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

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Abstract

In this article, we study politicians’ – rather than voters’ – responses to the main political scandal in Italian recent history (*Tangentopoli*), and overcome endogeneity concerns by analysing the *local* implications of this *national* corruption scandal. We find that local politicians withdraw support for incumbents in parties hit by Tangentopoli – inducing increased political instability in such municipalities. Moreover, politicians in parties hit by the scandal exhibit higher rates of party switching and lower re-running rates. Scandals thus appear to decrease the value of the party “brand”, and become transmitted across politicians and levels of government via partisan cues.

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1. Introduction

Anecdotal evidence shows that political scandals have important direct effects on the implicated politicians' careers, as well as on broader aspects of governance in the affected jurisdiction. For instance, "Watergate" led to US President Richard Nixon's resignation, while the 2016 impeachment of Brazil's first female President Dilma Rousseff caused severe political instability at different levels of governance. Academic research likewise illustrates that voters punish corrupt incumbents in the poll booth, which lies at the heart of elections' role as a key accountability mechanism (Besley, 2006; Ashworth, 2012; Geys and Mause, 2016).¹ In this article, we provide evidence that political scandals also affect – and thereby trigger behavioural responses from – politicians not directly implicated by the scandal.

Our central argument is that political scandals have implications *beyond* the politicians directly involved because they can tarnish the party "brand" (Lupu, 2014).² Party names are often used by voters as low-cost, heuristic cues about the politicians associated with these parties (Snyder and Ting, 2002, 2003; Geys and Vermeir, 2014, and references therein). Party membership thus represents "one of the signals that voters use when estimating the 'quality' of political representatives" (Jones and Hudson, 1998, p. 187), and can be of significant value to politicians particularly when they are less known to the broader public. Furthermore, parties provide benefits to politicians in terms of the organization of electoral campaigns, media coverage, career opportunities, and so

¹For instance, Ferraz and Finan (2008) show that corrupt incumbents are punished in Brazilian municipalities. In similar vein, Nannicini et al. (2013) find that Italian deputies charged with criminal offences receive fewer votes at the next elections – though only in districts with high levels of social capital. Interestingly, Chong et al. (2014) suggest that such electoral retribution might in some cases also spill over to the challenger.

²One example concerns a scandal about the excessive rent-seeking activities of leading figures in the socialist party in Brussels in 2017, which motivated other parties' refusal to (continue to) cooperate with any members of this party in a coalition government (<http://plus.lesoir.be/100409/article/2017-06-19/le-cdh-ne-veut-plus-du-ps-queelles-coalitions-possibles>). Highlighting the damage to the party "brand", the scandal also instigated an 'Our hands are clean' movement among other members of the socialist party – both within Brussels and beyond (<http://www.lecho.be/dossier/samusocial/Ceci-n-est-pas-une-fronde/9904273?ckc=1&ts=1501237145>). Likewise, the escalation of corruption scandals in Spain in 2013 strongly affected popular perceptions of the incumbent parties and contributed to the creation of new players in the political arena (i.e. Podemos and Ciudadanos; https://elpais.com/elpais/2014/11/03/inenglish/1415011542_341454.html).

on. However, when a party is hit by a political scandal, the value of being associated – or even seeming to be associated – with that party declines dramatically. The party name then no longer provides a simple cue towards the particular policy positions of this party and its members (Wittman, 1989, 1995; Aldrich, 1995; Jones and Hudson, 1998), but also triggers negative associations due to the political scandal. Rational politicians weighing the costs and benefits of their partisan affiliation will therefore reoptimize their behaviour with respect to the desired level of association with the party.³

From a theoretical perspective, such reoptimization can take different forms, and thereby generates distinct empirically observable implications. First, when politicians are members of the party involved in a scandal, breaking their association with the party might involve resigning from their political office, leaving the party (e.g., by 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, which in turn can work to increase the probability of a government crisis. Second, when the party involved in a scandal is part of the governing coalition, its coalition partners may wish to break their association with the party by retracting support for the government – again increasing the possibility of political deadlock and government crisis (as in the cases of Brussels and Brazil mentioned earlier). This line of argument leads to two empirically verifiable hypotheses. The first is that rational politicians withdraw support from parties involved in a scandal – thereby triggering increased government instability. This may arise both due to politicians within the scandal-hit party (since scandals are likely to undermine party discipline; Snyder and Ting, 2002) and those outside it (because it becomes more complicated for the incumbent to bargain for support; Tsebelis and Chang, 2004). The second hypothesis is that rational politicians are likely to want to break – or, at the very least, limit – their personal ties to parties involved in a scandal (e.g., by running as an independent or switching to another party).

³While the exact mechanism leading scandals to reduce the party “brand” value is not central to our argument, one can imagine at least three possible reasons: i) there might be 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 expect reduced possibilities for gaining power via affiliation with a tainted party. Whatever the underlying mechanism, one would expect a drop in the utility politicians receive from the party brand.

Our empirical analysis of these theoretical propositions studies the most famous political scandal in Italian modern history – generally referred to as *Tangentopoli* (literally: “Bribe City”) or *Mani Pulite* (literally: “Clean Hands”) – which took place in the period 1992-1994. The scandal consisted of a vast and well-established system of corruption, whereby public procurement contracts were assigned in exchange for illegal contributions to political parties. All main political parties were involved in the scandal, but the two leading national parties – the Christian Democrats (DC) and the Italian Socialist Party (PSI) – were implicated most severely (more details below). While Tangentopoli 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 Tangentopoli was unexpected by local politicians, and that only very few local politicians were implicated. Hence, the scandal provides an arguably exogenous information shock to local politicians about the (relative) value of specific party brands, which we can exploit to provide a credible causal estimate of politicians’ responses to a political scandal using a difference-in-differences (DiD) estimation strategy.

Our first main finding is that a scandal taking place at the *national* level can induce increased prevalence of government crises at the *municipality* level – as measured by local governments’ early termination. We not only observe more local government crises in the period 1992-1994, but show that such crises arose especially in municipalities ruled by the parties most strongly implicated in Tangentopoli. This is consistent with our argument that politicians retract support to local affiliates of the affected parties (even though these local affiliates have no direct involvement in the scandal) – causing increased local government instability. Furthermore, we find significant support for the proposition that politicians within the affected parties’ local affiliates change their behaviour. They are significantly less likely to re-run in upcoming local elections (and less likely to be reelected when they do), and significantly more likely to switch their partisan affiliation towards independent local parties. Interestingly, the latter proves to be a viable strategy since it works to insulate these politicians at least partially from the electoral repercussions of the scandal. Overall, therefore, our findings provide strong support for the notion that

scandals are transmitted across politicians via partisan cues.⁴

Several extensions and robustness tests validate these central findings. First, we show that the increase in local governments' early terminations is most pronounced in municipalities located in electoral districts with a higher number of national politicians charged in the scandal. This confirms that the disclosure of corruption news is a key driver behind our results. Second, local political instability might in principle also be due to local politicians directly implicated in Tangentopoli. We address this via a meticulous investigation of local newspapers for a sample of about 1.100 municipalities (corresponding to 18% of Italian municipalities). In municipalities governed by a party involved in Tangentopoli at the national level, only 13% of government crises can be linked to charged local politicians (compared to 25% in the remaining municipalities). Dropping these municipalities from the sample leaves our findings unaffected.

Our analysis contributes to a number of literatures. First, while existing work has shown that *voters* strongly respond to corruption scandals (Ferraz and Finan, 2008; Nannicini et al., 2013; Chong et al., 2014; Cavalcanti et al., 2016), it has thus far failed to analyse whether and how *politicians* react to information shocks arising from political scandals. Our findings illustrate that politicians engage in meaningful adjustments of their behaviour in light of the decreasing brand value of a party tainted by a corruption scandal.⁵ This suggests that previous studies looking only at voters' reactions might pick up the *overall* response to a popularity shock (i.e., including the effect of politicians' reaction). Second, political alignment with the ruling party at the same or different levels of government has often been found to advance politicians' ability to bring benefits to their constituency (Solé-Ollé and Sorribas-Navarro, 2008; Albouy, 2013; Fourinaies and Mutlu-Eren, 2015; Fiva and Halse, 2016). We contribute to this literature on the role of parties in politics by showing that corruption scandals can become transmitted across politicians and levels of government through party "cues" (Snyder and Ting, 2002, 2003;

⁴Note that this is consistent with a large literature on organizational stigma illustrating that the negative societal perception of specific social actors (e.g., men's bathhouses and brothels, firms involved in a bankruptcy or outlaw motorcycle clubs) often transfers onto individuals linked to, or affiliated with, the stigmatized actor (e.g., clients, company directors or bikers) (Goffman, 1963; Kulik et al., 2008; Hudson and Okhuysen, 2009; Kvale and Murdoch, 2017).

⁵Parties likewise appear to respond to negative popularity shocks. Cavalcanti et al. (2016), for instance, analyze Brazilian local elections and show that the public exposure of corrupt incumbents induces their parties to bring forward better-educated politicians during subsequent elections.

Geys and Vermeir, 2014). This testifies to an important ‘dark side’ of partisan alignment between politicians. Closely related, we provide the first evidence that party switching might be an effective strategy for politicians hoping to retain voter support in light of a scandal hitting their party. Finally, this paper is also linked to the literature on political instability, which is generally considered an important obstacle to economic development (Alesina et al., 1996). Our contribution here is to highlight that corruption scandals can represent a source of short-term political instability, and as such might affect the longer-term development path of a country, region or municipality.

In the next section, we describe the Italian institutional framework and the main events of the Tangentopoli scandal. Then, section 3 reports on our estimation strategy and main findings, while section 4 presents several robustness checks. Section 5 concludes.

2. Institutional background

2.1. Italian politics before Tangentopoli

After the end of World War II, Italy introduced a bicameral government system. In the lower chamber (“Camera”), elections were organized in 32 electoral districts. Seats within each district were allocated to parties based on their vote share, and within each party the candidates with the highest number of votes were elected. For the upper chamber (“Senato”), elections were held in 20 regional districts, which were themselves subdivided into single-member constituencies. If a candidate received 65% of the vote, (s)he was elected. If no candidate reached this threshold (which was most often the case), votes were grouped by party list at the regional level and used to allocate seats across parties using a method similar to the one for the lower chamber.

At the local level, Italy’s roughly 8,000 municipalities were likewise governed using a parliamentary system with a legislative branch (“Consiglio”, or local council) and an executive branch (“Giunta”, or local government). In bigger municipalities (i.e. above 30.000 inhabitants), voters voted for party lists and could also express preferences for individual candidates. Seats were allocated proportionally to parties, and within each party were assigned to the candidates with most votes. In smaller cities, citizens voted directly for council candidates, which were elected in order of their vote tallies. In both cases, the mayor was subsequently appointed by the local council using a (qualified) majority vote. That is, a two-thirds majority of councillors was necessary to elect the

mayor in the first two voting rounds, but a simple majority was sufficient during a third (or later) round.

Before Tangentopoli, the national and local political arenas in Italy 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 prior to Tangentopoli (i.e. in 1987). A coalition government was established between DC and PSI, 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 also 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 about here

2.2. A brief history of Tangentopoli

Investigations into what became the largest political scandal in Italian modern history started in Milan in February 1992. Within a few weeks, and largely thanks to the deposition of a prominent politician of the Italian Socialist Party (Mario Chiesa), a vast system of corruption was uncovered whereby public procurement contracts were allocated in exchange for bribes to the ruling parties. These bribes were then generally managed by the party's headquarters for vote-buying activities (Newell, 2000). Parallel investigations were soon 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.⁶ While 19 out of 20 regions saw politicians being charged with corruptive practices, the regions with the largest number of charged politicians were Campania (Naples), Lazio (Rome), Lombardia (Milan), Sicily (Palermo) and Veneto (Venice). This closely matches the distribution of the Italian population, as those five regions are the biggest in terms of population and, in turn, elected deputies.

Important for our identification strategy below, the scandal involved predominantly politicians 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. This figure clearly indicates that the peak of the corruption scandal was reached in 1993. The number of charged politicians sharply declined in 1994 and only one politician was charged in 1995 (not in the graph). More importantly, the figure indicates that 75% of the charged politicians belong to the two main ruling parties. An additional 13% were members of the minor parties in the government coalition (the category “Other gov.” in Figure 2), and only 4% of the charged politicians was elected in the left-wing block. The remaining ones were distributed across other minor parties. Interestingly, while the Communist PCI generally supported the investigations, DC and PSI repeatedly tried to block them arguing that members of parliament benefit from Parliamentary immunity. Ultimately, such efforts were not successful, in part because high popular support and constant media attention allowed the courts to continue their investigations. Even so, this provides further illustration that DC and PSI were most strongly implicated, while PCI was more marginally hit by the scandal.

Figure 2 about here

During the national elections of June 1992 – i.e. just after the start of Tangentopoli – DC and PSI lost some electoral support, but maintained sufficient seats again to form a coalition government (with support from the Italian Liberal Party (PLI) and the

⁶This number is based on our calculations using 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. The data include the type of charge (including corruption, misappropriation, abuse of power, as well as illegal party funding), the year in which the politician was charged, as well as the deputy’s party affiliation and election district (for further details, see Ceron and Mainenti, 2015).

Italian Social-Democratic Party (PSDI)). In these elections, the two parties arising from the dissolved PCI (i.e. PDS and PRC) jointly received 21% of the votes in the lower chamber and 23% in the upper chamber. Over the next 18 months the number of charged politicians rapidly increased (as shown in Figure 2), and a new national electoral law – based on majoritarian rule – was approved by referendum in 1993 (Gundle and Parker, 1996; Newell, 2000).⁷ DC – which had been ruling Italy uninterruptedly for almost fifty years – was disbanded in 1994, and national elections held that same year saw PSI nearly completely lose its electoral support. Starting from 1992, DC and PSI also rapidly lost control of municipal councils, and were replaced by new emerging parties (i.e. Forza Italia and the Northern League) and especially by Civic Parties.⁸ The institutional shock was so dramatic that historians define this period as the end of the Italian First Republic.

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 government instability or politicians' decision to re-run 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 in this scandal (those implicated will naturally respond to this event). 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 important characteristics of the scandal as well as the Italian institutional and political framework. First,

⁷A new electoral law was also implemented at the local level. It introduced the direct election of the mayor and a majority premium for the winner (more details in Geys, 2017). This does not affect our identification strategy below as we focus on local governments elected prior to the start of Tangentopoli.

⁸Such 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 Tangentopoli, their popularity increased drastically after 1992.

as mentioned, Tangentopoli predominantly implicated national-level politicians, and its timing was unexpected for local politicians. This makes the scandal exogenous to local politics, which significantly mitigates the above-mentioned endogeneity concerns when analyzing local instead of national politicians (we return to this in more detail below). 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 – including incumbent mayors and aldermen – were affiliated to the national parties involved in Tangentopoli. Hence, we can exploit the presence of partisan connections between certain subsets of politicians (Snyder and Ting, 2002, 2003; Solé-Ollé and Sorribas-Navarro, 2008; 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 (i.e. five years), not all municipalities hold elections at the same time. This allows us to separate common time trends from the effects under investigation (Dahlberg and Mörk, 2011).

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 Tangentopoli on local government instability, we compare local governments’ early termination before/after Tangentopoli depending on whether or not the local incumbent’s party (though *not* the local incumbent, see also section 4 below) was affected by the scandal. We thereby run the following regression model (with subscripts i and t denoting municipalities and years, respectively):

$$Instability_{it} = \delta_i + \beta_1 DC/PSI_{it} \times After\ Scandal_t + \beta_2 DC/PSI_{it} + \beta_3 After\ Scandal_t + \lambda_t + \epsilon_{it} \quad (1)$$

Our dependent variable $Instability_{it}$ is a dummy equal to 1 when the government in municipality i experiences early termination in year t (for a similar approach, see Gagliarducci and Paserman, 2011). Since the electoral term was equal to five years for all Italian municipalities in the period of interest, $Instability_{it}$ equals 1 when the municipality had elections *before* this five-year term was completed (0 otherwise). This is determined using annual data about local elected officials, which are publicly available on

the website of the Italian Ministry of Interior. In our period of observation (1989-1994), there were 1094 early government terminations 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 terminations), which reflects the fact that resignation is a councillor’s main way to fully withdraw support for the local incumbent.⁹

While *AfterScandal* is equal to 1 in our treatment period (i.e. 1992-1994) and 0 in the period prior to Tangentopoli (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. The three minor parties in the national government coalition prior to Tangentopoli (i.e. PRI, PLI and PSDI) are also included in the treated group. 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 stability of local governments depending on the mayors’ partisan affiliation. We also include a full set of municipality fixed effects (δ_i) and year fixed effects (λ_t), and cluster the error term at the municipality level.¹⁰ Summary statistics for all relevant variables are provided in Table A.1 in the appendix.

3.2. Results for local government instability

To concentrate as narrowly as possible on the period of the scandal, our empirical analysis is based on local political data in the period 1989-1994 (where the window 1992-1994 represents the years of Tangentopoli). We start our observation period in 1989 since this is the first year for which we can determine early local government terminations. To provide a first look at the data, Figure 3 reports the share of local governments

⁹Before 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 collapse also when: i) the mayor resigned or died, or ii) the councillors voted for the mayor’s impeachment. Given that this electoral system change was implemented in all municipalities at the same time, it does not affect our identification strategy.

¹⁰Note that the sample only includes municipalities whose government was installed prior to Tangentopoli (i.e. before 1992). Municipalities facing early termination of their government in year t thus are dropped from the sample in subsequent years. The reason is that the new ruling coalition would be endogenous to our treatment.

facing early termination for each year in the 1989-1994 period separated by the partisan affiliation of the mayor: i) DC and PSI (in the two top panels), ii) PCI (or its successors PDS and PRC after 1991) in the bottom left panel; and iii) Civic Parties and other minor parties unaffected by the scandal in the bottom right panel. Figure 3 indicates that early government dissolution was relatively rare prior to Tangentopoli, but jumped across the board in 1991. More interestingly, Figure 3 also displays a strong increase in early government dissolutions in the period 1992-1994 among municipalities governed by a mayor affiliated to the main parties implicated in the national scandal (DC and PSI) – whereas no similar surge is observed for municipalities governed by Civic Parties. (For the data underlying this graphical representation, see Table A.2 in the appendix.)

Figure 3 about here

Table 1 looks at this observation in more detail by presenting the results from estimating equation (1). The columns in Table 1 differ only in terms of the ‘control’ group employed. In columns (1) and (2), we compare municipalities with DC/PSI mayors (i.e. the treated group) to all other municipalities. Instead, column (3) only includes municipalities with a mayor from the national opposition party (PCI) in the control group, whereas the control group in columns (4) and (5) includes only municipalities where the mayor was from another party (mainly Civic Parties and minor national opposition parties). We follow this approach because even though the scandal predominantly implicated DC and PSI, its effect could have been strong enough to spill over to the other main national party (PCI) (see, for instance, Chong et al., 2014).

Table 1 about here

Table 1 confirms that *local* government instability increases during a *national* corruption scandal in municipalities ruled by parties hit by the corruption scandal, i.e. DC and PSI. This is true whether we control for municipality, time and year-of-election fixed effects (in column (2)) or not (in column (1)).¹¹ The size of the estimated effect is substantial, considering that the average yearly probability of early government termination

¹¹The inclusion of year-of-election fixed effects controls for potential within-term heterogeneity in the early termination probability (Becher and Christiansen, 2015).

is 1.1%. Column (1), for instance, predicts an increase probability of local government instability of 0.6% per year. These findings are consistent with the idea that politicians at the local level withdraw support from incumbents affiliated to the affected parties. Columns (3) and (4) indicate that the exact nature of the control group matters. Local government instability in treated municipalities increases during Tangentopoli particularly relative to the control group of municipalities governed by Civic Parties (column (4)), but not relative to municipalities governed by the Communist CPI (column (3)). This suggests that Tangentopoli is likely to have induced some spillover effect onto all main national parties (Chong et al., 2014). Column (5) confirms this by illustrating that local government instability also increased in municipalities with PCI mayors relative to the control group of municipalities with Civic Party mayors. Overall, therefore, the results in Table 1 provide strong confirmation that the national Tangentopoli scandal induced increased local government instability in municipalities where the incumbent had partisan ties to the implicated parties.¹²

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 assumption, 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 the 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 termination *before* the occurrence of the scandal (i.e. in years 1989 and 1990). Figure 4 provides a graphical representation of the results (see Table A.3 in the Appendix for the detailed 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

¹²Table A.4 in Appendix A suggests that the observed effects are stronger for DC than PSI. This is consistent with the fact that DC was the strongest national party at the time of the scandal, and had more politicians implicated in the scandal. Even so, it is important to point out that this increased instability in municipalities with DC/PSI mayors is *not* due to the resignation of local councillors resigning 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 and 14 MPs in 1992).

group. We find no evidence of statistically significant effects prior to Tangentopoli in either panel, which suggests that pre-trends are not driving our findings in Table 1.

Figure 4 about here

Our interpretation of the results presented thus far builds on the assumption that Tangentopoli is the main driver of local political instability in the period 1992-1994. However, Italy also 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. To rule out this alternative interpretation, we test for heterogeneous effects of the scandal in two dimensions: i.e. the level of corruption and the extent of local political competition. One would expect that Tangentopoli has stronger effects on local government instability when i) there are more extensive 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). In both cases, the empirical model in equation (1) is extended with a three-way interaction between *AfterScandal*, DC/PSI_{it} and measures of 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 national politicians charged with corruption in the electoral district of a municipality is above the median of the sample distribution. Electoral competition is operationalized either statically via the political fragmentation of the local council (i.e. the number of parties represented in the council) or dynamically via the presence of at least one change in the political colour of the mayor in the period 1985-1991 (see also Ashworth et al., 2014). The results are presented in Tables 2 and 3, respectively.¹³

Tables 2 and 3 about here

¹³Unfortunately, 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 onwards.

The results in Table 2 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 instability observed before 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 3 similarly indicate that local government instability increases particularly in treated municipalities that have more politically fragmented councils and are more electorally competitive. Local incumbents in an already weaker political position thus are found to be particularly sensitive to the decline in party brand value due to Tangentopoli. Taken together, both sets of findings strongly suggest that Tangentopoli is the main driver of the observed increase in local political instability.

3.3. Mechanisms: A focus on local politicians

The results in the previous section credibly link Tangentopoli to increased local government instability via politicians’ partisan connections. Given that most cases of early government termination at the local level are due to councillor resignations (see above), this also 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 explore this mechanism in more detail by evaluating whether politicians in parties hit by the scandal exhibit higher rates of party switching and lower re-running and reelection rates. 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 parties during subsequent electoral rounds varies depending on their party of affiliation. We expect reduced reelection rates and increased party

¹⁴Clearly, 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 line of argument is not inconsistent with our basic proposition that politicians’ partisan affiliations cause political scandals to have implications beyond the politicians directly involved. Indeed, it likewise implies that party brands cause corruption scandals to spill over across politicians and levels of government. We are grateful to Stephane Wolton for pointing this out to us.

switching rates for politicians initially on a DC or PSI list after Tangentopoli.¹⁵ The results are reported in Figure 5 and Table A.6 in the Appendix.

Figure 5 about here

Figure 5 and Table A.6 show that both the probability of switching party and the probability of being reelected change for DC/PSI politicians from 1992 onwards. Specifically, they become significantly less likely to be reelected 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.

Figure 6 further examines the extent to which politicians historically running on a DC or PSI ticket switched to other parties in the local elections of 1991, 1993 and 1995. As above, the analysis starts from the complete set of politicians elected in the year indicated at the top of each plot. Then, we check whether they also held elected office in the period immediately prior to this election and, if so, for which party. Each panel in Figure 6 contains the subset of politicians elected in year t affiliated to DC/PSI (or its successors) in the recent past.¹⁶ Hence, the left-hand side of each panel – ‘party of origin’ – is always 100%, which reflects that all politicians in each sample were elected for DC/PSI (or its successors) in the period immediately preceding the election. The right-hand side of each panel indicates the parties for which this set of politicians is elected in year t (i.e., ‘party of destination’, which can but need not be the same as the party of origin). A disparity between the party of origin (i.e. DC/PSI) and destination naturally reflects party switching.

Figure 6 about here

The results in Figure 6 indicate that few DC/PSI politicians switched party in the 1991 elections. In fact, approximately 90% of those holding local office for DC/PSI

¹⁵While politicians may also switch party between elections, our data unfortunately only provide politicians’ partisan affiliation at the time of local elections. As such, we can only observe party switching around elections.

¹⁶As discussed in more detail in Section 4.2, DC and PSI were both dissolved at different points in time throughout 1994. Therefore, in 1995 we consider as DC/PSI affiliated those politicians who joined parties that were widely perceived as the immediate successors of DC/PSI.

immediately prior to the 1991 elections were also elected for these same parties during these elections. This picture changes dramatically in the aftermath of Tangentopoli. 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. During the 1995 elections, only 25% of local DC/PSI politicians remained faithful to the party (or its immediate successors) for which they had previously been elected. Party switching thus became an overwhelmingly common event for local DC/PSI politicians. In most cases, politicians thereby moved towards Civic Parties and – though to a substantially lesser extent – new right-wing parties. Figure A.1 in the online appendix indicates that the extent of party switching shows a less dramatic increase after Tangentopoli when the party of origin was PCI. Moreover, party switching actually became *less* likely over time – particularly in the direction of DC/PSI – when the party of origin was Civic Parties. This strengthens our interpretation that the party switching observed in Figure 6 is triggered by the decline in the party brand value of DC and PSI after the scandal hit. We return to the electoral value of such party switching to politicians below.

A clear caveat of the above analysis is that we cannot distinguish whether DC/PSI politicians might be less likely to re-rerun after the scandal (e.g., due to expecting an electoral punishment) and/or might be less likely to be receive votes due to the scandal.¹⁷ 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 Tangentopoli – which we can use to evaluate re-running rates and party switching more directly. Table 4 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 4 indicate that mayors previously elected on a DC/PSI ticket are less likely to stand for reelection in the 1993-1995 period, while the reverse holds for mayors

¹⁷The 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 reelection or simply failed to become reelected. Hence, for those not reelected we also cannot know on which party list they may have featured.

from Civic Parties. The point estimates suggest that DC/PSI mayors are approximately 8% less likely to stand for reelection immediately after Tangentopoli compared to mayors from other parties. Roughly symmetrically, mayors from Civic Parties are almost 10% 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)).

Table 4 about here

Finally, one can wonder whether it is really necessary for local politicians to distance themselves from a party that becomes entangled in a scandal at the national level. Does it affect a mayor's chance of reelection if she continues to run under the now tainted party label, and would electoral retribution be lower when switching to another party? These questions are addressed in table 5, where we analyze local mayors' reelection probability depending on their party affiliation. 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 legislative 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 when her original party is entangled in a major scandal at the national level.

Table 5 about here

Columns (1) and (2) in table 5 indicate that mayors running for reelection in the 1993-1995 period on a DC/PSI party label are significantly less likely to be reelected. The point estimates suggest a decrease in their probability of reelection with approximately 10% compared to mayors from other parties, which is roughly 25% of the standard deviation in mayors' reelection 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% higher probability of reelection in the 1993-1995 period compared to 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 15% to 17% 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 6% to 7% less likely to be reelected than mayors from other parties. Strategically dissociating oneself from a party implicated in a national scandal thus appears highly beneficial.

4. Further robustness checks

4.1. The role of local corruption

As mentioned above, our identification requires that local politicians were not themselves implicated in the Tangentopoli scandal. To the extent that municipal politicians were charged with corruption, our findings may simply reflect a direct accountability mechanism whereby local corrupt politicians are removed from office. Although several scholars of Italian political history state that Tangentopoli 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, 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 6.

Nonetheless, to address this potential concern in more detail, we also 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 the municipalities in our sample. This choice was driven by a need to include sufficient geographical and socio-economic variation, as well as practical concerns of data availability (as only few local newspapers provide open access to their complete digital archives). 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.¹⁸ The results indicate that 16 out of 124 cases of early government termination 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 termination in municipalities governed by other parties. The results in column (4) through (9) in Table 6 indicate that excluding these 16 municipalities from our estimation sample leaves our findings qualitatively unaffected.

Table 6 about here

4.2. The implosion of DC

Another potential alternative explanation for our findings might be linked to the dissolution of DC in January 1994. This indeed implies that politicians in this party necessarily had to change party, which may provide a partial and ‘mechanical’ explanation for our party switching findings. However, even though the dissolution of DC (and PSI) induced an important process of fragmentation 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. Hence, we can monitor the extent to which politicians affiliated to DC prior to Tangentopoli were affiliated to DC-successor parties after 1993 – thus eliminating any purely mechanical effects in our analysis of party switching.

Even so, one might still argue that this fragmentation process directly undermined politicians’ expected utility from these new DC-successor parties, which might drive our results above (rather than Tangentopoli as such). Yet, there are a number of elements

¹⁸Both newspapers represent a reliable source of local news. Direct links between journalists and local politicians leading to biased corruption reporting are unlikely. La Stampa, for instance, has a restricted pool of journalists spread across a few newsrooms in the main cities of Piemonte, who have to cover news from 1.202 municipalities. Most of the municipalities are quite small (less than 10.000 citizens) and rarely attract public attention. Moreover, Italian newspapers played a key role during Tangentopoli in spreading corruption news and the subsequent process of delegitimization of the national political class. The media coverage was so intense that some politicians were persuaded that admitting their crimes was better than continuing to be publicly accused by the media (Giglioli, 1996). For instance, in July 1992, 66% of the first pages of the main Italian newspapers covered corruption news (linkiesta.it 22/09/2016).

that make this alternative explanation less credible. 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”. Second, as shown in Figure 4 above, the effect of the scandal on local government instability already starts in 1992. Clearly, this precedes the dissolution of DC (in January 1994), which from the discussion above was clearly unpredictable at that point. Moreover, there is no evidence of a sudden peak in early dissolutions around June 1993 (as shown in Figure A.2 in the online appendix), which suggests that the implosion of DC as such had little independent impact on local government instability.¹⁹ Finally, the implosion of DC cannot explain the fact that local government instability also increased in municipalities with PCI mayors relative to the control group of municipalities with Civic Party mayors (see above).²⁰

4.3. *Alternative specifications*

In our main specification, we concentrated on municipalities where the incumbent mayor is affiliated to DC/PSI. Clearly, however, this is only one possible operationalization linking the national Tangentopoli 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 both the mayor and *all* aldermen belong to DC/PSI: i.e. municipalities ruled by DC/PSI without coalition partners (group 1). Second, we analyze cases where the mayor belongs to DC/PSI, but at least one alderman is affiliated to PCI or Civic Parties: municipalities ruled by DC/PSI with at least one coalition partner (group 2). 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

¹⁹While 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.

²⁰Similar 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).

not control the mayor (group 3). Finally, we look at municipalities where DC/PSI holds neither the mayor nor any aldermen, and these positions are instead controlled by PCI or Civic Parties (group 4).

The results of these alternative operationalizations are summarized in Table 7. In column 1, we compare municipalities where both the mayor and all aldermen are controlled by DC/PSI (group 1) to all other municipalities (groups 2, 3 and 4) before and after Tangentopoli. As in the baseline specification in the main text, we find that municipalities governed solely by DC/PSI document a statistically significantly higher probability of instability once the scandal started. In column 2, we restrict the control group to cities where DC/PSI rules in a coalition with other parties (thus comparing group 1 to group 2 as defined above). While the municipalities with a more dominant role for DC/PSI document a weakly higher level of instability after the scandal, the difference is not statistically significant. In column 3, we shift focus to municipalities with a mayor from PCI or Civic Parties in a coalition with DC/PSI (group 3) and compare them to all other municipalities (groups 1, 2 and 4). Again, we find no significant effect and the point estimate is even negative, 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 (effectively comparing groups 3 and 4 defined above). The latter result would be consistent with the party in control of the mayor triggering early elections to distance itself from DC/PSI, thereby also capitalizing on those parties' sudden weakness to strengthen its own position.

Overall, we can summarize these findings as follows. The highest level of local government instability is observed following Tangentopoli for municipalities where the mayor is from DC/PSI - whether or not these parties maintain a coalition government with other parties (i.e. groups 1 and 2). Then, among municipalities where the mayor is from PCI or Civic Parties, local government instability after the scandal is higher where DC/PSI is part of the coalition (group 3) compared to where it is not (group 4). These results closely confirm those presented in the main text. In line with our theoretical argument concerning the role of the party "brand", they also highlight that the presence of DC/PSI in the local governing coalition is central to the observed increase in local government instability after the eruption of the scandal.

Finally, we also implemented two further tests. On the one hand, we experimented with an alternative specification of our dependent variable: i.e. 1 if the dissolution of

the local council was due to the resignation of a majority of local councillors, 0 otherwise (based on official data from the Italian Ministry of Interior). This leaves our findings qualitatively unaffected. Yet, the coefficient estimates decline in size, which strongly suggest that ignoring other officially stated reasons for dissolution appears unwarranted. In reality, almost every early termination is finally due to a disagreement among local politicians. On the other hand, Table A.5 in the appendix evaluates the robustness of our main findings on political instability to the introduction of year-region fixed effects. This is a very restrictive specification as it controls for time-varying local shocks. Again, our main results are unaffected.²¹

5. Conclusions

A substantial academic literature has found strong and consistent evidence that voters are willing and able to punish corrupt incumbents on Election Day (Ferraz and Finan, 2008; Nannicini et al., 2013; Chong et al., 2014; Cavalcanti et al., 2016). Yet, little is known about how politicians – rather than voters – react to such scandals. Evidently, corruption scandals will have an important impact on the implicated politicians’ careers. The central contribution of our analysis, however, is to show that political scandals can have substantial implications also beyond the politicians directly involved because they may tarnish the party “brand” (Lupu, 2014). That is, since large-scale corruption scandals trigger explicit 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 linked to, or affiliated with, the stigmatized social actor (e.g., company directors involved in a bankruptcy)” (Kvale and Murdoch, 2017, p.6). Rational politicians then will reassess the costs and benefits of their affiliation with a party involved in a corruption scandal, even when – or, possibly, particularly when – they are not themselves implicated by the scandal. We test the empirical implications of this line of argument by exploiting

²¹We also considered exploring the impact of Tangentopoli 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 nineties, which further complicates any inferences drawn from the available fiscal data.

the main corruption scandal in Italian recent history (Tangentopoli), which took place in the period 1992-1994 and mostly involved the two leading national parties (the Christian Democratic DC and the Italian Socialist Party PSI).

Our analysis illustrates that a prominent political scandal at the national level causes an increase in government instability at the local level, especially in municipalities where the mayor is affiliated to a party involved in the corruption scandal. This effect is stronger in regions where more national-level politicians are charged with corruption, and persists even when we exclude municipalities where local politicians might be implicated by Tangentopoli. We also show that mayors affiliated to the parties implicated in the scandal are less likely to stand for reelection, and more likely to switch party when they do stand for reelection (which is found to mitigate the electoral retribution faced by politicians of the tainted party). Such party switching is also observed for DC/PSI councillors more generally. Taken together, these results indicate that local politicians not themselves involved in the scandal re-optimize their behavior relative to the implicated parties by leaving the party, leaving politics, or withdrawing support from the ruling coalition – which subsequently becomes reflected in increased local government instability. This attests to the strong relevance of party “brands” in contemporary politics, and particularly highlights a potential ‘dark side’ of politicians’ partisan attachment. Indeed, party labels may cause corruption scandals to spill over across politicians and levels of government.

Finally, our results imply that government instability might in our setting be seen as the result of individual-level – rather than collective – decision-making processes. That is, early termination of local governments arises as an externality of individual politicians’ strategic decisions with respect to their partisan affiliation (or association in case of coalition partners) – rather than as the outcome of a collective strategy to bring down the government. Given the importance of political instability for economic development (Alesina et al., 1996), these short-term strategic calculations may have long-term implications. We consider the further assessment of such externalities an important avenue for further research.

Figure 1: Mayors' party affiliation in 1991

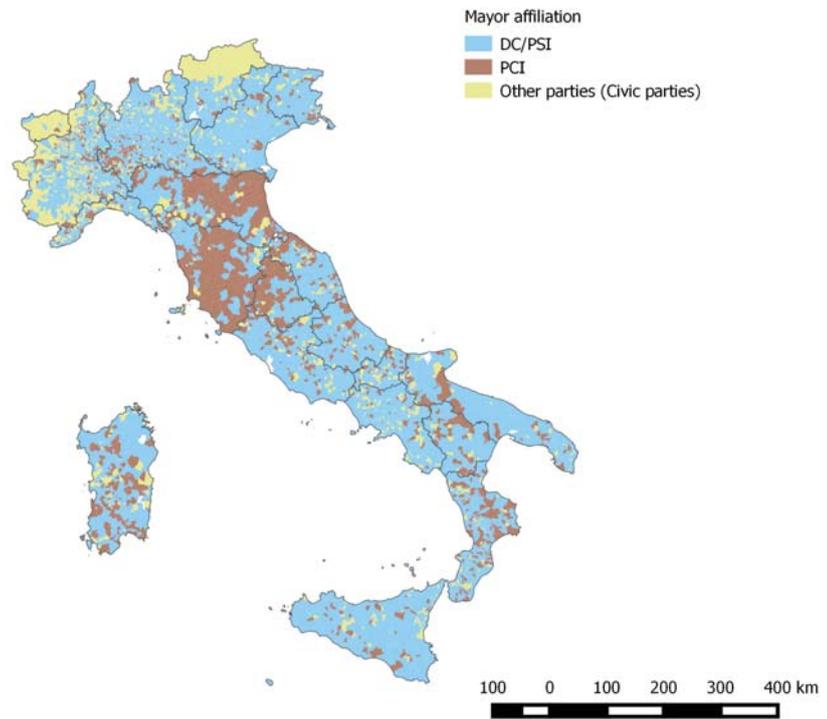
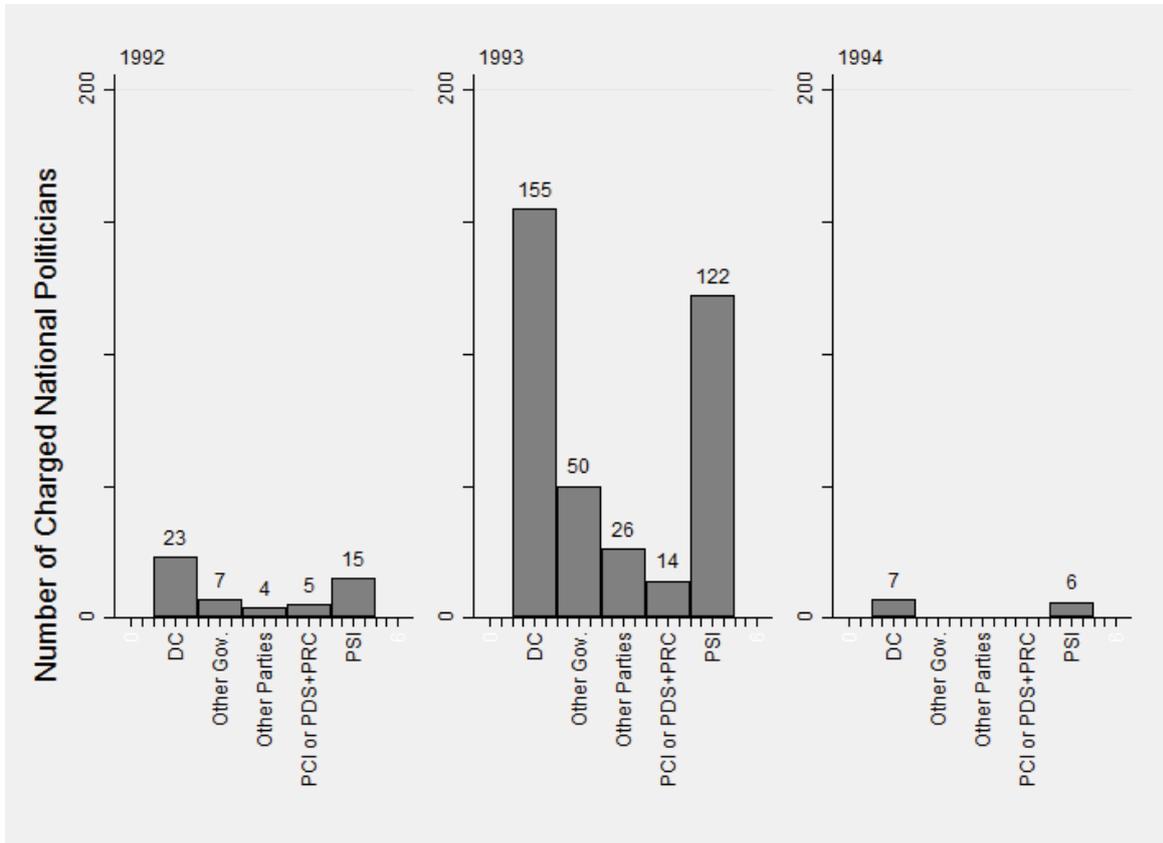
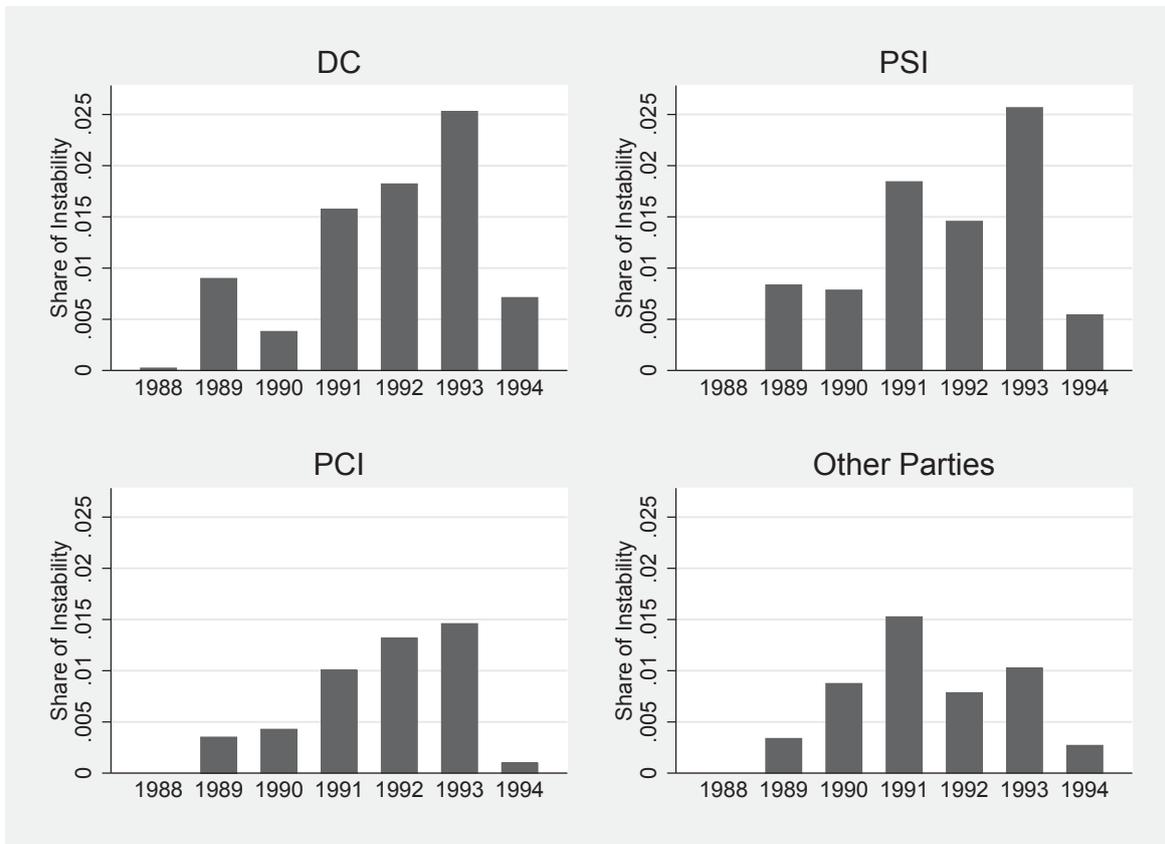


Figure 2: Charged National Politicians by year and party



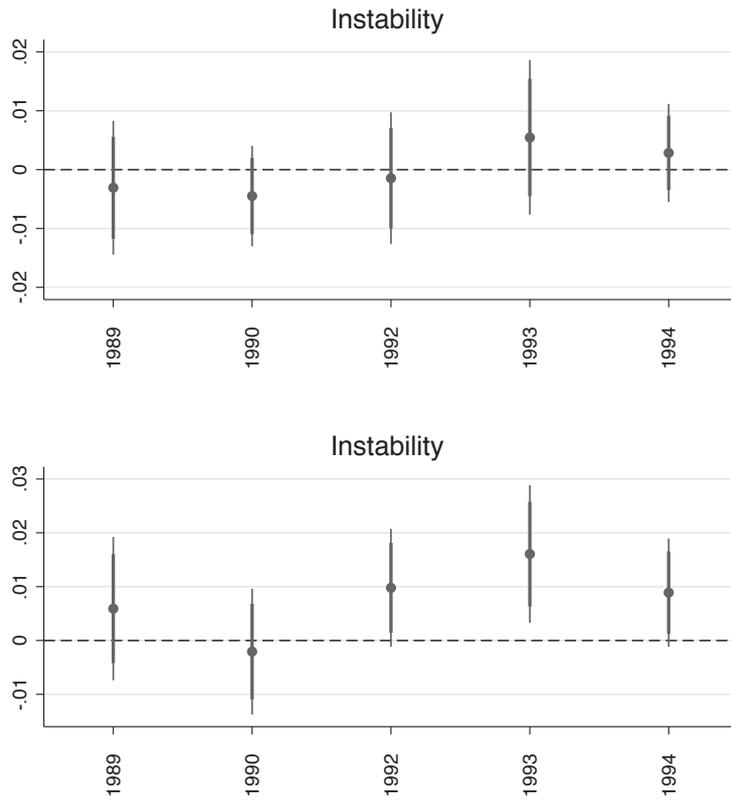
Notes: This figure reports the number of national politicians charged with corruption (or corruption-related offences) by year and politicians' party affiliation. Own calculations based on data from Ceron and Mainenti (2015).

Figure 3: Government crisis by party and year



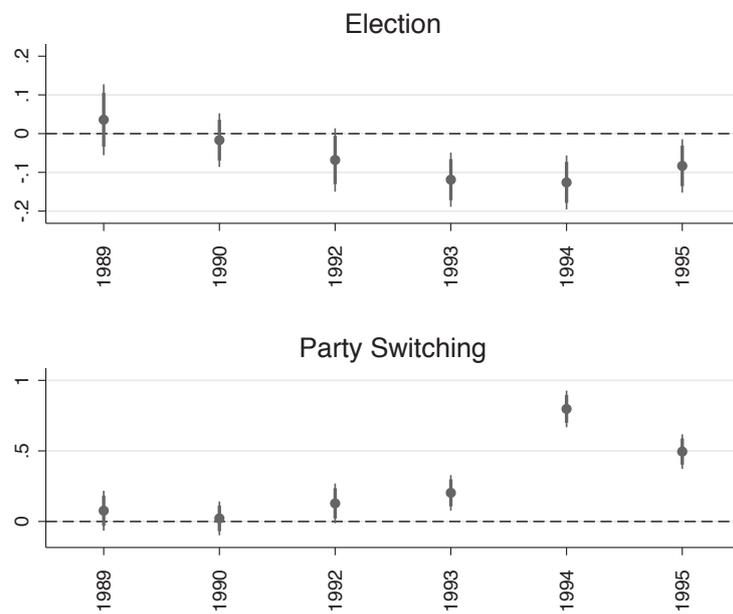
Notes: This figure reports the share of municipalities experiencing early government dissolution by year and the mayor's party affiliation.

Figure 4: Effect dynamics over time (incl. pre-trend)



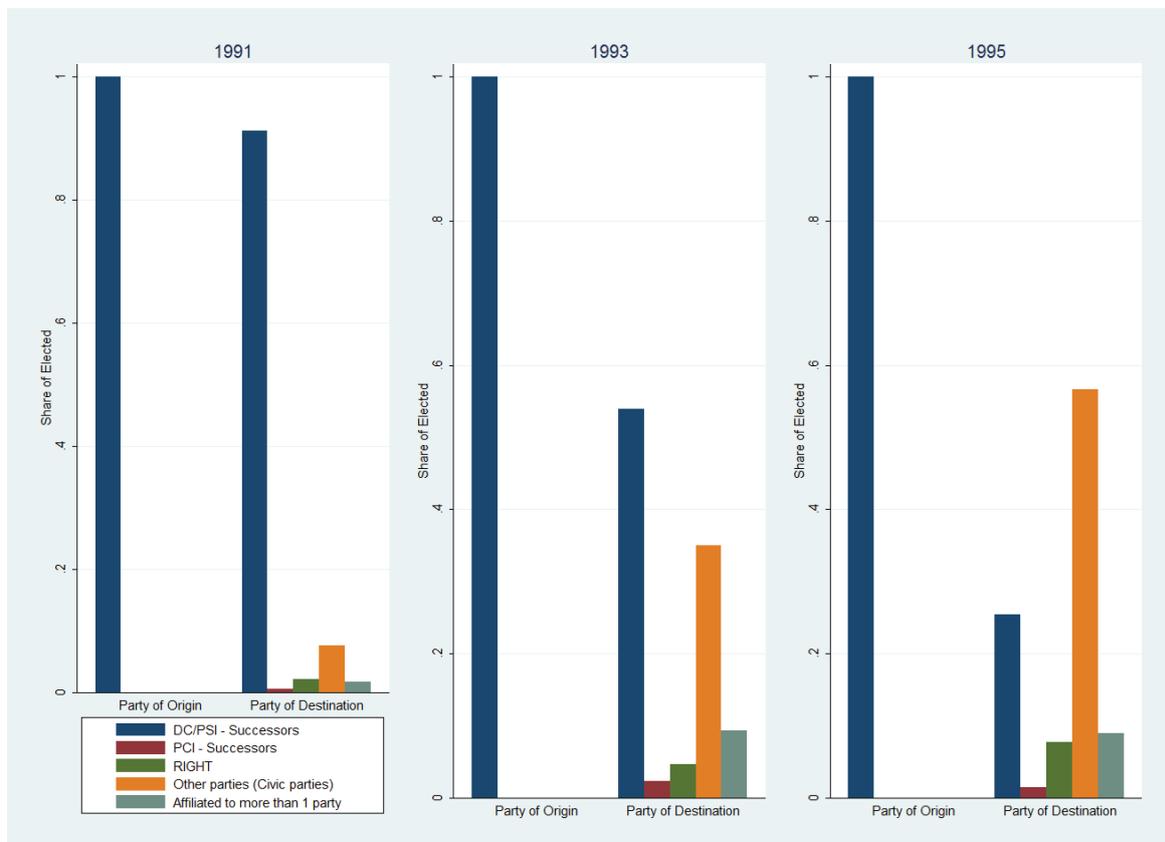
Notes: This figure presents the results of a difference-in-differences model where local government instability – operationalized as early government dissolution – is the dependent variable. The central independent variables are a set of interaction terms between *DC/PSI* and a set of indicator variables 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.

Figure 5: Effect 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.

Figure 6: 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, 1993 or 1995 local elections. The left-hand side of each panel – ‘party of origin’ – is always 100% as 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. The right-hand side of each panel – ‘party of destination’ – indicates the parties for which this set of politicians is elected in year t .

Table 1: National political scandals and local government crises

	Control group				
	PCI/Other parties		PCI	Other parties	
	(1)	(2)	(3)	(4)	(5)
DC/PSI X After Scandal	0.006*** (0.002)	0.007*** (0.002)	0.004 (0.003)	0.011*** (0.003)	
PCI X After Scandal					0.007** (0.003)
DC/PSI	0.003** (0.001)	-0.001 (0.004)	0.008 (0.008)	-0.008 (0.005)	
PCI					0.018 (0.013)
After Scandal	0.001 (0.001)	0.014*** (0.005)	0.006 (0.005)	0.005 (0.005)	0.011 (0.007)
R ²	0.001	0.011	0.012	0.014	0.093
N municipalities	8,099	8,099	7,423	7,022	3,171
N observations	43,990	43,990	37,636	36,299	14,040
Year FE	No	Yes	Yes	Yes	Yes
Year of election FE	No	Yes	Yes	Yes	Yes
Municipality FE	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.

Table 2: 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)
DC/PSI X After scandal X High corruption	0.008** (0.004)	0.001 (0.005)	0.017*** (0.005)	0.003 (0.003)	-0.001 (0.004)	0.008* (0.004)
DC/PSI X After scandal	0.013*** (0.003)	0.009** (0.004)	0.020*** (0.004)	0.014*** (0.003)	0.009** (0.004)	0.020*** (0.004)
DC/PSI X High corruption	0.014 (0.020)	0.035 (0.034)	-0.006 (0.025)	0.004 (0.020)	0.020 (0.033)	-0.011 (0.024)
After scandal X High corruption	0.013*** (0.003)	0.020*** (0.005)	0.005 (0.004)	0.014*** (0.003)	0.016*** (0.004)	0.009** (0.004)
After scandal	-0.032*** (0.002)	-0.042*** (0.003)	-0.045*** (0.003)	-0.033*** (0.002)	-0.042*** (0.003)	-0.047*** (0.003)
DC/PSI	-0.000 (0.011)	0.005 (0.020)	-0.005 (0.014)	0.003 (0.012)	0.010 (0.022)	-0.002 (0.014)
R ²	0.139	0.157	0.144	0.139	0.156	0.144
N municipalities	8,099	7,423	7,022	8,099	7,423	7,022
N observations	43,990	37,636	36,299	43,990	37,636	36,299
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

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 to 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 3: Local government instability and political competition

	Party system fragmentation			Electoral competition		
	PCI/Other parties	PCI	Other parties	PCI/Other parties	PCI	Other parties
	(1)	(2)	(3)	(4)	(5)	(6)
DC/PSI X After scandal X High fragmentation	0.010** (0.005)	0.012** (0.006)	0.010 (0.007)			
DC/PSI X After scandal X High competition				0.022*** (0.005)	0.021*** (0.005)	0.028*** (0.006)
DC/PSI X High fragmentation	-0.002 (0.006)	-0.004 (0.007)	-0.010 (0.009)			
After scandal X High fragmentation	0.011*** (0.003)	0.008 (0.005)	0.010 (0.007)			
High fragmentation	-0.014*** (0.004)	-0.015*** (0.005)	-0.007 (0.008)			
After scandal X High competition				0.005 (0.003)	0.007* (0.003)	0.000 (0.004)
DC/PSI X After scandal	0.004 (0.003)	0.001 (0.004)	0.005** (0.003)	0.001 (0.002)	0.000 (0.002)	0.001 (0.003)
DC/PSI	-0.001 (0.004)	0.007 (0.009)	-0.005 (0.005)	-0.005 (0.004)	0.002 (0.008)	-0.013*** (0.005)
After scandal	0.009* (0.005)	0.002 (0.006)	0.002 (0.005)	0.009* (0.005)	-0.001 (0.005)	0.003 (0.006)
R ²	0.013	0.015	0.016	0.014	0.016	0.018
N municipalities	8,099	7,417	7,022	8,099	7,423	7,022
N observations	43,926	37,575	36,240	43,990	37,636	36,299
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

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. *High competition* equals 1 for municipalities that experienced at least one change in the party of the mayor in the period 1985-1991. 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 4: Mayors' probability of standing for reelection

	(1)	(2)	(3)	(4)
DC/PSI	-0.0863*** (0.00946)	-0.0765*** (0.00954)		
Other parties (civic parties)			0.0905*** (0.0140)	0.0964*** (0.0140)
R ²	0.055	0.067	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.

Table 5: Mayor's probability of reelection

	(1)	(2)	(3)	(4)	(5)	(6)
DC/PSI	-0.119*** (0.0152)	-0.102*** (0.0153)			-0.171*** (0.0246)	-0.145*** (0.0244)
Other parties (civic parties)			0.0372* (0.0206)	0.0494** (0.0204)		
Other parties (civic parties) _{t+1}					-0.0245 (0.0241)	-0.0197 (0.0236)
DC/PSI X Other parties (civic parties) _{t+1}					0.0958*** (0.0314)	0.0790** (0.0310)
R-squared	0.039	0.066	0.006	0.041	0.044	0.069
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.

Table 6: Robustness check local corruption (Piemonte & Puglia)

	Only Piemonte and Puglia								
	No province capitals				All				
	PCI/Other parties (1)	PCI (2)	Other parties (3)	PCI/Other parties (4)	PCI (5)	Other parties (6)	PCI/Other parties (7)	PCI (8)	Other parties (9)
DC/PSI X After scandal	0.006** (0.002)	0.003 (0.003)	0.010*** (0.003)	0.005 (0.004)	-0.001 (0.008)	0.008** (0.004)	0.005 (0.004)	-0.001 (0.008)	0.008* (0.004)
After scandal	0.001 (0.012)	0.007 (0.016)	0.001 (0.013)	0.019*** (0.002)	0.027*** (0.003)	0.010*** (0.003)	0.005 (0.012)	0.011 (0.015)	0.006 (0.013)
DC/PSI	0.009 (0.007)	0.031 (0.028)	0.004 (0.007)	-0.001 (0.004)	0.007 (0.008)	-0.007 (0.005)	0.007 (0.007)	0.021 (0.027)	0.004 (0.007)
R ²	0.010	0.012	0.013	0.007	0.019	0.008	0.007	0.020	0.006
N municipalities	8,007	7,331	6,942	1,466	1,204	1,344	1,449	1,188	1,327
N observations	43,534	37,180	35,911	8,186	5,787	7,262	8,108	5,714	7,191
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

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 variable equal to 1 when the mayor of a municipality is affiliated to 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 parentheses. * p < 0.1, ** p < 0.05 and *** p < 0.01.

Table 7: Robustness check coalition composition

	Group 1 Vs.		Group 3 Vs.	
	Groups 2, 3 and 4 (1)	Group 2 (2)	Groups 1, 2 and 4 (3)	Group 4 (4)
DC/PSI (mayor and all aldermen) X After Scandal	0.005** (0.002)	0.003 (0.003)		
PCI/Other parties (at least 1 alderman from DC/PSI) X After Scandal			-0.000 (0.003)	0.010*** (0.003)
DC/PSI (mayor and all aldermen)	0.002 (0.004)	0.001 (0.005)		
PCI/Other parties (at least 1 alderman from DC/PSI)			0.002 (0.004)	-0.003 (0.007)
After Scandal	0.017*** (0.005)	0.013** (0.006)	0.019*** (0.005)	0.009 (0.006)
R ²	0.011	0.015	0.010	0.093
N municipalities	8,099	6,230	8,099	3,171
N observations	43,990	29,950	43,990	14,040
Year FE	Yes	Yes	Yes	Yes
Year of election FE	Yes	Yes	Yes	Yes
Municipality FE	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 (mayor and all aldermen)* is a dummy variable equal to 1 for municipalities that have both the mayor and all aldermen from DC/PSI (i.e., group 1). The variable *PCI/Other parties (at least 1 alderman from DC/PSI)* 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* (i.e., group 3). 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* (i.e., groups 3 and 4) and municipalities governed by a mayor from *DC/PSI* but where at least one alderman is from *PCI* or *Other parties* (i.e., group 2). In column (2) the control group is composed only by municipalities from group 2. In column (3) the control group is composed of municipalities governed by a mayor from *DC/PSI* (i.e., groups 1 and 2) and municipalities governed by a mayor from *PCI* or *Other parties* but where there are no aldermen from *DC/PSI* (i.e., group 4). In column (4) the control group is composed only by municipalities from group 4. 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.

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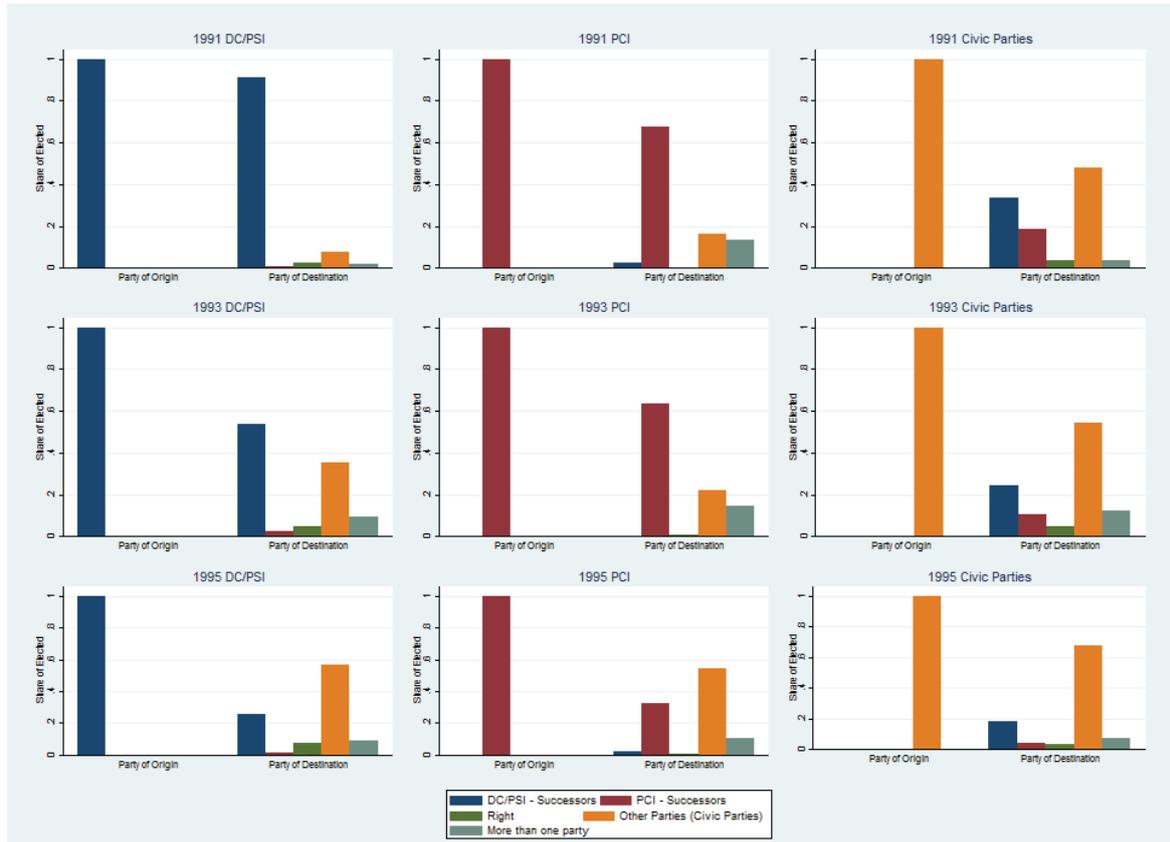
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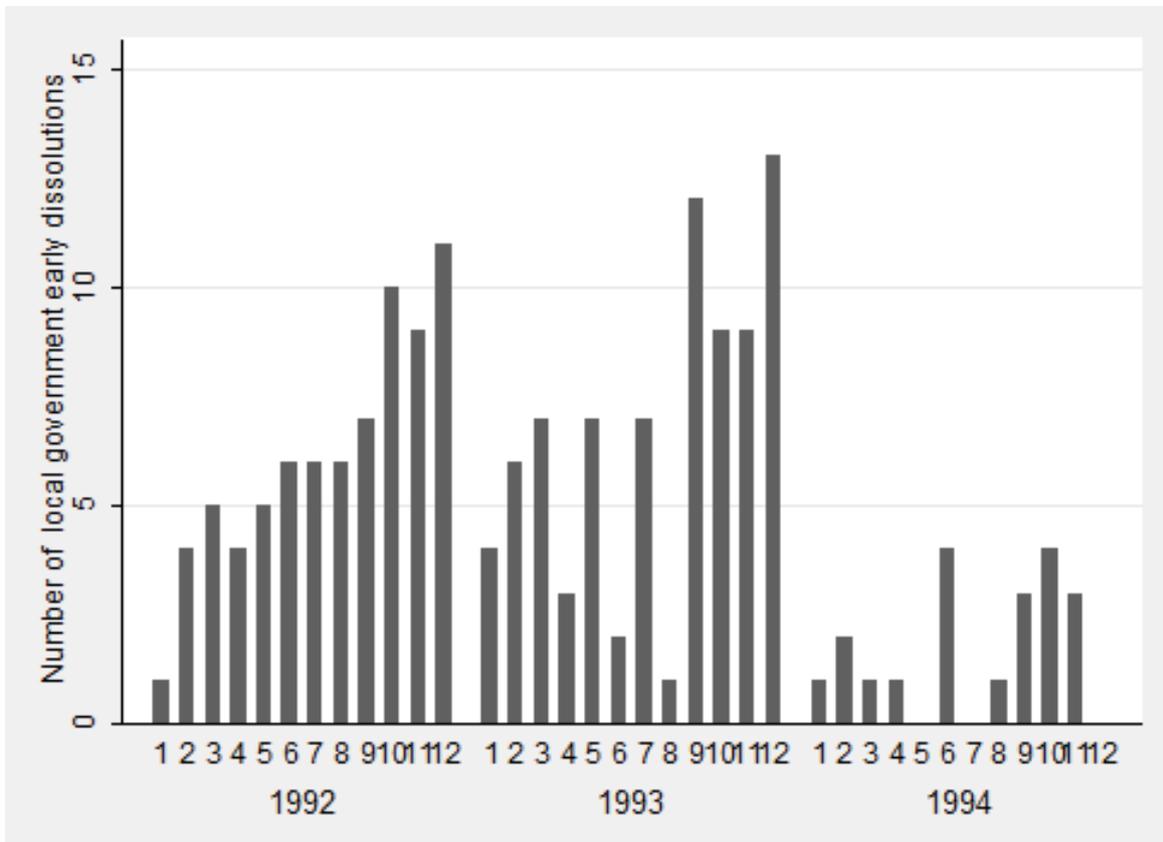
Online Appendix A. Summary statistics and additional results

Figure A.1: Party switching by local DC/PSI, PCI and Civic Party politicians



Notes: This figure depicts the share of local politicians affiliated to DC/PSI, PCI or Other parties elected that switched to other parties in the 1991, 1993 or 1995 local elections. The left-hand side of each panel – ‘party of origin’ – is always 100% as we look at the complete set of politicians elected in year t affiliated to a given party in the period immediately preceding the election. The right-hand side of each panel – ‘party of destination’ – indicates the parties for which this set of politicians is elected in year t .

Figure A.2: 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 A.1: Summary statistics

Variable	Mean	Std. Dev.	Min.	Max.	N
<i>Municipalities (1989-1994)</i>					
Instability	0.011	0.106	0	1	43990
DC/PSI	0.681	0.466	0	1	43990
DC	0.515	0.5	0	1	43990
PSI	0.137	0.344	0	1	43990
PCI	0.175	0.38	0	1	43990
Other parties (civic parties)	0.144	0.352	0	1	43990
DC/PSI (mayor and all aldermen)	0.417	0.493	0	1	43990
PCI/Other parties (at least 1 alderman from DC/PSI)	0.166	0.372	0	1	43990
Province capital	0.01	0.101	0	1	43990
High competition	0.515	0.269	0	1	43990
Num. of corrupt politicians (above the median)	0.395	0.489	0	1	43990
Share of corrupt politicians (above the median)	0.472	0.499	0	1	43990
Num. of parties in the city council (above the median)	0.412	0.492	0	1	43926
<i>All local officials (1989-1995)</i>					
Elected	0.514	0.5	0	1	516,547
DC/PSI - Successors	0.513	0.5	0	1	516,547
Switching	0.317	0.465	0	1	92,257
<i>Mayoral candidates (1993-1995)</i>					
Re-run	0.285	0.451	0	1	10,519
Elected	0.755	0.43	0	1	2,996
DC/PSI - Successors	0.697	0.46	0	1	10,519
Other parties (civic parties)	0.12	0.325	0	1	10,519
Year of birth	1,944.679	9.890	1907	1972	10,517
Gender (male)	0.962	0.192	0	1	10,519
Education (graduated)	0.371	0.483	0	1	10,491

Table A.2: Local government early dissolution by year and party

Year	DC/PSI	PCI	Other parties	TOTAL
1989	0.8% (5,567)	0.3% (1,422)	0.3% (887)	0.7% (8,081)
1990	0.5% (5,573)	0.4% (1,401)	0.9% (914)	0.5% (8,099)
1991	1.6% (5,556)	1.0% (1,394)	1.5% (917)	1.5% (8,078)
1992	1.8% (5,378)	1.3% (1,366)	0.8% (891)	1.5% (7,844)
1993	2.5% (4,184)	1.5% (1,096)	1.0% (780)	2.0% (6,256)
1994	0.6% (3,692)	0.1% (1,012)	0.3% (738)	0.5% (5,632)
TOTAL	1.3% (29,950)	0.8% (7,691)	0.8% (5,127)	1.8% (43,990)

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 A.3: Pre-trends and effect development

	PCI/Other parties	PCI	Other parties
	(1)	(2)	(3)
DC/PSI X Scandal _{t-3}	0.001 (0.004)	-0.003 (0.004)	0.006 (0.005)
DC/PSI X Scandal _{t-2}	-0.003 (0.003)	-0.004 (0.003)	-0.002 (0.005)
DC/PSI X Scandal _t	0.004 (0.003)	-0.001 (0.004)	0.010** (0.004)
DC/PSI X Scandal _{t+1}	0.010** (0.004)	0.005 (0.005)	0.016*** (0.005)
DC/PSI X Scandal _{t+2}	0.005* (0.003)	0.003 (0.003)	0.009** (0.004)
DC/PSI	-0.001 (0.006)	0.010 (0.010)	-0.011 (0.007)
R ²	0.011	0.013	0.014
N municipalities	8,099	7,423	7,022
N observations	43,990	37,636	36,299
Year FE	Yes	Yes	Yes
Municipality FE	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 A.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)
DC X After Scandal	0.008*** (0.002)	0.006** (0.003)	0.011*** (0.003)			
PSI X After Scandal				0.005 (0.004)	0.003 (0.004)	0.009** (0.004)
DC	0.002 (0.005)	0.012 (0.010)	-0.007 (0.005)			
PSI				-0.014 (0.009)	-0.015 (0.012)	-0.014 (0.012)
After Scandal	0.008* (0.004)	0.008* (0.005)	0.010** (0.005)	0.017*** (0.006)	0.018*** (0.007)	0.023*** (0.008)
R ²	0.022	0.027	0.024	0.049	0.052	0.054
N municipalities	7,218	6,540	5,937	4,362	3,310	2,924
N observations	36,685	31,558	28,999	20,092	14,965	12,401
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

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 A.5: Robustness checks region-year fixed effects

	PCI/Other parties (1)	PCI (2)	Other parties (3)
DC/PSI X After scandal	0.003 (0.002)	0.001 (0.003)	0.006** (0.003)
After scandal	0.003 (0.010)	0.009 (0.010)	-0.001 (0.012)
DC/PSI	-0.000 (0.004)	0.008 (0.008)	-0.007 (0.005)
R ²	0.024	0.027	0.028
N municipalities	8,099	7,423	7,022
N observations	43,990	37,636	36,299
Year FE	No	No	No
Region X Year FE	Yes	Yes	Yes
Year of election FE	Yes	Yes	Yes
Municipality FE	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 A.6: Election and Party switching

	Election (1)	Switching (2)
DC/PSI X Scandal _{t-3}	0.036 (0.036)	0.076 (0.055)
DC/PSI X Scandal _{t-2}	-0.017 (0.027)	0.022 (0.047)
DC/PSI X Scandal _t	-0.068** (0.032)	0.128** (0.055)
DC/PSI X Scandal _{t+1}	-0.119*** (0.027)	0.203*** (0.049)
DC/PSI X Scandal _{t+2}	-0.126*** (0.027)	0.798*** (0.050)
DC/PSI X Scandal _{t+3}	-0.083*** (0.027)	0.495*** (0.047)
DC/PSI	0.057** (0.027)	-0.212*** (0.046)
R ²	0.085	0.257
N municipalities	8,096	7,996
N observations	346,841	92,257
Year FE	Yes	Yes

Notes: In column (1) the dependent variable is *elected*, which is equal to 1 if an incumbent politician 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 in different party (0 otherwise). The sample here is restricted to those politician re-elected. *DC/PSI* is a dummy variable equal to 1 if a politicians candidate 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 *** $p < 0.01$.

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