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Abandon Ship? Party Brands and Politicians' Responses to a Political Scandal[☆]

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Abstract

Political scandals often trigger responses from voters and the implicated politicians. In this article, we extend the analysis to politicians who are only indirectly affected by a scandal through their affiliation with the involved party. Overcoming endogeneity concerns by analysing the *local* implications of the largest *national* scandal in recent Italian history (*"Clean Hands"*), our main results show that local politicians withdraw support from incumbents in parties hit by Clean Hands – inducing early government dissolutions in such municipalities. Consistent with these municipality-level findings, we then illustrate that local politicians from the implicated parties exhibit lower re-running rates and higher rates of party switching in the short term. In the medium term, we find that corruption and voter turnout are lower in competitive municipalities 'treated' with a mayor from the implicated parties during Clean Hands. Moreover, medium-term upward career mobility of local politicians from the implicated parties benefited from party switching.

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1. Introduction

A large body of academic research has studied *voter* responses to political scandals (Nannicini et al., 2013; Chong et al., 2014; Cavalcanti et al., 2018; Pavão, 2018; Arias et al., 2019, for reviews, see Fisman and Golden, 2017; De Vries and Solaz, 2017) as well as the decision of the *implicated politicians* to stand for re-election (Peters and Welch, 1980; Welch and Hibbing, 1997; Ferraz and Finan, 2008). This literature generally finds that political scandals can have important effects on the implicated politicians' careers (e.g., by triggering voter responses on Election Day). In this article, our main contribution lies in studying the extent to which scandals might affect – and trigger behavioural responses from – politicians who are *not* personally involved in a scandal, but who are indirectly affected by it through their affiliation with the implicated party. This shift in focus brings attention to the potential broader ramifications of political scandals as well as to the role political parties may play in the dissemination of their effects across politicians and levels of government.

Our central argument is that political scandals have implications *beyond* the politicians directly involved because they can tarnish the party "brand" (Desposato and Scheiner, 2008; Lupu, 2014; Rudolph and Däubler, 2016). Voters often use party names as low-cost, heuristic cues about the politicians associated with these parties (Snyder and Ting, 2002, 2003; Geys and Vermeir, 2014, and references therein), which can be of significant value to politicians less known to the broader public. Furthermore, parties provide benefits to politicians in terms of electoral campaigns, media coverage, career opportunities, and so on (Heller and Mershon, 2005; Desposato, 2006). However, when a party is hit by a scandal, the party name no longer just provides a simple cue towards the policy positions of this party and its members (Aldrich, 1995; Jones and Hudson, 1998). It also triggers negative associations due to the scandal. Rational politicians will, therefore, reassess their desired level of association with the party (Heller and Mershon, 2005; Desposato, 2006).[1]

From a theoretical perspective, such reoptimization can take different forms, and thereby generates distinct empirically observable implications. First, a scandal-hit party's coalition partners may wish to break their association by retracting support from the government, which increases the probability of a government crisis. Second, members of the party implicated in a scandal may break their association by terminating their party membership (e.g.,

[1]While the exact mechanism leading scandals to reduce the party "brand" value is not central to our argument, one can imagine at least three reasons: i) a pure popularity effect, whereby voters are less likely to vote for politicians affiliated with a party tainted by a scandal (as an expressive act); ii) voters might expect lower utility from politicians affiliated with a tainted party that is losing influence (as an instrumental calculation); iii) politicians might fear reduced (re)election prospects from affiliation with a tainted party.

running as an independent or switching to another party), or leaving politics altogether. Clearly, leaving the party – or leaving politics – when their party is in power may cause it to lose political support – further increasing the possibility of political deadlock and government crisis.[2] This leads to two hypotheses. The first macro-level hypothesis is that politicians strategically withdrawing support from parties involved in a scandal induces an increase in early government dissolutions. As mentioned, this may arise due to *both* politicians within the scandal-hit party *and* those outside it (which is consistent with earlier work on strategic parliamentary dissolutions at the national level; see, for instance, Lupia and Strøm, 1995; Strøm and Swindle, 2002). The second micro-level hypothesis is that politicians are likely to break – or, at the very least, limit – their personal ties to parties involved in a scandal (e.g., becoming independent or switching party).

Our empirical analysis of these propositions studies the most famous political scandal in modern Italian history – generally referred to as *Tangentopoli* ("Bribe City") or *Mani Pulite* ("Clean Hands") – which took place in the period 1992-1994. All main political parties were involved in this scandal, but the two leading national parties – the Christian Democrats (DC) and the Italian Socialist Party (PSI) – were implicated most severely. While Clean Hands represents a strong case of widespread corruption, establishing causal effects of any scandal on politicians' behaviour is challenging, since endogeneity concerns are rarely avoidable. From this perspective, it is crucial that the timing of Clean Hands was unexpected for most local politicians, and that only a few local politicians were implicated (with the possible exception of mainly larger cities). Hence, the scandal provides an arguably exogenous information shock to local politicians about the (relative) value of specific party brands, which we exploit to provide a credible causal estimate of politicians' responses using a difference-in-differences (DiD) estimation strategy.

We start at the macro level by analysing the prevalence of *municipal* governments' early dissolution in response to a *national* scandal. Our results indicate not only an increase in local government crises in the period 1992-1994, but also that such crises arose especially in municipalities ruled by the parties most strongly implicated in Clean Hands. This is consistent with our argument that politicians retract support from local incumbents affiliated to the affected parties (even though these have no direct involvement in the scandal). Interest-

[2] A 2018 survey among Belgian local politicians is consistent with such scandal impacts (Deschouwer and Van Haute, 2018). It indicates that in response to a scandal in the national branch of their party, 35% of respondents would consider leaving the party (or politics more generally), setting up their own party or becoming an independent local councillor. Moreover, 68% of local politicians consider it (very) likely that they would refuse collaboration with a party at the local level whose national counterpart is implicated in a scandal.

ingly, dissolutions also rise where the parties most strongly implicated in Clean Hands are a minor coalition partner compared to municipalities where they have no power at all. This indicates that the parties leading a coalition with DC/PSI appear to have engaged in the strategic triggering of early elections to capitalize on these parties' sudden electoral weakness. We furthermore show that, overall, strategic dissolutions are most pronounced in electoral districts with a higher number of national politicians charged in the scandal, which confirms that the local disclosure of corruption news is a key driver behind our results.

Then we turn to the micro level to evaluate how politicians within the affected parties' local affiliates change their behaviour, even though they are not themselves implicated in the scandal. Our results show that local DC/PSI politicians are significantly less likely to run again in upcoming local elections (and less likely to be reelected when they do), and significantly more likely to switch partisan affiliation towards independent local parties. Interestingly, the latter proves a viable strategy since it insulates these politicians at least partially from the scandal's electoral repercussions in the short term. Overall, therefore, our findings provide strong support for the notion that scandals are transmitted across politicians and levels of government via partisan cues.[3]

Given the important short-term political impacts of the scandal, we finally extend the analysis to investigate longer-term impacts on local corruption and voter turnout (at the municipal level) as well as local politicians' career development (at the individual level). The former shows that corruption levels and voter turnout tend to be lower 10-20 years after the scandal in electorally competitive municipalities 'treated' with a mayor from the implicated parties during Clean Hands. This extends results presented in Avis et al. (2018) about the effect of random audits of local public resources in Brazil to a large-scale political scandal. Turning to local politicians' career development, we find that local politicians from the implicated parties are less likely to be elected into provincial and regional assemblies in the 15 years after Clean Hands – *unless they switched party*. This reinforces that switching party when it is hit by a scandal may be beneficial for politicians – not just in the short term, but also in the medium term.

Our analysis adds to a number of literatures. First, we contribute to the literature on the role of parties in politics (Snyder and Ting, 2002, 2003; Geys and Vermeir, 2014) by showing that corruption scandals can become transmitted across politicians and levels of government through the partisan cues embedded in party affiliations. This testifies to an

[3]This is consistent with a large literature on organizational stigma illustrating that the negative societal perception of specific social actors (e.g., brothels, bankrupt firms or outlaw motorcycle clubs) often transfers onto individuals affiliated to the stigmatized actor (e.g., clients, company directors or bikers) (Kulik et al., 2008; Hudson and Okhuysen, 2009; Kvåle and Murdoch, 2019).

important 'dark side' of partisan alignment between politicians. Second, we contribute to the literature on the impact of corruption and scandals (Ferraz and Finan, 2008; Nannicini et al., 2013; Chong et al., 2014; Cavalcanti et al., 2018; Pavão, 2018; Arias et al., 2019) by focusing on political bodies and politicians that are not directly implicated themselves. This attests to the broader ramifications of political scandals and takes the first step toward an improved understanding of the aggregate impact of such events.[4] Finally, a rich research tradition investigates politicians' decision to switch party depending on personal characteristics, electoral incentives or access to distributive resources (Kato, 1998; Reed and Scheiner, 2003; Heller and Mershon, 2005; Desposato, 2006; Desposato and Scheiner, 2008; Mershon and Shvetsova, 2008, 2013). To the best of our knowledge, we are the first to analyze switching decisions of local – rather than national or regional – politicians, and illustrate that switching can be affected by partisan dynamics at different levels of government.

2. Institutional background

2.1. Italian politics before Clean Hands: Three main parties with Christian Democratic dominance

After World War II, Italy introduced a bicameral system of parliamentary democracy. In the lower chamber ("Camera"), elections were organized in 32 districts. Seats within each district were allocated to parties based on their vote share, and within each party to the candidates with most preference votes (i.e. open-list PR). For the upper chamber ("Senato"), elections were held in 20 districts subdivided into single-member constituencies. Votes were grouped by party list at the district level and used to allocate seats across parties using a method similar to the one for the lower chamber (unless a candidate was directly elected by obtaining 65% of the vote).

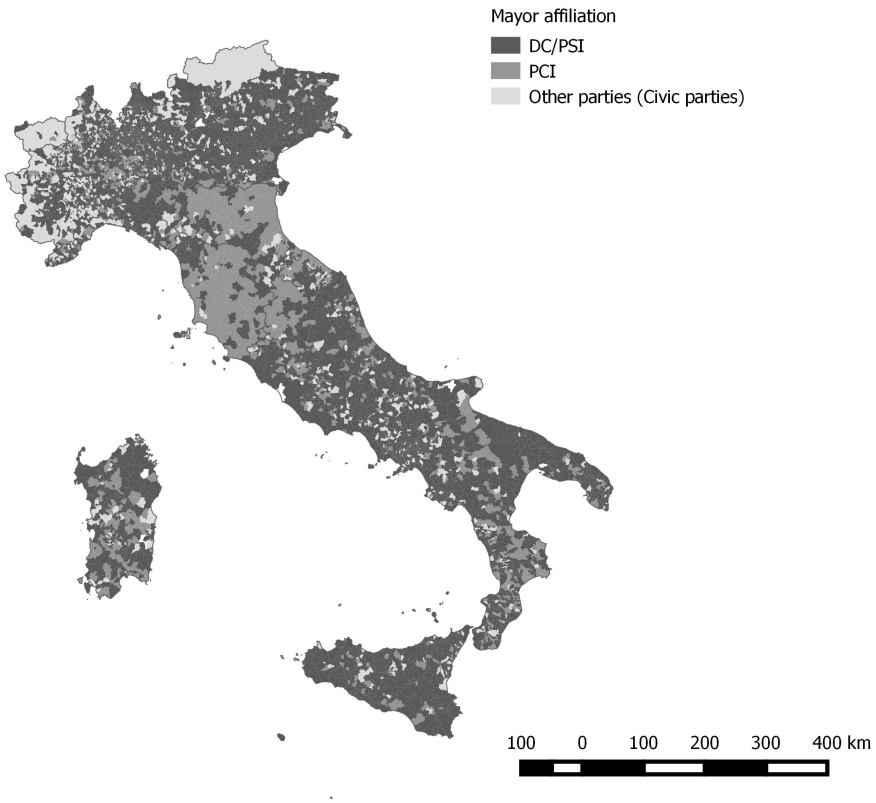
At the local level, Italy's roughly 8,000 municipalities likewise had a parliamentary system with a legislative branch ("Consiglio", or local council) and an executive branch ("Giunta", or local government). In municipalities with more than 5,000 inhabitants, voters voted for party lists and could also express preferences for individual candidates. Seats were allocated proportionally to parties, and within each party to the candidates with most preference votes. In smaller municipalities, citizens voted directly for council candidates, who were elected in order of their preference vote tallies. In both cases, the mayor was subsequently appointed by the local council using a (qualified) majority vote. Importantly, and unlike in many other

[4]Recent work suggests that parties likewise respond to negative popularity shocks. Cavalcanti et al. (2018), for instance, show that public exposure of corrupt incumbents induces Brazilian parties to bring forward better-educated politicians during subsequent local elections (see also Chang et al., 2010).

countries, local councils in Italy can face early dissolution. As this constitutes one of our central dependent variables, we describe the various conditions for such dissolutions in detail in section 3.

Before Clean Hands, the national and local political arenas were dominated by three political parties: Christian Democrats (DC), Italian Communist Party (PCI) and Italian Socialist Party (PSI). These received, respectively, 34%, 26% and 14% of the votes in the last national election before Clean Hands (i.e., in 1987). A coalition government was established between DC and PSI (a common occurrence since the early 1960s) with the support of three minor parties: i.e., Italian Democratic Socialist Party (PSDI), Italian Liberal Party (PLI) and Italian Republican Party (PRI). PCI was the main opposition party, although it split into two parties (i.e., Democratic Party of the Left (PDS) and Communist Refoundation Party (PRC)) following the dissolution of the Soviet bloc in 1991. DC was the dominating party at the local level. In 1991, for instance, it held the mayor position in about 50% of Italian municipalities. Figure 1 shows that despite a clear predominance of PCI in central Italy, the three main political parties are represented in municipalities across all regions.

Figure 1: Mayors' party affiliation in 1991



2.2. The impact of Clean Hands, and its benefits for identification

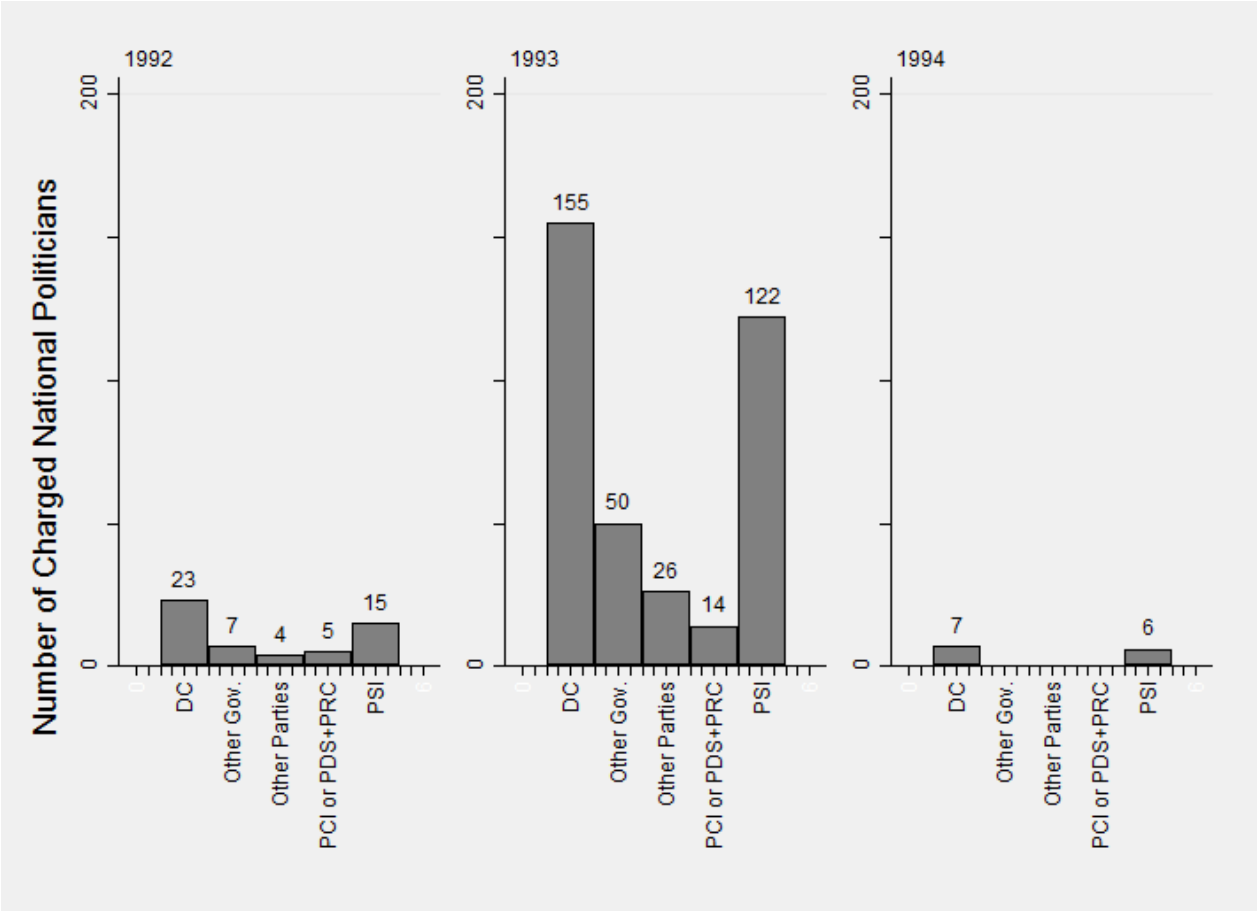
Investigations into Clean Hands started in Milan in February 1992. Within a few weeks, a vast and well-established system of corruption was uncovered whereby public procurement contracts were allocated in exchange for bribes to the ruling parties (Newell, 2000). Parallel investigations were set up in every Italian region, and within months hundreds of politicians, entrepreneurs and public officials had been charged with corruption (Gundle and Parker, 1996). At the end of 1994, no less than 23% of the Italian national deputies had been charged with corruption or related activities (see also Heller and Mershon, 2008; Chang et al., 2010).[5] While 19 out of 20 regions saw politicians charged with corruptive practices, the number of charged politicians per region closely matches the distribution of the Italian population (and the number of elected deputies in each region).

Important for our identification strategy, the scandal involved politicians predominantly from the two main ruling parties (DC and PSI). This is illustrated in Figure 2, which shows the distribution of charged politicians by year and political party. The figure clearly indicates the peak of the corruption scandal in 1993, and highlights that 75% of the charged politicians belong to the two main ruling parties. An additional 13% were members of minor parties in the government coalition ("Other gov." in Figure 2), and only 4% was in the left-wing block. In percentage terms, 35% of politicians elected for the incumbent coalition partners (DC/PSI and minor allied parties) was charged, compared to 16% among minor non-ruling parties and less than 2% among the left-wing block. As such, the incumbent coalition partners can be credibly viewed as much more strongly affected by the scandal (Heller and Mershon, 2008; Chang et al., 2010), and we exploit this differing treatment intensity for identification purposes (Angrist and Pischke, 2008; Berrebi and Klor, 2008). This is further confirmed by the fact that the Communist PCI generally supported the investigations, while DC and PSI repeatedly (though unsuccessfully) tried to block them arguing that members of parliament benefit from Parliamentary immunity (Pasquino, 2010). Nonetheless, survey data collected in June 1992 illustrate that while more than 60% of voters perceived DC and PSI as most strongly implicated by the scandal, 41% of voters point to PCI and 12% or less to all other parties (La Repubblica, 12 June 1992). This suggests an important spillover to the other leading national party (PCI), possibly due to the so-called "tangenti rosse" investigation involving several PCI members in the spring of 1993. Although small in scale (as few politicians in the left-wing block were charged; see above), we explicitly account for the scandals' impact

[5] Our calculations here rely on data from Ceron and Mainenti (2015). This source provides comprehensive information on politicians in the Italian Chamber of Deputies charged with any type of criminal behaviour (including corruption, misappropriation, abuse of power, as well as illegal party funding), the year in which the politician was charged and his/her party affiliation and election district.

on PCI in our analysis by treating PCI as an intermediate case.

Figure 2: Charged National Politicians by year and party



Notes: This figure reports the number of national politicians charged with corruption (or corruption-related offences) by year and party affiliation. Own calculations based on data from Ceron and Mainenti (2015).

During the national elections of June 1992 – i.e., just after the start of Clean Hands – DC and PSI lost electoral support, but maintained sufficient seats again to form a coalition government. The national elections of 1994 saw PSI nearly completely lose its electoral support. DC – which had been ruling Italy uninterruptedly for almost fifty years – had disbanded shortly before these elections, and PSI followed this example shortly afterwards. Starting from 1992, DC and PSI also rapidly lost control of municipal councils, and were replaced by new emerging parties (i.e., Berlusconi's Forza Italia and the populist right-wing Lega Nord) and especially Civic Parties.[6] The institutional shock was so dramatic that historians define this period as the end of the Italian First Republic. It also led to a new

[6]Such Civic Parties are political parties with a local organization based on a local leader, but without any regional or national party affiliation. Although Civic Parties were already active at the local level prior to Clean Hands, their popularity increased drastically after 1992.

national electoral law based on majoritarian rule approved by referendum in 1993 (Gundle and Parker, 1996; Newell, 2000). A new electoral law was likewise implemented at the local level in 1993, which introduced the direct election of the mayor and a majority premium for the winner. As this could raise concerns about a compound treatment (i.e. scandal and electoral system change), we discuss the potential implications of this legal change for our findings in detail in Section B of the Online Appendix. Yet, we should point out here that these changes do not affect our identification strategy as we focus on local governments *elected prior to Clean Hands*. Moreover, this electoral system change was implemented in all municipalities at the same time, and we will show that our main findings already materialize *before* this legal change was implemented.

3. Empirical analysis

3.1. Identification strategy and empirical methodology

Assessing politicians' responses to a political scandal via a simple comparison of jurisdictions with and without scandals imposes several identification issues. First, omitted variables, including political and economic conditions, may affect both the probability of a scandal occurring and outcomes such as early government dissolution or politicians' decision to run again in upcoming elections. Second, political instability might also trigger scandals when those in power increase rent extraction to compensate for the expected decrease in future earnings. Third, we are particularly interested in the response to scandals of politicians not themselves implicated. Yet, it is hard to guarantee politicians' lack of involvement when a scandal arises within their jurisdiction.

Our identification strategy, therefore, takes advantage of three characteristics of the Clean Hands scandal as well as the Italian institutional and political framework. First, Clean Hands predominantly implicated national-level politicians, which mitigates the above-mentioned endogeneity concerns when analyzing local instead of national politicians. Nonetheless, we evaluate, and correct for, the potential involvement of local politicians in section B of the Online Appendix. Second, many Italian parties are active at both the national and local level, though not all local parties are linked to national parties. This provides variation in the degree to which local office-holders were affiliated to the national parties involved in Clean Hands. Hence, we can exploit partisan connections between certain subsets of politicians (Snyder and Ting, 2002, 2003; Geys and Vermeir, 2014; Fiva and Halse, 2016) to study local-level implications of a scandal taking place at the national level. Finally, although the length of the electoral cycle is the same across all municipalities, not all municipalities hold elections at the same time (see Figure OA.1 in the Online Appendix for the number of municipalities

holding elections by year and the mayor's party). This allows us to separate common time trends from the effects under investigation.

These three characteristics provide an opportunity to address our theoretical propositions outlined in the introduction using a difference-in-differences research strategy. Formally, to assess the effect of Clean Hands on local governments' early dissolution (our first macro-level hypothesis), we compare the likelihood of such events before/after Clean Hands depending on whether or not the local incumbent's party (though *not* the local incumbent) was implicated in the scandal. We thereby run the following linear probability regression model (with subscripts i and t denoting municipalities and years, respectively):

$$\begin{aligned} Instability_{ite} = \delta_i + \lambda_t + \alpha_e + \beta_1 \text{DC/PSI}_{it} \times \text{After Scandal}_t + \\ + \beta_2 \text{DC/PSI}_{it} + \beta_3 \text{After Scandal}_t + \gamma \mathbf{X}_{it} + \epsilon_{ite} \end{aligned} \quad (1)$$

Our dependent variable $Instability_{it}$ is a dummy equal to 1 when the government in municipality i experiences early dissolution in year t. Specifically, $Instability_{it}$ is coded as 1 when the municipality had elections before its official legislative term was completed (0 otherwise).[7] This is determined using annual data on local elected officials, which are publicly available on the website of the Italian Ministry of Interior ("Anagrafe Amministratori Locali e Regionali") and indicate whether or not a local legislative term ended 'regularly' ('ordinaria'). In our period of observation (1989-1994), there were 1,359 early government dissolutions in Italian municipalities. According to the Ministry of Interior, this was most often due to the resignation of more than 50% of the councillors (65% of early dissolutions), which reflects that resignation is a councillor's main way fully to withdraw support for the local incumbent.[8]

[7]The legislative term was equal to five years until 1993, when it was reduced to four years (Law 81/1993). It was extended again to five years in 1999 (Law 120/1999).

[8]Before 1993, municipalities would face early elections if: i) more than 50% of the councillors resigned; ii) the local budget was not approved on time; or iii) the national government removed the local government (e.g., due to suspicion of influence from organized crime; Daniele and Geys, 2015; Galletta, 2017). From 1993 onwards, and due to the direct election of mayors under the new electoral rules (see above), municipal governments could also collapse when: i) the mayor resigned or died, or ii) the councillors voted for the mayor's impeachment. Note also that until 1992 it was possible to replace the mayor *without incurring new elections* with a politician from a different party of the ruling coalition. In our sample, this occurs only in 2.5% of council-legislature observations, and – importantly – we observe no differential trend across time for DC/PSI mayors in terms of their likelihood to be replaced in this way ($p>0.5$). Hence, any unobservable factors affecting such decisions appear unrelated to the corruption scandal, which limits concerns about the exogeneity of our main variable of interest.

While arguably a very costly way to dissociate oneself from a scandal-hit party, this cost strengthens the credibility of the action. Our analysis does not include early dissolutions due to mafia infiltration or the death of the mayor (which are unrelated to political conflicts), but includes all other cases for two reasons. First, the exact drivers of most dissolutions cannot be differentiated based on available data. Second, all remaining dissolution reasons are directly linked to political conflicts, and can be credibly invoked for strategic reasons when a scandal arises.

While $AfterScandal$ is equal to 1 in our treatment period (i.e., 1992-1994) and 0 before Clean Hands (i.e., 1989-1991), DC/PSI_{it} is an indicator variable equal to 1 when the mayor is affiliated to a national party implicated in the scandal. Based on the discussion in the previous section, DC and PSI are defined as 'treated' by the scandal, as well as the three minor parties in the national government coalition prior to Clean Hands (i.e., PRI, PLI and PSDI). Our key parameter of interest is the coefficient for the interaction between these two variables (β_1), which reflects the differential impact of the scandal on the probability of local government early dissolution depending on the mayors' partisan affiliation. We extend most models with a full set of municipality fixed effects (δ_i) and generally also introduce year-of-election fixed effects (α_e) to control for the possibility that early dissolutions are more frequent during later stages of the mandate (Lupia and Strøm, 1995; Strøm and Swindle, 2002; Mershon and Shvetsova, 2008; Becher and Christiansen, 2015). Most models include a full set of year fixed effects (λ_t), but we naturally exclude $AfterScandal$ in such cases to avoid perfect multicollinearity. Finally, we use a set of covariates $\mathbf{X}_i$ to account for demographic characteristics of both mayor and councillors. We cluster the error term at the municipality level, and provide summary statistics for all relevant variables in Tables OA.1 and OA.2 in the Online Appendix.

Importantly, the sample only includes municipalities whose government was installed prior to Clean Hands (i.e., before 1992). Municipalities facing early government dissolution during the scandal are dropped from the sample in subsequent years, because the new ruling coalition would be endogenous to our treatment.

3.2. Results for local governments' early dissolution

Table 1 presents the results from estimating equation (1). To concentrate as narrowly as possible on the period of the scandal, our analysis is based on local political data in the period 1989-1994. We start our observation period in 1989 since this is the first year for which we can determine early local government dissolutions. The columns in Table 1 differ mainly in terms of the control group employed. In columns (1) to (4), we compare municipalities with DC/PSI mayors (i.e., the treated group) to all other municipalities. Still, even though

Table 1: National political scandals and local government crises

	Control group						
	PCI/Other parties				PCI	Other parties	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Mean dep. Var:	*0.011*	*0.011*	*0.011*	*0.011*	*0.012*	*0.012*	*0.007*
DC/PSI X After Scandal	0.006***	0.007***	0.007***	0.007***	0.004	0.011***	
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)	(0.003)	
PCI X After Scandal							0.007**
							(0.003)
DC/PSI	0.003**	-0.001	-0.001	-0.001	0.008	-0.008	
	(0.001)	(0.004)	(0.004)	(0.004)	(0.008)	(0.005)	
PCI							0.018
							(0.014)
After Scandal	0.001	0.005***					
	(0.001)	(0.002)					
R^2	0.001	0.230	0.230	0.232	0.237	0.240	0.348
N municipalities	8,090	8,090	8,090	8,090	7,409	7,014	3,166
N observations	43,872	43,872	43,872	43,872	37,525	36,194	14,020
Year FE	No	No	Yes	Yes	Yes	Yes	Yes
Year of election FE	No	Yes	Yes	Yes	Yes	Yes	Yes
Municipality FE	No	Yes	Yes	Yes	Yes	Yes	Yes
City council and mayor characteristics	No	No	No	Yes	Yes	Yes	Yes

Notes: The dependent variable *Instability* is a dummy variable equal to 1 when the government in municipality i experiences early termination in year t, 0 otherwise. *DC/PSI* is a dummy variable equal to 1 when the mayor of a municipality is affiliated to either the Christian Democrats (DC) or the Italian Socialist Party (PSI), while *PCI* is a dummy equal to 1 when the mayor of a municipality is affiliated the Italian Communist Party. The variable *After Scandal* is equal to 1 for the period 1992-1994 and 0 for the period 1989-1991. In columns (1) and (2) the control group is composed of municipalities governed by a mayor affiliated to either *Other parties* (Civic parties and minor parties) or *PCI*. In column (3) the control group is composed of municipalities governed by a mayor affiliated with *PCI*, while in columns (4) and (5) the control group is composed of municipalities governed by a mayor affiliated with *Other parties*. Standard errors clustered at the municipality level in parenthesis * p < 0.1, ** p < 0.05 and *** p < 0.01.

the scandal predominantly implicated DC and PSI, its effect may have extended to the other main national party (PCI) (Chang et al., 2010; Chong et al., 2014, see also above). Hence, column (5) only includes municipalities with a mayor from the national opposition party (PCI) in the control group, whereas the control group in columns (6) and (7) includes only municipalities where the mayor was from Civic Parties or minor national opposition parties. The latter arguably provides the cleanest way to separate the treatment and control groups.

The positive and significant interaction term in Table 1 shows that the probability of *local* government early dissolution increases during a *national* corruption scandal particularly in municipalities ruled by parties hit by the scandal (i.e., DC and PSI). This is true whether we control for municipality, time and year-of-election fixed effects (in columns (2) and (3)) or not (in column (1)). Figure OA.2 in the Online Appendix confirms this same pattern in the raw data. The results are also robust to including additional covariates capturing the demographic characteristics of both mayor and councillors (in column (4)). Specifically, we control for education (i.e., share of municipal councillors with university degree and whether

the mayor has such a degree), gender (i.e., share of male councillors and whether the mayor is male) and age (i.e., average age of councillors and the mayor's age). This accommodates the possibility that varying types of representatives may be elected for different parties and respond to the scandal differently.[9] Across the first four columns, the size of the estimated effect is substantial, considering that the average yearly probability of early government dissolution is 1.1%. Column (4), for instance, predicts an increased probability of early local government dissolution of about 0.7 percentage points per year in municipalities governed by a party hit by the scandal.

Columns (5) and (6) indicate that local government early dissolution in treated municipalities increases particularly relative to municipalities governed by Civic Parties (column (6)), but not significantly relative to municipalities governed by the Communist PCI (column (5)). This suggests that PCI was likewise tainted by the scandal, at least in the eyes of voters (see above), and thereby triggered political responses. Column (7) confirms this by illustrating that local government early dissolution also increases in municipalities with PCI mayors relative to municipalities with Civic Party mayors. Overall, therefore, Table 1 provides strong confirmation for the idea that politicians at the local level withdraw support from incumbents affiliated to the parties implicated in Clean Hands.[10]

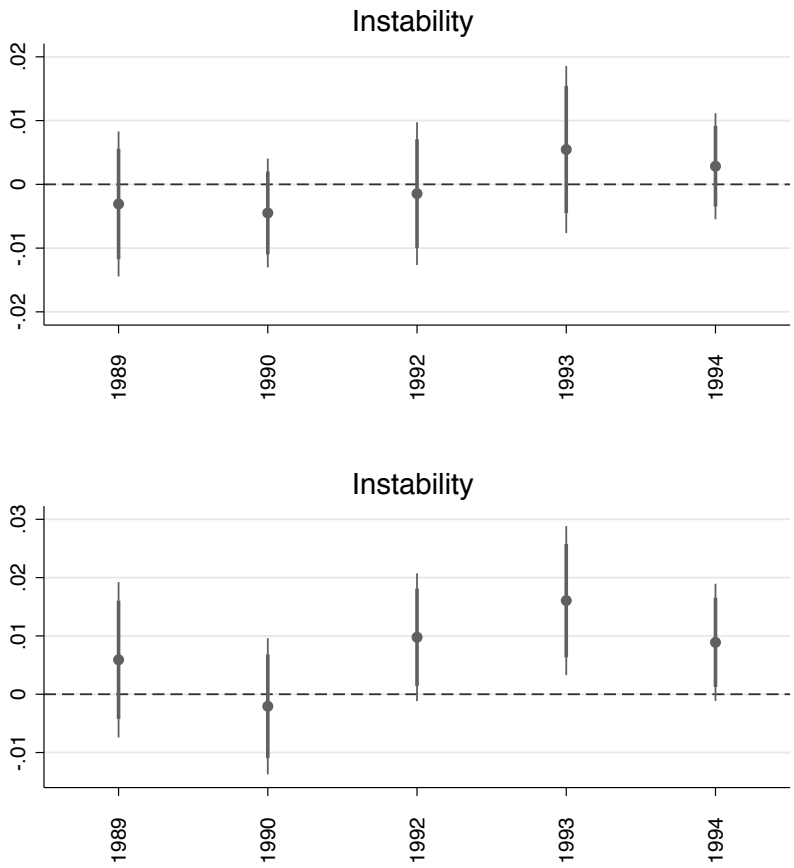
While the results in Table 1 focus on the mayor's affiliation to an implicated party, Table OA.5 in the Online Appendix illustrates that similar results are obtained under alternative specifications of the relative power of DC/PSI politicians at the local level. Specifically, we show that the presence of DC/PSI in the local governing coalition is central to the observed increase in local government early dissolution after the eruption of the scandal. The observed effects are strongest for municipalities where all or most aldermen are affiliated with DC/PSI (and this party controls the mayor), but also persist for municipalities where DC/PSI is the junior partner in a coalition with other parties (relative to municipalities where it is not part

[9] Unfortunately, we lack information on – and thus cannot control for – politicians' length of service on the council. As one might therefore still worry about omitted variable bias, we follow (Oster, 2019) to evaluate the possible degree of any such bias in our findings. Calculations are performed using the PSACALC module by Oster (2013), and show that unobservables would have to be around 30 times larger than the observables and negatively correlated with the treatment, in order to cancel out the observed effect.

[10] Table OA.4 in the Online Appendix suggests that the observed effects are stronger for DC than PSI. This is consistent with DC being the strongest national party at the time of the scandal and having more politicians implicated in the scandal. Even so, it is important to point out that the increase in early government dissolution in municipalities with DC/PSI mayors is *not* due to the resignation of councillors hoping to fill political vacancies at the national level. The reason is that few such vacancies opened up as the scandal had little immediate impact on the number of MPs that resigned. In fact, only 14, 8 and 4 MPs resigned in 1992, 1993 and 1994, respectively (compared to 16 MPs in 1991).

of the governing coalition).

Figure 3: Effect of Clean Hands scandal over time (incl. pre-trend)



Notes: This figure presents the results of a difference-in-differences model where local government early dissolution is the dependent variable. The central independent variables are a set of interaction terms between DC/PSI and a set of indicator variables for each year in our observation period (except 1991, which is employed as the reference category). The coefficient estimates of these interaction terms are depicted here, with 90% and 95% confidence intervals. The top panel employs municipalities with PCI mayors as the control group, while the bottom panel employs municipalities with Civic Party mayors as the control group.

Clearly, the causal interpretation of β_1 relies on the assumption that treated and untreated municipalities would have followed the same trend if the scandal had not occurred (i.e., common trends assumption). To test this, we run a more general version of equation (1) replacing $AfterScandal$ with a set of indicator variables for each year in our observation period (except 1991, which is employed as reference category). This not only allows to capture the temporal dynamics of the effect of the scandal (in years 1992, 1993 and 1994), but also assesses whether municipalities governed by different parties had a similar likelihood of facing early government dissolution *before* the scandal (i.e., in years 1989 and 1990). Figure 3 provides a graphical representation of the results (see Table OA.6 in the Online Appendix

for the regression results). The top panel employs municipalities with PCI mayors as the control group, while the bottom panel employs municipalities with Civic Party mayors as the control group. We find no evidence of statistically significant effects prior to Clean Hands in either panel.[11]

3.3. Excluding confounding factors and addressing threats to identification

The early 1990s were a period of substantial political reform in Italy, and heterogenous levels of support for such reforms across the Italian territory may have affected the stability of the municipal political process. This might be problematic if such support was concentrated in areas where DC/PSI held power. To strengthen our interpretation that Clean Hands is the main driver of the effects observed thus far, we thus first of all need to illustrate that the effects are concentrated where the scandal had the most impact. Furthermore, we need to exclude potential confounding factors coming from events taking place at the same time as the corruption scandal. For example, Italy suffered a severe economic crisis in this period, such that discontent towards the ruling parties at the national level (DC and PSI) might have been due to the poor performance of the Italian economy. Moreover, the emergence of the populist, right-wing Lega Nord just before Clean Hands could drive our results if this new movement was particularly concentrated in areas where DC and PSI were strongest.[12]

To preserve space, the results of these various tests are reported in section A of the Online Appendix. We find that the effect of the scandal on local government early dissolution is significantly stronger for municipalities situated in electoral districts where more (or a larger share of) national deputies were charged with corruption (Table OA.7), and in municipalities with more politically fragmented councils (Table OA.8). Hence, the effects observed before are situated where the value of the party brand arguably reduces most due to Clean Hands, and in settings where local incumbents were particularly sensitive to the scandal-induced decline in party brand value.[13] Furthermore, we show that even though local economic

[11]The same holds when excluding the 1%, 5% and 10% largest municipalities from the sample, which helps alleviate concerns that some national politicians might hold local mandates in larger municipalities and invoke a mechanical impact of the scandal in such municipalities (see section B in the Online Appendix).

[12]Berlusconi's Forza Italia was only set up in 1994, and thus cannot explain that our results already materialize in 1992 and 1993. The centre-left party La Rete was formed in Southern Italy in January 1991, but obtained less than 2% of the vote in the 1992 and 1994 elections. Hence, Lega Nord constitutes the only strong new party arising just before Clean Hands.

[13]This specification also addresses the potential concern that our treatment variable in the main analysis only varies across parties. Indeed, we here exploit variation across parties and municipalities. Moreover, the triple difference specification rules out the possibility that the main national parties are simply suffering a common increase in instability unrelated to Clean Hands (which would have uniform effects across municipalities independent of the number of parties' charged politicians in Clean Hands). Unfortunately, we only

developments (Table OA.9) and the local popularity of Lega Nord (Table OA.10) appear to have had some influence on local government early dissolutions, we can confidently exclude that these factors drive our findings. Taken together, these additional results strongly suggest that Clean Hands is the main driver of the observed increase in local government early dissolutions, which credibly links Clean Hands to local government instability via politicians' partisan connections.

A final possible threat to our empirical strategy is that the group of municipalities with DC/PSI mayors (i.e., the treated group) may not be stable over time. Local elections may indeed change municipalities' 'treatment status' just before the corruption scandal hits (e.g., if DC/PSI gained or lost control over the mayor). To the extent this happens, the set of municipalities identifying the DC/PSI effect on early dissolutions before the scandal would be different from the set of municipalities identifying the DC/PSI effect on early dissolutions after the scandal. This is problematic because the absence of pre-trends then does not constitute evidence supporting the identification assumption. To address this, we replicated our main analysis focusing only on municipalities that did *not* witness a change in the mayor's party affiliation over the period 1985-1991 (roughly 80% of all municipalities). Table OA.11 in the Online Appendix – which replicates columns (4) to (6) of Table 1 above on this restricted sample – shows that our main findings remain unaffected.

4. Mechanisms: Inferring the strategic behaviour of local politicians

Given that most cases of local government early dissolution are due to councillor resignations (see above), this provides suggestive evidence for the idea that local politicians withdraw their support for incumbents from implicated parties.[14] Yet, our results thus far cannot directly assess local politicians' strategic reoptimization of their affiliation with a tainted party. In this section, we move to the individual level and explore this mechanism in more detail by evaluating whether local politicians in parties hit by the scandal exhibit higher rates of party switching and lower re-running (and reelection) rates (Kato, 1998; Reed

have information on the number of politicians charged (i.e. the extensive margin), and cannot convincingly identify how known and/or influential they are (i.e., the intensive margin). As such, we are unable to assess whether our effects might be larger in areas where more influential politicians are charged (which we consider an important avenue for further research).

[14]Clearly, councillor resignations that force early elections need not (only) reflect a desire to distance oneself from the scandal-hit party. Politicians may also want to capitalize on this party's sudden electoral disadvantage. Still, this is not inconsistent with our proposition that politicians' partisan affiliations cause scandals to have implications beyond the politicians directly involved. Indeed, it likewise implies that party brands cause scandals to spill over across politicians and levels of government.

and Scheiner, 2003; Chang et al., 2010). Although many elements might affect politicians' switching and re-running decisions (e.g., party nominations, retirement, family constraints, or a desire to seek higher office; see, for instance, Peters and Welch, 1980; Welch and Hibbing, 1997; Desposato, 2006; Heller and Mershon, 2008; Mershon and Shvetsova, 2013), our focus here is exclusively on the potential impact of a scandal affecting parties at a higher level of government.

4.1. Party switching and reelection rates among local councillors

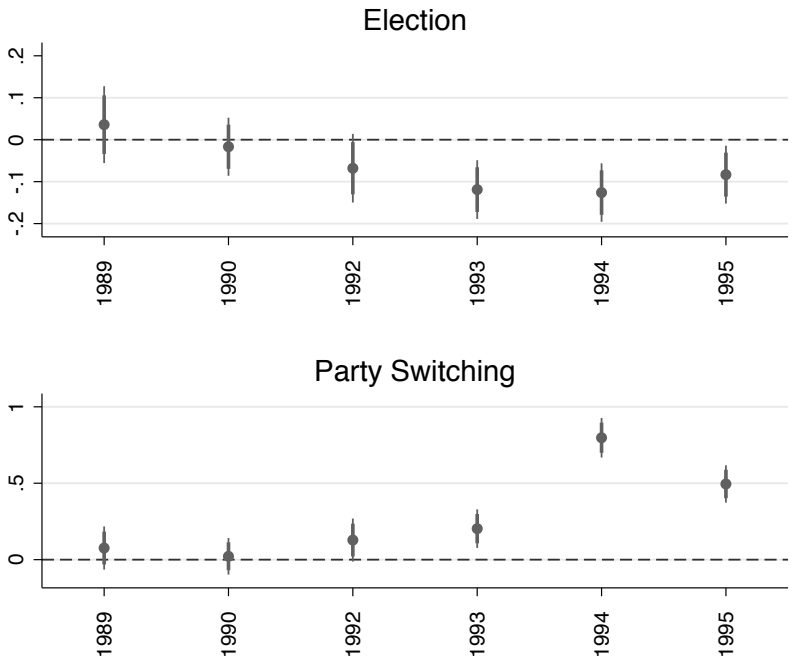
As a first step, we consider all politicians elected in Italian municipalities between 1985 and 1992, and test whether their probability of being reelected or switching party during subsequent electoral rounds varies depending on their party affiliation. Reelection is coded as 1 when the politician runs and is reelected, while party switching is coded as 1 when the politician is reelected for another party than the one for which (s)he was previously elected.[15] We expect reduced reelection rates and increased party switching for politicians initially on a DC or PSI list after Clean Hands. The results in Figure 4 and Table OA.13 in the Online Appendix confirm that DC/PSI politicians from 1992 onwards become significantly less likely to be reelected (conditional on running) and more likely to switch party (conditional on being reelected). Importantly, we do not observe any differential pre-trends for either variable before the scandal erupted in 1992.[16]

Figure 5 further examines the extent to which politicians historically running on a DC or PSI ticket switched to other parties in local elections from 1991 to 1995. The analysis for each plot starts from the complete set of politicians affiliated to DC/PSI in the recent past, and who were reelected in year t. Hence, all politicians in each sample were elected for DC/PSI in the period immediately preceding the election, and Figure 5 indicates the parties for which this set of politicians is reelected (i.e., 'party of destination') in year t. Observations other

[15] Politicians who run for a different party but fail to get elected do not show up in our data at this point. The reason is that we lack data on election candidates. For council members disappearing from our sample over time, we thus cannot know whether they did not stand for election or failed to be reelected. Hence, we also cannot know on which party list they may have featured. We return to this important issue below when we analyse mayoral elections in more detail, since there we do have information on election candidates.

[16] Using data on all politicians elected to the Italian national Parliament in the period 1948–2008, Table OA.14 in the Online Appendix shows that DC/PSI politicians also become significantly less likely to be re-elected (conditional on running) at the national level. The observed effects are much stronger among national than local politicians (as one would expect), which confirms that the effects of Clean Hands trickled down from the national to the local level. Interestingly, we find no difference between directly (i.e. personally involved) and indirectly (i.e. members of the involved party) affected national politicians within the implicated parties. While initially unexpected, this finding is consistent with the scandal representing a general popularity shock at the national level.

Figure 4: Effect of Clean Hands scandal on election and party switching (incl. pre-trend)



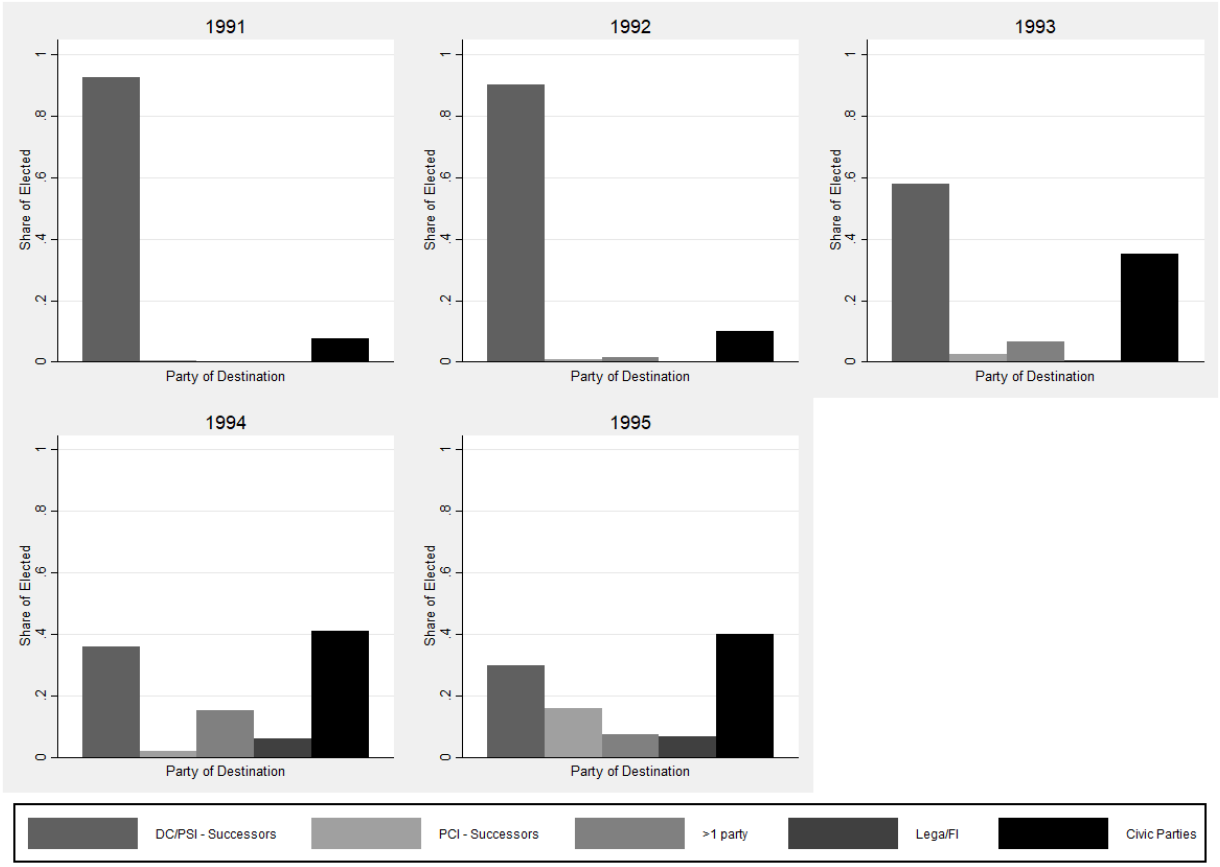
Notes: This figure presents the results of a difference-in-differences model. The dependent variable is being reelected in the top panel while switching party (conditional on being reelected) in the bottom panel. The central independent variables are a set of interaction terms between DC/PSI and a set of indicator variables for each year in our observation period (except 1991, which is employed as the reference category). The coefficient estimates of these interaction terms are depicted here, with 90% and 95% confidence intervals.

than DC/PSI thus naturally reflect party switching.[17]

The results in Figure 5 indicate that roughly 90% of those holding local office for DC/PSI immediately prior to the 1991 and 1992 elections were also elected for these same parties during these elections. This picture changes dramatically in the aftermath of Clean Hands. Almost half of the local politicians holding office for DC/PSI immediately prior to 1993 were elected under a different party label in the 1993 elections (i.e. even prior to the dissolution of both parties). During the 1994 and 1995 elections, fewer than 40% of local DC/PSI politicians remained faithful to the party (or its immediate successors). Party switching thus became overwhelmingly common for local DC/PSI politicians (for similar findings at the national level, see Reed and Scheiner, 2003; Heller and Mershon, 2008), which is consistent with the

[17]DC and PSI were dissolved at different points in time in 1994. To mitigate any impact of these events on our party switching results (especially for 1995), we consider politicians in parties that were widely perceived as the immediate successors of these parties as DC/PSI affiliated (i.e., Cristiano Sociali, Centro Cristiano Democratico, Partito Popolare Italiano and Cristiani Democratici Uniti). We discuss additional potential implications of these dissolutions for our findings in detail in Section B of the Online Appendix.

Figure 5: Party switching by local DC/PSI politicians



Notes: This figure depicts the share of DC/PSI politicians elected at the local level that switched to other parties in the 1991 to 1995 local elections. We look at the complete set of politicians elected in year t affiliated to DC/PSI (or its successors) in the period immediately preceding the election. Each panel then indicates the parties for which this set of politicians is elected in year t – i.e., their 'party of destination'. This could be DC/PSI (or its successors), PCI (or its successors), Civic Parties, right-wing parties (such as Forza Italia and Lega Nord), or multiple party affiliations (this phenomenon appeared more frequently after Clean Hands).

Belgian survey evidence mentioned in the introduction (Deschouwer and Van Haute, 2018). Figure OA.3 in the Online Appendix indicates that party switching does not show such a dramatic increase after Clean Hands among local PCI politicians. Moreover, switching became *less* likely over time – particularly in the direction of DC/PSI – for Civic Party politicians (Figure OA.4 in the Online Appendix). This strengthens our interpretation that the party switching observed in Figure 5 is triggered by the decline in the party brand value of DC and PSI after the scandal hit (Desposato, 2006; Desposato and Scheiner, 2008). Finally, it is worth noting that we observe only limited switching towards the new right-wing parties Forza Italia and Lega Nord. We return to the electoral value of such party switching to politicians below.

4.2. Party switching and re-running rates among local mayors

The above analysis cannot distinguish whether DC/PSI politicians might be less likely to run for office again after the scandal (e.g., due to expecting electoral punishment) and/or might be less likely to receive votes due to the scandal (Chang et al., 2010). The reason is that we lack data on election candidates for municipal council elections. To disentangle these two possibilities, we match information about all locally elected politicians since 1985 with information on mayoral elections in the period 1993-1995 (remember that direct mayoral elections were only introduced in 1993). This allows us to identify all mayors and mayoral candidates – as well as their party affiliations prior to Clean Hands – which we can use to evaluate re-running rates and party switching more directly. Table 2 analyses the decision of mayors in office prior to 1993 to stand for reelection in the period 1993-1995. The dependent variable is an indicator variable equal to 1 when the mayor stands for reelection (0 otherwise), and the main independent variable refers to the mayor's partisan affiliation during the previous legislative term. The results in Table 2 indicate that mayors previously elected on a DC/PSI ticket are approximately 6 percentage points less likely to stand for reelection immediately after Clean Hands compared to mayors from other parties. Roughly symmetrically, mayors from Civic Parties are almost 9 percentage points more likely than other mayors to stand for reelection. These findings hold even after controlling for year dummies (columns (1) and (3)) and individual covariates (columns (2) and (4)).

Clearly, one might wonder whether our party switching results reflect politicians fearing reduced campaign financing from the scandal-afflicted parties or their apprehension about the challenges of campaigning without the support of now-scandalized national party leaders. Such explanations appear unlikely in our setting, however, as local politicians predominantly switch towards independent local parties lacking such material resources. This rules out that concerns about resources drive our results. Alternatively, the national scandal may have forced the resignation of partisan gatekeepers deciding on, for instance, (local) party lists and career paths within the party. This might have undermined party discipline at the local level, and increased party switching. Still, this purely intra-party explanation is at odds with our finding that DC/PSI's local coalition partners play an important role in triggering early elections and local government dissolution (see Table OA.5). This rules out that our findings reflect some cleaning house strategy within the tainted parties that is coordinated between the two levels of government.

Table 2: Mayors' probability of standing for reelection (1993-1995)

	(1)	(2)	(3)	(4)
Mean dep. Var:	*0.285*	*0.285*	*0.285*	*0.285*
DC/PSI	-0.064***	-0.054***		
	(0.009)	(0.009)		
Other parties (civic parties)			0.090***	0.096***
			(0.014)	(0.014)
R^2	0.051	0.064	0.051	0.066
N observations	10,519	10,491	10,519	10,491
Year FE	Yes	Yes	Yes	Yes
Individual covariates	No	Yes	No	Yes

Notes: The dependent variable *Standing* equals 1 when a mayor elected prior to 1992 is standing for re-election in the period 1993-1995, 0 otherwise. *DC/PSI* is a dummy variable equal to 1 if a mayoral candidate was affiliated (before 1992) to either the Christian Democrats or the Italian Socialist Party, while *Other parties* is a dummy equal to 1 when a mayoral candidate was affiliated with either a Civic party or other minor parties. Individual covariates include *gender*, *education* and *year of birth*. Robust standard errors in parenthesis * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$.

4.3. Short-term political benefits of party switching

Finally, we assess whether it benefits local politicians to distance themselves from a party entangled in a scandal at the national level. Does the now tainted party label affect a mayor's chance of reelection, and would electoral retribution be lower when switching to another party? These questions are addressed in Table 3. The dependent variable equals 1 when a mayor is reelected (conditional on having stood for reelection) in the 1993-1995 period and 0 when she stands for reelection but fails to regain the mayor position. As in the previous table, the main independent variable in the first four columns refers to the mayor's partisan affiliation during the previous term. In columns (5) and (6), we furthermore add an interaction term between the mayor's party affiliation in the previous term and her affiliation to a Civic Party list in the current election ($Civicparties_{t+1}$). This interaction captures whether – and to what extent – switching from DC/PSI to a Civic Party list can insulate a mayor from electoral retribution. Naturally, some care is due in interpreting these results as the decision to switch party is not exogenous, and may be influenced by factors affecting (subsequent) electoral success.

Columns (1) and (2) in Table 3 indicate that mayors running for reelection in the 1993-1995 period on a DC/PSI label are significantly less likely to be reelected. The point estimates suggest a decrease in their reelection probability with 10 to 12 percentage points compared to mayors from other parties, which is roughly 25% of the standard deviation in mayors' re-election probability. This is substantively meaningful also given that the overall probability of reelection is just over 75%. Columns (3) and (4) indicate that Civic Party mayors have a 4 to 5 percentage points higher probability of reelection in the 1993-1995 period compared to

Table 3: Mayor's probability of reelection (1993-1995)

	(1)	(2)	(3)	(4)	(5)	(6)
Mean dep. Var:	*0.755*	*0.755*	*0.755*	*0.755*	*0.755*	*0.755*
DC/PSI	-0.122***	-0.105***			-0.147***	-0.123***
	(0.015)	(0.015)			(0.018)	(0.019)
Other parties (civic parties)			0.038*	0.050**		
			(0.021)	(0.020)		
Other parties (civic parties)$_{t+1}$					-0.048*	-0.025
					(0.027)	(0.027)
DC/PSI X Other parties (civic parties)$_{t+1}$					0.100***	0.070*
					(0.036)	(0.036)
R-squared	0.039	0.066	0.006	0.041	0.042	0.068
Observations	2,996	2,991	2,996	2,991	2,996	2,991
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Individual covariates	No	Yes	No	Yes	No	Yes

Notes: The dependent variable *Elected* equals 1 for the politician that won the mayoral election, 0 for those candidates that failed to win the election. *DC/PSI* is a dummy variable equal to 1 if a mayoral candidate was affiliated before 1992 to either the Christian Democrats or the Italian Socialist Party, while *Other parties* is a dummy equal to 1 when a mayoral candidate was affiliated to either a Civic party or other minor parties. *Other parties*$_{t+1}$ equals 1 when a candidate is running as a candidate for a Civic party or other minor parties in the current election. Individual covariates include *gender*, *education* and *year of birth*. Robust standard errors in parenthesis * p < 0.1, ** p < 0.05 and *** p < 0.01.

mayors from other parties. Interestingly, columns (5) and (6) illustrate that switching party from DC/PSI to a Civic Party list can provide partial insulation from the electoral cost associated with the tainted DC/PSI party label. Whereas the reelection probability of DC/PSI mayors that do not switch party is 12 to 15 percentage points lower compared to mayors from other parties in the 1993-1995 period, DC/PSI mayors that did switch to a Civic Party list are only 5 to 7 percentage points less likely to be reelected than mayors from other parties (those differences are all statistically significant at the 1% level). Strategically dissociating oneself from a party implicated in a national scandal thus appears highly beneficial from an electoral perspective.

5. Longer-term municipality- and individual-level impacts of Clean Hands

Our results thus far document substantial short-term impacts of a national scandal on local-level political (in)stability as well as the behaviour of local politicians. In this section, we extend our time horizon to investigate potential medium-term impacts of the scandal at both the municipality and individual levels.

5.1. Political scandals and future misconduct at municipal level

First, we evaluate the potential impact of the scandal on local elected officials' misconduct in the future. Avis et al. (2018) recently show that random audits of local public resources in Brazil reduce future corruption by increasing the perceived costs of corrupt activities. We

test whether similar effects can be observed after a large-scale political scandal. To address this question, we analyse information on three types of corruption offences at the municipal level – i.e., extortion, abuse of office and embezzlement – over the period 2004 to 2014 (i.e. 10 to 20 years after the scandal). These are official administrative data collected by the Italian Ministry of Interior. We use this information to define three indicator variables equal to 1 if at least one offence of a specific type was recorded in the municipality over the observed period, 0 otherwise. Employing these dummies as the dependent variable, we run a set of regressions where the main independent variables reflect the mayor's party affiliation in our period of observation (1989-1995). This is coded as four mutually exclusive groups: a) never DC/PSI (used as the reference group), b) DC/PSI before but not during the scandal (i.e. prior to 1992), c) DC/PSI during but not before the scandal (i.e. after 1992), and d) DC/PSI before and during the scandal. Given the observed change in power, municipalities in groups b and c are more competitive political arenas (compared to groups a and d). We expect longer-term effects of the scandal to be particularly present in such competitive municipalities 'treated' with DC/PSI during the scandal (i.e. group c) since such treatment might make corruption a more persistently salient and sensitive issue for voters.

The results are reported in Columns (1) to (3) of Table 4. We find that the probability of extortion and embezzlement cases arising 10 to 20 years after the scandal is significantly lower in competitive municipalities treated with a DC/PSI mayor during Clean Hands (compared to any of the other three groups). Although the absence of data prior to 2004 implies we cannot assess pre-trends and our results here are purely correlational, this finding is nonetheless suggestive of important long-term effects of Clean Hands on corruption levels.

5.2. Political scandals and future voter turnout at municipal level

As an additional test of the longer-term effects of Clean Hands, we also looked at voters' political engagement through electoral turnout. Previous work has shown that corruption scandals depress voter turnout in the short-to-medium term. Analyzing local-level turnout data for Italian national parliamentary elections since 1948, we are able to capture effects up to 25 years after Clean Hands and thus can take into account also long-term effects. Given the long time period, this analysis can also exploit the same difference-in-differences specification of the main analysis and thereby provide stronger inferences.The results are reported in Column (4) of Table 4.

Employing the above-mentioned classification of municipalities into four groups depending on the mayor's affiliation, our results highlight that voter turnout is depressed most strongly in municipalities ruled by DC/PSI only during Clean Hands. Using a more flexible temporal specification not shown here, we also find this scarring effect is persistent over time and

Table 4: Future corruption and Turnout

	Extortion	Abuse of office	Embezzlement	Turnout
	(1)	(2)	(3)	(4)
Mean dep. Var:	*0.046*	*0.184*	*0.098*	*0.869*
Always DC/PSI	0.013***	0.034***	0.026***	0.000
	(0.005)	(0.011)	(0.008)	(0.002)
DC/PSI Only During scandal	-0.024*	0.007	-0.044**	0.012**
	(0.012)	(0.035)	(0.021)	(0.005)
DC/PSI Only Before scandal	0.006	0.009	-0.000	-0.002
	(0.007)	(0.014)	(0.010)	(0.002)
Always DC/PSI X After scandal				-0.009**
				(0.004)
DC/PSI Only During scandal X After scandal				-0.027**
				(0.004)
DC/PSI Only Before scandal X After scandal				-0.006*
				(0.003)
R-squared	0.191	0.255	0.195	0.443
N observations	8,071	8,071	8,071	129,197
Year of election FE	Yes	Yes	Yes	Yes
Province FE	Yes	Yes	Yes	Yes
Municipal covariates	Yes	Yes	Yes	Yes

Notes: In columns 1 to 3, the dependent variable is a dummy variable equal to 1 when a municipality reports at least one criminal event for the category listed in the column head in the period 2004-2014, and 0 otherwise. In column 4 the dependent variable is the municipal *turnout* in parliamentary election. *Always DC/PSI* is a dummy equal to 1 if the mayor party is DC/PSI before and during the scandal, and 0 otherwise; *Only During scandal DC/PSI* is a dummy equal to 1 if the mayor party is DC/PSI during but not before the scandal, and 0 otherwise; *Only Before scandal DC/PSI* is a dummy equal to 1 if mayor party is DC/PSI before but not during the scandal, and 0 otherwise. *After Scandal* is a dummy equal to 1 in the years after the scandal for all municipalities. Municipal covariates include *population*, *area*, *share of population with age* < 14, *share of population with age* > 75, *unemployment rate* and *occupation rate*. Standard errors clustered at the province level in parenthesis * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$.

Table 5: Future career

	Regional	Provincial	Municipal
	(1)	(2)	(3)
Mean dep. Var:	*0.007*	*0.027*	*0.843*
Switching	-0.005***	-0.011***	-0.007
	(0.002)	(0.003)	(0.006)
DC/PSI	-0.008***	-0.005*	-0.003
	(0.002)	(0.003)	(0.006)
Switching X DC/PSI	0.007***	0.007*	0.005
	(0.002)	(0.004)	(0.008)
R-squared	0.009	0.015	0.316
N observations	28,296	28,296	28,296
Year of election FE	Yes	Yes	Yes
Individual covariates	Yes	Yes	Yes

Notes: The dependent variable is a dummy variable equal to 1 if a city councilor has been elected at least once in the parliament at the level of government listed in the column head in the period 1997-2007, and 0 otherwise. *Switching* equals 1 for a politician that was re-elected in the following term for a different party, and 0 otherwise. *DC/PSI* is a dummy variable equal to 1 if a politician was affiliated before 1992 to either the Christian Democrats or the Italian Socialist Party, and 0 otherwise. Individual covariates include *gender*, *education* and *year of birth*. Standard errors clustered at the province level in parenthesis * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$.

remains visible in the data even 25 years after the scandal. Overall, these findings suggest that the increased salience of political corruption from being treated with a major political scandal might persistently decrease citizen interest and trust in politics (thereby depressing voter turnout) as well as driving down future corruption levels.

5.3. Political scandals and future upward career mobility at individual level

Finally, we look at the future political careers of our sample of local councillors to investigate the medium-term career impact of being (un)affected by the scandal and switching party. Matching the names of all local councillors in our period of observation to the universe of municipal, regional and provincial representatives over the period 1997-2007, we can assess to what extent local councillors remained politically active and/or climbed the political ladder in the 15 years after Clean Hands. We can then compare career progressions depending on whether politicians were members of a party affected by the scandal (i.e. DC/PSI), as well as whether or not they switched party in the period of the scandal (i.e. 1992 to 1995).

The results in Table 5 provide evidence that switching was a good strategy for a politician's future career. Specifically, we show that party switching statistically significantly reduces the probability of being elected into higher-level parliaments among politicians not originally

affiliated to DC/PSI. This reflects a general cost of switching, and likely arises because political parties act as gatekeepers to elected office (Gallagher and Marsh, 1988; Fiva and Røhr, 2018; Heyndels and Kuehnhanss, 2019) and determine who is promoted to positions of political power (Dowding and Dumont, 2008; Borchert and Stolz, 2011). More interestingly, while the same reduced probability of upward career mobility is observed among affected local politicians that fail to switch, party switching is found to save most of the upward career mobility among affected local politicians. Hence, these results confirm our finding in section 4.3 that switching party when it is hit by a scandal may be a good idea. In fact, they suggest that this is true not just in the short term, but also in the medium term.

6. Conclusion

Numerous studies have analysed whether – and under which conditions – voters punish corrupt incumbents on Election Day (for recent reviews, see Fisman and Golden, 2017; De Vries and Solaz, 2017). In sharp contrast, little is known about how politicians – rather than voters – react to scandals. Scandals are likely to impact the implicated politicians. The central contribution of our analysis, however, is to show that such scandals can have substantial implications also beyond the politicians directly involved. Since large-scale scandals trigger negative labelling of the involved party (or parties) by the media, they generate a negative societal perception of this party. Studies of organizational stigma show that such negative views often become extended to individuals affiliated with the stigmatized group (Kulik et al., 2008; Kvåle and Murdoch, 2019). Rational politicians then will reassess their affiliation with a party involved in a scandal, even when they are not themselves implicated. We test the empirical implications of this argument by exploiting the main scandal in recent Italian history ("Clean Hands"), which took place in the period 1992-1994 and mostly involved the two leading national parties (i.e. Christian Democratic DC and Socialist PSI).

At the macro level, our analysis illustrates that a prominent national-level scandal causes an increase in early government dissolution at the local level. We show that these effects are concentrated in municipalities where the mayor is affiliated to a party involved in the scandal and in regions where more national-level politicians are charged with corruption. These results highlight that local politicians withdraw support from local incumbents affiliated to parties hit by Clean Hands even though they have no direct involvement in the scandal. Moving to the micro level, we then provide evidence that mayors affiliated to the parties implicated in the scandal are less likely to stand for reelection, and more likely to have switched party when they are reelected (which is found to mitigate the electoral retribution faced by politicians of the tainted party). DC/PSI council members are also observed to engage in more party switching after the scandal. Taken together, these individual-level

results indicate that local politicians not themselves involved in the scandal re-optimize their behaviour relative to the implicated parties. Finally, we extend the analysis to potential longer-term effects (i.e. 10-20 years after the scandal). This indicates – at the macro level – lower voter turnout and a reduced probability of corrupt practices in electorally competitive municipalities 'treated' with a DC/PSI mayor during Clean Hands and – at the micro level – improved post-scandal upward career mobility of DC/PSI politicians that switched party (relative to those that did not switch). The macro and micro evidence together attests to the strong relevance of party "brands" in contemporary politics, and particularly highlights a potential 'dark side' of politicians' partisan attachment.

As electoral agency models predict that a better informed electorate bolsters politicians' incentives to perform well and abstain from corrupt or rent-seeking activities (or, at least, to be perceived as such) (Besley and Prat, 2006), one avenue for further research would be to evaluate the role of local media in propagating the observed effects at the local level. Local media may indeed play "a crucial role as watchdogs, informing citizens about any improper conduct by those in power" (Puglisi and Snyder, 2011, p. 931). Credible empirical tests of such media-driven information effects would naturally require dealing with the fact that voters' information access is likely to be endogenous to most outcome variables of interest (Besley and Prat, 2006). Recent contributions, however, have achieved such identification by exploiting a lack of congruence between media markets and electoral districts (Ansolabehere et al., 2006; Snyder and Strömberg, 2010) or exogenous aspects of entry and exit in media markets (Gentzkow, 2006; Adena et al., 2015; Ellingsen and Hernæs, 2018).

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Abandon Ship? Party Brands and Politicians' Responses to a Political Scandal

ONLINE APPENDIX

A. Excluding confounding factors and threats to identification

As discussed in the main text, we have to exclude a number of potential confounding factors to strengthen our interpretation that Clean Hands is the main driver of our findings on local government dissolutions. First of all, we need to illustrate that the effects are concentrated where the scandal had most impact. From this perspective, one would expect that Clean Hands has stronger local effects when i) there are more corruption revelations in the municipality's electoral district (which sends a stronger negative signal about the parties involved), and ii) the level of political competition in the municipality is higher (which puts the local incumbent in a weaker political position). To assess this, the empirical model in equation (1) is extended with a three-way interaction between $AfterScandal$, DC/PSI_{it} and either corruption or electoral competition. We operationalize the level of corruption by looking at both the number and share of national politicians charged with corruption in the electoral district of a municipality. We thereby define an indicator variable *High corruption* equal to 1 when the number (or share) of charged national politicians is above the median of the sample distribution. Electoral competition is operationalized statically via the political fragmentation of the local council (i.e., the number of parties represented in the council)(see also Ashworth et al., 2014). The results are presented in Tables OA.7 and OA.8, respectively.[1]

Tables OA.7 and OA.8 Here

The results in Table OA.7 show a statistically significant coefficient on the three-way interaction when the control group consists of all other municipalities (columns (1) and (4)) or municipalities where the mayor was from Civic Parties or minor national opposition parties (columns (3) and (6)). Its positive sign confirms that the effect on local government early dissolution is stronger for municipalities situated in electoral districts where more (or a larger share of) national deputies were charged with corruption – and where the value of the party brand arguably declines most. The results in Table OA.8 similarly indicate that local government early dissolution increases particularly in treated municipalities with more politically fragmented councils. Local incumbents in a weaker political position thus are particularly sensitive to the decline in party brand value due to Clean Hands.

[1]Unfortunately, we are unable to exploit alternative measures of electoral competition – such as the closeness of local elections – since local electoral data are available only from 1993 onward. We prefer to use the actual rather than the effective number of parties (with council seat shares as weights) as the interpretation of the resulting coefficients is more straightforward, and both variables' distribution is extremely similar (such that the allocation of municipalities above/below the median shows very considerable overlap).

Table OA.9 investigates the possible confounding effect of the severe economic crisis facing Italy in the early 1990s using two proxies for local economic activity. The first captures variation in the number of active firms registered in each municipality between 1991 and 1996 (*% change number of firms*), while the second considers variation in the number of employed individuals between 1991 and 1996 (*% change number of employees*). In both cases, positive (negative) numbers reflect economic growth (decline). The three-way interaction in Table OA.9 never reaches significance when we consider changes in the number of firms (columns (1) to (3)), and is significantly negative when we look at variation in employment (columns (4) to (6)). Importantly, however, our main coefficient of interest (DC/PSI X $Afterscandal$) remains stable compared to the baseline results. Moreover, even a one standard deviation shift in the number of employees – in either direction – still leaves us with a statistically and substantively meaningful positive effect on our main coefficient of interest. Hence, even though local economic developments appear to have had some influence on local government early dissolutions, we can exclude that the economic crisis drives our baseline findings.[2]

Tables OA.9 and OA.10 Here

In Table OA.10, we assess the possible confounding effect of the emergence of the populist, right-wing Lega Nord, which was launched as a political alliance in December 1989 and formalized as a political party in January 1991. We proxy its local popularity by its municipal vote share in the 1992 national elections. The results indicate that the three-way interaction remains insignificant. Its negative sign suggests that our key coefficient of interest (DC/PSI X $Afterscandal$) is somewhat higher in municipalities where Lega Nord is weaker. Yet, as before, our main inferences are unaffected even for municipalities where the popularity of Lega Nord is more than one standard deviation above its mean. Hence, we can exclude that the local political strength of Lega Nord generates our results.

Finally, Table OA.12 evaluates the robustness of our main findings to the introduction of year-region fixed effects. Although this is a very restrictive specification as it controls for time-varying local shocks, it again leaves our main results unaffected.[3]

[2]We find similar results when looking at municipalities' economic situation in 1991 (rather than the change over the 1991-1996 period). This is important given that the information from 1996 is potentially endogenous, since it could have been affected by the political instability at the municipal level.

[3]We also considered exploring the impact of Clean Hands on an additional dimension of local governance: namely, public finances. Unfortunately, official statistics obtained from the Italian Ministry of Interior are highly incomplete for our period of interest, such that systematic information on total expenditures, revenues or intergovernmental transfers is only available for some municipalities. Furthermore, local government revenue and expenditure assignments were changed substantially in the early 1990s, which further complicates

Taken together, these sets of findings strongly suggest that Clean Hands is the main driver of the observed increase in local government early dissolutions, which credibly links Clean Hands to local government instability via politicians' partisan connections.

B. Further robustness checks

B.A. Alternative specifications

Thus far, we concentrated on municipalities where the incumbent mayor is affiliated to DC/PSI. Clearly, this is only one possible operationalization linking the national Clean Hands scandal to local governments via local politicians' partisan ties. Here, we consider four alternative scenarios varying in the relative power of DC/PSI politicians at the local level. First, we look at municipalities where the mayor and *all* aldermen belong to DC/PSI. Second, we analyze cases where the mayor belongs to DC/PSI, but at least one alderman is affiliated to another party: i.e., municipalities ruled by DC/PSI with at least one coalition partner. Third, we assess municipalities where the mayor is from PCI or Civic Parties, but at least one alderman is affiliated to DC/PSI: i.e., DC/PSI is part of the local governing coalition, but does not control the mayor. Finally, we look at municipalities where DC/PSI holds neither the mayor nor any aldermen. We expect stronger effects in municipalities where the power of DC/PSI politicians at the local level is largest (i.e. where they hold the mayor position) and where these parties are a minor coalition partner (without holding the mayor position). The latter would be consistent with the party in control of the mayor triggering early elections to distance itself from DC/PSI, thereby capitalizing on those parties' sudden weakness to strengthen its own position.

The results are summarized in Table OA.5. In column 1, we compare municipalities where DC/PSI controls both the mayor and all aldermen to all other municipalities before and after Clean Hands. As in the baseline specification, we find that municipalities governed solely by DC/PSI document a statistically significantly higher probability of early government dissolution once the scandal started. In column 2, we restrict the control group to municipalities where DC/PSI governs in a coalition with other parties (thus comparing municipalities where DC/PSI has no coalition partner to municipalities where they do). While the municipalities with a more dominant role for DC/PSI document a somewhat higher level of early government dissolution after the scandal, the difference is not statistically significant. In column 3,

any inferences drawn from the available fiscal data. With these caveats in mind, auxiliary regressions indicate that municipalities run by DC/PSI mayors prior to the scandal receive 0.5% *more* intergovernmental transfers after Clean Hands relative to other municipalities. This statistically significant positive, but substantively small, effect is at odds with the idea that such municipalities might have experienced a reduction in transfers triggering (expectations of) poor performance in the upcoming elections.

we shift focus to municipalities with a mayor from PCI or Civic Parties in a coalition with DC/PSI and compare them to all other municipalities. The point estimate now becomes negative (though insignificant), which is reasonable given that the control group in this case includes municipalities ruled by DC/PSI. Interestingly, however, we find a very strong and statistically significant effect when restricting the control group in column 4 to municipalities without DC/PSI in the governing coalition. This last result strongly suggests that parties in a coalition with DC/PSI as a minor partner indeed trigger early elections to capitalize on these parties' sudden electoral weakness.

Overall, the highest level of local government early dissolution thus is observed following Clean Hands for municipalities where the mayor is from DC/PSI – whether or not in a coalition with other parties. Then, among municipalities where the mayor is from PCI or Civic Parties, local government early dissolution after the scandal is higher where DC/PSI is part of the coalition compared to where it is not. In line with our theoretical argument concerning the role of the party "brand", these results highlight that the presence of DC/PSI in the local governing coalition is central to the observed increase in local government early dissolution after the eruption of the scandal.

Table OA.5 Here

B.B. The role of local corruption

Our identification requires that local politicians were not themselves implicated in the Clean Hands scandal. If they were, our findings may simply reflect a direct accountability mechanism whereby corrupted local politicians are removed from office. Although several scholars of Italian political history state that Clean Hands focused on national politicians (Gundle and Parker, 1996; Newell, 2000), they often also mention the involvement of at least some local politicians. As those were typically elected in bigger municipalities with direct ties to the national hierarchy of the implicated parties – such as mayor Paolo Pillitteri of Milan – we replicated our analysis while dropping all provincial capitals (about 100 municipalities). This leaves our findings unaffected, as reported in columns (1) to (3) of Table OA.15. Table OA.16 illustrates that the same holds when excluding the 1%, 5% and 10% largest municipalities from the sample.[4]

Tables OA.15 and OA.16 Here

[4]The latter restricts the sample to municipalities below 11,300 inhabitants. This analysis also helps alleviate concerns that some national politicians might hold local mandates (usually in larger municipalities), which could invoke a mechanical impact of the scandal in such municipalities.

Nonetheless, to address this potential concern in more detail, we undertook a meticulous qualitative analysis of local news over the period 1992-1994. We do this for two Italian regions – Piemonte in the north and Puglia in the south – which together represent 18% of Italian municipalities. This choice was driven mostly by practical concerns of data availability as only few local newspapers provide open access to their complete digital archives. Yet, it should be noted that both regions are representative of the rest of Italy in terms of the share of national legislators charged with corruption or related crimes during Clean Hands. We searched the online archives of La Stampa (for Piemonte) and La Gazzetta del Mezzogiorno (for Puglia) for references to early dissolutions of local governments, and then examined the articles (about 300 in total, digital copies available upon request) for references to politicians charged with corruptive practices.[5] The results indicate that 16 out of 124 cases of early government dissolution in municipalities governed by DC/PSI show some evidence of corrupt local politicians. The same is true for 11 out of 44 cases of early government dissolution in municipalities governed by other parties. The results in column (4) through (9) in Table OA.15 indicate that excluding these 16 municipalities from our estimation sample leaves our findings qualitatively unaffected.

B.C. The implosion of DC

The dissolution of DC in January 1994 implies that politicians in this party necessarily had to change party, which may provide a 'mechanical' explanation for our party switching findings. However, even though the dissolution of DC (and PSI) induced an important process of fragmentation and party reorganization in the Italian political landscape, we are able to track this process because we have information on which parties were the immediate successors of DC. This allows us to code these parties as if they jointly constituted DC in the period after 1993 (see also footnote 18 in the main text). Hence, we can monitor the extent to which politicians affiliated to DC prior to Clean Hands were affiliated to DC-successor parties after 1993 – thus eliminating any purely mechanical effects in our analysis of party switching.

[5]Both newspapers are a reliable source of local news. With restricted pools of journalists spread across few newsrooms in their regions' main cities, direct links between journalists and local politicians leading to biased corruption reporting are unlikely. Moreover, Italian media played a key role during Clean Hands in spreading corruption news and the subsequent delegitimization of the national political class (Chang et al., 2010). Media coverage was so intense that some politicians believed admitting their crimes was better than continuing to be accused by the media (Giglioli, 1996). As such, the size and salience of Clean Hands makes it likely that local newspapers reported all relevant scandals.

Even so, one might still argue that this fragmentation process directly undermined politicians' expected utility from these DC-successor parties (in the sense of Dewan and Myatt (2014)), which might drive our results (rather than Clean Hands as such). This argument is likely to play some role in explaining the very substantial increase in party switching among DC politicians in 1994 (see Figure 4 in the main text). Yet, there are a number of elements that make this explanation less credible for the earlier years in our sample. First, the dissolution of DC was entirely unexpected at least until 23 June 1993, when the Secretary of DC suggested that "the end of DC would be possible". This declaration was so unexpected that it caused complaints from all main DC politicians, which led the Secretary to deny having made the statement two days later. Even the Pope declared the next day that "DC doesn't have to die". This is important since, as shown in Figures 3 and 4 in the main text, the effect of the scandal on local government early dissolutions and party switching already starts in 1992. Clearly, this precedes the dissolution of DC (in January 1994), which from the discussion above was unpredictable at that point. Second, there is no evidence of a sudden peak in early dissolutions around June 1993 (as shown in Figure OA.5), which suggests that the implosion of DC as such had little independent impact on local government early dissolutions.[6] Finally, the implosion of DC cannot explain the fact that local government early dissolution also increased in municipalities with PCI mayors relative to the control group of municipalities with Civic Party mayors.[7]

B.D. The new electoral law

A final alternative explanation for our findings lies in a differential impact of the 1993 change in the local electoral law. As explained in Section 2.2 in the main text, the new electoral law introduced the direct election of the mayor, reinforcing his role within the local council. This might have increased politicians' incentives to run for a Civic Party rather than a national party if they intended to highlight their individual characteristics. As such, it might have induced increased switching rates and local government early dissolution. Even though the change in electoral law might have had such effects, it is unlikely to explain our findings for three main reasons. First, our results already materialized in 1992 – i.e. *before*

[6] While the figure indicates an increase in local government early dissolutions in the period September-December 1993, this largely reflects a seasonal trend that is visible also in 1992 and partially in 1994.

[7] Similar arguments also apply to PSI, which was dissolved at the end of a dramatic party convention on 14 November 1994. As for DC, we can track the immediate successor parties of PSI after 1994. Moreover, the dissolution of PSI became a possibility only after the heavy electoral defeat in the 1994 elections (Gundle and Parker, 1996). As already shown, our findings arise already before 1994 (and are also unaffected when omitting 1994 from the sample).

the details of the new electoral law and the timing of its implementation was clear. Second, as mentioned before, party switching was much stronger among DC/PSI politicians compared to PCI politicians, which would require that the former are more sensitive to a change in the electoral law. It is not intuitively clear why that should be true. Finally, our main findings are closely linked to the intensity of the national scandal within a municipality's electoral district. Such differential effects are hard to square with a change in electoral law imposed equally across the Italian territory. Interestingly, Heller and Mershon (2005, p.555) likewise argue that the 1993 electoral reforms at the national level "in themselves did not give rise to switching as a new phenomenon".

C. National Level Effects

The main hypothesis of our analysis is that the effects of Clean Hands trickled down from the national to the local level. Therefore, a crucial assumption is that, in the first place, national DC and PSI politicians were held accountable for the scandal. While in Section 2 we explain that the DC and the PSI were dissolved due to Clean Hands, the national politicians elected in those parties could have stayed in office, as they could run for re-election in a different party. As explained above, we do not rely on this test in the main analysis due to endogeneity concerns, as these politicians were themselves charged with corruption. Nevertheless, to validate our hypothesis, in Table OA.14, we test whether and to what extent national DC and PSI politicians were electorally punished after Clean Hands.

Specifically, we collect data on all elected Italian deputies in the National Parliament in the period 1948–2008, including individual characteristics and party affiliation. We created this dataset by merging two different sources: Chang et al. (2010) and Nannicini et al. (2013). We exploit this panel data to estimate whether the probability of not being re-elected changed after Clean Hands for DC and PSI politicians. The dependent variable is *Not-Elected*, a dummy equal to one in the first election, in which an incumbent member of the National Parliament is not anymore re-elected. For instance, if a politician is in office in the period 1983–1994, and he is not elected in the 1994 election, *Not-Elected* is equal to zero in the elections before 1994 and it is equal to one in the 1994 election. Note that this specification only allows testing whether incumbent politicians are re-elected: lack of candidates data prevents us from testing whether they are re-running for office.

We report the results, estimated with OLS models, in Table OA.14. All columns include politician's fixed effects. Column 1 shows that the probability of leaving the Parliament is 41% higher in the election after Clean Hands, in line with the idea that this scandal reshaped the Italian political arena. In column 2, we report the interactions with two dummies for politicians elected in the previous election with the DC or the PSI. In this specification, we

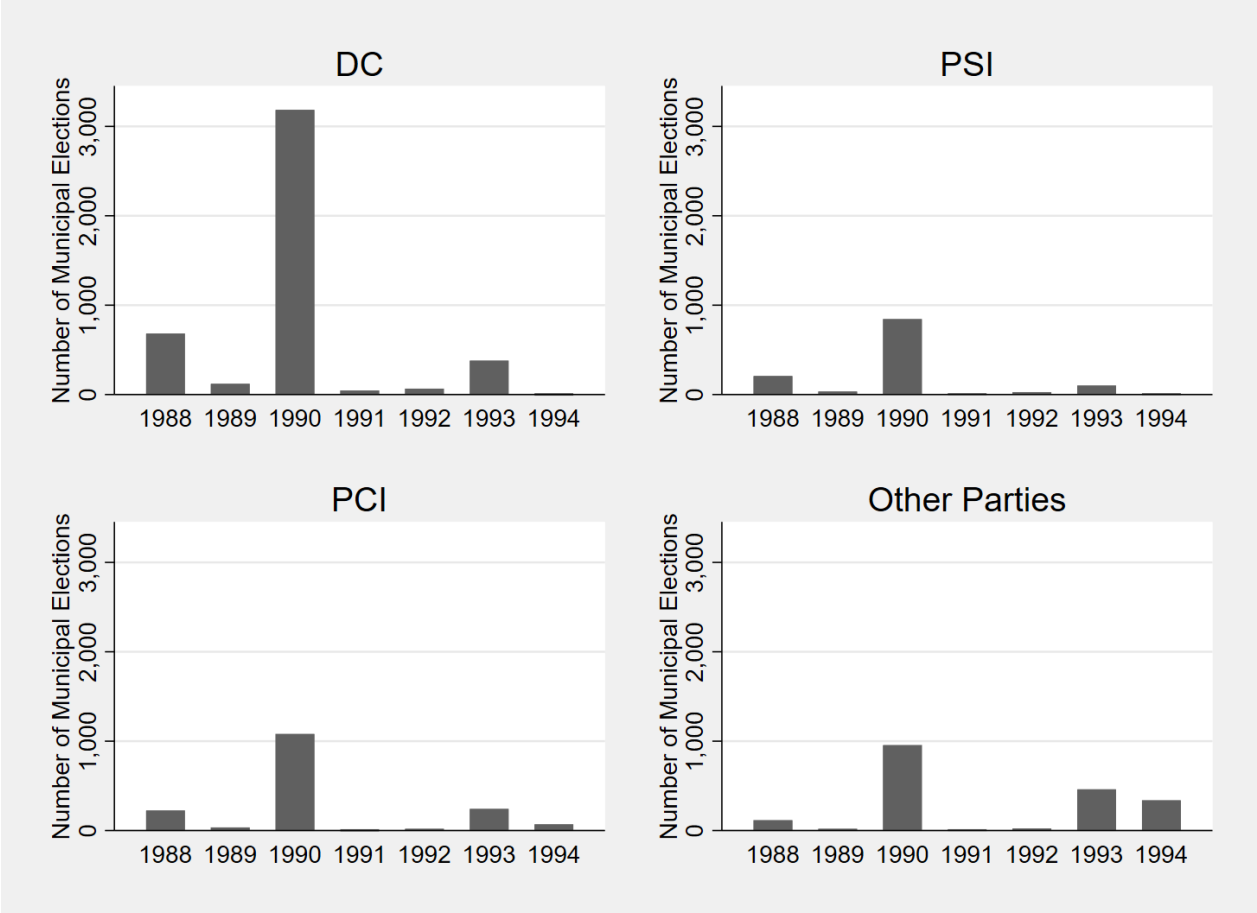
also include election fixed effects. The PSI and the DC coefficients show that, generally, those parties had a higher turnover. However, the interaction terms highlight a much higher probability to not be re-elected after Clean Hands, respectively of 82% for PSI and 73% for DC: this result documents a very high electoral punishment for politicians directly involved in the scandal, an effect much higher than the one estimated at the local level.

In column 3, we consider a triple interaction term, in which we focus on a dummy equal to one for national politicians charged while in office (*Charge*).[8] To facilitate the visualization, we consider a single dummy for politicians running at the previous election with the DC or the PSI. The results show that in general being charged does not affect the probability of staying in office (see Chang et al. (2010) for more details on this finding), but being charged during Clean Hands substantially increases the probability of not being re-elected. Interestingly, the triple interaction is not significant, which implies that all DC and PSI were equally punished. This is in line with the idea that Clean Hands represented a popularity shock, whose effects extended way beyond the involved politicians.

Table OA.14 Here

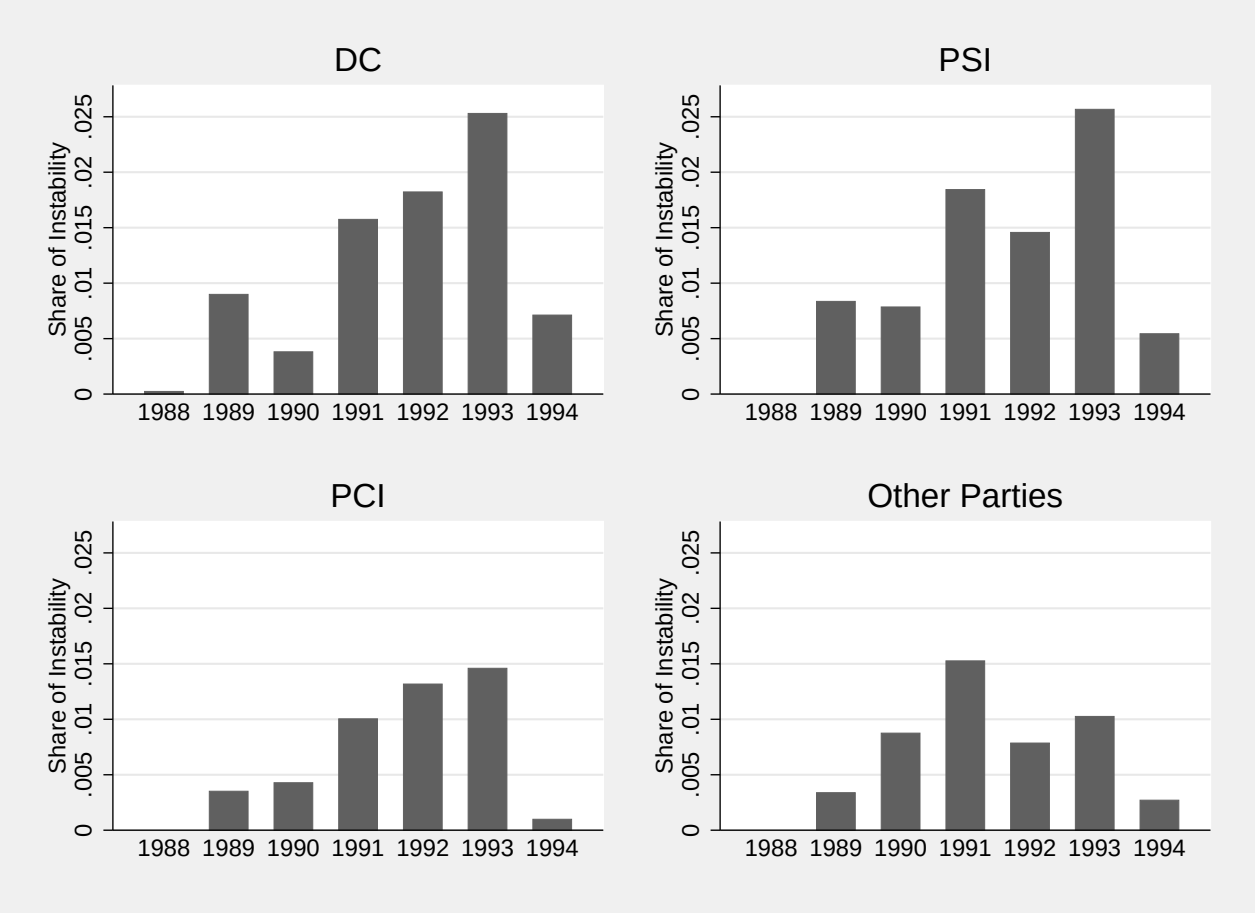
[8] In this case, the number of observations is reduced as we do not have information on charges after 1994.

Figure OA.1: Local government elections, by year-party



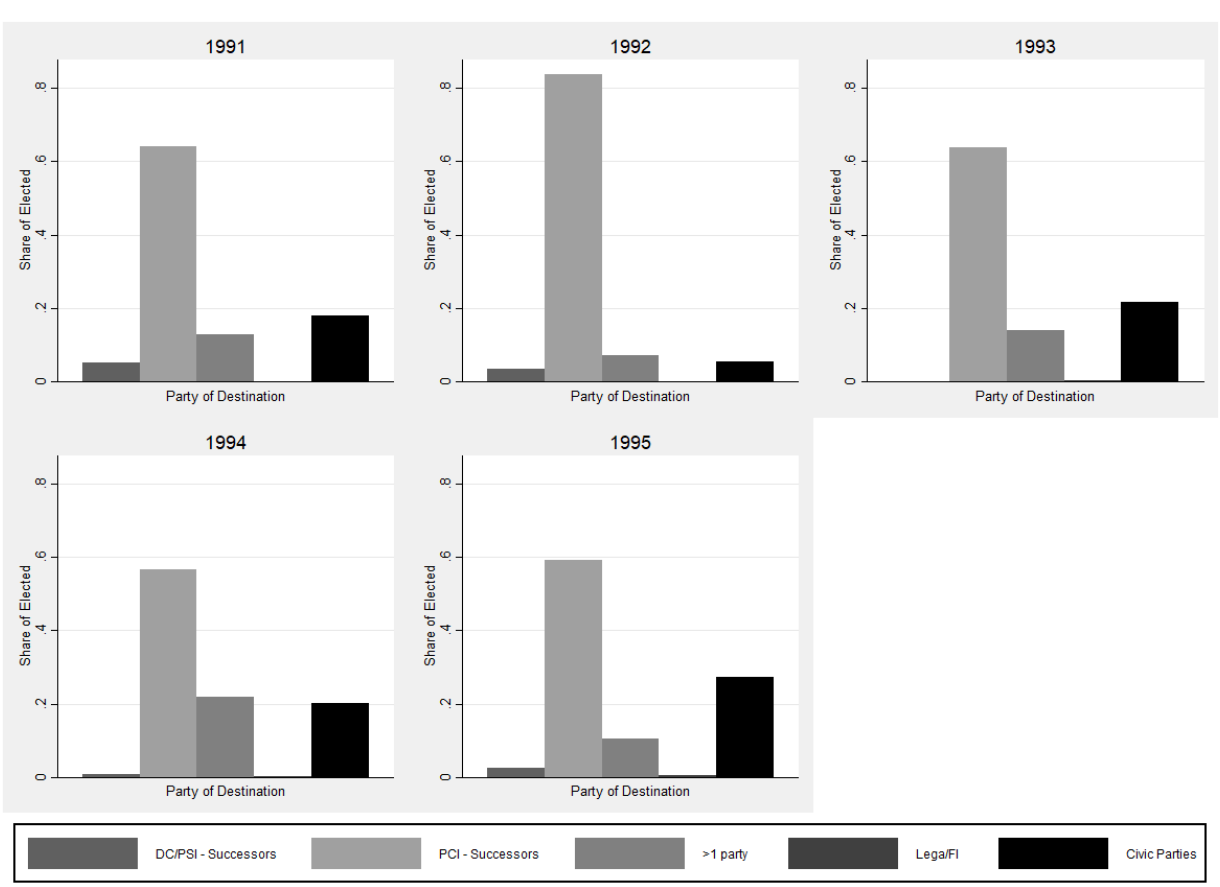
Notes: This figure shows the number of municipalities that held elections by year and party of the incumbent mayor.

Figure OA.2: Government crisis by party and year



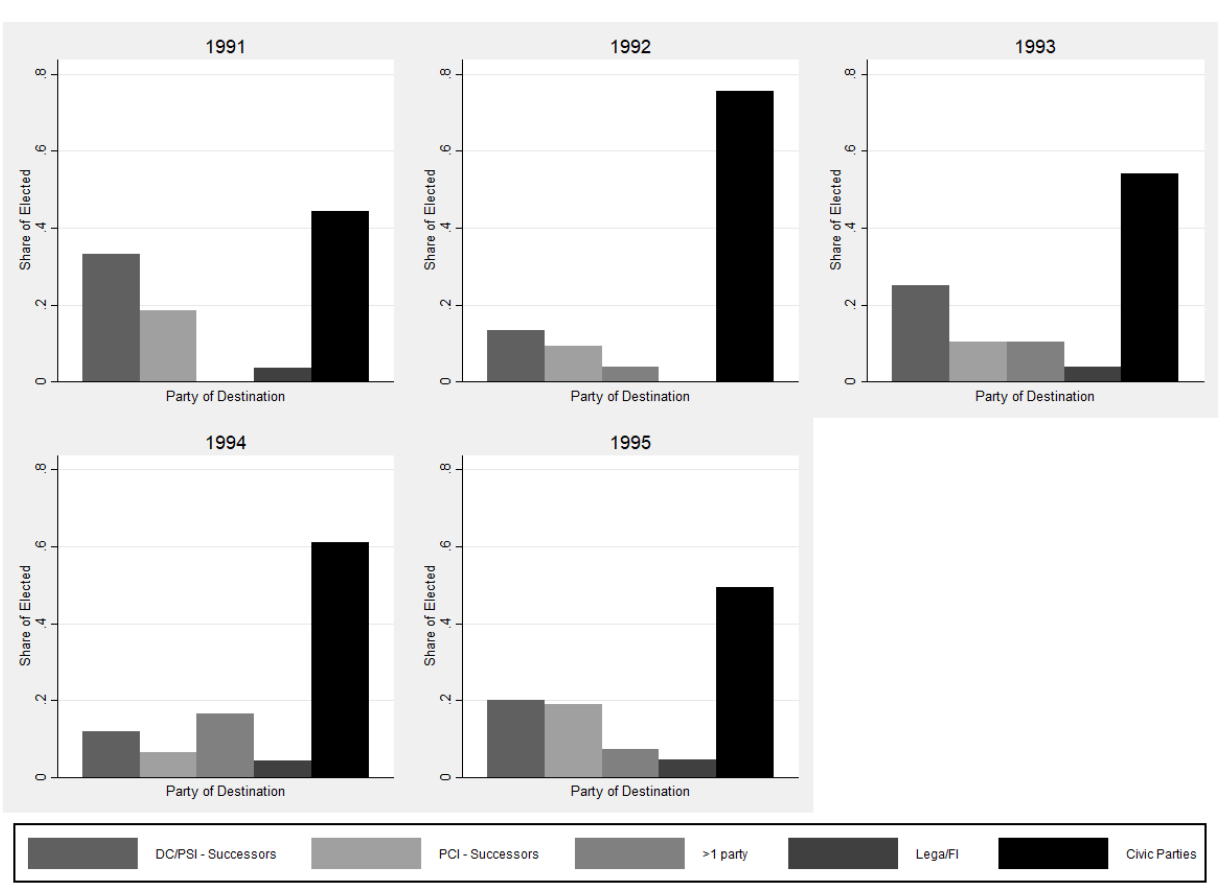
Notes: This figure reports the share of municipalities experiencing early government dissolution by year and the mayor's party affiliation.

Figure OA.3: Party switching by PCI politicians



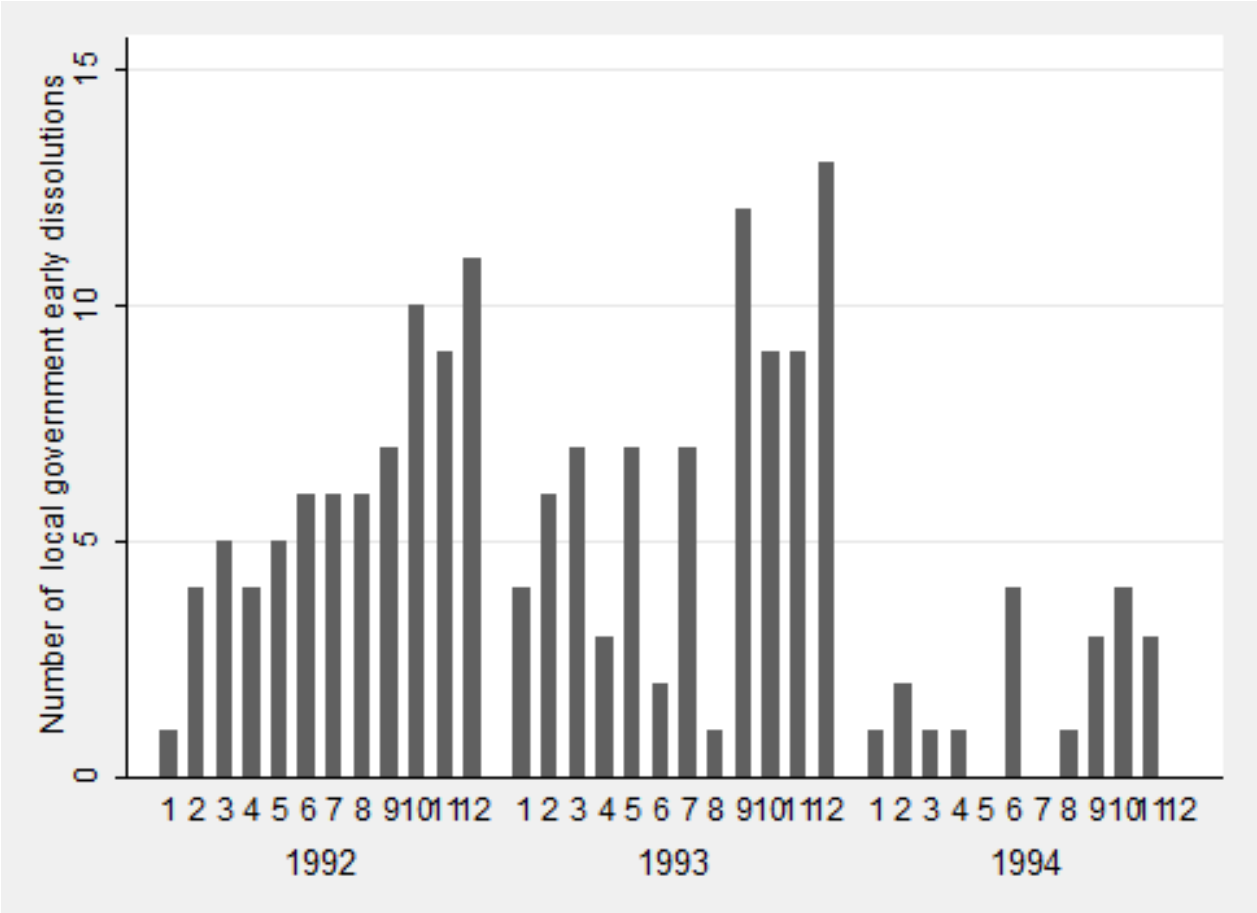
Notes: This figure depicts the share of local politicians originally affiliated to PCI that switched to other parties in the 1991 to 1995 local elections. We look at the complete set of politicians elected in year t affiliated to a given party in the period immediately preceding the election. Each panel then indicates the parties for which this set of politicians is elected in year t ('party of destination').

Figure OA.4: Party switching by Civic Party politicians



Notes: This figure depicts the share of local politicians originally affiliated to Civic Parties that switched to other parties in the 1991 to 1995 local elections. We look at the complete set of politicians elected in year t affiliated to a given party in the period immediately preceding the election. Each panel then indicates the parties for which this set of politicians is elected in year t ('party of destination').

Figure OA.5: Monthly number of local government early dissolutions (only DC)



Notes: This figure shows the monthly data for the number of municipalities governed by a mayor affiliated to DC that witness the early dissolution of its government.

Table OA.1: Summary statistics - Municipality level

Variable	Mean	Std. Dev.	Min.	Max.	N
Instability	0.011	0.106	0	1	43872
DC/PSI	0.681	0.466	0	1	43872
DC	0.515	0.5	0	1	43872
PSI	0.137	0.344	0	1	43872
PCI	0.175	0.38	0	1	43872
Other parties (civic parties)	0.145	0.352	0	1	43872
DC/PSI (mayor and all aldermen)	0.417	0.493	0	1	43872
PCI/Other parties (at least 1 alderman from DC/PSI)	0.167	0.373	0	1	43872
Province capital	0.01	0.101	0	1	43872
Num. of parties in the city council (above the median)	0.412	0.492	0	1	43872
Num. of corrupt politicians (above the median)	0.395	0.489	0	1	43872
Share of corrupt politicians (above the median)	0.472	0.499	0	1	43872
City council education (graduated)	0.19	0.141	0	0.806	43872
City council gender (male)	0.913	0.076	0.455	1	43872
City council age	40.855	3.567	29.133	60.857	43872
Mayor education (graduated)	0.345	0.475	0	1	43872
Mayor gender (male)	0.968	0.176	0	1	43872
Mayor age	45.652	9.986	19	100	43872
Population (in thousands - 1991)	6.384	36.84	0.031	2775.25	43872
% vote Lega Nord (1992)	0.115	0.111	0	0.538	43872
% change firms (1991-96)	-0.052	0.193	-1	2	43809
% change employees (1991-96)	-0.07	0.308	-1	7.166	43809
Extortion (2004-2014)	0.046	0.21	0	1	8071
Abuse of office (2004-2014)	0.184	0.388	0	1	8071
Embezzlement (2004-2014)	0.098	0.297	0	1	8071
Turnout	0.869	0.112	0.001	1	129197
Never DC/PSI	0.215	0.411	0	1	8071
Always DC/PSI	0.686	0.464	0	1	8071
Post DC/PSI	0.016	0.125	0	1	8071
Before DC/PSI	0.083	0.275	0	1	8071
Share population < 14 (1991)	0.152	0.041	0	0.303	8071
Share population > 75 (1991)	0.215	0.121	0.028	1.776	8071
Unemployment rate (1991)	0.069	0.051	0	0.492	8071
Occupation rate (1991)	0.839	0.123	0.303	1	8071
Area (1991)	37.189	50.693	0	1499	8071

Table OA.2: Summary statistics - Individual level

Variable	Mean	Std. Dev.	Min.	Max.	N
All local officials (1989-1995)					
Elected	0.272	0.445	0	1	293762
Switching	0.304	0.46	0	1	75760
DC/PSI - Successors	0.602	0.49	0	1	293762
Age	42.124	10.986	18	100	293762
Gender (male)	0.918	0.274	0	1	293762
Education (graduated)	0.21	0.408	0	1	293762
Mayoral candidates (1993-1995)					
Re-run	0.285	0.451	0	1	10519
Elected	0.756	0.43	0	1	2996
DC/PSI - Successors	0.686	0.464	0	1	10519
Other parties (civic parties)	0.12	0.325	0	1	10519
Year of birth	1944.68	9.890	1907	1972	10517
Gender (male)	0.962	0.192	0	1	10519
Education (graduated)	0.371	0.483	0	1	10491
City councilors (1992-1995)					
Elected in region 1997-2007	0.007	0.083	0	1	28296
Elected in province 1997-2007	0.027	0.162	0	1	28296
Elected in municipality 1997-2007	0.843	0.364	0	1	28296
National Level Analysis (1948-2008)					
Not Elected	0.601	0.489	0	1	16382
Charged	0.094	0.292	0	1	16382
DC	0.416	0.493	0	1	16382
PSI	0.355	0.478	0	1	16382

Table OA.3: Local government early dissolution by year and party

Year	DC/PSI	PCI	Other parties	TOTAL
1989	0.9% (5,502)	0.3% (1,409)	0.3% (1,088)	0.7% (8,004)
1990	0.5% (5,566)	0.4% (1,400)	0.7% (1,125)	0.5% (8,090)
1991	1.6% (5,549)	1.0% (1,393)	1.5% (1,128)	1.5% (8,069)
1992	1.8% (5,371)	1.3% (1,365)	0.6% (1,100)	1.5% (7,835)
1993	2.5% (4,178)	1.5% (1,095)	0.9% (977)	2.0% (6,249)
1994	0.7% (3,686)	0.1% (1,011)	0.3% (929)	0.5% (5,625)
TOTAL	1.3% (29,852)	0.8% (7,678)	0.7% (5,127)	1.14% (43,872)

Notes: This table reports the share of municipalities experiencing an early dissolution of its government by year and the mayor's party affiliation. The number of municipalities included in each sample is reported in parenthesis.

Table OA.4: National political scandals and local government crises – effects by party

	Control group					
	PCI/Other parties	PCI	Other parties	PCI/Other parties	PCI	Other parties
	(1)	(2)	(3)	(4)	(5)	(6)
Mean dep. Var:	*0.011*	*0.011*	*0.012*	*0.009*	*0.010*	*0.010*
DC X After Scandal	0.008***	0.006**	0.012***			
	(0.002)	(0.003)	(0.003)			
PSI X After Scandal				0.005	0.003	0.009**
				(0.004)	(0.004)	(0.004)
DC	0.002	0.012	-0.008			
	(0.006)	(0.011)	(0.006)			
PSI				-0.014	-0.015	-0.013
				(0.009)	(0.013)	(0.012)
R^2	0.247	0.254	0.254	0.296	0.298	0.314
N municipalities	7,206	6,524	5,926	4,355	3,304	2,920
N observations	36,593	31,473	28,920	20,052	14,932	12,374
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Year of election FE	Yes	Yes	Yes	Yes	Yes	Yes
Municipality FE	Yes	Yes	Yes	Yes	Yes	Yes
City council and mayor characteristics	Yes	Yes	Yes	Yes	Yes	Yes

Notes: The dependent variable *Instability* is a dummy variable equal to 1 when the government in municipality i experiences early termination in year t, 0 otherwise. *DC/PSI* is a dummy variable equal to 1 when the mayor of a municipality is affiliated to either the Christian Democrats (DC) or the Italian Socialist Party (PSI), while *PCI* is a dummy equal to 1 when the mayor of a municipality is affiliated the Italian Communist Party. The variable *After Scandal* is equal to 1 for the period 1992-1994 and 0 for the period 1989-1991. In columns (1) and (4) the control group is composed of municipalities governed by a mayor affiliated to either *Other parties* (Civic parties and minor parties) or *PCI*. In columns (2) and (5) the control group is composed of municipalities governed by a mayor affiliated to *PCI*, while in columns (3) and (6) the control group is composed of municipalities governed by a mayor affiliated to *Other parties*. Standard errors clustered at the municipality level in parenthesis * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$.

Table OA.5: Robustness check coalition composition

	Panel I: DC/PSI mayor and all aldermen Vs.	
	all other municipalities	DC/PSI mayor with at least 1 PCI/Other alderman
	(1)	(2)
Mean dep. Var:	*0.011*	*0.013*
DC/PSI X After Scandal	0.005**	0.003
	(0.002)	(0.003)
DC/PSI	0.002	0.001
	(0.004)	(0.005)
R^2	0.232	0.250
N municipalities	8,090	6,218
N observations	43,872	29,852
Year FE	Yes	Yes
Year of election FE	Yes	Yes
Municipality FE	Yes	Yes
City council and mayor characteristics	Yes	Yes
	Panel II: PCI/Other mayor with at least 1 DC/PSI alderman Vs.	
	all other municipalities	PCI/Other mayor with no DC/PSI alderman
	(3)	(4)
Mean dep. Var:	*0.011*	*0.008*
PCI/Other X After Scandal	-0.000	0.010***
	(0.003)	(0.003)
PCI/Other	0.002	-0.003
	(0.004)	(0.007)
R^2	0.232	0.349
N municipalities	8,090	3,166
N observations	43,872	14,020
Year FE	Yes	Yes
Year of election FE	Yes	Yes
Municipality FE	Yes	Yes
City council and mayor characteristics	Yes	Yes

Notes: The dependent variable *Instability* is a dummy variable equal to 1 when the government in municipality i experiences early termination in year t, 0 otherwise. *DC/PSI mayor and all aldermen* is a dummy variable equal to 1 for municipalities that have both the mayor and all aldermen from DC/PSI. The variable *PCI/Other mayor with at least 1 DC/PSI alderman* is equal to 1 when a municipality is governed by a mayor from either *PCI* or *Other parties* (Civic parties and minor parties) but at least one alderman is affiliated with *DC/PSI*. The variable *After Scandal* is equal to 1 for the period 1992-1994 and 0 for the period 1989-1991. In column (1) the control group is composed of municipalities governed by a mayor from *PCI* or *Other parties* and municipalities governed by a mayor from *DC/PSI* but where at least one aldermen is from *PCI* or *Other parties*. In column (2) the control group is composed only by municipalities with DC/PSI mayors but at least one aldermen from *PCI* or *Other parties*. In column (3) the control group is composed of municipalities governed by a mayor from *DC/PSI* and municipalities governed by a mayor from *PCI* or *Other parties* without aldermen from *DC/PSI*. In column (4) the control group is composed only of municipalities governed by a mayor from *PCI* or *Other parties* without aldermen from *DC/PSI*. Finally, in columns (1) and (3) the whole sample is considered. Instead, the analysis is limited to municipalities governed by a mayor from DC/PSI, in column (2), and PCI/Other parties in column (4). Standard errors clustered at the municipality level in parenthesis * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$.

Table OA.6: Pre-trends and effect development

	PCI/Other parties	PCI	Other parties
	(1)	(2)	(3)
Mean dep. Var:	*0.011*	*0.012*	*0.012*
DC/PSI X Scandal$_{t-3}$	0.001	-0.003	0.006
	(0.004)	(0.004)	(0.005)
DC/PSI X Scandal$_{t-2}$	-0.003	-0.004	-0.002
	(0.003)	(0.003)	(0.005)
DC/PSI X Scandal$_{t}$	0.004	-0.001	0.010**
	(0.003)	(0.004)	(0.004)
DC/PSI X Scandal$_{t+1}$	0.010**	0.005	0.016***
	(0.004)	(0.005)	(0.005)
DC/PSI X Scandal$_{t+2}$	0.005*	0.003	0.009**
	(0.003)	(0.003)	(0.004)
DC/PSI	-0.001	0.010	-0.011
	(0.006)	(0.010)	(0.007)
R^2	0.232	0.237	0.240
N municipalities	8,090	7,409	7,014
N observations	43,872	37,525	36,194
Year FE	Yes	Yes	Yes
Municipality FE	Yes	Yes	Yes
City council and mayor characteristics	Yes	Yes	Yes

Notes:The dependent variable *Instability* is a dummy variable equal to 1 when the government in municipality i experiences early termination in year t, 0 otherwise. *DC/PSI* is a dummy variable equal to 1 when the mayor of a municipality is affiliated to either the Christian Democrats (DC) or the Italian Socialist Party (PSI), while *PCI* is a dummy equal to 1 when the mayor of a municipality is affiliated the Italian Communist Party. *Scandal* is a set of indicator variables for each year in our observation period (where $t = 1992$). In column (1) the control group is composed of municipalities governed by a mayor affiliated to either *Other parties* (Civic parties and minor parties) or *PCI*. In column (2) the control group is composed of municipalities governed by a mayor affiliated to *PCI*, while in column (3) the control group is composed of municipalities governed by a mayor affiliated to *Other parties*. Standard errors clustered at the municipality level in parenthesis * p < 0.1, ** p < 0.05 and *** p < 0.01.

Table OA.7: Local government instability and level of corruption

	Number of corrupt politicians			Share of corrupt politicians		
	PCI/Other parties	PCI	Other parties	PCI/Other parties	PCI	Other parties
	(1)	(2)	(3)	(4)	(5)	(6)
Mean dep. Var:	*0.011*	*0.012*	*0.012*	*0.011*	*0.012*	*0.012*
DC/PSI X After scandal X High corruption	0.009*	0.007	0.012**	0.008*	0.006	0.010*
	(0.005)	(0.007)	(0.006)	(0.005)	(0.006)	(0.006)
DC/PSI X High corruption	-0.014	0.003	-0.030***	-0.017**	-0.007	-0.029***
	(0.009)	(0.018)	(0.010)	(0.009)	(0.016)	(0.009)
After scandal X High corruption	0.006	0.009	0.005	0.003	0.005	0.002
	(0.004)	(0.006)	(0.005)	(0.004)	(0.005)	(0.005)
DC/PSI X After scandal	0.003	0.001	0.006**	0.003	0.001	0.006*
	(0.002)	(0.003)	(0.003)	(0.002)	(0.003)	(0.003)
DC/PSI	0.005	0.007	0.004	0.008	0.011	0.005
	(0.005)	(0.008)	(0.006)	(0.005)	(0.009)	(0.006)
R^2	0.233	0.240	0.243	0.233	0.240	0.243
N municipalities	8,090	7,409	7,014	8,090	7,409	7,014
N observations	43,872	37,525	36,194	43,872	37,525	36,194
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Year of election FE	Yes	Yes	Yes	Yes	Yes	Yes
Municipality FE	Yes	Yes	Yes	Yes	Yes	Yes
City council and mayor characteristics	Yes	Yes	Yes	Yes	Yes	Yes

Notes: The dependent variable *Instability* is a dummy variable equal to 1 when the government in municipality i experiences early termination in year t, 0 otherwise. *DC/PSI* is a dummy variable equal to 1 when the mayor of a municipality is affiliated to either the Christian Democrats (DC) or the Italian Socialist Party (PSI), while *PCI* is a dummy equal to 1 when the mayor of a municipality is affiliated the Italian Communist Party. The variable *After Scandal* is equal to 1 for the period 1992-1994 and 0 for the period 1989-1991. In columns (1), (2) and (3) *High corruption* takes value 1 for municipalities belonging to electoral districts where the number of national politicians charged with corruption is above the median of the sample distribution. In columns (4), (5) and (6) *High corruption* instead equals 1 for municipalities belonging to electoral districts where the share of national politicians charged with corruption is above the median of the sample distribution. In columns (1) and (4) the control group is composed of municipalities governed by a mayor affiliated to either *Other parties* (Civic parties and minor parties) or *PCI*. In columns (2) and (5) the control group is composed of municipalities governed by a mayor affiliated to *PCI*, while in columns (3) and (6) the control group is composed of municipalities governed by a mayor affiliated to *Other parties*. Standard errors clustered at the municipality level in parenthesis * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$.

Table OA.8: Local government instability and political competition

	Party system fragmentation		
	PCI/Other parties	PCI	Other parties
	(1)	(2)	(3)
Mean dep. Var:	*0.011*	*0.012*	*0.012*
DC/PSI X After scandal X High fragmentation	0.010**	0.013**	0.010
	(0.005)	(0.006)	(0.007)
DC/PSI X High fragmentation	-0.002	-0.004	-0.010
	(0.006)	(0.007)	(0.009)
After scandal X High fragmentation	0.011***	0.008	0.010
	(0.003)	(0.005)	(0.007)
High fragmentation	-0.014***	-0.015***	-0.007
	(0.004)	(0.005)	(0.008)
DC/PSI X After scandal	0.004	0.001	0.005**
	(0.003)	(0.004)	(0.003)
DC/PSI	-0.001	0.007	-0.005
	(0.004)	(0.009)	(0.005)
R^2	0.234	0.241	0.244
N municipalities	8,090	7,409	7,014
N observations	43,872	37,525	36,194
Year FE	Yes	Yes	Yes
Year of election FE	Yes	Yes	Yes
Municipality FE	Yes	Yes	Yes
City council and mayor characteristics	Yes	Yes	Yes

Notes: The dependent variable *Instability* is a dummy variable equal to 1 when the government in municipality i experiences early termination in year t, 0 otherwise. *DC/PSI* is a dummy variable equal to 1 when the mayor of a municipality is affiliated to either the Christian Democrats (DC) or the Italian Socialist Party (PSI), while *PCI* is a dummy equal to 1 when the mayor of a municipality is affiliated the Italian Communist Party. The variable *After Scandal* is equal to 1 for the period 1992-1994 and 0 for the period 1989-1991. *High fragmentation* takes value 1 for municipalities where the number of parties in the city council is above the median of the sample distribution. In column (1) the control group is composed of municipalities governed by a mayor affiliated to either *Other parties* (Civic parties and minor parties) or *PCI*. In column (2) the control group is composed of municipalities governed by a mayor affiliated to *PCI*, while in column (3) the control group is composed of municipalities governed by a mayor affiliated to *Other parties*. Standard errors clustered at the municipality level in parenthesis * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$.

Table OA.9: Local government instability and economic crisis

	% change number of firms (91-96)			% change number of firms (91-96)		
	PCI/Other parties	PCI	Other parties	PCI/Other parties	PCI	Other parties
	(1)	(2)	(3)	(4)	(5)	(6)
Mean dep. Var:	*0.011*	*0.012*	*0.012*	*0.011*	*0.012*	*0.012*
DC/PSI X After scandal X % change firms	0.012	0.013	0.017			
	(0.012)	(0.018)	(0.013)			
DC/PSI X After scandal X % change employees				-0.012**	-0.007	-0.015***
				(0.005)	(0.007)	(0.006)
DC/PSI X % change firms	0.037	0.060	0.019			
	(0.025)	(0.049)	(0.029)			
After scandal X % change firms	0.004	0.002	-0.001			
	(0.009)	(0.016)	(0.010)			
After scandal X % change employees				-0.001	-0.005	0.001
				(0.003)	(0.006)	(0.004)
DC/PSI X % change employees				0.002	-0.038	0.016
				(0.012)	(0.040)	(0.011)
DC/PSI X After scandal	0.007***	0.005	0.012***	0.006***	0.004	0.010***
	(0.002)	(0.003)	(0.003)	(0.002)	(0.003)	(0.003)
DC/PSI	-0.001	0.007	-0.007	-0.001	0.003	-0.008
	(0.004)	(0.008)	(0.005)	(0.004)	(0.008)	(0.005)
R^2	0.232	0.239	0.242	0.232	0.239	0.242
N municipalities	8,079	7,399	7,004	8,079	7,399	7,004
N observations	43,809	37,479	36,137	43,809	37,479	36,137
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Year of election FE	Yes	Yes	Yes	Yes	Yes	Yes
Municipality FE	Yes	Yes	Yes	Yes	Yes	Yes
City council and mayor characteristics	Yes	Yes	Yes	Yes	Yes	Yes

Notes: The dependent variable *Instability* is a dummy variable equal to 1 when the government in municipality i experiences early termination in year t, 0 otherwise. *DC/PSI* is a dummy variable equal to 1 when the mayor of a municipality is affiliated to either the Christian Democrats (DC) or the Italian Socialist Party (PSI), while *PCI* is a dummy equal to 1 when the mayor of a municipality is affiliated the Italian Communist Party. The variable *After Scandal* is equal to 1 for the period 1992-1994 and 0 for the period 1989-1991. *% change firms* is the percentage change in the number of firms registered in a given municipality between 1991 and 1996. *% change employees* is the percentage change in the number of employees working in firms registered in a given municipality between 1991 and 1996. In columns (1) and (4) the control group is composed of municipalities governed by a mayor affiliated to either *Other parties* (Civic parties and minor parties) or *PCI*. In columns (2) and (5) the control group is composed of municipalities governed by a mayor affiliated to *PCI*, while in columns (3) and (6) the control group is composed of municipalities governed by a mayor affiliated to *Other parties*. Standard errors clustered at the municipality level in parenthesis * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$.

Table OA.10: Local government instability and Lega Nord electoral success

	% vote Lega Nord (1992)		
	PCI/Other parties	PCI	Other parties
	(1)	(2)	(3)
Mean dep. Var:	*0.011*	*0.012*	*0.012*
DC/PSI X After scandal X % vote Lega Nord (1992)	-0.020	-0.002	-0.044
	(0.021)	(0.028)	(0.026)
DC/PSI X % vote Lega Nord (1992)	-0.002	-0.072	0.085*
	(0.039)	(0.067)	(0.045)
After scandal X % vote Lega Nord (1992)	-0.036**	-0.054**	-0.018
	(0.016)	(0.025)	(0.022)
DC/PSI X After scandal	0.010**	0.007	0.016***
	(0.004)	(0.005)	(0.005)
DC/PSI	-0.001	0.012	-0.020**
	(0.008)	(0.013)	(0.010)
R^2			
N municipalities	8,090	7,409	7,014
N observations	43,872	37,525	36,194
Year FE	0.233	0.240	0.243
Year of election FE	Yes	Yes	Yes
Municipality FE	Yes	Yes	Yes
City council and mayor characteristics	Yes	Yes	Yes

Notes: The dependent variable *Instability* is a dummy variable equal to 1 when the government in municipality i experiences early termination in year t, 0 otherwise. *DC/PSI* is a dummy variable equal to 1 when the mayor of a municipality is affiliated to either the Christian Democrats (DC) or the Italian Socialist Party (PSI), while *PCI* is a dummy equal to 1 when the mayor of a municipality is affiliated the Italian Communist Party. The variable *After Scandal* is equal to 1 for the period 1992-1994 and 0 for the period 1989-1991. *% vote Lega Nord (1992)* is the vote share of Lega Nord in the 1992 national elections. In columns (1) and (4) the control group is composed of municipalities governed by a mayor affiliated to either *Other parties* (Civic parties and minor parties) or *PCI*. In columns (2) and (5) the control group is composed of municipalities governed by a mayor affiliated to *PCI*, while in columns (3) and (6) the control group is composed of municipalities governed by a mayor affiliated to *Other parties*. Standard errors clustered at the municipality level in parenthesis * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$.

Table OA.11: National political scandals and local government crises – constant group assignment

	Control group		
	PCI/Other parties	PCI	Other parties
	(1)	(2)	(3)
Mean dep. Var:	*0.011*	*0.012*	*0.012*
DC/PSI X After Scandal	0.006**	0.002	0.011***
	(0.003)	(0.003)	(0.003)
DC/PSI	0.001	0.047	-0.045
	(0.060)	(0.105)	(0.058)
R^2	0.230	0.231	0.229
N municipalities	6,423	5,793	5,411
N observations	34,507	30,930	28,919
Year FE	Yes	Yes	Yes
Year of election FE	Yes	Yes	Yes
Municipality FE	Yes	Yes	Yes
City council and mayor characteristics	Yes	Yes	Yes

Notes: The dependent variable *Instability* is a dummy variable equal to 1 when the government in municipality i experiences early termination in year t, 0 otherwise. *DC/PSI* is a dummy variable equal to 1 when the mayor of a municipality is affiliated to either the Christian Democrats (DC) or the Italian Socialist Party (PSI). The variable *After Scandal* is equal to 1 for the period 1992-1994 and 0 for the period 1989-1991. In column (1) the control group is composed of municipalities governed by a mayor affiliated to either *Other parties* (Civic parties and minor parties) or *PCI*. In column (2) the control group is composed of municipalities governed by a mayor affiliated with *PCI*, while in column (3) the control group is composed of municipalities governed by a mayor affiliated with *Other parties*. The sample is restricted to municipalities that did not experience a change in the mayor's party affiliation in the period 1985-1991. Standard errors clustered at the municipality level in parenthesis * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$.

Table OA.12: Robustness checks region-year fixed effects

	PCI/Other parties	PCI	Other parties
	(1)	(2)	(3)
Mean dep. Var:	*0.011*	*0.012*	*0.012*
DC/PSI X After scandal	0.003	0.001	0.006**
	(0.002)	(0.003)	(0.003)
DC/PSI	-0.000	0.009	-0.007
	(0.004)	(0.008)	(0.005)
R^2	0.242	0.250	0.252
N municipalities	8,090	7,409	7,014
N observations	43,872	37,525	36,194
Year FE	No	No	No
Region X Year FE	Yes	Yes	Yes
Year of election FE	Yes	Yes	Yes
Municipality FE	Yes	Yes	Yes
City council and mayor characteristics	Yes	Yes	Yes

Notes: The dependent variable *Instability* is a dummy variable equal to 1 when the government in municipality i experiences early termination in year t, 0 otherwise. *DC/PSI* is a dummy variable equal to 1 when the mayor of a municipality is affiliated to either the Christian Democrats (DC) or the Italian Socialist Party (PSI). The variable *After Scandal* is equal to 1 for the period 1992-1994 and 0 for the period 1989-1991. In column (1) the control group is composed of municipalities governed by a mayor affiliated to either *Other parties* (Civic parties and minor parties) or *PCI*. In column (2) the control group is composed of municipalities governed by a mayor affiliated to *PCI*, while in column (3) the control group is composed of municipalities governed by a mayor affiliated to *Other parties*. Standard errors clustered at the municipality level in parenthesis * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$.

Table OA.13: Election and Party switching

	Election	Switching
	(1)	(2)
Mean dep. Var:	*0.272*	*0.304*
DC/PSI X Scandal$_{t-3}$	0.027	0.078
	(0.036)	(0.058)
DC/PSI X Scandal$_{t-2}$	-0.026	0.017
	(0.027)	(0.049)
DC/PSI X Scandal$_{t}$	-0.070**	0.108*
	(0.032)	(0.056)
DC/PSI X Scandal$_{t+1}$	-0.117***	0.179***
	(0.027)	(0.051)
DC/PSI X Scandal$_{t+2}$	-0.120***	0.525***
	(0.027)	(0.056)
DC/PSI X Scandal$_{t+3}$	-0.091***	0.436***
	(0.026)	(0.050)
DC/PSI	0.063**	-0.205***
	(0.026)	(0.049)
R^2	0.077	0.210
N municipalities	8,096	7,901
N observations	293,762	75,760
Year FE	Yes	Yes
Individual covariates	Yes	Yes

Notes: In column (1) the dependent variable is *elected*, which is equal to 1 if an incumbent politician ran again and was re-elected in the following term (0 otherwise). In column (2) the dependent variable is *switching*, which equals 1 for an incumbent politician that was re-elected in the following term for a different party (0 otherwise). The sample here is restricted to those politicians that were re-elected. *DC/PSI* is a dummy variable equal to 1 if a politician was affiliated in the previous election to either the Christian Democrats or the Italian Socialist Party. *Scandal* is a set of indicator variables for each year in our observation period (where $t = 1992$). Standard errors clustered at the municipality level in parenthesis * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$.

Table OA.14: Effects on National politicians

	(1)	(2)	(3)
Mean dep. Var:	*0.601*	*0.601*	*0.601*
1994 Election	0.416***		
	(0.0146)		
Charged			-0.0118
			(0.0340)
1994 Election*Charged			0.220**
			(0.0914)
DC/PSI (last election)			0.0795**
			(0.0317)
1994 Election*DC/PSI			0.523***
			(0.0508)
Charged*DC/PSI			-0.0483
			(0.0405)
1994 Election*Charged*DC/PSI			-0.0955
			(0.0935)
PSI (last election)		0.358***	
		(0.0617)	
1994 Election*PSI		0.821***	
		(0.0273)	
DC (last election)		0.463***	
		(0.0536)	
1994 Election*DC		0.730***	
		(0.0279)	
Observations	32,734	32,734	16,382
R-squared	0.041	0.391	0.152
Number of politicians	12,644	12,644	10,328
Politician FE	Yes	Yes	Yes
Election Fe	No	Yes	Yes

Notes: The dependent variable *Not-Elected* is a dummy variable equal to 1 when an incumbent politician is not elected in the next election. *Charged* is a dummy equal to 1 for charged politicians; *1994 Election* is a dummy equal to 1 for the national election in 1994; **DC** and *PSI* are dummies equal to 1 for politicians elected in these parties at the previous national election. Standard errors clustered at the politician level in parenthesis * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$.

Table OA.15: Robustness check local corruption (Piemonte & Puglia)

	No province capitals			Only Piemonte and Puglia: All			Only Piemonte and Puglia: No corruption		
	PCI/Other parties	PCI	Other parties	PCI/Other parties	PCI	Other parties	PCI/Other parties	PCI	Other parties
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Mean dep. Var:	*0.011*	*0.012*	*0.012*	*0.008*	*0.010*	*0.008*	*0.007*	*0.009*	*0.007*
DC/PSI X After scandal	0.006**	0.003	0.010***	0.005	-0.001	0.008**	0.005	-0.001	0.008*
	(0.002)	(0.003)	(0.003)	(0.004)	(0.008)	(0.004)	(0.004)	(0.008)	(0.004)
DC/PSI	-0.001	0.007	-0.008	0.009	0.032	0.004	0.007	0.021	0.004
	(0.004)	(0.008)	(0.005)	(0.008)	(0.028)	(0.007)	(0.007)	(0.028)	(0.007)
R^2	0.232	0.240	0.242	0.229	0.258	0.243	0.229	0.260	0.237
N municipalities	7,998	7,317	6,934	1,463	1,199	1,341	1,446	1,183	1,324
N observations	43,416	37,069	35,806	8,156	5,758	7,236	8,078	5,685	7,165
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year of election FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Municipality FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
City council and mayor characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Notes: The dependent variable *Instability* is a dummy variable equal to 1 when the government in municipality i experiences early termination in year t, 0 otherwise. *DC/PSI* is a dummy variable equal to 1 when the mayor of a municipality is affiliated to either the Christian Democrats (DC) or the Italian Socialist Party (PSI), while *PCI* is a dummy equal to 1 when the mayor of a municipality is affiliated the Italian Communist Party. The variable *After Scandal* is equal to 1 for the period 1992-1994 and 0 for the period 1989-1991. In columns (1), (2) and (3) we exclude provincial capitals from the sample. In columns (4), (5) and (6) we include all municipalities in the regions of Piemonte and Puglia, while columns (7), (8) and (9) exclude municipalities where the early dissolution of the local government is linked to corrupt local politicians. In columns (1), (4) and (7) the control group is composed of municipalities governed by a mayor affiliated to either *Other parties* (Civic parties and minor parties) or *PCI*. In columns (2), (5) and (8) the control group is composed of municipalities governed by a mayor affiliated to *PCI*, while in columns (3), (6) and (9) the control group is composed of municipalities governed by a mayor affiliated to *Other parties*. Standard errors clustered at the municipality level in parenthesis * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$.

Table OA.16: Robustness check local corruption (Population)

	Below 99% (pop. < 61,233)			Below 95% (pop. < 20,095)			Below 90% (pop. < 11,298)		
	PCI/Other parties	PCI	Other parties	PCI/Other parties	PCI	Other parties	PCI/Other parties	PCI	Other parties
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Mean dep. Var:	*0.011*	*0.012*	*0.012*	*0.010*	*0.011*	*0.011*	*0.009*	*0.010*	*0.010*
DC/PSI X After scandal	0.006***	0.004	0.010***	0.005**	0.003	0.008***	0.002	-0.000	0.006**
	(0.002)	(0.003)	(0.003)	(0.002)	(0.003)	(0.003)	(0.002)	(0.003)	(0.003)
DC/PSI	-0.001	0.007	-0.008	-0.001	0.006	-0.007	-0.001	0.005	-0.006
	(0.004)	(0.008)	(0.005)	(0.004)	(0.008)	(0.005)	(0.004)	(0.008)	(0.005)
R^2	0.233	0.240	0.242	0.232	0.241	0.243	0.234	0.243	0.241
N municipalities	7,998	7,317	6,938	7,641	6,961	6,647	7,202	6,528	6,283
N observations	43,430	37,083	35,841	41,678	35,345	34,494	39,480	33205	32,837
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year of election FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Municipality FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
City council and mayor characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Notes: The dependent variable *Instability* is a dummy variable equal to 1 when the government in municipality i experiences early termination in year t, 0 otherwise. *DC/PSI* is a dummy variable equal to 1 when the mayor of a municipality is affiliated to either the Christian Democrats (DC) or the Italian Socialist Party (PSI), while *PCI* is a dummy equal to 1 when the mayor of a municipality is affiliated the Italian Communist Party. The variable *After Scandal* is equal to 1 for the period 1992-1994 and 0 for the period 1989-1991. In columns (1), (2) and (3) we exclude the 1% largest municipalities from the sample. In columns (4), (5) and (6) we exclude the 5% largest municipalities, while columns (7), (8) and (9) exclude the 10% largest municipalities. In columns (1), (4) and (7) the control group is composed of municipalities governed by a mayor affiliated to either *Other parties* (Civic parties and minor parties) or *PCI*. In columns (2), (5) and (8) the control group is composed of municipalities governed by a mayor affiliated to *PCI*, while in columns (3), (6) and (9) the control group is composed of municipalities governed by a mayor affiliated to *Other parties*. Standard errors clustered at the municipality level in parenthesis * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$.