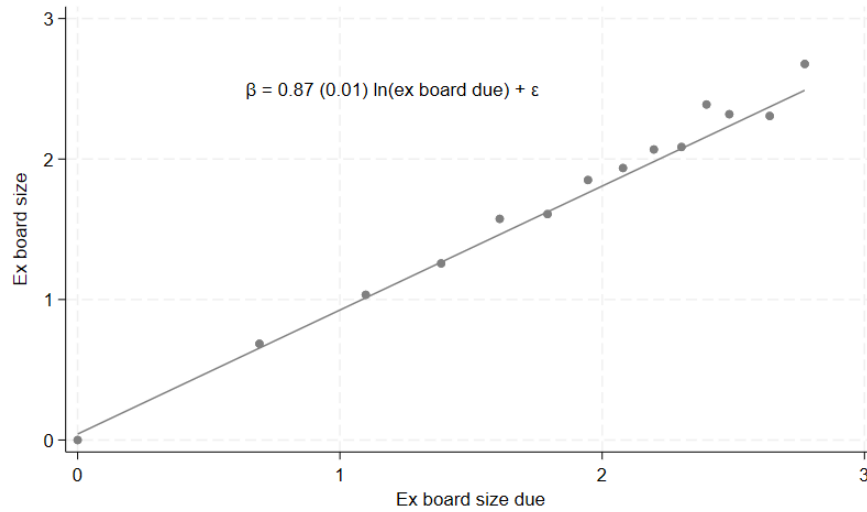
Notes: The plots show binscatter plots of the change in outcome (investments) and the change in each government branch (municipal council and executive board). The plots on the left use the pre-period change in the outcome, those on the right the post-period change in the outcome.



FIGURE 3. First stage binscatter plots



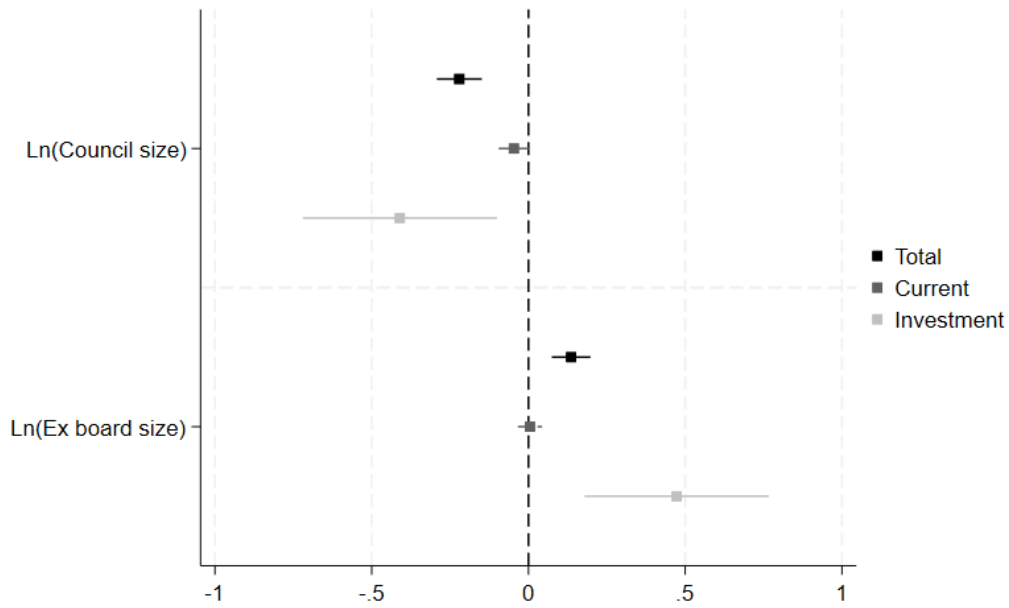
A. Council size - Actual and statutory



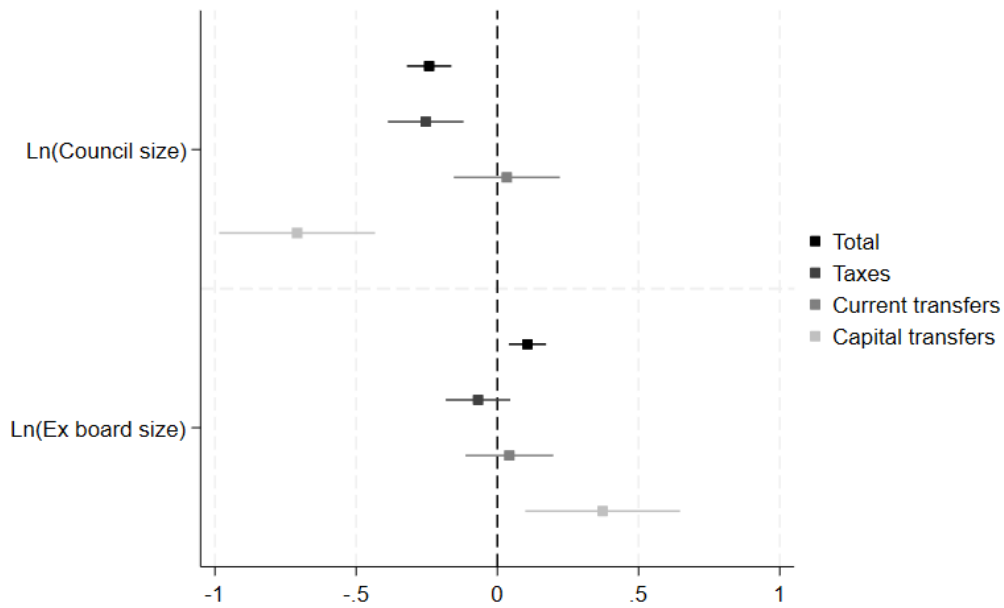
B. Executive board size - Actual and statutory

Notes: The two plots show a graphical representation of the first stage regression of actual council/executive board size on the sizes assigned by law.

FIGURE 4. IV estimates - Main outcomes



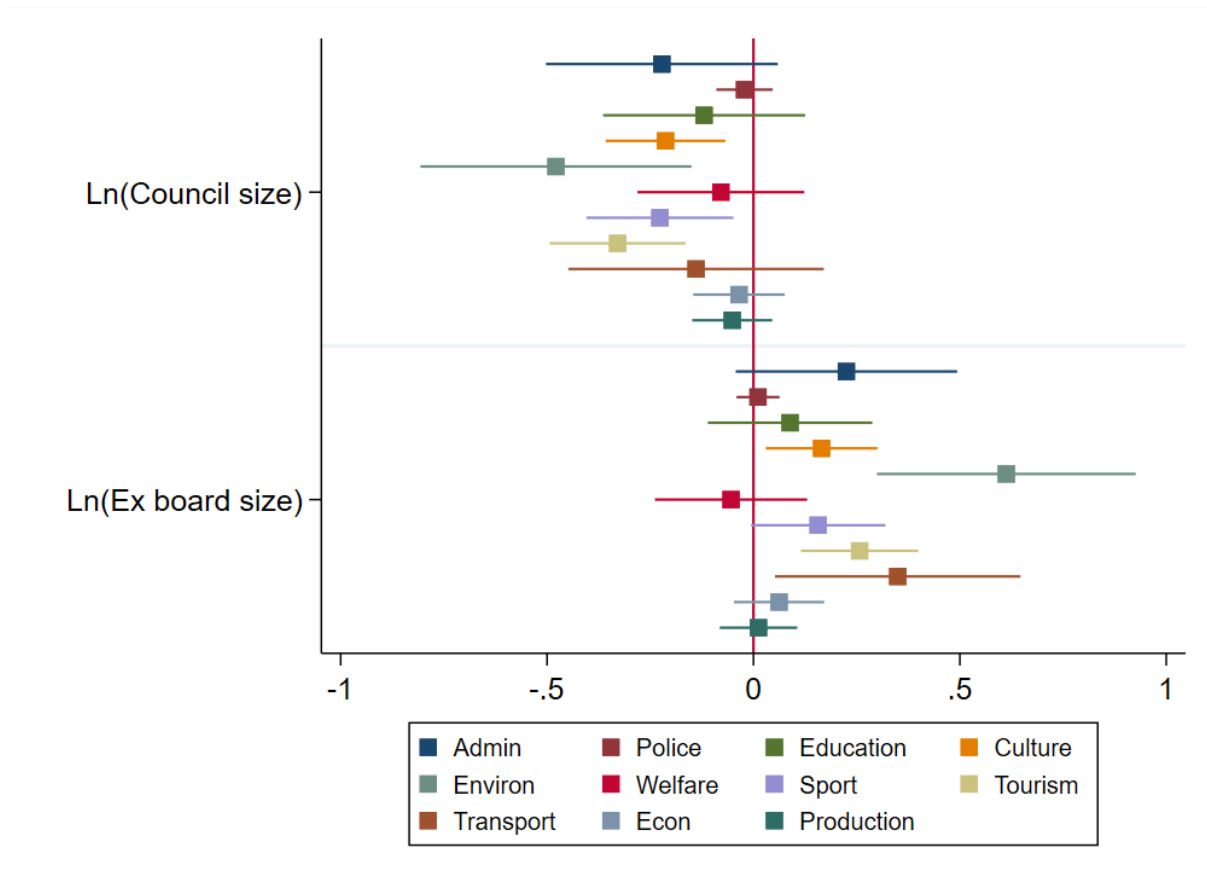
A. Expenditure



B. Revenues

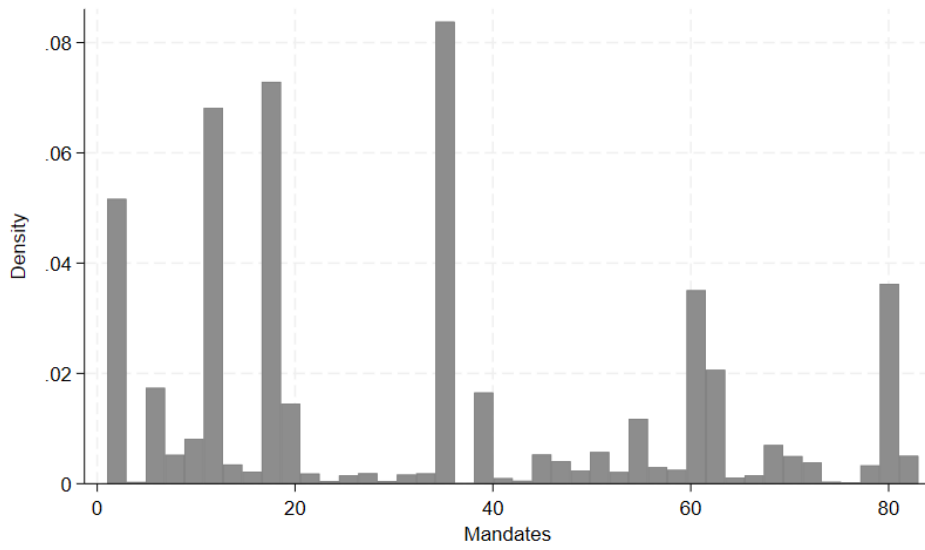
Notes: The plots show estimates and 95% confidence intervals for the expenditure (A) and revenue (B) outcomes in logs per capita and real terms. All regressions include municipality, time and election-year fixed effects and a set of controls (mayor initial age (in log), gender, years of education, profession and an indicator of for being born in the municipality).

FIGURE 5. Investment expenditure categories

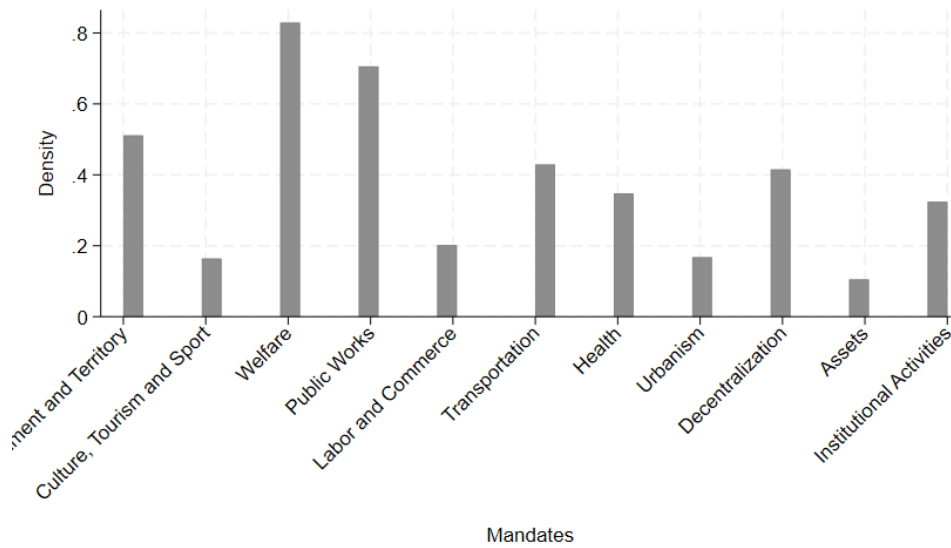


Notes: The plots show estimates and 95% confidence intervals for the investment expenditure categories in logs per capita and real terms. All regressions include municipality, time and election-year fixed effects and a set of controls (mayor initial age (in log), gender, years of education, profession and an indicator of for being born in the municipality).

FIGURE 6. Executive board members mandates



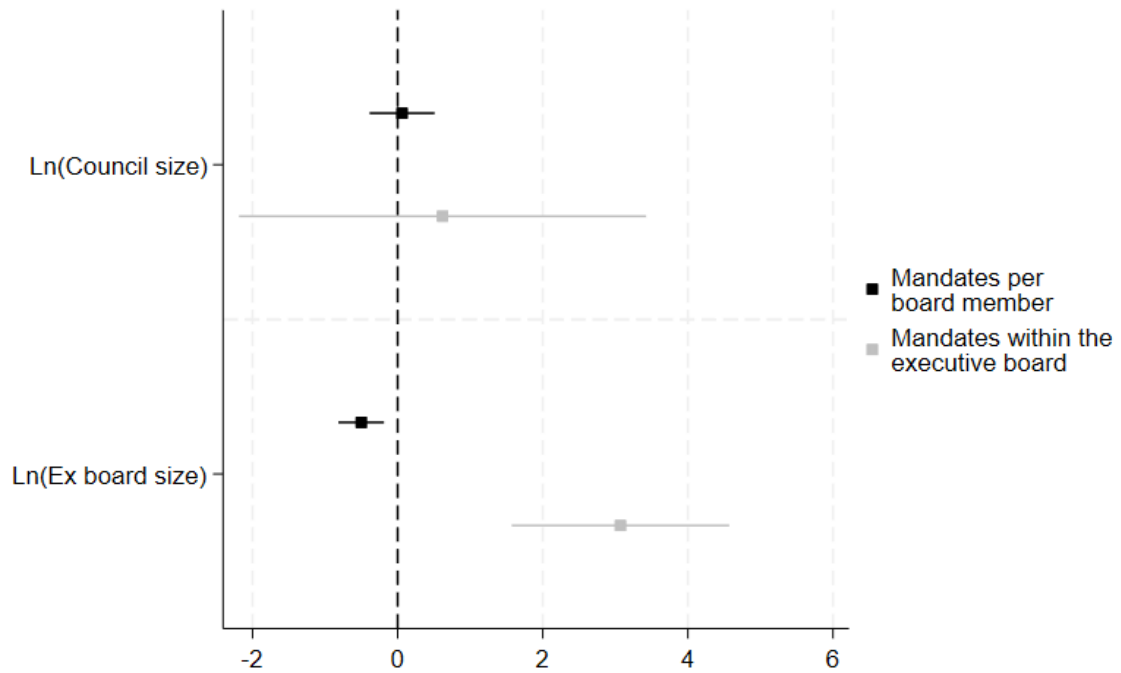
A. All categories



B. Main categories

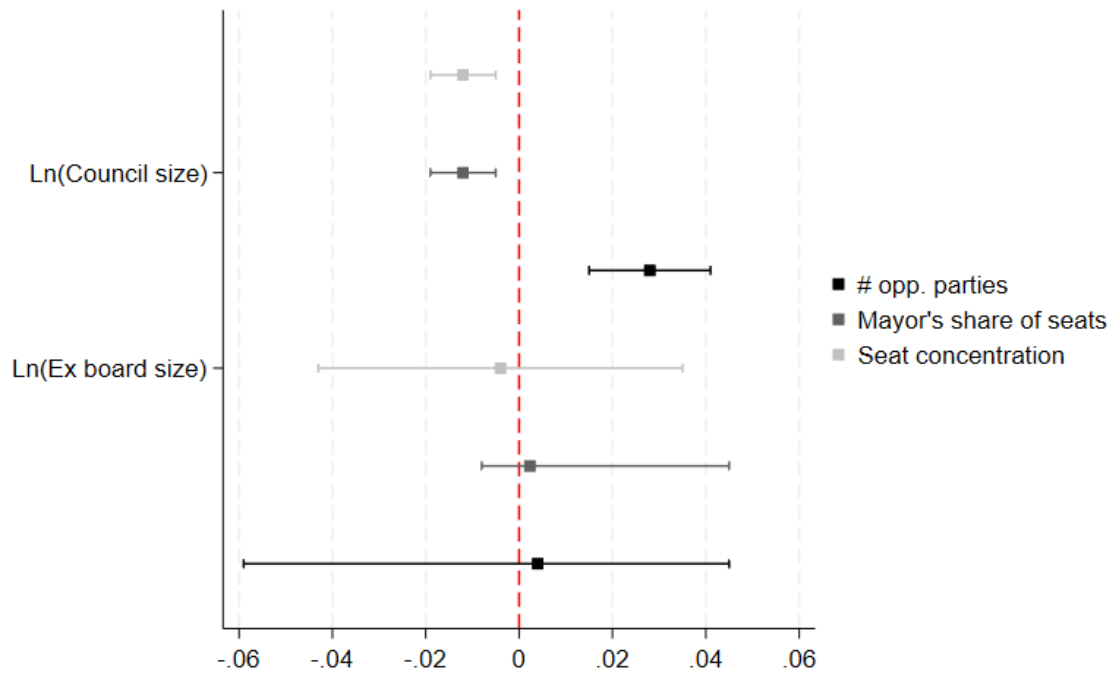
Notes: The figure shows two histograms representing the fraction of executive board members assigned to each mandate. The figure on the left shows all the mandates in the data (84), the one on the right the 11 main categories.

FIGURE 7. Ex board mechanism



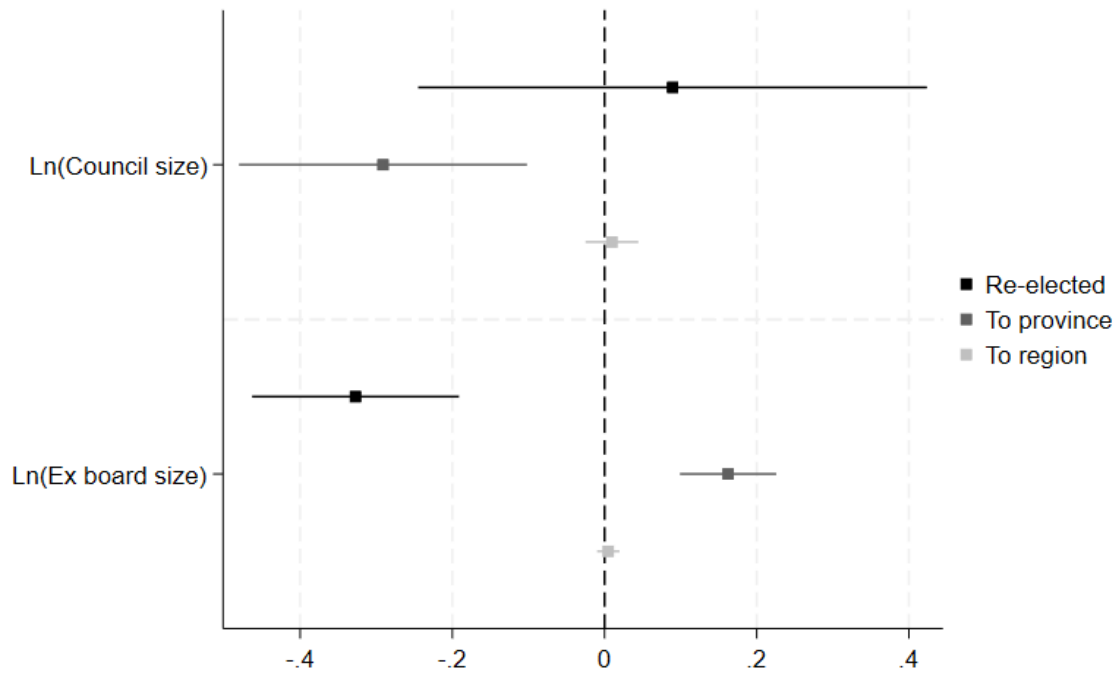
Notes: The plots show estimates and 95% confidence intervals for the the executive board mechanism. The outcomes are the number of mandate per executive board member and the total number of mandates within the executive board. All regressions include municipality, time and election-year fixed effects and a set of controls (mayor initial age (in log), gender, years of education, profession and an indicator of for being born in the municipality).

FIGURE 8. Political fragmentation



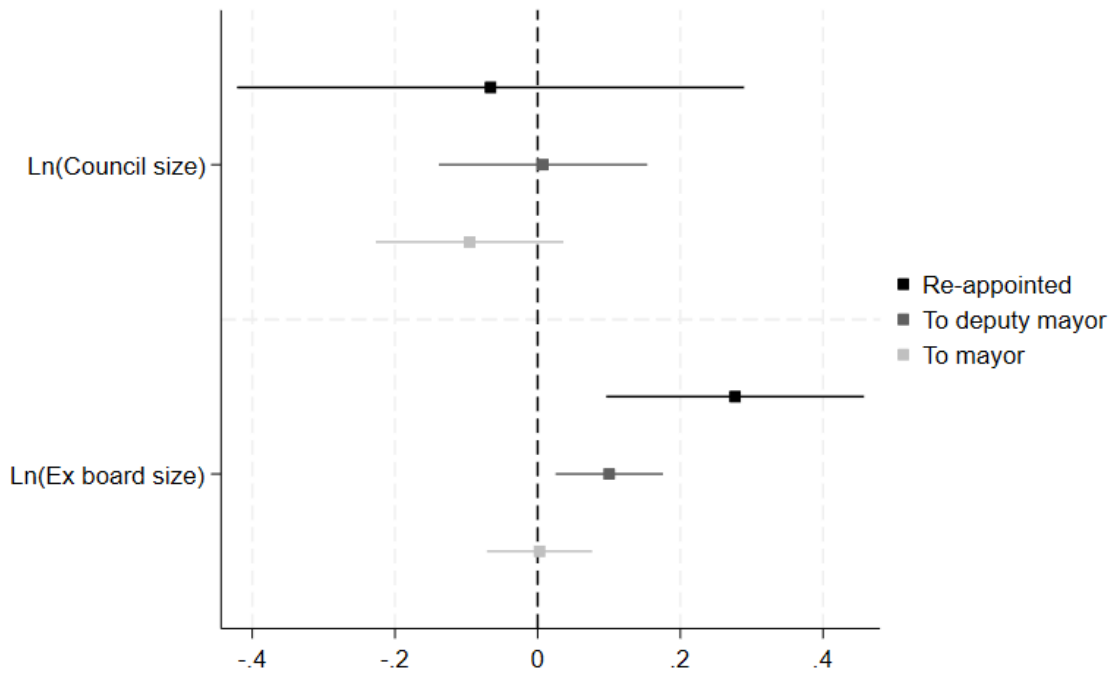
Notes: The plots show estimates and 95% confidence intervals for the the council mechanism. The outcomes are the number of opposition parties with at least one seat in the council, the share of seats occupied by the mayor's party or coalition, and a seat concentration index. All regressions include municipality, time and election-year fixed effects and a set of controls (mayor initial age (in log), gender, years of education, profession and an indicator of for being born in the municipality).

FIGURE 9. Mayor's career



Notes: The plots show estimates and 95% confidence intervals for the the council mechanism. The outcomes are indicators for the mayor being reelected, being elected to a provincial or regional office. All regressions include municipality, time and election-year fixed effects and a set of controls (mayor initial age (in log), gender, years of education, profession and an indicator of for being born in the municipality).

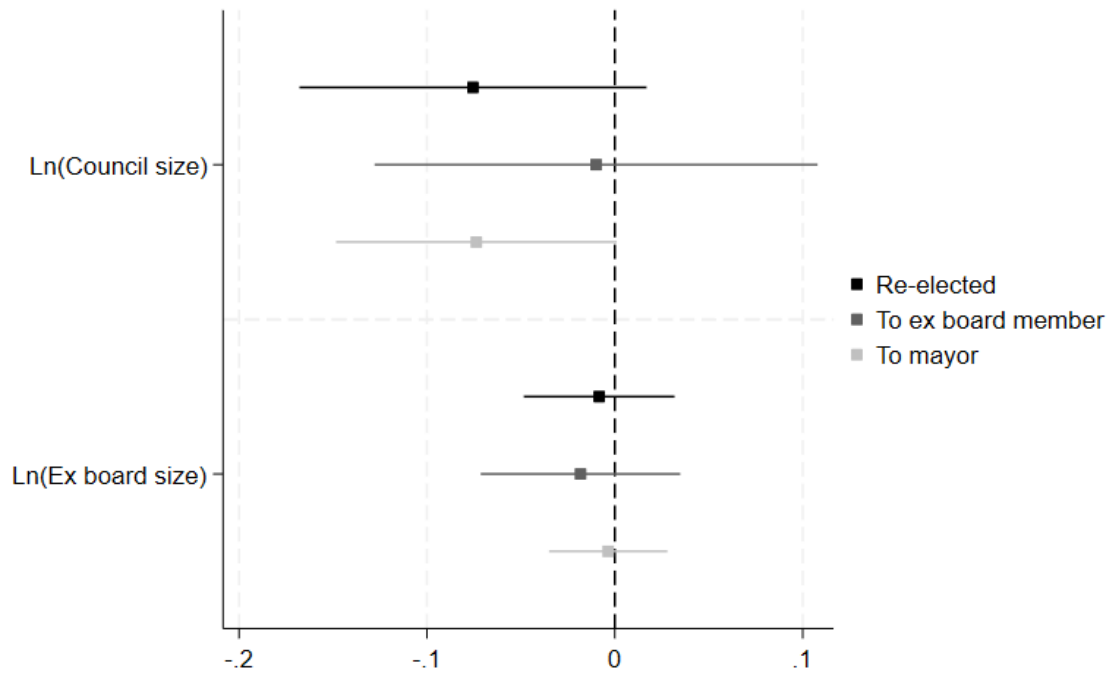
FIGURE 10. Executive board members' career



Notes: The plots show estimates and 95% confidence intervals for the the council mechanism. The outcomes are indicators for an executive board member being re-appointed, being appointed as deputy mayor and being elected as mayor. All regressions include municipality, time and election-year fixed effects and a set of controls (mayor initial age (in log), gender, years of education, profession and an indicator of for being born in the municipality)



FIGURE 11. Councilors' career



Notes: The plots show estimates and 95% confidence intervals for the the council mechanism. The outcomes are indicators for a councilor being reelected, being appointed as an executive board member and being elected as mayor. All regressions include municipality, time and election-year fixed effects and a set of controls (mayor initial age (in log), gender, years of education, profession and an indicator of for being born in the municipality)

TABLE 1. City council size

	Election year			
	$\leq 2010$	2011	2012-13	$\geq 2014$
Population	City council size			
$\leq 1000$	12	9	6	10
1001-3000	12	9	6	10
3001-5000	16	12	7	12
5001-10,000	16	12	10	12
10,001-30,000	20	16	16	16
30,001-100,000	30	24	24	24
100,001-250,000	40	32	32	32
250,001-500,000	46	36	36	36
500,001-1,000,000	50	40	40	40
$\geq 1,000,000$	60	48	48	48

Notes: This table reports the statutory size of the municipal council for all municipalities by population size and year of election of the mayor and the council.

TABLE 2. Executive board size

	Election year						
	1990-2000	2001-07	2008-09	2010	2011	2012-13	$\geq 2014$
Population	Executive board size						
$\leq 1000$	4	4	4	4	3	0	2
1001-3000	4	4	4	4	3	2	2
3001-5000	6	6	6	5	4	3	4
5001-10000	6	6	6	5	4	4	4
10001-30000	6	7	7	6	5	5	5
30001-100000	8	10	10	8	7	7	7
100001-250000	12	14	12	11	9	9	9
250001-500000	12	16	12	12	10	10	10
500001-1000000	16	16	12	12	11	11	11
$\geq 1000000$	16	16	12	12	12	12	12

Notes: This table reports the size of the executive board for all municipalities by population size and year of election of the mayor and the council.

TABLE 3. Summary statistics

	Mean	Std. Dev.	N		Mean	Std. Dev.	N
<b>Panel A: Public Finance Outcomes</b>							
Total expenditure	849.484	458.835	61775	Councillor's education	12.544	3.951	59509
Current expenditure	579.672	250.382	61775	Professional councillor	0.134	0.34	61522
Investment expenditure	74.953	133.583	61775	Executive's age	48.99	10.05	61516
Total revenues	901.005	509.049	61775	Female executive	0.211	0.408	61517
Tax revenues	204.444	126.378	61775	Executive's education	12.934	3.948	60033
Current transfers	168.976	145.121	61775	Professional executive	0.155	0.362	61517
Capital transfers	105.634	149.812	61775				
<b>Panel B: Gov't body sizes</b>				<b>Panel D: Municipal controls</b>			
Council size	13.458	3.795	61775	Population	5742.18	32847.918	61775
Ex board size	4.059	1.444	61775	Domestic Stability Pact	0.411	0.492	61775
Council size due	13.561	4.009	61775	Fraction 0-14	0.128	0.028	63918
Ex board size due	4.571	1.511	61775	Fraction 65+	0.225	0.065	63918
<b>Panel C: Local politicians</b>							
Mayor's age	48.976	10.055	61774	Share of foreign people	0.057	0.041	63918
Female mayor	0.116	0.32	61775	Taxable income	14423.525	4434.691	63900
Mayor's education	14.279	3.549	60473	IMC	0.401	0.49	63918
Professional mayor	0.258	0.437	61775				
Councillor's age	48.979	10.051	61521				
Female councillor	0.215	0.411	61522				

Notes: The amounts in Panel A are in per capita terms, expressed in 2015 euros. They are also winsorized at the 1% to remove outliers. Politicians' education in Panel C is measured in completed years of education. *Professional politician* is the fraction of local politicians of each category that come from a professional job (lawyer, architect, doctor, etc.). Female mayor/councillor/executive is an indicator for the individual being a female. In Panel D, *Domestic Stability Pact* is an indicator for fiscal constraints being in place, while *IMC* is an indicator for membership to an inter-municipal community.

TABLE 4. TWFE - Expenditures

	Total		Current		Investment	
	(1)	(2)	(3)	(4)	(5)	(6)
	RF	IV	RF	IV	RF	IV
ln(Statutory Council size)	-0.204*** (0.0370)		-0.0402 (0.0254)		-0.306* (0.157)	
ln(Statutory Ex board size)	0.153*** (0.0280)		0.0242 (0.0176)		0.441*** (0.132)	
ln(Council size)		-0.233*** (0.039)		-0.045* (0.026)		-0.409** (0.162)
ln(Ex board size)		0.188*** (0.033)		0.030 (0.021)		0.545*** (0.156)
Sanderson-Windmeijer F council		3893		3893		3893
Sanderson-Windmeijer F board		2727		2727		2727
Mean	848.83	848.83	579.32	579.32	75.69	75.69
Observations	57,268	57,268	57,268	57,268	57,268	57,268
R-squared	0.789	0.401	0.881	0.600	0.367	0.103

Notes: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. All dependent variables are in per capita terms and transformed using natural logarithms, but their mean is reported as non-transformed. The council and executive board sizes are also in logs. All regressions include municipality, event- time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality.

TABLE 5. TWFE - Categories of investment expenditure

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Admin	Police	Educ	Culture	Environ	Welfare	Sport	Tourism	Transport	Econ	Prod
ln(Council size)	-0.222 (0.143)	-0.022 (0.035)	-0.120 (0.125)	-0.213*** (0.074)	-0.479*** (0.168)	-0.079 (0.103)	-0.227** (0.091)	-0.329*** (0.084)	-0.139 (0.158)	-0.035 (0.057)	-0.051 (0.049)
ln(Ex board size)	0.225* (0.137)	0.011 (0.027)	0.089 (0.102)	0.165** (0.069)	0.612*** (0.160)	-0.054 (0.094)	0.157* (0.083)	0.257*** (0.073)	0.350** (0.152)	0.062 (0.056)	0.012 (0.048)
Sanderson-Windmeijer F council	3893	3893	3893	3893	3893	3893	3893	3893	3893	3893	3893
Sanderson-Windmeijer F board	2727	2727	2727	2727	2727	2727	2727	2727	2727	2727	2727
Mean	14.37	0.17	4.98	1.04	18.22	2.78	2.30	0.80	16.59	0.67	0.48
Observations	57,267	57,267	57,267	57,267	57,267	57,267	57,267	57,267	57,267	57,267	57,267
R-squared	0.039	0.006	0.033	0.010	0.040	0.018	0.013	0.004	0.042	0.006	0.003

Notes: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. All dependent variables are in per capita terms and transformed using natural logarithms, but their mean is reported as non-transformed. The council and executive board sizes are also in logs. All regressions include municipality, event time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality. The Justice category is not reported because it is equal to zero for more than 99% of the sample.

TABLE 6. TWFE - Revenues

	Total		Taxes		Curr. transfers		Cap. transfers	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	RF	IV	RF	IV	RF	IV	RF	IV
ln(Statutory Council size)	-0.238*** (0.0409)		-0.215*** (0.0685)		0.0448 (0.0960)		-0.689*** (0.140)	
ln(Statutory Ex board size)	0.133*** (0.0303)		-0.0454 (0.0512)		0.0281 (0.0706)		0.366*** (0.124)	
ln(Council size)		-0.252*** (0.042)		-0.210*** (0.070)		0.042 (0.098)		-0.726*** (0.145)
ln(Ex board size)		0.161*** (0.036)		-0.056 (0.060)		0.034 (0.082)		0.442*** (0.147)
Sanderson-Windmeijer F council		3893		3893		3893		3893
Sanderson-Windmeijer F board		2727		2727		2727		2727
Mean	900.04	900.04	201.73	201.73	171.07	171.07	107.32	107.32
Observations	57,268	57,268	57,268	57,268	57,268	57,268	57,268	57,268
R-squared	0.745	0.335	0.720	0.183	0.778	0.683	0.401	0.129

Notes: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. All dependent variables are in per capita terms and transformed using natural logarithms, but their mean is reported as non-transformed. The council and executive board sizes are also in logs. All regressions include municipality, event-time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality.

TABLE 7. Executive board mandates

	# of mandates per member			# of mandates within the board		
	(1)	(2)	(3)	(4)	(5)	(6)
	No controls	w/ controls	IV	No controls	w/ controls	IV
ln(Statutory Ex board size)	-0.470*** (0.148)	-0.474*** (0.154)		3.952*** (0.632)	3.835*** (0.658)	
ln(Statutory Council size)	0.118 (0.224)	0.106 (0.234)		-0.114 (1.193)	-0.183 (1.245)	
ln(Ex board size)			-0.502*** (0.161)			4.035*** (0.711)
ln(Council size)			0.061 (0.228)			0.441 (1.266)
Sanderson-Windmeijer F council			362.4			362.4
Sanderson-Windmeijer F board			537.9			537.9
Mean	1.74	1.74	1.74	6.37	6.37	6.37
Observations	14,633	14,330	14,327	3,740	3,630	3,670
R-squared	0.417	0.420	0.420	0.718	0.720	0.714

Note: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. The dependent variables are the number of mandates each executive board member is assigned by the mayor when appointed (columns (1)-(3)) and the number of different mandates covered by the executive board members (columns (4)-(7)). All regressions include municipality, event-time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality.



TABLE 8. TWFE - Political fragmentation

	(1)	(2)	(3)	(4)	(5)	(6)
	Number of parties (no mayor)		Mayor's party share of seats		Seat concentration	
	RF	IV	RF	IV	RF	IV
ln(Statutory Council size)	0.0286***		-0.0125***		-0.0120***	
	(0.0109)		(0.00371)		(0.00336)	
ln(Statutory Ex board size)	-0.00315		0.00154		0.00304	
	(0.0224)		(0.0102)		(0.00923)	
ln(Council size)		0.028***		-0.012***		-0.012***
		(0.010)		(0.003)		(0.003)
ln(Ex board size)		-0.004		0.002		0.004
		(0.027)		(0.012)		(0.011)
Sanderson-Windmeijer F council		20950		20950		20950
Sanderson-Windmeijer F board		650.2		650.2		650.2
Mean	1.11	1.11	0.72	0.72	0.79	0.79
Observations	10,662	10,662	10,662	10,662	10,662	10,662
R-squared	0.484	0.004	0.626	0.005	0.567	0.005

Notes: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. The dependent variables are the number of parties with at least one seat on the council that do not belong to the mayor's party or coalition (1)-(2), a measure of seat concentration based on the HHI index (3)-(4), and the mayor's party's share of council seats (5)-(6). All regressions include municipality, event-time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality.

TABLE 9. TWFE - Mayor's career development

	(1)	(2)	(3)	(4)	(5)	(6)
	Re-elected		To province		To region	
	RF	IV	RF	IV	RF	IV
ln(Statutory Council size)	0.0118		-0.102		-0.00324	
	(0.149)		(0.0938)		(0.0259)	
ln(Statutory Ex board size)	-0.0428		0.130***		0.0269*	
	(0.0756)		(0.0365)		(0.0162)	
ln(Council size)		0.086		-0.082		0.001
		(0.116)		(0.077)		(0.022)
ln(Ex board size)		-0.097*		0.124***		0.027**
		(0.059)		(0.030)		(0.013)
Sanderson-Windmeijer F council		852210		852210		852210
Sanderson-Windmeijer F board		3436		3436		3436
Mean	0.46	0.46	0.06	0.06	0.01	0.01
Observations	11,792	11,402	11,792	11,402	11,792	11,402
R-squared	0.182	0.073	0.399	0.002	0.332	-0.001

Note: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. The dependent variables are indicator variables equal to one if the mayor gets reelected (1)-(2), if the mayor moves up to a provincial (3)-(4) or regional office (5)-(6). All regressions include municipality, event-time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality.

TABLE 10. TWFE - Board members' career development

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Re-appointed		To deputy mayor		To mayor		To province		To region	
	RF	IV	RF	IV	RF	IV	RF	IV	RF	IV
ln(Statutory Council size)	-0.0374		-0.00373		-0.0819		0.00508		-0.00266	
	(0.205)		(0.0895)		(0.0734)		(0.0228)		(0.00311)	
ln(Statutory Ex board size)	0.394***		0.121**		0.0143		0.0108		0.00181	
	(0.111)		(0.0517)		(0.0466)		(0.0196)		(0.00205)	
ln(Council size)		0.042		0.021		-0.081		0.009		-0.002
		(0.183)		(0.081)		(0.067)		(0.020)		(0.003)
ln(Ex board size)		0.318***		0.101**		0.007		0.010		0.002
		(0.087)		(0.041)		(0.036)		(0.016)		(0.002)
Sanderson-Windmeijer F council		30157		30157		30157		30157		30157
Sanderson-Windmeijer F board		357.9		357.9		357.9		357.9		357.9
Mean	0.17	0.17	0.05	0.05	0.05	0.05	0.01	0.01	0.001	0.001
Observations	13,167	12,965	13,167	12,965	13,167	12,965	13,167	12,965	13,167	12,965
R-squared	0.258	0.001	0.203	-0.000	0.193	0.001	0.214	0.000	0.273	0.000

Note: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. The dependent variables are indicator variables equal to one if an executive board member is re-appointed (1) -(2) or is appointed deputy mayor (3)-(4) or moves up to a provincial (5)-(6) or regional office (7)-(8). All regressions include municipality, event-time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality.

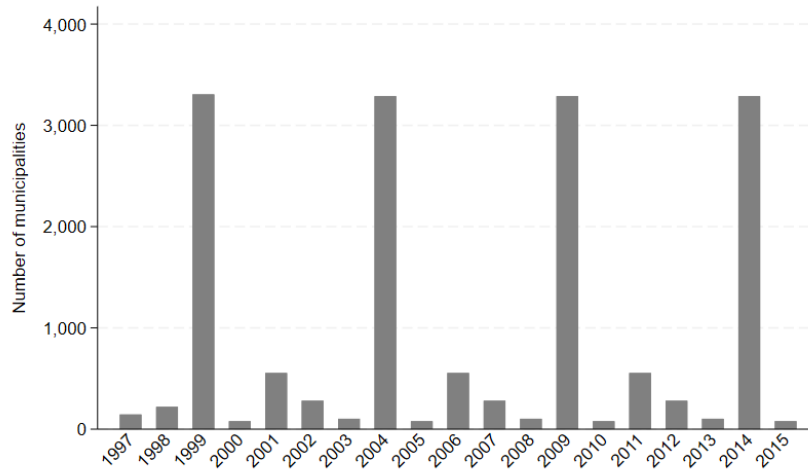
TABLE 11. TWFE - Councilors' career development

	(1)	(2)	(3)	(4)	(5)	(6)
	Re-elected		To ex board		To mayor	
	RF	IV	RF	IV	RF	IV
ln(Statutory Council size)	0.0247 (0.0372)		-0.00958 (0.0213)		-0.0457 (0.0295)	
ln(Statutory Ex board size)	-0.0473*** (0.0166)		-0.0173* (0.00963)		0.00227 (0.0127)	
ln(Council size)		0.019 (0.037)		-0.012 (0.021)		-0.046 (0.029)
ln(Ex board size)		-0.046*** (0.016)		-0.017* (0.009)		0.002 (0.012)
Sanderson-Windmeijer F council		216273		216273		216273
Sanderson-Windmeijer F board		4058		4058		4058
Mean	0.25	0.25	0.08	0.08	0.02	0.02
Observations	107,603	107,603	107,603	107,603	107,603	107,603
R-squared	0.062	0.001	0.039	0.000	0.352	0.002

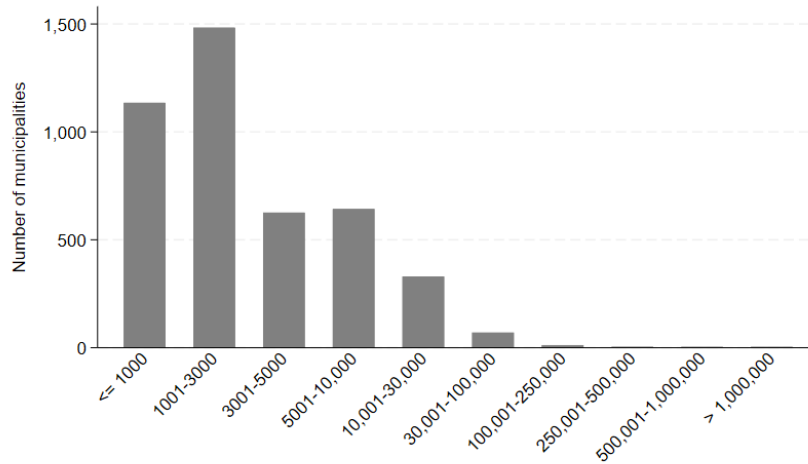
Note: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. The dependent variables are indicator variables equal to one if the mayor is reelected (1)-(2), if the mayor moves up to a provincial (3)-(4) or regional office (5)-(6). All regressions include municipality, event-time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality.

## Appendix A. Additional Tables and Figures

FIGURE A1. The determinants of local government bodies



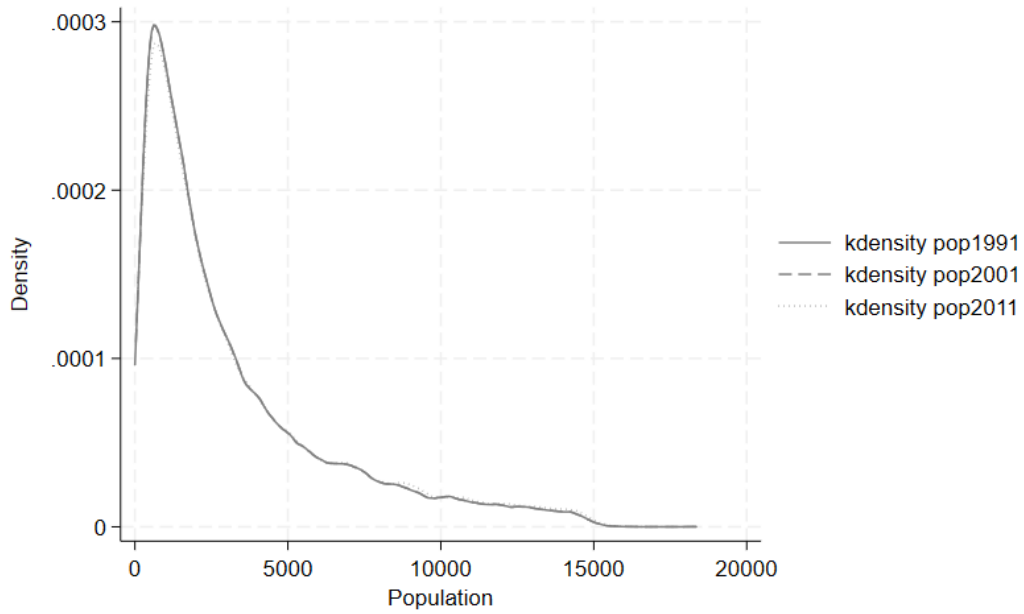
A. Number of municipalities by election year



B. Number of municipalities by population bin

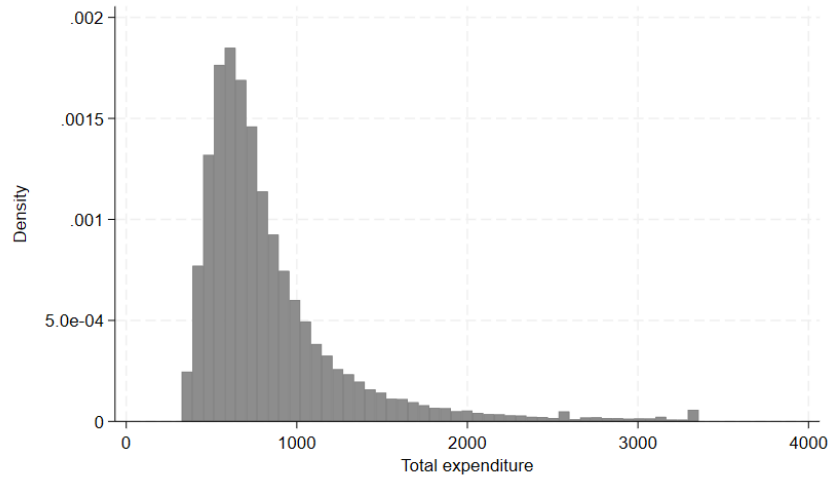
Notes: The figure on the top shows the number of municipalities having elections in any year between 1997 and 2015; the figure on the bottom shows the number of municipalities by population size bin.

FIGURE A2. Population

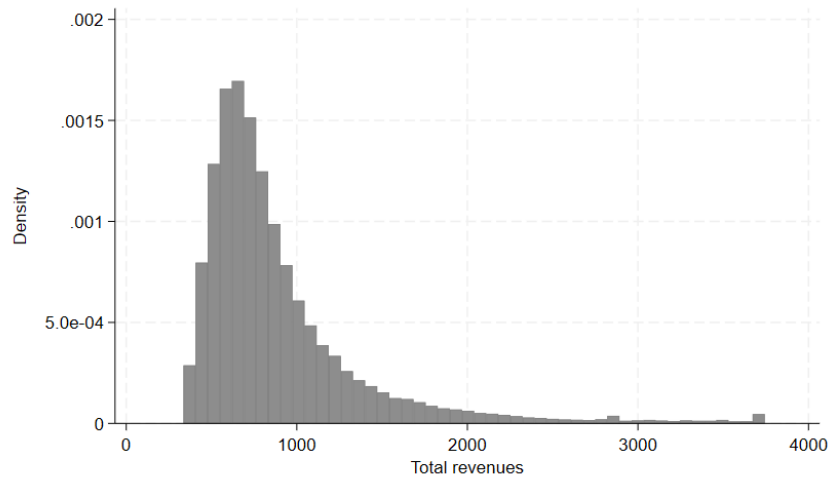


Notes: The figure shows population and log population for the 1991, 2001 and 2011 censuses for all the municipalities in the sample.

FIGURE A3. Outcome distributions



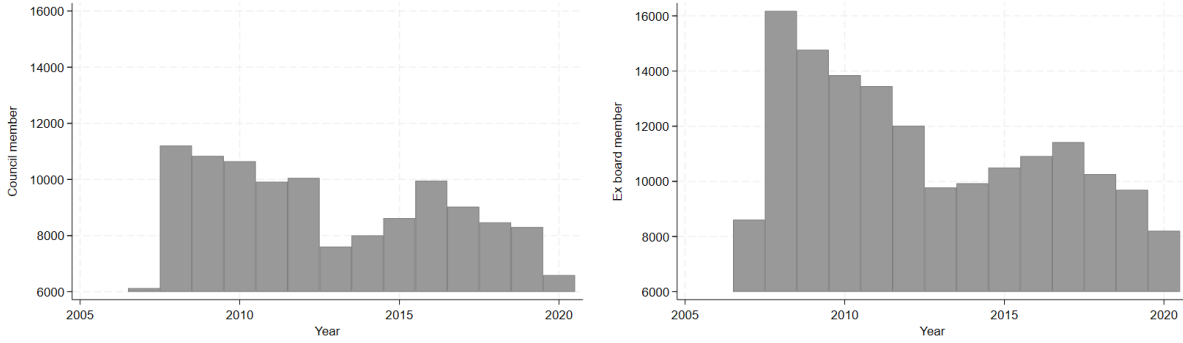
A. Total expenditure



B. Total revenue

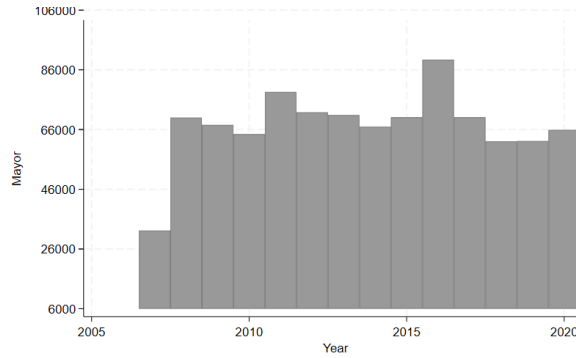
Notes: The upper (lower) plot shows a histogram of log total expenditure (revenue) (per capita, in 2015 euros).

FIGURE A4. Number of news articles



A. Articles about council members

B. Articles about executive board members



C. Articles about mayors

Notes: The three plots show bar graphs of the number of news articles that contain the keywords “council member(s)”, “executive board member(s)”, and “mayor(s)”.

TABLE A1. Investment expenditure categories - Reduced form estimates

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Admin	Police	Educ	Culture	Environ	Welfare	Sport	Tourism	Transport	Econ	Prod
Ln(Statutory Council size)	-0.203 (0.140)	-0.0207 (0.0342)	-0.112 (0.122)	-0.199*** (0.0716)	-0.426*** (0.163)	-0.0837 (0.100)	-0.213** (0.0879)	-0.307*** (0.0814)	-0.109 (0.153)	-0.0296 (0.0549)	-0.0504 (0.0481)
Ln(Statutory Ex board size)	0.186 (0.117)	0.00920 (0.0228)	0.0735 (0.0872)	0.137** (0.0592)	0.506*** (0.136)	-0.0445 (0.0807)	0.130* (0.0710)	0.213*** (0.0618)	0.288** (0.130)	0.0513 (0.0478)	0.0102 (0.0410)
Mean	14.37	0.17	4.98	1.04	18.22	2.78	2.30	0.80	16.59	0.67	0.48
Observations	57,267	57,267	57,267	57,267	57,267	57,267	57,267	57,267	57,267	57,267	57,267
R-squared	0.365	0.193	0.252	0.222	0.338	0.206	0.224	0.331	0.303	0.266	0.303

Notes: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. All dependent variables are in per capita terms and transformed using natural logarithms, but their mean is reported as non-transformed. The council and executive board sizes are also in logs. All regressions include municipality, event time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality.



TABLE A2. Deficit

	(1)	(2)
	RF	IV
ln(Statutory Council size)	-14.21	
	(20.74)	
ln(Statutory Ex board size)	-24.08	
	(19.61)	
ln(Council size)		-11.042
		(22.878)
ln(Ex board size)		-29.541
		(23.591)
Sanderson-Windmeijer F council		2568
Sanderson-Windmeijer F board		2183
Mean	51.21	51.21
Observations	57,558	57,558
R-squared	0.255	0.019

Notes: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. All dependent variables are in per capita terms and transformed using natural logarithms, but their mean is reported as non-transformed. The council and executive board sizes are also in logs. All regressions include municipality, event time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality.

TABLE A3. Political alignment

	Expenditures			Revenues			
	Total (1)	Current (2)	Investment (3)	Total (4)	Taxes (5)	Curr. transfers (6)	Cap. transfers (7)
ln(Council size)	-0.026*** (0.004)	-0.006** (0.003)	-0.050*** (0.018)	-0.028*** (0.005)	-0.026*** (0.008)	0.001 (0.011)	-0.075*** (0.016)
ln(Council size)*Aligned	0.004 (0.006)	-0.004 (0.004)	0.002 (0.029)	0.004 (0.007)	0.007 (0.011)	0.015 (0.015)	0.001 (0.028)
ln(Ex board size)	0.058*** (0.012)	0.007 (0.008)	0.180*** (0.054)	0.050*** (0.013)	-0.013 (0.021)	0.030 (0.030)	0.147*** (0.051)
ln(Ex board size)*Aligned	-0.013 (0.021)	0.011 (0.014)	-0.007 (0.095)	-0.015 (0.022)	-0.023 (0.035)	-0.038 (0.048)	-0.010 (0.089)
Sanderson-Windmeijer F council	2396	2396	2396	2396	2396	2396	2396
Sanderson-Windmeijer F board	449.5	449.5	449.5	449.5	449.5	449.5	449.5
Mean	846.08	577.78	75.42	897.68	202.30	169.93	106.81
Observations	59,464	59,464	59,464	59,464	59,464	59,464	59,464
R-squared	0.395	0.597	0.102	0.330	0.182	0.682	0.128

Notes: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. All dependent variables are in per capita terms and transformed using natural logarithms, but their mean is reported as non-transformed. The council and executive board sizes are also in logs. Aligned is an indicator variable equal to one if the municipal mayor has the same party affiliation of the central government. All regressions include municipality, event time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality.

TABLE A4. Populism

	Expenditures			Revenues			
	Total (1)	Current (2)	Investment (3)	Total (4)	Taxes (5)	Curr. transfers (6)	Cap. transfers (7)
ln(Council size)	-0.025*** (0.004)	-0.006** (0.003)	-0.049*** (0.018)	-0.027*** (0.005)	-0.025*** (0.008)	0.002 (0.011)	-0.075*** (0.016)
ln(Council size)*Populism	-0.078 (0.060)	-0.081 (0.050)	-0.506 (0.356)	-0.139 (0.090)	-0.195 (0.140)	-0.139 (0.145)	-0.239 (0.169)
ln(Ex board size)	0.056*** (0.012)	0.006 (0.007)	0.171*** (0.054)	0.046*** (0.013)	-0.018 (0.021)	0.024 (0.030)	0.142*** (0.050)
ln(Ex board size)*Populism	0.266 (0.203)	0.274 (0.169)	1.689 (1.194)	0.470 (0.304)	0.659 (0.471)	0.476 (0.487)	0.793 (0.565)
Sanderson-Windmeijer F council	2174	2174	2174	2174	2174	2174	2174
Sanderson-Windmeijer F board	5.846	5.846	5.846	5.846	5.846	5.846	5.846
Mean	846.08	577.78	75.42	897.68	202.30	169.93	106.81
Observations	59,464	59,464	59,464	59,464	59,464	59,464	59,464
R-squared	0.383	0.580	0.084	0.301	0.160	0.679	0.121

Notes: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. All dependent variables are in per capita terms and transformed using natural logarithms, but their mean is reported as non-transformed. The council and executive board sizes are also in logs. Populism is an indicator variable equal to one if the mayor belongs to a populist party as defined in the text. All regressions include municipality, event time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality.

TABLE A5. Size of the coalition

	Expenditures			Revenues			
	Total (1)	Current (2)	Investment (3)	Total (4)	Taxes (5)	Curr. transfers (6)	Cap. transfers (7)
ln(Council size)	-0.225*** (0.037)	-0.048* (0.025)	-0.414*** (0.157)	-0.245*** (0.040)	-0.251*** (0.068)	0.023 (0.096)	-0.695*** (0.141)
ln(Council size)*Coalition	0.200 (0.124)	0.077 (0.093)	0.465 (0.570)	0.214* (0.128)	-0.002 (0.260)	0.397 (0.324)	-0.146 (0.501)
ln(Ex board size)	0.143*** (0.032)	0.007 (0.020)	0.491*** (0.150)	0.114*** (0.034)	-0.068 (0.058)	0.049 (0.080)	0.374*** (0.141)
ln(Ex board size)*Coalition	-0.164 (0.102)	-0.082 (0.076)	-0.370 (0.456)	-0.180* (0.107)	0.006 (0.223)	-0.213 (0.265)	-0.087 (0.429)
Sanderson-Windmeijer F council	4020	4020	4020	4020	4020	4020	4020
Sanderson-Windmeijer F board	731.2	731.2	731.2	731.2	731.2	731.2	731.2
Mean	846.08	577.78	75.42	897.68	202.30	169.93	106.81
Observations	59,463	59,463	59,463	59,463	59,463	59,463	59,463
R-squared	0.402	0.597	0.104	0.335	0.182	0.682	0.131

Notes: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. All dependent variables are in per capita terms and transformed using natural logarithms, but their mean is reported as non-transformed. The council and executive board sizes are also in logs. Coalition is an indicator equal to one if the mayor is supported by a coalition (two or more parties) instead of one. All regressions include municipality, event time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality.

TABLE A6. Composition of the coalition

	Expenditures			Revenues			
	Total (1)	Current (2)	Investment (3)	Total (4)	Taxes (5)	Curr. transfers (6)	Cap. transfers (7)
ln(Council size)	-0.028*** (0.005)	-0.008* (0.004)	-0.058*** (0.019)	-0.030*** (0.005)	-0.026*** (0.008)	-0.006 (0.011)	-0.091*** (0.017)
ln(Council size)*Coalition	0.340 (1.266)	0.853 (3.332)	0.297 (2.055)	0.182 (0.842)	0.003 (0.698)	0.405 (1.913)	1.064 (4.347)
ln(Ex board size)	0.077*** (0.019)	0.026 (0.039)	0.236*** (0.062)	0.066*** (0.017)	-0.009 (0.026)	0.081** (0.039)	0.262*** (0.072)
ln(Ex board size)*Coalition	-0.998 (3.667)	-2.449 (9.630)	-0.908 (5.897)	-0.556 (2.427)	-0.037 (2.007)	-1.189 (5.514)	-3.023 (12.497)
Sanderson-Windmeijer F council	508.7	508.7	508.7	508.7	508.7	508.7	508.7
Sanderson-Windmeijer F board	50.62	50.62	50.62	50.62	50.62	50.62	50.62
Mean	846.08	577.78	75.42	897.68	202.30	169.93	106.81
Observations	59,056	59,056	59,056	59,056	59,056	59,056	59,056
R-squared	0.358	0.305	0.096	0.315	0.180	0.677	0.101

Notes: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. All dependent variables are in per capita terms and transformed using natural logarithms, but their mean is reported as non-transformed. The council and executive board sizes are also in logs. Coalition is an indicator equal to one if the mayor is supported by a coalition (two or more parties) instead of one. All regressions include municipality, event time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality.

TABLE A7. Political body composition

	Female		Education years		Age		Professional	
	Council (1)	Ex. board (2)	Council (3)	Ex. board (4)	Council (5)	Ex. board (6)	Council (7)	Ex. board (8)
ln(Council size)	0.001 (0.009)	-0.023 (0.015)	0.113 (0.100)	0.300 (0.190)	0.463 (0.335)	0.307 (0.530)	-0.022 (0.031)	0.040 (0.037)
ln(Ex board size)	0.010 (0.029)	0.116** (0.051)	-0.407 (0.309)	-1.343** (0.606)	-1.552 (1.052)	-0.844 (1.731)	0.023 (0.086)	-0.142 (0.111)
Sanderson-Windmejer F council	32.81	32.75	32.67	33.65	32.81	32.75	32.81	32.75
Sanderson-Windmejer F board	28.96	28.93	28.84	29.63	28.96	28.93	28.96	28.93
Mean	0.217	0.208	12.483	12.813	45.58	47.44	0.129	0.147
Observations	59,231	57,495	59,231	59,076	59,076	59,109	57,946	59,109
R-squared	0.042	-0.051	-0.033	-0.120	-0.057	0.004	0.003	-0.051

Notes: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. Female is the proportion of female individuals sitting in the council(executive board). Professional is the proportion of members of the council (executive board) with a previous job among the professional ones (medical doctor, engineer, architect, etc.). The council and executive board sizes are in logs. All regressions include municipality, event time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality.

TABLE A8. Expenditure - No controls

	Expenditures						Revenues							
	Total		Current		Investment		Total		Taxes		Curr. transfers		Cap. transfers	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	RF	IV	RF	IV	RF	IV	RF	IV	RF	IV	RF	IV	RF	IV
ln(Statutory Council size)	-0.211***		-0.0405		-0.394**		-0.241***		-0.243***		0.0651		-0.725***	
	(0.0366)		(0.0249)		(0.156)		(0.0400)		(0.0680)		(0.0948)		(0.138)	
ln(Statutory Ex board size)	0.157***		0.0311*		0.531***		0.150***		0.00297		0.0315		0.432***	
	(0.0265)		(0.0169)		(0.125)		(0.0286)		(0.0507)		(0.0679)		(0.118)	
ln(Council size)		-0.230***		-0.044*		-0.460***		-0.260***		-0.243***		0.061		-0.779***
		(0.038)		(0.026)		(0.162)		(0.042)		(0.071)		(0.098)		(0.146)
ln(Ex board size)		0.198***		0.039*		0.669***		0.188***		0.003		0.040		0.543***
		(0.033)		(0.021)		(0.153)		(0.035)		(0.062)		(0.083)		(0.146)
Sanderson-Windmeijer F council		4053		4053		4053		4053		4053		4053		4053
Sanderson-Windmeijer F board		2813		2813		2813		2813		2813		2813		2813
Mean	848.83	848.83	579.32	579.32	75.69	75.69	900.04	900.04	201.73	201.73	171.07	171.07	107.32	107.32
Observations	58,538	58,538	58,538	58,538	58,538	58,538	58,538	58,538	58,538	58,538	58,538	58,538	58,538	58,538
R-squared	0.788	0.397	0.881	0.597	0.365	0.101	0.745	0.331	0.720	0.183	0.777	0.682	0.399	0.126

Notes: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. All dependent variables are in per capita terms and transformed using natural logarithms, but their mean is reported as non-transformed. The council and executive board sizes are also in logs. All regressions include municipality, event time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality.

TABLE A9. Expenditure - More controls

	Expenditures						Revenues							
	Total		Current		Investment		Total		Taxes		Curr. transfers		Cap. transfers	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	RF	IV	RF	IV	RF	IV	RF	IV	RF	IV	RF	IV	RF	IV
ln(Statutory Council size)	-0.145***		0.000382		-0.228		-0.164***		-0.230***		0.0732		-0.523***	
	(0.0345)		(0.0238)		(0.152)		(0.0377)		(0.0638)		(0.0929)		(0.131)	
ln(Statutory Ex board size)	0.136***		0.0137		0.437***		0.120***		-0.0188		0.00869		0.368***	
	(0.0270)		(0.0165)		(0.133)		(0.0287)		(0.0494)		(0.0690)		(0.120)	
ln(Council size)		-0.163***		-0.001		-0.285*		-0.179***		-0.228***		0.072		-0.571***
		(0.036)		(0.025)		(0.159)		(0.039)		(0.067)		(0.096)		(0.139)
ln(Ex board size)		0.167***		0.017		0.537***		0.147***		-0.023		0.011		0.453***
		(0.032)		(0.020)		(0.158)		(0.034)		(0.059)		(0.082)		(0.144)
Sanderson-Windmeijer F council		2572		2572		2572		2572		2572		2572		2572
Sanderson-Windmeijer F board		2172		2172		2172		2172		2172		2172		2172
Mean	848.83	848.83	579.32	579.32	75.69	75.69	900.04	900.04	201.73	201.73	171.07	171.07	107.32	107.32
Observations	57,525	57,525	57,525	57,525	57,525	57,525	57,525	57,525	57,525	57,525	57,525	57,525	57,525	57,525
R-squared	0.792	0.405	0.884	0.601	0.364	0.103	0.749	0.340	0.717	0.185	0.781	0.683	0.404	0.137

Notes: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. All dependent variables are in per capita terms and transformed using natural logarithms, but their mean is reported as non-transformed. The council and executive board sizes are also in logs. All regressions include municipality, event time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality.

TABLE A10. TWFE - Linear model

	Expenditures						Revenues							
	Total		Current		Investment		Total		Taxes		Curr. transfers		Cap. transfers	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	RF	IV	RF	IV	RF	IV	RF	IV	RF	IV	RF	IV	RF	IV
ln(Statutory Council size)	-19.94*** (4.892)		0.307 (2.037)		-5.232*** (1.622)		-22.79*** (5.560)		-2.770** (1.080)		5.021*** (1.284)		-9.162*** (1.946)	
ln(Statutory Ex board size)	51.72*** (12.02)		0.373 (4.418)		15.30*** (4.402)		44.92*** (13.66)		-0.760 (2.656)		-2.665 (3.095)		15.56*** (5.391)	
ln(Council size)		-25.771*** (5.777)	0.289 (2.289)		-7.104*** (1.935)		-26.681*** (6.431)		-2.704** (1.234)		5.252*** (1.453)		-10.510*** (2.292)	
ln(Ex board size)		72.863*** (16.732)	0.524 (6.001)		21.557*** (6.086)		63.298*** (18.784)		-1.060 (3.611)		-3.768 (4.210)		21.930*** (7.403)	
Sanderson-Windmeijer F council		892.5	892.5		892.5		892.5		892.5		892.5		892.5	
Sanderson-Windmeijer F board		897.2	897.2		897.2		897.2		897.2		897.2		897.2	
Mean	848.83	848.83	579.32	579.32	75.69	75.69	900.04	900.04	201.73	201.73	171.07	171.07	107.32	107.32
Observations	57,543	57,543	57,543	57,543	57,543	57,543	57,543	57,543	57,543	57,543	57,543	57,543	57,543	57,543
R-squared	0.739	0.276	0.870	0.486	0.375	0.071	0.697	0.220	0.767	0.203	0.827	0.685	0.367	0.042

Notes: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. All dependent variables are in per capita terms and transformed using natural logarithms, but their mean is reported as non-transformed. The council and executive board sizes are also in logs. All regressions include municipality, event time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality.

TABLE A11. TWFE - Log-linear model

	Expenditures						Revenues							
	Total		Current		Investment		Total		Taxes		Curr. transfers		Cap. transfers	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	RF	IV	RF	IV	RF	IV	RF	IV	RF	IV	RF	IV	RF	IV
ln(Council size due)	-0.0124***		0.00169		-0.0216		-0.0161***		-0.0210***		0.00998		-0.0587***	
	(0.00374)		(0.00250)		(0.0163)		(0.00412)		(0.00660)		(0.0101)		(0.0142)	
ln(Ex board size due)	0.0382***		0.00171		0.127***		0.0335***		-0.00798		0.00945		0.113***	
	(0.00885)		(0.00540)		(0.0412)		(0.00936)		(0.0152)		(0.0230)		(0.0366)	
ln(Council size)		-0.018***		0.001		-0.041**		-0.020***		-0.020**		0.009		-0.072***
		(0.005)		(0.003)		(0.020)		(0.005)		(0.008)		(0.012)		(0.018)
ln(Ex board size)		0.060***		0.003		0.198***		0.052***		-0.012		0.015		0.175***
		(0.014)		(0.008)		(0.062)		(0.014)		(0.023)		(0.034)		(0.056)
Sanderson-Windmeijer F council		829		829		829		829		829		829		829
Sanderson-Windmeijer F board		788.6		788.6		788.6		788.6		788.6		788.6		788.6
Mean	848.82	848.82	579.32	579.32	75.69	75.69	900.04	900.04	201.73	201.73	171.07	171.07	107.32	107.32
Observations	57,562	57,562	57,562	57,562	57,562	57,562	57,562	57,562	57,562	57,562	57,562	57,562	57,562	57,562
R-squared	0.792	0.398	0.884	0.601	0.364	0.100	0.748	0.333	0.716	0.183	0.780	0.682	0.400	0.127

Notes: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. All dependent variables are in per capita terms and transformed using natural logarithms, but their mean is reported as non-transformed. The council and executive board sizes are also in logs. All regressions include municipality, event time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality.



TABLE A12. Expenditure - Exclude below 1000

	Expenditures						Revenues							
	Total		Current		Investment		Total		Taxes		Curr. transfers		Cap. transfers	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	RF	IV	RF	IV	RF	IV	RF	IV	RF	IV	RF	IV	RF	IV
ln(Statutory Council size)	-0.176***		-0.0305		-0.311*		-0.217***		-0.300***		0.0489		-0.444***	
	(0.0400)		(0.0251)		(0.168)		(0.0439)		(0.0700)		(0.0974)		(0.143)	
ln(Statutory Ex board size)	0.211***		0.0619***		0.616***		0.193***		0.0493		0.209***		0.435***	
	(0.0361)		(0.0188)		(0.154)		(0.0370)		(0.0603)		(0.0770)		(0.131)	
ln(Council size)		-0.224***		-0.041		-0.466**		-0.245***		-0.308***		0.018		-0.508***
		(0.044)		(0.026)		(0.181)		(0.047)		(0.075)		(0.102)		(0.155)
ln(Ex board size)		0.274***		0.080***		0.799***		0.251***		0.064		0.271***		0.563***
		(0.046)		(0.023)		(0.195)		(0.047)		(0.075)		(0.096)		(0.165)
Sanderson-Windmeijer F council		1523		1523		1523		1523		1523		1523		1523
Sanderson-Windmeijer F board		1396		1396		1396		1396		1396		1396		1396
Mean	846.08	846.08	577.78	577.78	75.42	75.42	897.68	897.68	202.30	202.30	169.93	169.93	106.81	106.81
Observations	41,396	41,396	41,396	41,396	41,396	41,396	41,396	41,396	41,396	41,396	41,396	41,396	41,396	41,396
R-squared	0.751	0.388	0.869	0.622	0.371	0.117	0.704	0.333	0.725	0.178	0.765	0.688	0.397	0.111

Notes: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. All dependent variables are in per capita terms and transformed using natural logarithms, but their mean is reported as non-transformed. The council and executive board sizes are also in logs. All regressions include municipality, event time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality.

TABLE A13. TWFE - Forecasted expenditures

	Expenditures						Revenues							
	Total		Current		Investment		Total		Taxes		Curr. transfers		Cap. transfers	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	RF	IV	RF	IV	RF	IV	RF	IV	RF	IV	RF	IV	RF	IV
ln(Statutory Council size)	-0.267***		-0.0574**		-0.531***		-0.257***		-0.116**		-0.147		-0.656***	
	(0.0449)		(0.0255)		(0.124)		(0.0437)		(0.0486)		(0.0893)		(0.144)	
ln(Statutory Ex board size)	0.140***		0.0100		0.308***		0.125***		-0.0569		0.0712		0.317***	
	(0.0357)		(0.0178)		(0.0993)		(0.0346)		(0.0373)		(0.0638)		(0.119)	
ln(Council size)		-0.281***		-0.058**		-0.563***		-0.270***		-0.110**		-0.154*		-0.689***
		(0.046)		(0.026)		(0.128)		(0.045)		(0.050)		(0.091)		(0.149)
ln(Ex board size)		0.169***		0.012		0.371***		0.151***		-0.069		0.086		0.382***
		(0.042)		(0.021)		(0.116)		(0.041)		(0.044)		(0.075)		(0.139)
Sanderson-Windmeijer F council		3893		3893		3893		3893		3892		3893		3893
Sanderson-Windmeijer F board		2727		2727		2727		2727		2726		2727		2727
Mean	1440.23	1440.23	751.50	751.50	464.21	464.21	1431.37	1431.37	272.02	272.02	202.07	202.07	325.42	325.42
Observations	57,268	57,268	57,268	57,268	57,268	57,268	57,268	57,268	57,266	57,266	57,268	57,268	57,268	57,268
R-squared	0.703	0.191	0.894	0.652	0.459	0.173	0.708	0.197	0.803	0.366	0.789	0.671	0.437	0.099

Notes: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Standard errors clustered at the municipality level are reported in parentheses. All dependent variables are in per capita terms and transformed using natural logarithms, but their mean is reported as non-transformed. The council and executive board sizes are also in logs. All regressions include municipality, event time fixed effects, election-year fixed effects, population bins-times-year fixed effects and the following controls: mayor initial age (in log), gender, years of education, profession and an indicator of whether they were born in the municipality.

TABLE A14. Executive board - Mandates

<b>1. Environment and Territory</b>	<b>3. Housing, Family and Welfare</b>	5.6 Production	10.5 Public Firms
1.1 Environment	3.1 Housing Policies	5.7 Work Safety	<b>11. Institutional Activities</b>
1.2 Public Green	3.2 Youth Policies	<b>6. Mobility, Viability and Transport</b>	11.1 Institutional Communication
1.3 Civil Protection	3.3 Education	6.1 Mobility	11.2 Institutional Activity
1.4 Urban Design	3.4 Integration Policies	6.2 Viability	11.3 International Cooperation
1.5 Development and Recovery of Suburbs	3.5 Family	6.3 Transport	Comunitarian Policies
1.6 Agricultural Resources	3.6 Resident Services	<b>7. Health</b>	
1.7 Land Protection	3.7 Children Policies	7.1 Health	
1.8 Coast Protection	3.8 School	<b>8. Urbanism and Private Building</b>	
1.9 Sea Protection	3.9 Ethnic and Language Minorities	8.1 Urbanism	
1.10 Water Bodies Protection	3.10 Equal Opportunities	8.2 Private Building	
1.11 Waste Management	3.11 Civic Services	<b>9. Decentralization, Organization, Innovation and Human Resources</b>	
1.12 Forests	3.12 Welfare	9.1 Local Police	
1.13 Hunting	3.13 School Buildings	9.2 Personnel	
1.14 Fishing	3.14 Consumers Protection	9.3 Organization	
1.15 Mountain Protection	3.15 Children Rights	9.4 Decentralization	
1.16 Floriculture	3.16 Fight against Usury	9.5 Metropolitan Area	
1.17 Animal Rights	3.17 Volunteering and Association	9.6 City Areas and Neighborhood Councils	
1.18 Parks and Natural Reserves	<b>4. Public Works</b>	9.7 Research	
<b>2. Culture, Tourism, Sport and Leisure</b>	4.1 Infrastructure	9.8 Innovation	
2.1 Culture	4.2 Public Works	9.9 Informational Systems	
2.2 Sport and Leisure	<b>5. Labor, Craft, Commerce and Production</b>	9.10 Relationship with Municipalities	
2.3 Tourism	5.1 Craft	<b>10. Strategic Resources and Assets</b>	
2.4 Big Events	5.2 Labor Policies	10.1 Budget	
2.5 Archeological, Historical and Monumental Goods	5.3 Fairs and Markets	10.2 Tributes	
2.6 Historical Downtowns	5.4 Work training	10.3 Asset	
2.7 Museums, Libraries, Art Galleries	5.5 Commerce	10.4 Public Properties	

Notes: This table lists the mandates allowed for executive board members. The source is the Ministry of the Interior.