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**THE COSTS OF POPULISM FOR THE
BUREAUCRACY AND GOVERNMENT
PERFORMANCE:**

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We study the consequences of populism on bureaucratic expertise and government performance. We use novel data on about 8,000 municipalities in Italy, over a period of 20 years, and we estimate the effect of electing a populist mayor with a close-election regression discontinuity design. We find that the election of a populist mayor leads to (1) higher turnover among top bureaucrats; (2) an increase in the probability of replacing expert with non-expert bureaucrats; (3) a decrease in the percentage of highly educated bureaucrats; (4) and lower performance overall. Moreover, we find evidence that the increased inefficiency of the bureaucracy is accompanied by proliferation of council and executive resolutions, in line with the recent literature on overproduction of laws and bureaucratic inefficiency.

JEL Classification: N/A

Keywords: bureaucracy, Turnover, Populist Politicians, Government Performance

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The Costs of Populism for the Bureaucracy and Government Performance: Evidence from Italian Municipalities

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March 12, 2021

Abstract

We study the consequences of populism on bureaucratic expertise and government performance. We use novel data on about 8,000 municipalities in Italy, over a period of 20 years, and we estimate the effect of electing a populist mayor with a close-election regression discontinuity design. We find that the election of a populist mayor leads to (1) higher turnover among top bureaucrats; (2) an increase in the probability of replacing expert with non-expert bureaucrats; (3) a decrease in the percentage of highly educated bureaucrats; (4) and lower performance overall. Moreover, we find evidence that the increased inefficiency of the bureaucracy is accompanied by proliferation of council and executive resolutions, in line with the recent literature on overproduction of laws and bureaucratic inefficiency.

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1 Introduction

A vast literature studies the cultural, economic, technological, and political *causes* of populism,¹ but very little is known about the *consequences* of having populists in office for the functioning of the state. In this paper, we study the consequences of populism for bureaucratic expertise, quality, and government performance.² There are reasons to expect populist politicians to favour loyalty over expertise, and this should have detrimental effects for the retention of good bureaucrats and for government performance. The goal of this paper is to provide solid empirical evidence that these effects are real and significant.

There is ample anecdotal evidence about populist politicians purging the bureaucracy in order to attain desired policy goals and ensure control over administrative bodies. US former President Donald Trump fired and forced several top bureaucrats to resign because of their lack of loyalty. Alexander Vindman (Director at the National Security Council), Gordon Sondland (ambassador to the European Union), and James Comey (FBI director) to name but a few all suffered the same fate. Similarly, five UK permanent secretaries left their post over a six-month time in 2020 because of political disagreement with Boris Johnson's government.

Despite great media attention, little academic research has been done on the relationship between populist politicians and bureaucratic efficiency. Peters and Pierre (2020) provide a categorisation of the type of populism and its consequences for public administration, suggesting that populism is likely to translate into lower expertise and higher politicisation

¹For most recent reviews, see Guriev and Papaioannou (2020); Noury and Roland (2020); Berman (2021).

²Given that the focus is entirely on consequences, we take as given the classification of parties as populist (or not) offered by Van Kessel (2015), whose categorization is consistent with the most used definitions in political science (see e.g. Mudde and Kaltwasser (2017) and for Italy it yields the same categorization as in the one offered by PopuList (popu-list.org)).

in government. Bauer and Becker (2020) discuss the public administration goals and strategies of populist governments, showing how purges of personnel and top bureaucrats occurred in many historical cases of populist governments. Populists' anti-bureaucracy attitudes have recently been documented in scholarly work, showing how bureaucracy becomes a symbol of a corrupted status quo being foisted against the will of the people (Rockman, 2019). Reiser and Hebenstreit (2020), for instance, examine the party manifestos of populist parties in Europe and find that most of them accuse the technocratic nature of the EU bureaucracy of cutting the ties between political decision-making and the people.³ Moreover, populists' aversion to bureaucratic expertise is consistent with theoretical work highlighting the preference for simplistic policies of populist politicians, who can appeal to groups that have lower intensity of policy preferences or who are less politically sophisticated (Morelli et al., 2020; Levy et al., 2021).

Even though both anecdotal evidence and extant literature firmly suggest populism leads to loss of expertise, personnel reshuffles, and strategic appointments, there is no empirical evidence on the causal effect of populism for bureaucracy. In this paper, we fill this gap by building on a model of delegated policy-making between elected politicians and bureaucrats (Sasso and Morelli, 2020). Based on such a framework, we expect that populist leaders prefer non-expert bureaucrats over expert ones, as it is easier for them to induce non-expert bureaucrats to enact the populist-favoured policies. Experts are hence replaced by non-experts, and we therefore expect populist governments to lead to (1) higher turnover and (2) lower quality of bureaucrats. Third, the replacement of experts with loyalists ultimately undermines government performance. All three effects are expected to be larger when the bureaucracy is initially strong. Finally, we link this strand of the literature to

³For a general discussion of major consequences of having populists in office outside the realm of public administration and the bureaucracy, see e.g. Müller (2016).

recent work on bureaucratic efficiency and legislative over-production (Gratton et al., 2021). Based on this, we hypothesize that populist governments, despite lower bureaucratic performance, resort to symbolic legislative over-production to signal effort and activity to their constituents.

We test these hypotheses with novel administrative data on government composition and bureaucratic organisation of municipal governments in Italy over a 20-year period, from 1998 to 2018. We use a set of close-election regression discontinuity designs and compare municipalities in which a populist mayor barely won the elections to municipalities where a populist barely lost (Lee, 2008; Eggers et al., 2015). We find higher turnover, especially of expert bureaucrats, and lower performance under populist government. These effects are larger where the bureaucracy is stronger, as the stock of bureaucrats to replace is larger and the baseline performance is higher. Consistently with the legislative over-production hypothesis, we also find that populist governments pass more resolutions and adopt more planning instruments.

Our analysis of Italian local government offers arguably a conservative test of the effects of populism on bureaucratic performance. In Italy, municipalities have limited space for reforms and public sector employment is highly rigid. There are good reasons to think that our findings would generalise to higher levels of government or to political systems in which politicians have more power and discretion over hiring and firing bureaucrats.

2 Theory

We draw a set of expectations from three strands of theoretical work in political science and political economy. First, we follow Levy et al. (2021) and Morelli et al. (2020) in

terms of the idea that populist politicians strategically hold a simplistic view of the world and aim to defend their simple proclaimed policy once in office. From their solutions to policy problems (Dornbusch and Edwards, 1991), through campaign and communication strategies (Bischof and Senninger, 2018; Decadri and Boussalis, 2019), to the way they depict social classes or national identities (Mudde, 2004), populism makes of simplicity its mantra. Populist politicians tend to pursue a specific policy, regardless of the state of the world, as they pander to an electorate that has a simplistic view of the world or less sophisticated policy preferences. The consequence of this first feature is that populist politicians in office prefer a loyal bureaucracy that implements the simple policies advocated in the campaign, whereas disagreements or corrections based on expert evaluation of the situation by expert bureaucrats are unwelcome.

The second body of literature that helps us motivate our testable hypotheses examines the role of expertise and populists' policy programmes. A direct consequence of simplistic policies is the reluctance to expertise (Peters and Pierre, 2020). Expert bureaucrats, who have a complex view of the world, might hinder the implementation of simplistic policies because of their mission-oriented work ethics and their stronger policy motivation (Dur and Zoutenbier, 2014; Dur and van Lent, 2018). Conversely, non-expert bureaucrats can match policy with the state of the world only in expectation and as a result they implement what populist politicians want. Populist politicians therefore have a strict preference for non-expert bureaucrats. Sasso and Morelli (2020) study the consequences of populism for the bureaucracy. They demonstrate that populism leads to suboptimal outcomes both in terms of performance and quality of bureaucrats. Two channels lead to this effects. First, populists replace expert with loyal bureaucrats. Second, populists alter bureaucrats' incentives to use of their expertise. Expert bureaucrats who are not replaced by populists

with loyal bureaucrats can feign loyalty and compromise on policy in order to stick-it-out through the populists' tenure.

Because of the difficult empirical tractability of feigning loyalty, we limit our attention to the loyalist-replace-expert channel through which populism worsens bureaucracy. We argue that populist governments undermine bureaucratic effectiveness by replacing expert with loyal bureaucrats, thereby decreasing government performance.

From these two strands of scholarship, we derive three testable implications. If populist governments reshuffle administrative offices and replace expert with loyal bureaucrats, we should expect populist governments to lead to higher bureaucrats' turnover.

HYPOTHESIS 1: Populist governments lead to higher bureaucratic turnover.

Because populist governments replace expert with loyal bureaucrats, we expect the average quality of bureaucrats to drop when populist governments are in power.

HYPOTHESIS 2: Bureaucratic quality decreases under populist governments.

Personnel changes have important implications for the functioning of the administration, with detrimental effects for government performance.

HYPOTHESIS 3: Populist governments lead to lower government performance.

Consistent with the theoretical results in Sasso and Morelli (2020), we expect the effects of populist government on turnover, quality, and performance to be particularly large for stronger bureaucracies, where the stock of expertise and quality is higher. Because expertise decreases bureaucrats' willingness to accommodate populists' desires, bureaucracies with a higher density of experts will experience larger turnover and a more pronounced drop in

bureaucratic quality and performance. Conversely, the effects should be smaller in weak bureaucracies, where populist politicians can easily enact their simplistic policies without resistance from expert bureaucrats.

The third body of literature we link this paper to is about politicians' incentives *vis-à-vis* an under-performing bureaucracy. When populist politicians replace experts with loyal bureaucrats and hence bureaucratic performance deteriorates, populists can exploit the bureaucracy's implementation deficit, since this allows them to use legislative activities as a signal of effort to their constituents. This dynamic is documented by Gratton et al. (2021), who find that inefficient bureaucracies lead to legislative overproduction, creating a vicious circle between poor legislative quality and bureaucratic inefficiency. If the bureaucracy is ineffective and with a strong implementation deficit, politicians have an incentive to be more active and propose more policies, knowing that they will not be implemented given the poor quality of the bureaucracy. When loyalty trumps expertise, populist politicians can signal their effort and activity proposing more legislation and other symbolic policies, knowing they will not be implemented by the poor-performing bureaucracy. We therefore hypothesise that

HYPOTHESIS 4: Populist governments lead to more legislative activity.

3 Data

We assemble a rich dataset about government composition and bureaucratic organisation of municipal governments in Italy covering 20 years, from 1998 to 2018. Italian municipal government follows the patterns of semi-presidential systems of government, with a directly-

elected mayor, a directly-elected local council, and an executive committee appointed by the mayor. Municipalities are responsible for a wide set of services, from primary schooling to local police, waste management, public roads and infrastructure, social services, and security. As a results, municipal governments have large bureaucratic apparatus, accounting in 2017 for 12% of the 3.5 million employees working in public organisations in Italy.⁴

We collect data on five key variables: a measure of populist government, bureaucratic turnover, education of bureaucrats, government performance, and legislative activity. We combine several sources of data. We obtained data on all municipal elections from the Historical Electoral Archive of the Ministry of the Interior. We use the Database on Local Administrators for data on politicians and party identification.⁵ Data on the number of employees, their rank, education, type of contract, and data on hirings and lay-offs is obtained from the Annual Account of the Italian General Accounting Office.⁶ This is at the same time an extremely rich and complex source of data which allows us to capture variation in bureaucratic outcomes over about 20 years and across 8,069 unique municipal governments, and it has never been used in scholarly work before. Finally, for our measure of performance and legislative activity we scraped budget data from the online repository of the Local Finance Directorate of the Ministry of the Interior (1998-2015), which we combined with data from the National Institute of Statistics (2016-2018).⁷ More details on the datasets used are reported in the Online Appendix.

⁴Data from the 2017 census of public organisations carried out by the National Institute of Statistics (istat.it/it/censimenti-permanenti/istituzioni-pubbliche).

⁵Accessible online at dait.interno.gov.it/elezioni/open-data.

⁶Data available for the period 2001-2018 at contoannuale.mef.gov.it/.

⁷Freely accessible at dait.interno.gov.it/finanza-locale and dati.statistiche-pa.it.

3.1 Populist Government

We code local governments as populist based on the party identification of the mayor. We use a dichotomous measure based on whether a populist party was part of the coalition supporting the mayoral candidate. We follow standard practice in empirical work on populism and identify three populist parties: Lega (Nord), Movimento 5 Stelle, and Fratelli d'Italia. Governments will be considered populist if in year t the sitting mayor was elected with the support by any of those three parties.⁸

3.2 Turnover

To measure bureaucratic turnover and the quality of bureaucrats, we focus on public employees with a managerial rank, for top civil servants have more influence on the administration of policies and more flexible contracts, so it is easier for them to join or leave the administration. In fact, populist politicians are more likely to replace bureaucrats in strategic decision-making positions. The rich dataset obtained from the General Accounting Office allows us to focus on contractual categories which are labelled as “managerial” in the Annual Account’s sheets.

We measure bureaucratic turnover as the sum of managers who leave (lay-offs) and join (hirings) the government divided by the total number of managers. The precise metric is given by the following formula:

$$\text{Turnover}_{it} = \frac{\text{N. Lay-offs}_{it} + \text{N. Hirings}_{it}}{\text{N. Bureaucrats}_{it}} \quad (1)$$

⁸In the Online Appendix we show how the results are sensitive to sequentially omitting each one of the three parties (see Figure 3).

3.3 Quality of Bureaucrats

If populist governments replace experts with loyal bureaucrats, the average quality of bureaucrats will be lower under populist governments. We present two measures of quality. First, we measure the quality of bureaucrats as the percentage of bureaucrats with a university degree in year t . Second, and more importantly, we measure whether the quality of those who join is lower than that of those who leave the bureaucracy, in order to capture the loyalists-replace-experts dynamic. We build this measure as dichotomous variable equal to 1 if the percentage of graduate managers who join is lower than the percentage of graduate managers who leave, and 0 otherwise. More specifically, let G_t be the percentage of graduate bureaucrats in time t , H_t the percentage of graduate bureaucrats hired in year t , and L_t the percentage of graduate bureaucrats who leave in the same year. Let G_t be equal to the percentage of graduate bureaucrats in $t - 1$ plus the difference in the percentage of graduate bureaucrats who join and leave the bureaucracy (i.e., $G_t = G_{t-1} + H_t - L_t$), then $G_t - G_{t-1}$ is equal to the difference between graduate bureaucrats who join and leave the bureaucracy. When $G_t - G_{t-1} < 0$, the average quality of bureaucrats hired in t is lower than the average quality of bureaucrats who leave L_t , hence experts are being replaced with loyalists (non-experts). The loyalists-replace-experts variable will therefore follow the following assignment function:

$$\text{Loyalists-replace-Experts}_t = \begin{cases} 1 & \text{if } G_t - G_{t-1} < 0 \\ 0 & \text{if } G_t - G_{t-1} \geq 0 \end{cases}$$

3.4 Government Performance

We measure government performance as the collection capacity of municipal governments, which is measured as the ratio of collected and assessed revenues. We assume better-performing governments are better at ensuring all the assessed revenues are actually collected. While it is not a perfect measure of performance, collection capacity has been regularly used in scholarly work as a proxy of performance and effectiveness. Gagliarducci and Nannicini (2013), for instance, use the same measure to examine whether better paid politicians increase the effectiveness of government. This measure is also very similar to measures of state capacity used in the development literature, which capture the ability of government apparatuses to raise and collect taxes (Besley and Persson, 2009; Weigel, 2020).

We expect the effects of populist governments to be larger in stronger bureaucracies. We follow standard practice in the bureaucratic politics literature and interpret bureaucratic strength as the average quality of bureaucrats. We code a bureaucracy as strong if the percentage of total employees with a degree or secondary education diploma is above the median, and weak if it is below. This education-based measure of bureaucratic strength is consistent with theoretical work on bureaucratic capacity that highlight the importance of skills and expertise (Huber and McCarty, 2004; Gailmard and Patty, 2012). Empirical work has resorted to similar measures, mostly in the context of US agencies. Berkowitz and Krause (2020), for instance, measure the capacity of US agencies as their level of professionalism and the salary of agency heads. Similarly, although for legislators' staff, Potter and Lowande (2020) measure capacity as the size and expertise of each politician's staff.

3.5 Legislative Activity

Finally, we measure legislative activity as the total number of executive and council resolutions (i.e., the legal acts aimed at taking decisions passed by the local councils and the executive committees), as well as the number of planning instruments adopted by the municipality every year. Municipal accounts report whether, at the end of each financial year, several planning instruments have been approved by the government. We scraped this information from the balance sheets of each municipality, covering the years from 1998 to 2015. These are, for instance, the zoning plan, plans for productive settlements, plan for commercial activities, urban traffic plan, energy and environmental plan, multi-annual programming plan, to name but a few. Importantly, because municipalities might differ in the number of plans they have to adopt, we count all the planning instruments listed in the balance sheets as “approved” or “adopted” and we divide it by the total number of plans.

Table 1 below shows some descriptive statistics for the main variables. Data on turnover and bureaucrats quality is from 2001 to 2018, data on legislative activity is from 1998 to 2015, whereas data on performance is from 1998 to 2018. The final dataset consists of 8,246 unique municipalities for a total of 142,917 observations.

4 Close-election Regression Discontinuity Design

Identifying the effect of populist governments on our outcomes of interest is a challenging task. Municipalities governed by a populist mayor may differ from municipalities governed by a non-populist mayor under many unobservable characteristics. In particular, the demand of populism might vary both across treated and control units as well as over time. However, municipalities where populist candidates win the elections by very thin margins can be, in

	Non-Populist	Populist
N. Municipalities	8,219	830
N. Municipalities with Managers	1,201	233
Resident Population	7,014	16,715
% Female Mayors	0.10	0.13
% Graduate Mayors	0.43	0.42
<i>Outcome Variables</i>		
Managers' Turnover	0.23	0.21
Loyalists-replace-experts	0.16	0.15
% Graduate Managers	0.48	0.46
Collection Capacity	0.65	0.75
N. Council Resolutions	166	59
N. Executive Resolutions	353	185
% of Planning Instr. Adopted	0.30	0.29

Table 1: Descriptive statistics of main variables.

expectation, comparable to municipalities where the populist candidate barely lost. Close-election sharp RDD are a canonical estimation strategy in political science and economics, and they allow us to estimate the local average treatment effect of electing a populist candidate as mayor on our downstream outcomes (Lee, 2008; Eggers et al., 2015). This approach has been already used in the context of Italian municipal governments. Gagliarducci and Paserman (2012) and Casarico et al. (2020) use a similar approach to estimating the effect of electing a female mayor on government termination and fiscal policy, and Romarri (2020) to estimate the effect of electing a far-right mayor on hate crimes.

Formally, let E be a set of municipal elections in which one populist candidate runs against one or more non-populist candidates. For each E_i , namely each municipality i and election year t , let M_{it} be the margin of victory of the populist candidate, calculated as the difference between the vote share of the populist candidate and the most voted non-populist candidate. Let V_{it} be a dichotomous variable equal to 1 if $M_{it} > 0$ (the populist candidate is elected) and 0 otherwise. Furthermore, let Y_{1it} and Y_{0it} be the potential outcomes for $V_{it} = 1$ and $V_{it} = 0$, respectively. We can then define the estimand as $\tau_{(m)} = \lim_{\epsilon \downarrow m} \mathbb{E}[Y_i | M_i =$

$\epsilon]$ – $\lim_{\epsilon \uparrow m} \mathbb{E}[Y_i | M_i = -\epsilon]$ as the local average treatment effect of electing a populist candidate (Cattaneo et al., 2018). Importantly, $\tau_{(m)}$ includes the effect of being populist, but also any other characteristics that differ between populist and non-populist candidates (Marshall, 2019).

We estimate $\tau_{(m)}$ with two regression functions of Y_{it} on the running variable M_{it} . We fit local WLS models separately on the observations above and below the cutoff. Weights are determined by the triangular kernel function based on the ratio between the distance of unit i from the cutoff m and the mean-squared-error minimising bandwidth h (i. e., $w_i = \frac{M_{it}-m}{h}$). The selection of the bandwidth follows a data-driven approach, proposing an optimal solution to the “bias-variance trade-off”, whereby local fits on smaller bandwidths decrease bias but simultaneously increase the variance of the estimate (Calonico et al., 2014).⁹ Units outside the optimal bandwidth receive a weight equal to zero, therefore the estimation is performed on a restricted sample of units so that $M_{it} \in [m - h, m + h]$. We estimate the following equation:

$$Y_{it} = \beta V_{it} + \phi M_{it} + \eta V_{it} \times M_{it} + \zeta X_{it} + \delta_t + \gamma_y + \eta_p + u_{it} \quad (2)$$

where V_{it} is a dummy for treated units above the cutoff, M_{it} is the margin of victory (i.e., the running variable), and u_{it} a robust error term clustered by municipality. We include a set of pre-treatment covariates X_{it} in the specification as well as year, election-year, and province dummies to boost efficiency, δ_t , γ_y , and η_p , respectively (Calonico et al., 2019). However, to avoid suppression effects we also report results of simple specifications without covariates (Lenz and Sahn, 2020). The coefficient β is the RDD estimator and identifies the

⁹De La Cuesta and Imai (2016) show how the local linear estimator and a data-driven selection of the bandwidth are particularly well-suited for inference in close-election settings.

average outcome jump at the cutoff after partialing out the effect of the covariates X_{it} .

4.1 Validity

In the Online Appendix we provide support for the identification assumptions of the sharp RDD. First, we document the absence of sorting at the cutoff with a series of density tests aimed at detecting whether there is a proportional number of elections where populist candidates barely won or lost (McCrary, 2008; Cattaneo et al., 2020). Figure A1 shows no discontinuities in density at the cutoff.

Second, we show how the estimates are sensitive to bandwidth selection. Our baseline estimation implements the bandwidth selection proposed by Calonico et al. (2014). In Figure A3 we report the results from alternative estimations employing for each outcome fifteen different bandwidths ranging from $.5 \times h$ to $4 \times h$, where h is the MSE-minimising optimal bandwidth, and we show that the results are robust to a large range of bandwidths.

Third, in Figure A4 we report estimates from alternative placebo margins of victory, namely assuming $V_{it} = 1$ if $M_{it} = m_j$, where m_j is a vector of margins ranging from -10% to $+10\%$. When adjusting the estimation for multiple testing across each outcome variable, we detect a discontinuity which is statistically different from zero at 95% level in 10 of the 80 (12.5%) estimations with placebo cutoffs (20 estimations for each outcome).

Fourth, we address the possibility of imbalances that may exist between populists and non-populists at the cutoff. For the RDD estimate to recover the local average treatment effect of populism *all else equal*, the other pre-determined characteristics at the municipality and candidate level should be balanced. However, populist candidates in close elections might differ from non-populist candidates according to other unobservable characteristics and as a result, the RDD estimator in close-election settings recovers the effect of electing

a *populist candidate* and not that of *populism* alone. β would therefore recover the effect of populism and any other compensating differentials, namely context- or candidate-level characteristics that are distinct from populism but affect the probability of populist candidates to be in close elections with non-populists (Gagliarducci and Nannicini, 2013; Bucchianeri, 2018; Marshall, 2019).

Figure A2 shows balance tests for the main pre-treatment covariates. Municipalities above and below the cutoff are very similar with respect to demographic, geographic, and political characteristics (e.g., resident population, number of households, percentage of older population, number of councillors, geographic location, number of employees, and gender of the mayor). Importantly, we find no discontinuity for the lagged value of the margin of victory. However, populist candidates are more likely to win in rural areas, where the municipality has a larger surface but a smaller road network. Interestingly, populist mayors who win are also more likely to have a university degree.

Despite the main specifications including all these pre-treatment covariates, the discontinuity in the potential outcomes of the level of education of the mayor might in fact hide other unobserved differences which could potentially undermine the assumption for which populists barely winning are similar in expectation to their non-populists counterparts. Unless strong ignorability assumptions with respect to the effects of the confounding treatments are invoked (Eggers et al., 2018; Marshall, 2019), the RDD estimator would therefore need to be interpreted as a compound local average treatment effect. In most cases, this interpretation is sensible, for causal claims about fixed characteristics like populism, gender, and race should be operationalised as a “bundle of sticks” (Sen and Wasow, 2016; Bucchianeri, 2018). However, the level of education of mayors is a candidate-level characteristic conceptually different from the bundle of sticks that characterises populist

attributes. This difference might suggest that populists need to be more competent than non-populists to remain in close elections.

We address this source of confounding both theoretically and empirically. Consistently with extant literature (Jones and Olken, 2005; Besley and Sturm, 2010; Ferraz and Finan, 2011; Gagliarducci and Nannicini, 2013), we might expect competence and education to be associated with enhancing expertise and increasing performance. We should therefore expect the higher probability of populists to have a university degree to mitigate the effect of populism on our outcomes of interest and hence we expect our estimates above to be downward biased. We test this empirically by replicating the analysis on two different samples, one where all candidates have a university degree, and one where all candidates in close elections do not have a university degree. We find large effects in the no-university-degree sample, whereas the effects in the all-with-degree sample are in the expected direction but — except for the probability of replacing experts with loyalists — not distinguishable from zero at 95% level (see Figure 4). While the presence of other unobservable differences should warrant a cautious interpretation of the results, this test allows us to infer that the effects we estimate from the total sample are under-estimating the true effect of populism, which is possibly mitigated by higher levels of education and competence.

5 Results

Figure 1 shows binned averages of the four outcome variables as a function of the margin of victory of the populist candidate. Except for collection capacity — which displays little change at the cutoff — there are noticeable differences in outcomes between populists barely winning and barely losing the elections.

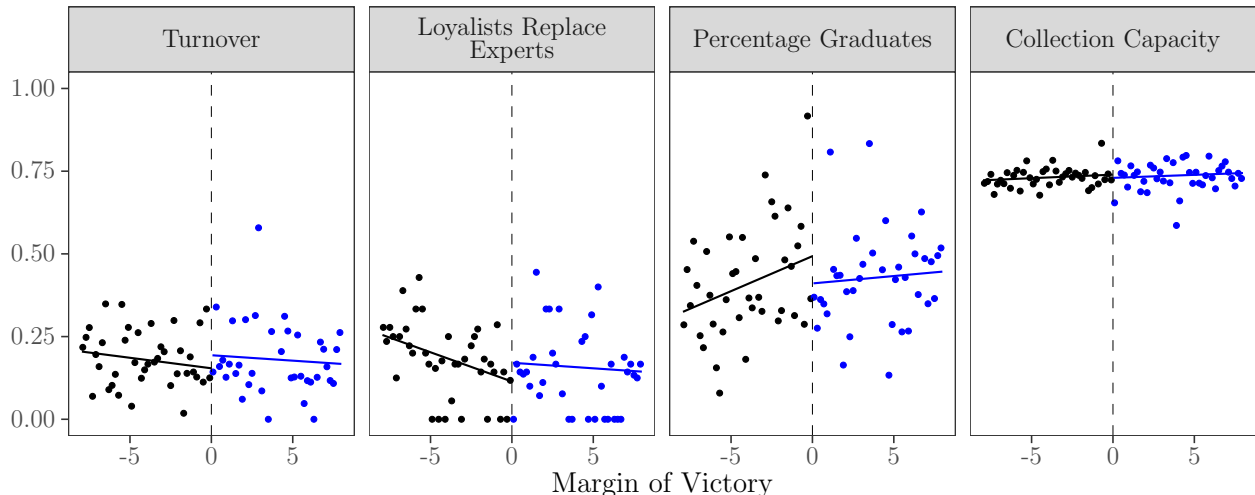


Figure 1: Binned averages of the four outcome variables in close elections (i.e., $M_{it} \in [-8, +8]$). The solid line is a local linear fit. Scatter points are averaged over 0.2% margin of victory.

We present the regression results in Figure 2. The coefficients represent the local average treatment effects of electing a populist mayor *in close electoral races* on the four outcomes on both the total sample and the sub-sample of strong bureaucracies.¹⁰

Populist mayors lead to higher turnover among top bureaucrats. After covariate-adjustment, the percentage of bureaucrats who join and leave the municipality increases by 9 percentage points in the total sample, and by 20 percentage points when we look at strong bureaucracies. This change in personnel is accompanied by a reduction in the overall quality of bureaucrats, which decreases by 7.6 percentage points. Importantly, the probability of replacing expert with loyal bureaucrats is 10 percentage point larger when there is a populist mayor. The difference at the cutoff in the percentage of top managers with a university degree is particularly large for strong bureaucracies. Compared to municipalities in which populist candidates barely lost, governments led by a populist mayor have 19.2 percentage point fewer bureaucrats with a university degree. However, the probability of loyalists-replacing-experts in a strong bureaucracy is the same as the one estimated for the

¹⁰Full regression table in the Online Appendix. Estimation performed with the *rdrobust* package in R (Calonico et al., 2015).

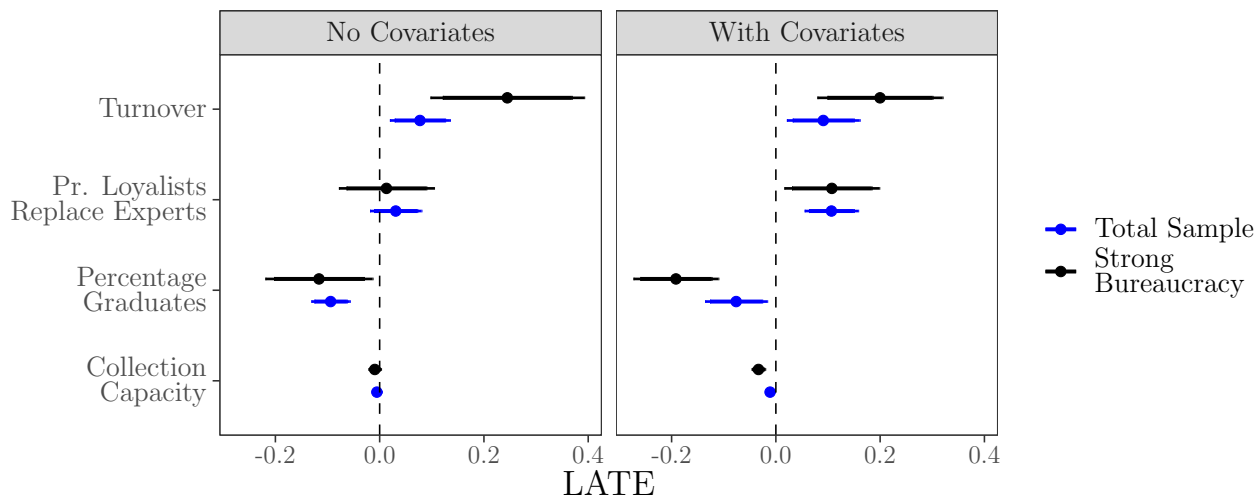


Figure 2: RDD estimates with 90% and 95% robust confidence intervals of the effect of electing a populist mayor on the four outcomes. Blue coefficients estimated from entire sample, black coefficients estimate from sub-sample of strong bureaucracies, namely municipalities with an above-median percentage of graduate employees. Covariates included: population, number of councillors, mayor with degree, gender of mayor, surface (sq.km), road network (km), number of households, province, year, and year of mayor’s election dummies.

total sample. Even though smaller in magnitude, we also find detrimental effects of populist mayors on collection capacity, which decreases by 1-3 percentage points depending on whether we look at the total sample of municipalities or at strong bureaucracies only.

6 Robustness

We present four robustness tests to strengthen the causal interpretation of our results. First we show how the results are robust to omitting one of the three parties when coding the mayor as populist. In particular, we present results for three alternative coding strategies, namely whether the mayor belongs to 1) Fratelli d’Italia or Lega, 2) M5S or Lega, 3) M5S or Fratelli d’Italia. We then exclude municipalities whose mayor belongs to the omitted populist party in order not to compare populist with other populist mayors (e.g., M5S mayors for coding strategy 1 are excluded from the sample, and so on).

Figure 3 shows the results. Despite the loss in statistical power when dropping mayors

belonging to one of the three populist parties, six out of eight coefficients remain significant and in the expected direction when we code treated units those with a mayor who belongs to 1) Lega or Fratelli d’Italia and 2) Lega and M5s. However, when we code treated mayors those belonging to the M5S and Fratelli d’Italia, we fail to detect an effect for collection capacity and the loyalists-replace-expert dynamic. This might be due to the small number of treated observations (only 233 municipality-year observations), which in turn depends on the “recent” year of the establishment of these two parties, December 2012 for Fratelli d’Italia and October 2009 for Movimento 5 Stelle.

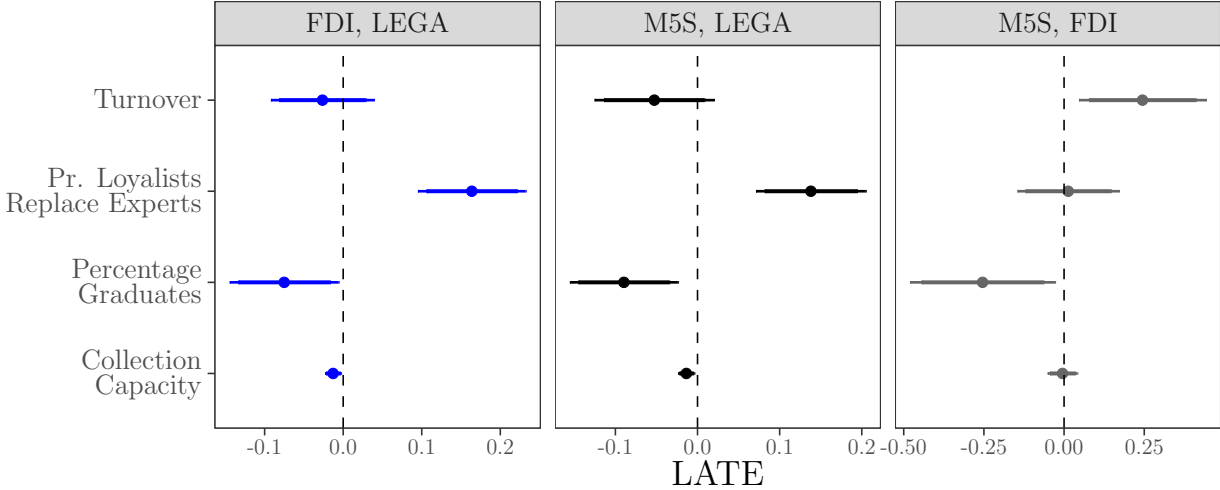


Figure 3: RDD estimates with 90% and 95% robust confidence intervals of the effect of electing a populist mayor on the four outcomes under alternative coding strategies. Panel labels report the parties used to code the mayor as populist. Covariates included: population, number of councillors, mayor with degree, gender of mayor, surface (sq.km), road network (km), number of households, province, year, and year of mayor’s election dummies. Because there are only 223 populist mayors supported by FDI and M5S, we included the following covariate: population, number of councillors, province, year, and year of mayor’s election dummies.

Second, we perform a set of falsification tests with lagged and lead values of the outcome and running variables. In particular, we use the margin of victory in election t to estimate jumps at the cutoff during the years between election t and $t - 1$. After covariate adjustment, we find a discontinuity only for collection capacity (see Figure A5 in the Online Appendix) . Because mayors remain in office for five years, we also check for discontinuities using (1) the

lagged values of the outcome variables at $t - 6$, (2) the lagged value of the running variable at $t - 6$, and (3) the lead value of the running variable at $t + 6$. Only in two instances out of 24 tests we detect a discontinuity which is significant at 99% level (and five at 95%, see Figure A6 in the Online Appendix).

Third, in order to show that the larger probability of populist mayors to have a university degree mitigates the effect of electing a populist candidate, we replicate the analysis on two separate sample: candidates with and without a university degree. We find larger effect in the no-degree-sample, much larger than in the total sample. Despite, in the expected direction, the effects estimated from the all-degree sample are not distinguishable from zero.

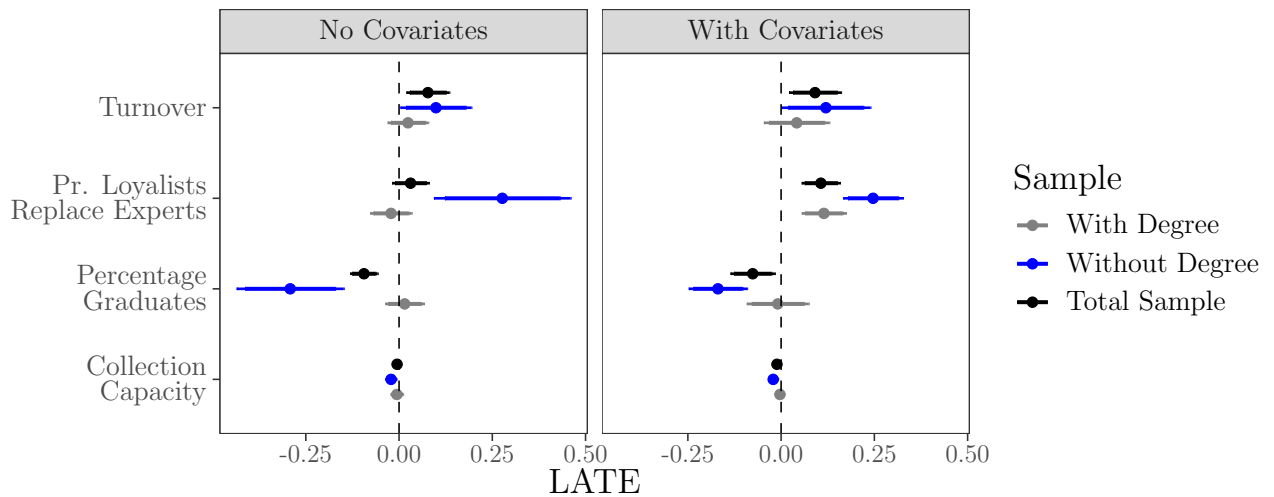


Figure 4: RDD results with 90% and 95% robust confidence intervals of the effect of electing a populist mayor from three different samples: mayors with degree, mayors without degree, total sample. Covariates included: population, number of councillors, mayor with degree (only for total sample), gender of mayor, surface (sq.km), road network (km), number of households, province, year, and year of mayor’s election dummies.

Fourth, in order to rule out other confounding differences that might explain the effects we detect, we restrict the sample to municipalities which elected a populist mayor.¹¹ The idea is to estimate local treatment effects among “treated units”, namely on a sample of

¹¹For a systematic discussion of this issue, see Marshall (2019).

units that have elected a populist at least once. These treated municipalities are 778. If municipalities which have elected a populist mayor at least once were different from control municipalities, we would find no discontinuities in the outcome on the sample of treated municipalities. We build identical models to those presented in Model (2) and find similar effects to the main results reported in Figure 2. This suggests that the effects we are detecting are indeed attributable to the election of a populist mayor and not to other unobservable characteristics that “treated” municipalities have in common. Figure 5 shows the results.

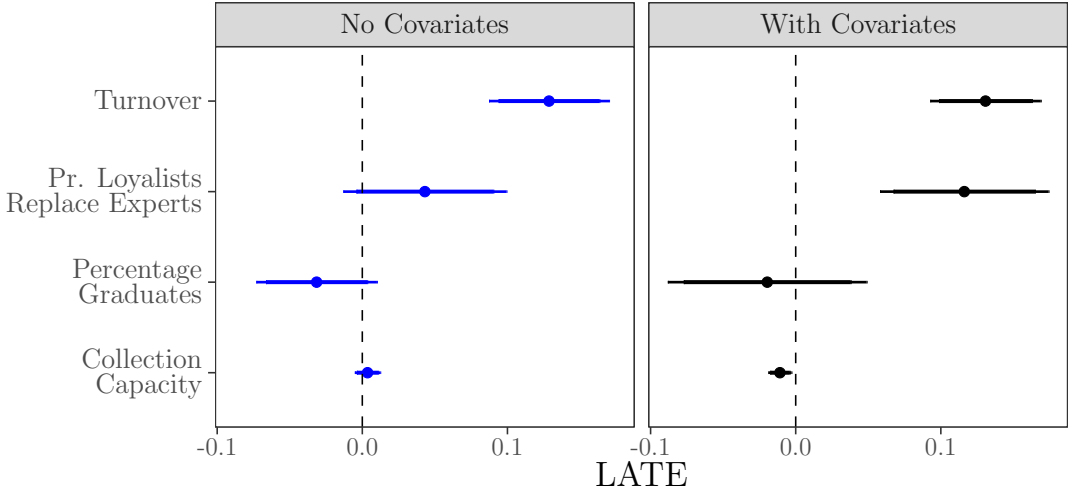


Figure 5: RDD estimates with 90% and 95% robust confidence intervals of the effect of electing a populist mayor on the four outcomes on a sub-sample of “treated” municipalities (i.e., those which elected a populist mayor at least once between 1998-2018). Covariates included: population, number of councillors, mayor with degree, gender of mayor, surface (sq.km), road network (km), number of households, province, year, and year of mayor’s election dummies.

6.1 Disentangling the Demand from the Supply of Bureaucratic Expertise

An alternative explanation for the results we find above concerns the supply side of bureaucratic expertise. The theoretical account we present and test in this paper argues that populist politicians replace expert with loyal bureaucrats (i.e., demand side). However, it

would be observationally equivalent to argue that bureaucrats themselves leave the administration when a populist seizes power (i.e., supply side).

This argument is consistent with a rich literature on the role of values, beliefs and motivation in the public sector, which shows that highly educated individuals self select into the public sector when its mission is aligned with their preferences, and that public sector employees have stronger altruistic motivation, particularly when they feel they are working for a “good cause” (Dur and Zoutenbier, 2014; Zoutenbier, 2016). This might suggest that highly-motivated, good quality bureaucrats would not tolerate working for a populist, and would therefore leave the administration.

While we are not able to conclusively adjudicate between the two mechanisms, we can derive some observable implications which allow us to test the supply side of the mechanism. If the supply side in this case voluntary departure is driving the increase in turnover and decrease in quality we observe, we would expect populist governments to lead to an increase in the number of voluntary resignations, both as a percentage of the total number of bureaucrats leaving the administration and as the percentage of the total number of top bureaucrats in the municipality. The richness of our data on bureaucratic composition of municipal governments allows us to test these expectations. We replicate the main analysis presented above using two resignation outcomes. As shown in Figure 6, there is no discontinuity in the number of resignations over the number of bureaucrats nor in the number of resignations over the total number of lay-offs. Far from being conclusive evidence against a supply-side mechanism, these results suggest that the increase in turnover associated with populist government is not driven by voluntary departures of bureaucrats. As presented in the theory section, highly motivated and expert bureaucrats might in fact have an incentive to feign loyalty and remain in their post during a populist government, waiting for the

populist term to end.

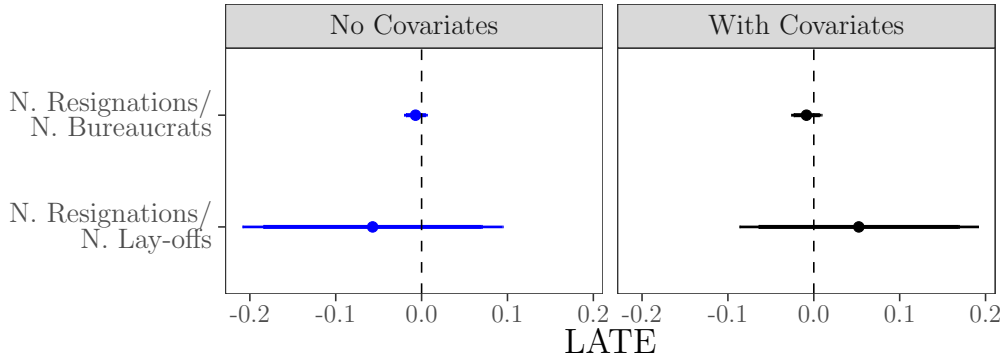


Figure 6: RDD estimates with 90% and 95% robust confidence intervals of the effect of electing a populist mayor on resignation outcomes. Covariates included: population, number of councillors, northern region, mayor with degree, gender of mayor, surface (sq.km), road network (km), number of households, province, year, and year of mayor’s election dummies.

7 Populist Government and Legislative Activity

Having confirmed so far the first three hypotheses on the negative effects of a populist mayor for bureaucratic quality and government performance, we can now evaluate whether there are consequent effects also in terms of legislative activism. As suggested by Gratton et al. (2021), the presence of an inefficient bureaucracy creates incentives for politicians to propose more legislation, knowing that this legislation will not be implemented, but will still signal their effort to voters. They find that in the Italian Second Republic (from 1993), with high political instability and deteriorating bureaucratic efficiency, MPs presented more bills in parliament. Similarly, Adam et al. (2017) show that the stock of environmental- and social-policy rules decreases in OECD countries with strong bureaucracies. Weaker bureaucracies therefore fall in an implementation-deficit trap, whereby rule implementation is constrained by low administrative capacity and a larger number of rules.

We expect a similar dynamic to hold for municipalities governed by populists. We use our three measures of legislative activity (i.e., number of council and executive resolutions, as

well as the percentage of planning instruments adopted) as outcomes in the RDD presented for the main results. As shown in Figure 7, we find that populist governments lead to an increase in the number of council and executive resolutions by 23% and 29%, respectively, and the percentage of plans adopted increases by 7.3 percentage points.

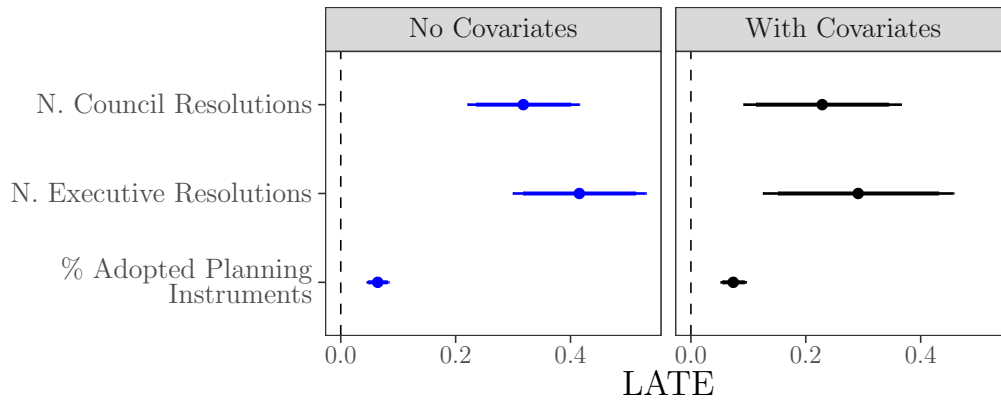


Figure 7: RDD estimates with 90% and 95% robust confidence intervals of the effect of electing a populist mayor on three outcomes measuring the amount of work done. Number of council and executive resolutions are transformed with the inverse hyperbolic sine transformation. Covariates included: population, number of councillors, northern region, mayor with degree, gender of mayor, surface (sq.km), road network (km), number of households, province, year, and year of mayor's election dummies.

8 Conclusions

This paper finds that populism has detrimental effects for bureaucratic expertise, quality, and performance. We took stock of different theoretical approaches to the study of populism, bureaucracy, and public policy, which argue that populist politicians have a simplistic strategy that makes them favour loyalty over expertise. Regardless of the state of the world, non-expert bureaucrats implement the policy favoured by populists without the concern of going against information. This leads to a decrease in the overall quality of bureaucracy and government performance, which in turn creates incentives for legislative over-production. In a situation where the bureaucracy is no longer able to implement policies in a timely man-

ner, politicians use legislation as a way to signal their effort and activity to the electorate. Populist governments do more but they do it worse.

Our empirical analysis is the first to identify the causal effects of electing a populist mayor on a battery of outcomes. We use novel and rich data on thousands of municipalities over a 20-year period and find that turnover among top bureaucrats is higher under populist mayors, and that the probability of replacing non-expert with expert bureaucrats increases. We estimate small but precise negative effects for government performance, measured as the collection capacity of the municipality. We also find support for the legislative over-production hypothesis, with a larger number of legal acts and planning instruments passed in municipalities where a populist mayor candidate barely won the elections.

However, the loyalists-replace-experts factor that we focus on is possibly only one force among those that make populist politicians responsible for worsening bureaucracy and government performance. While the data allows us to prioritise this demand-side mechanism over a supply-side one (based on bureaucrats' self-selection), we cannot rule out alternative ways through which populism undermines bureaucratic effectiveness. An important one, highlighted in theoretical work, is that those expert bureaucrats who remain in the administration can "pause" their commitment to good-quality policies and feign loyalty to the populist government (Sasso and Morelli, 2020). Because of the empirical limitations of observing bureaucratic feigning, disentangling the loyalist-replace-experts effect from the feigning loyalty mechanism is beyond the scope of this paper. Future research could focus on this alternative channel and resort to non-observational data to examine the conditions under which bureaucrats are willing to compromise on policy today to remain in their post tomorrow.

A final note on the generalisability and the scope conditions of our findings is in order.

Based on the review of the literature, there are reasons to believe that the theory discussed in this paper applies to modern bureaucracies with clear tasks and organisations, which are delegated large stocks of discretion in administering policies. In political systems with a high level of political control or where crony, clientelistic, or corrupted practices prevail, it is harder for expertise to affirm as a distinctive feature of bureaucratic policy-making, and populist politicians might not be concerned about replacing experts with loyalists. Similarly, for the theory to apply, bureaucratic administrations ought to have a certain level of capacity in order to attract expert professionals. If no expert works for bureaucratic bodies, we would not expect turnover to increase or bureaucratic quality to drop as a consequence of populism. Empirically, we are confident that our analysis of Italian municipal government represent a conservative test of our hypotheses. Municipal governments in the Italian culture are the emblem of permanent and secure job, which is characterised by a generalised low level of mobility and high contractual rigidity. Bureaucrats' hirings and departures are less likely compared to other political systems with faster recruiting procedures.

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Online Appendix

A1 Datasets

We use novel data on bureaucratic composition of municipal governments from the Annual Account of the Italian General Accounting Office, which is a department within the Ministry of the Economy and Finance. The richness of this data allows us build fine-grained measures of bureaucratic turnover and quality from 2001 to 2018 across all Italian public organisations. Importantly, we are able to focus on key bureaucrats within municipal governments, namely those with managerial rank. To do this, we subset each datasets of the Annual Account to macro-categories of contracts which contain the word "dirigente" (in English, manager).

As far as the election dataset is concerned, we had direct access to the repositories of the Historical Archive of the Ministry of the Interior, which includes information about every mayoral candidate in the total population of municipal elections from 1997 to the most recent dates. We focus on the elections where one populist candidate was running against at least one non-populist candidate. We then measure the vote share of the candidate based on the number of votes of each party-list supporting the candidate and dividing it by the total number of votes expressed in the election.

Municipalities with more than 15,000 inhabitants have a two-round electoral system, where the two most voted candidates compete in a second round when no one obtains more than 50% of votes in the first round. When a second-round occurred, we focused on the two candidates running in the second round. As a result, if a populist was running in the first round but did not qualify to the second round, the election is excluded from the sample. We also exclude from the sample those few elections in which there are more populist candidates running against each other.

The other datasets described in the main text could be merged with data on elections and bureaucratic composition in a straightforward way. Because not every dataset resorts to unique code identifiers, we alternated merging strategies using the strings that combined both the municipality and region name, the unique identifiers assigned by the National Institute of Statistics, or the unique code attached to each municipality's budget data.

A2 Regression Table

	Turnover	Pr. Loyalists Replace Experts	% Graduates	Collection Capacity
<i>Panel A: Total Sample</i>				
β	0.091**	0.107***	-0.076**	-0.011**
<i>Robust SE</i>	(0.036)	(0.026)	(0.030)	(0.004)
<i>p.value</i>	0.011	0.000	0.012	0.012
<i>h</i>	8.70	8.22	10.48	10.79
<i>Obs. Used</i>	700	608	846	3,180
<i>Panel B: Strong Bureaucracy</i>				
β	0.200***	0.107**	-0.192***	-0.033***
<i>Robust SE</i>	(0.061)	(0.046)	(0.042)	(0.007)
<i>p.value</i>	0.001	0.021	0.000	0.000
<i>h</i>	13.72	9.49	7.94	7.51
<i>Obs. Used</i>	437	307	259	704

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

Table A1: RDD estimates and bias-corrected cluster-robust SE in parenthesis. Covariates included: population, number of councillors, mayor with degree, gender of mayor, surface (sq.km), road network (km), number of households, province, year, and year of mayor's election dummies. h is MSE-minimising optimal bandwidth used to estimate β . *Obs. Used* reports the number of units $i \in [0 - h, 0 + h]$. Strong bureaucracy panel reports result from estimation on sub-sample of municipalities with above-median % of graduate employees, used as a proxy for bureaucratic strength.

A3 RDD: Continuity Assumptions

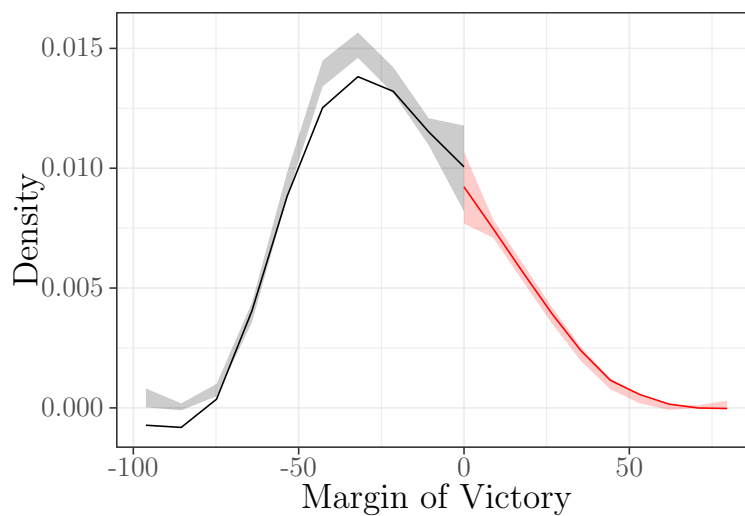


Figure A1: Continuity of density. We fail to reject the null hypothesis of sorting with p.value = 0.57.

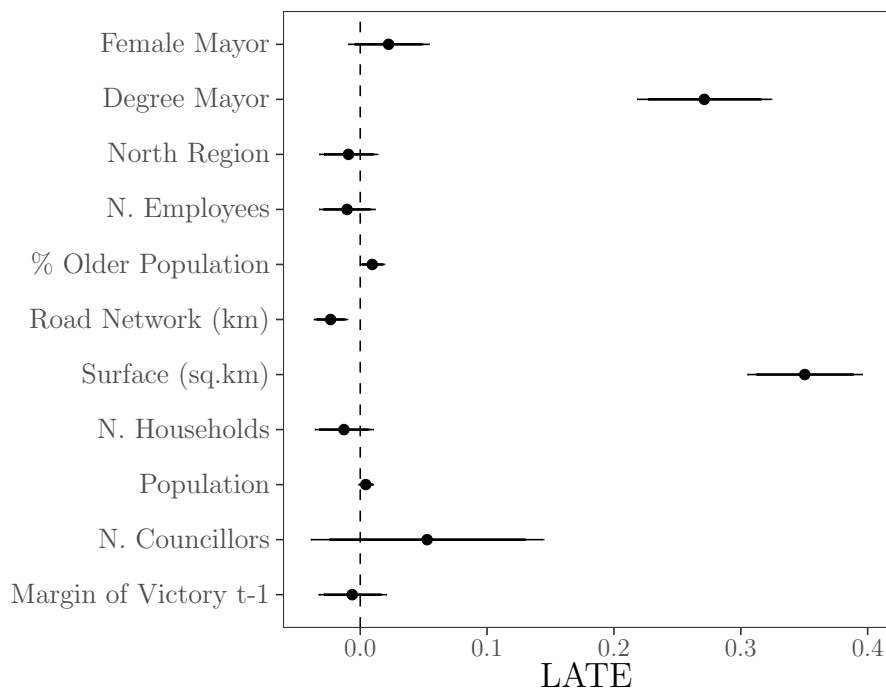


Figure A2: Continuity of potential outcomes. Effect on pre-treatment covariates. Sharp RDD coefficients with 90% and 95% confidence intervals. All non-binary covariates are standardised. Specifications identical to main specification reported in Table A1 except for the covariate used as outcome variable.

A4 Placebo Tests

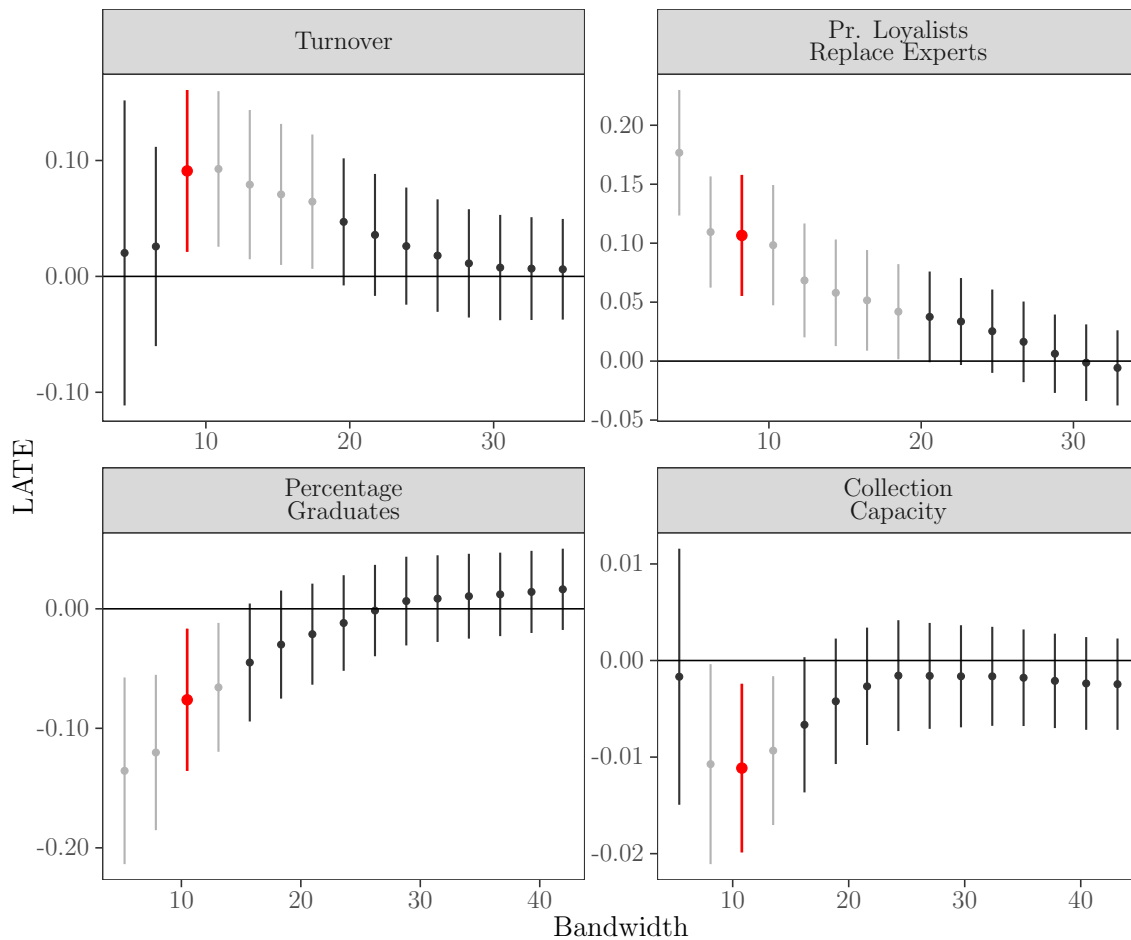


Figure A3: Alternative bandwidth. Point estimates and 95% confidence intervals. Gray coefficients are significant at 90% level. Red coefficients estimated with MSE-minimising optimal bandwidth. Covariates included: population, number of councillors, mayor with degree, gender of mayor, surface (sq.km), road network (km), number of households, province, year, and year of mayor's election dummies.

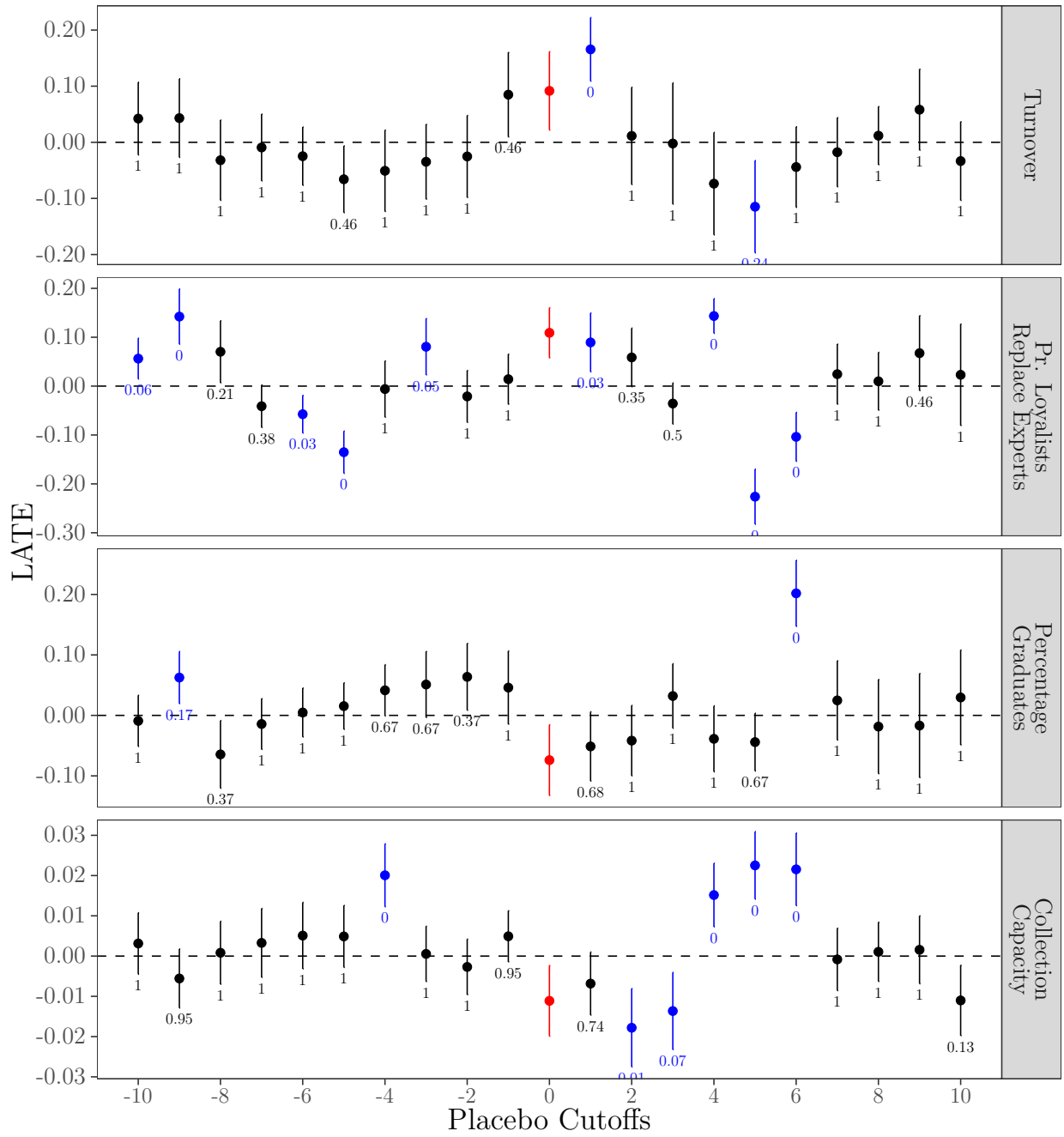


Figure A4: Placebo cutoffs. Point estimates and 95% confidence intervals. Blue coefficients significant at 99% level. Red coefficients at true cutoff (margin of victory = 0). Below each coefficients we report the multiple-testing corrected p.values with Benjamini and Hochberg procedure to control for the false discovery rate (performed separately for each outcome variable). Covariates included: population, number of councillors, mayor with degree, gender of mayor, surface (sq.km), road network (km), number of households, province, year, and year of mayor’s election dummies.

A5 Robustness Checks

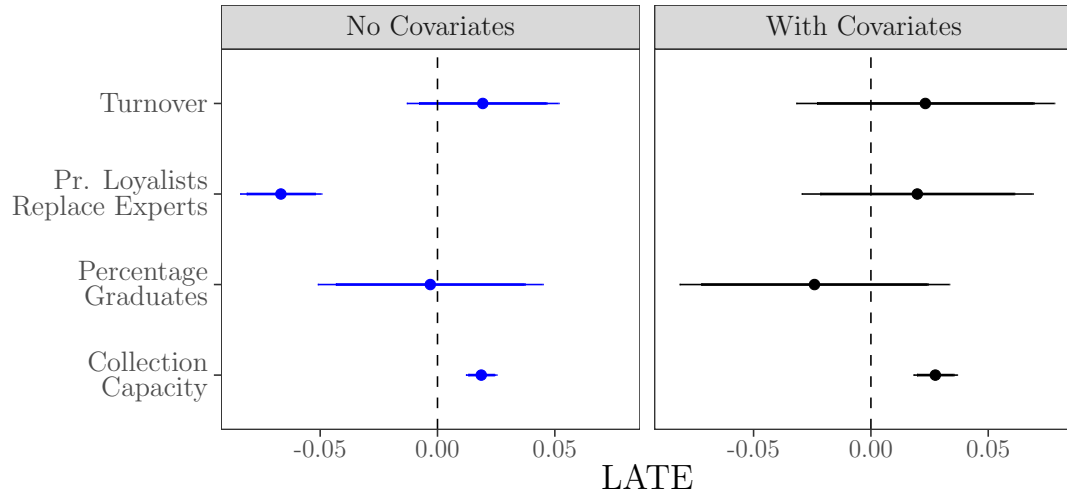


Figure A5: RDD estimates with 90% and 95% robust confidence intervals of the effect of electing a populist mayor on the four outcomes under alternative coding strategies. Running variable from election t , outcomes and covariates from election $t - 1$. Covariates included: population, number of councillors, mayor with degree, gender of mayor, surface (sq.km), road network (km), number of households, province, year, and year of mayor's election dummies.

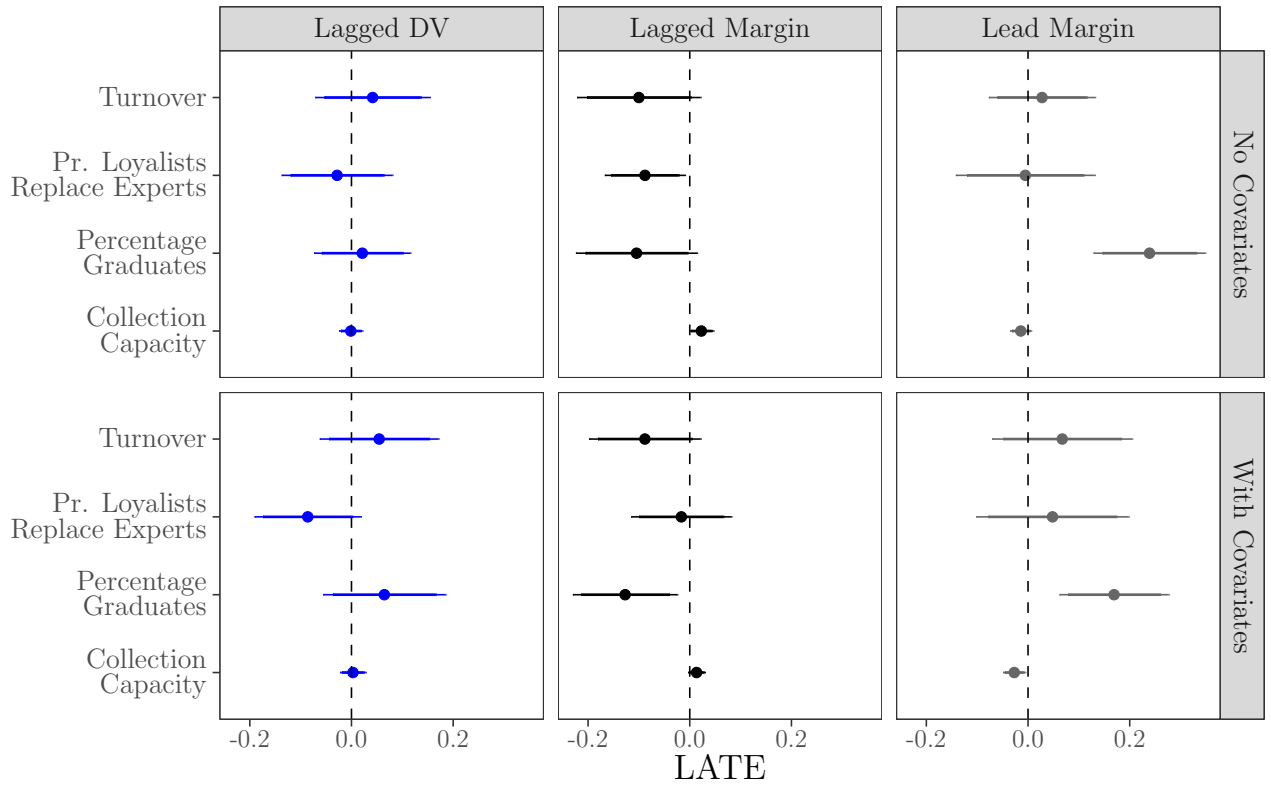


Figure A6: RDD estimates with 90% and 95% robust confidence intervals of the effect of electing a populist mayor on the legged values of the four outcomes in $t - 6$ (first panel). Second and third panels use lagged and lead values of the running variable (margin of victory) at $t - 6$ and at $t + 6$. Covariates included: population, number of councillors, mayor with degree, gender of mayor, surface (sq.km), road network (km), number of households, province, year, and year of mayor's election dummies.