Government Transfers and Preferences for State Intervention[*]

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Abstract

Government transfers might have long-lasting consequences on voting outcomes by shaping voters' views about the welfare state, regulation and redistribution. In this paper, we study a regional policy implemented in Italy over the second half of the twentieth century and leverage quasi-experimental variation in public transfers to show that voters' preferences for state intervention in the economy have increased persistently in the subsidized areas relative to places that did not receive transfers. These preferences do not seem to depend on the long-term economic impact of the policy, which was small, and are empirically distinguishable from other attitudes within the electorate.

JEL codes: H2, I38, P16, R58
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1. Introduction

Government transfers have historically been a widely used policy tool and have been analyzed in several branches of the economic literature. An established finding in political economy is that transfers tend to generate electoral rewards for the incumbent government that promotes them (De La O, 2013; Manacorda et al., 2011; Pop-Eleches and Pop-Eleches, 2012). This paper moves one step further to investigate whether the electoral effect of transfers persists over time and goes beyond pro-incumbent voting. Do communities that have benefitted of transfers in the past continue to express electoral support for welfare policies regardless of which party proposes these policies, long after transfers have elapsed? More in general, can prolonged exposure to state intervention lead to more benign views about the role of the state in the economy?

To shed light on the role of transfers in shaping voters' preferences for state intervention in the long term, we study a large place-based policy, the *extraordinary intervention*, conducted in Italy over the second half of the twentieth century. The program was initiated in 1950 by the incumbent Christian Democratic Party and carried out by a state-owned agency called *Cassa per il Mezzogiorno* (CasMez). Between 1950 and 1992, the CasMez conveyed large amounts of financial resources – in the form of firm subsidies and infrastructure spending – towards backward areas of Southern Italy to stimulate economic development. Initially led by a technocratic steering committee, the management of the CasMez shifted over the years in the hands of local and national politicians. CasMez resources, predominantly used to finance infrastructures until the 1970s, progressively became welfare transfers to local communities (Battilani and Fauri, 2008; Cafiero, 2000; Felice and Lepore, 2017).

We document that in 2013 – more than two decades after the termination of the program – parties with pro-state, welfare-oriented platforms performed better in municipalities previously more exposed to CasMez aid. Our empirical test examines the 2013 Italian general election, which after a very long time elicited voters' attitudes towards welfare policies and the role of the state in the economy. This followed the first appearance of a new party (*5-Star Movement*) as a strong contender to mainstream parties and proposing a large redistributive program, more regulation and less competition in the domestic market. Because welfare issues were also expressed in other party platforms and not just by the 5-Star Movement, we build a comprehensive measure of voters' preferences for state intervention by combining the scores developed by the Manifesto Project (Volkens et al., 2020), which denote a party's position across different categories, with the municipality-level vote shares at the 2013 election. We focus on three categories that best capture state intervention in the economy: "Free market economy", "Market regulation" and "Welfare state expansion". Our preferred outcome is a synthetic index of the three that summarizes voters' support for parties advocating a more prominent role of the state in the economy.

The specific locations targeted by regional policies are not randomly picked but tend to differ from other areas in terms of economic dynamism and other local conditions (Neumark and Simpson, 2015). To the extent that such differences are correlated with voting outcomes in the future, a simple unconditional comparison of treated (subsidized) versus untreated municipalities gives rise to selection issues. To isolate exogenous variation in transfers, we exploit the historical border separating the CasMez territorial jurisdiction from the rest of Italy and run a spatial regression discontinuity (RD) experiment. The border was set by the policymaker in 1950 and did not change until the end of the policy in 1992. It does not systematically overlap with the administrative borders that delimit Italian regions and has never been considered under the EU cohesion policy, nor for any other place-based program in the country. Thanks to historical records of parliamentary discussions, we further document that the setting of the border was largely informed by technical reasons related to the execution of infrastructure projects and therefore likely immune to political interests, which we confirm by assessing discontinuities in electoral outcomes before 1950. We also fail to detect meaningful jumps in baseline geographic, economic and demographic covariates at the cutoff. These considerations suggest that differences in outcomes across this border arguably refer to the past exposure to CasMez intervention and not to other, possibly unobserved treatments.

Our main index of voters' preferences for state intervention in 2013 shows a sizable discontinuity, equivalent to about 60 percent of a standard deviation, at the CasMez border. In particular, municipalities in the treated area show more support for political platforms in favor of market regulation and redistribution relative to municipalities just north of the border. This result is remarkably stable across specifications and estimation methods, and survives a large battery of robustness tests. Importantly, we are concerned that our estimates could capture differential populist stances in 2013, which were also on the rise during those years particularly within the 5-Star Movement's electorate. We perform three placebo exercises to make sure that our measures of preferences for state intervention of local voters do not mistakenly reflect their anti-establishment attitudes. First, we show that there is no discontinuity in voters' views on a range of topics made available by the Manifesto Project, including those capturing government efficiency and corruption. Second, we observe that the 1994 votes for *Forza Italia*, a right-wing party that ran for the first time at the 1994 general election with a strong anti-establishment narrative but no pro-state orientation, are not robustly associated with CasMez intervention. Last, we show that the votes share of the 5-Star Movement is balanced between treated and control municipalities in the context of the 2014 European Parliament election, which arguably elicited the anti-establishment, eurosceptic attitudes of the Movement's voters rather than their economic preferences. In another robustness exercise, we show that our findings are not driven by other administrative or historical cutoffs in the vicinity of the CasMez border. Specifically, we document that the estimated jump in preferences for state intervention in 2013 does not change much when excluding the few segments of the CasMez border that overlap with regional boundaries or with the border that until 1861 delimited the old Kingdom of the Two Sicilies. We also study how voters' preferences for state intervention

at the CasMez border have evolved over time by pooling together all election years between 1946 and 2018. We find no discontinuity in the years prior to the program's inception, then observe that a positive effect emerged during the policy years and increased over time, persisting well after the end of the policy.

We then focus on economic outcomes. Our evidence suggests that the policy mildly stimulated employment while it was in place but failed to induce self-sustained economic benefits. We detect no substantial discontinuity in employment, income per capita and education levels at the CasMez border in 2011 (just before the 2013 vote). In fact, economic theory suggests that economic status plays a central role in shaping preferences for state intervention (Meltzer and Richards, 1981; Benabou and Ok, 2001).[1] However, our findings imply that the estimated effect on preferences for state intervention in 2013 is unlikely to be a result of different economic performance between treated and control areas at the time of the vote. We thus ask ourselves what might explain that residents of subsidized areas show more support to political platforms promoting more state intervention in the economy, even though previous intervention does not seem to have triggered self-sustained economic gains. Key channels that have been highlighted in the political economy literature such as reciprocity (Finan and Schechter, 2012) or poor information of voters (Manacorda et al., 2011) rely on a direct relationship between the government that enacted the policy and voters/recipients. These channels can be ruled out in our set-up, as virtually none of the parties in power during the *extraordinary intervention* was part of the Italian political landscape in 2013 following corruption scandals in the early 1990s. A potential driver, which cannot be directly tested with our data, is that the policy might have triggered differential migration patterns at the border, with people more in favor of state intervention deciding to settle relatively more in treated areas in response to transfers.

In the last part of the paper we focus on another channel posited in theoretical models and almost never explored empirically. The exposure to significant state presence might decrease the extent to which a society believes that individual effort determines income (Alesina and Glaeser, 2004; Alesina and Giuliano, 2011; Corneo and Gruner, 2002) which might, in turn, reinforce preferences for state intervention (Alesina and Angeletos, 2005; Benabou, 2008). To uncover this mechanism, we first seek direct measures of people's preferences that are not inferred from their voting behavior. We collect survey data from the 2005-2009 wave of the World Values Survey, which reports individual preferences for state intervention, redistribution and free markets. We illustrate that people residing in municipalities south of the CasMez border display more favorable views on the role of the state in the economy and tend to distrust free market institutions more. Conveniently, the same survey reports individual beliefs as to whether effort, rather than luck or connections, determines wealth. We document a positive relationship between past exposure to

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[1] For instance, a below-median earner is expected to be in favor of redistribution because she is going to benefit from it. A related factor is the local economic condition: a relatively rich person living in a depressed area, for example, might even favor welfare policies to the extent that they provide a public good at the local level (Luttmer, 2001).

CasMez aid and the belief that effort plays no role in the achievement of individual success. Albeit suggestive, this evidence is consistent with the idea that prolonged exposure to state intervention can shape individual preferences in favor of a more proactive role of governments in the economy.

This paper contributes to several strands of the literature. First, it relates to the political economy studies exploring the interplay between government policies and voting behavior (for a review see De La O, 2013). In particular for Italy, a recent analysis by Caprettini et al. (2021) documents large and persistent electoral gains for the incumbent party following a land redistribution reform enacted in some areas of the country in the early 1950s. While the existing literature largely focuses on pro-incumbent voting, we illustrate that the effect of public transfers on voting outcomes might extend beyond electoral returns for the incumbent government and remain visible in voters' behavior long after the party that proposed the original transfers ceases to exist. We observe that this long-lasting influence on voting outcomes can be, at least in part, a legacy that prolonged state presence has left on individual attitudes towards the role of the state in the economy. Therefore, our investigation also contributes to the stream of literature analyzing the determinants of preferences for redistribution and the welfare state (for a review see Alesina and Giuliano, 2011). As highlighted above, the key determinant of these preferences identified in theoretical models is the current and expected individual economic status. However, more recent studies have emphasized the role of historical factors in the formation and adaptation of individual preferences. Giuliano and Spilimbergo (2014) underscore the importance of the historical macroeconomic environment: those who experienced a recession when young tend to believe that economic success depends more on luck than effort and support redistribution more.[2] Alesina and Fuchs-Schündeln (2007) investigate the role of political regimes as a determinant of preferences for state intervention. They document that people that have lived under the Communist regime in East Germany display more favorable attitudes towards the role of the state in providing social services relative to West Germans after reunification.[3] Our paper also studies whether prolonged exposure to state presence in the past can inform how individuals perceive public intervention in the economy, which makes it closely related to the work of Alesina and Fuchs-Schündeln (2007). There is however an important difference between the two studies, as we do not focus on a stark regime difference such as that between East and West Germany but leverage the territorial differentiation of state intervention *within* the same institutional setting.

Our paper also relates to the literature assessing the role of place-based policies. These policies are widespread all over the world and their effects on local economic growth have been widely explored (e.g., Becker et al., 2010; Busso et al., 2013; Kline and Moretti, 2014a). By contrast, much less evidence exists

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[2] With a similar approach, Malmendier and Nagel (2011) observe that the macroeconomic environment influences risk attitudes.
[3] In related work, Laudenbach et al. (2020) show that East Germans also tend to participate less to the stock market. Similarly, Corneo and Gruner (2002) find that former exposure to socialism is an important predictor of current preferences for redistribution.

about their impact on voting outcomes and especially on the preferences of people within recipient regions. There is indeed a hot debate, both in the US and Europe, on the need for more regional transfers. Recent socio-economic shocks have been unevenly distributed across territories (Becker et al., 2017; Rodríguez-Pose, 2018), in a context where market-based convergence mechanisms, such as the flow of people to high-income regions and of capital toward poorer areas, work only imperfectly (Austin et al., 2018). Rajan (2019) suggests that regional interventions represent a powerful tool to support local communities as relevant elements of a healthy market economy. Our contribution introduces a new perspective on the debate on place-based intervention, by showing that it can have a long-lasting impact on voting outcomes.

The paper is organized as follows. The next section provides a brief historical overview of the *extraordinary intervention* in the South of Italy. Section 3 illustrates the 2013 electoral context and the central role that state intervention had in the electoral debate. Section 4 describes other data sources. Section 5 presents the empirical analysis. Section 6 discusses the potential mechanisms behind our findings. We then conclude and highlight some policy implications of our study.

2. Historical background

Reducing the stark economic divide between Southern regions and the rest of the country was among the most pressing issues faced by the Italian policymakers after the end of World War II. A regional policy was then introduced in 1950 under the name of *extraordinary intervention*, with the goal of promoting self-sustained economic development for the lagging South. The government agency in charge of the intervention was the CasMez, established in 1950 with an initial ten-year mandate and charged with the management of ample financial endowments. CasMez expenditures have been estimated at slightly less than 1 percent of Italy's GDP, on average each year over the four decades of the *extraordinary intervention* (Felice and Lepore, 2017).[4]

During its first decade of activity, the agency's mandate was that of providing southern territories with basic infrastructure endowments. The CasMez managed the execution of public investments in a range of domains including transport, water supply networks and agriculture. A new phase of the *extraordinary intervention* began in 1957, when the mandate shifted towards the direct promotion of entrepreneurial activities and industrial development.[5] Grants were disbursed to finance firm investments for building new plants, enlarging existing ones or purchasing machinery. Infrastructure intervention remained part of the business, but its primary target gradually shifted from agriculture to the needs of the industrial sector.

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[4] In per capita terms, CasMez expenses amounted to roughly 200 real euros (2011 prices) yearly. They compare well with other very generous regional policies, such as the EU Structural Funds Program (1989-current; Becker et al., 2010) and the German Zonenrandgebiet (1971-1990; von Ehrlich and Seidel, 2018).
[5] See Law n. 634/1957 and Law n. 555/1959.

CasMez expenditures throughout the 1950s and the 1960s were managed by an independent and centralized technical committee. Starting in the late 1960s, however, the autonomy of the agency was progressively hampered as the newly instituted regional governments played a more and more prominent role into the *extraordinary intervention*.[6] Many of the decision-making prerogatives shifted to regional policymakers and local bureaucrats, who gradually replaced CasMez technicians in the planning and evaluation of the interventions.[7] The cost of the program jumped from a total of around 49 billion euros (2011 prices) disbursed between 1950 and 1970 to almost 120 billion euros from 1971 to 1986 (Felice and Lepore, 2017). The *extraordinary intervention* was gradually phased out and officially terminated in 1992, as the large and complex system of state holdings was being dismantled or privatized.[8]

3. The 2013 Italian general election: a vote on state intervention

We seek a suitable outcome variable that captures voters' preferences for state intervention in the economy long after the termination of the *extraordinary intervention*. The 2013 Italian general (parliamentary) election provides an ideal set-up in which these preferences can be studied. The appearance of a new political faction, the 5-Star Movement, in the national political arena as a strong contender to mainstream parties forcefully directed the public debate in the run-up to the 2013 vote towards welfare issues and the role of the state in the economy. The positions of other parties, and in turn those of the electorate, on these topics were elicited in a way that was unprecedented in the recent political history of the country. We hence propose to measure voters' attitudes towards state intervention in the economy by looking at how different Italian parties, characterized by contrasting views on this issue, fared at the 2013 election.

The platform of the 5-Star Movement was centered upon the so-called *reddito di cittadinanza* (citizen's income), a monetary transfer in favor of low-income, unemployed households. While the proposal had no explicit territorial targeting, the long-established economic disparities between different areas of the country made it a proposal of regional redistribution. Indeed, the *reddito* was discussed in the political arena as such.[9] For the first time in the recent political history of the country, a relevant party put redistribution at the top of its agenda. The Movement put forward many other proposals explicitly aimed at hardening

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[6] See Law n. 717/1965 and Law n. 853/1971.

[7] Borgomeo (2018) studies the determinants of the allocation of CasMez funds. By means of a regression discontinuity design exploiting close elections, the author shows that the allocation was responsive to political incentives.

[8] The CasMez was formally dismantled in 1984 and replaced by another state-owned agency called AgenSud (*Agenzia per la promozione e lo sviluppo del Mezzogiorno*), which remained in place until the termination of the program in 1992. Because the prerogatives of the AgenSud were in practice identical to those of the CasMez, to ease exposition we will refer to the agency in charge of the program as CasMez also after 1984.

[9] The salience of this policy proposal in the Movement's agenda is clear from the words of the Movement's leader Beppe Grillo, two weeks before the election to be held in late February: "*The first thing we will do, after entering the Parliament, is to introduce a citizen's income to save people*". See https://basicincome.org/news/2013/03/italy-5-star-movement-and-the-confusing-proposal-of-a-citizens-income and https://www.altalex.com/documents/news/2013/02/13/elezioni-grillo-primo-provvedimento-m5s-sara-reddito-di-cittadinanza.

regulation and thwarting market competition. For instance, listed in their manifesto were the introduction of salary caps for managers of listed companies, as well as a proposal "preventing the dismantlement of manufacturing firms active predominantly in the domestic market". This sparked broad and unprecedented public interest into welfare policies and, more in general, into the role of the state in the economy.[10] Visual evidence of this can be found in the volume of Google searches related to the basic income topic (Figure 1), which gradually increased in the weeks right before the election and skyrocketed during election week. No comparable spikes in interest for basic income can be detected since 2004, the first year of data available on Google Trends.

A natural measure of voters' support for pro-state party platforms could be provided by the votes share of the 5-Star Movement at the 2013 election. However, this would be an imperfect gauge of preferences for state intervention. This is because welfare policies and regulation were not the only electoral promises brought about by the 5-Star Movement, hence they might not have been the sole drivers of the party's performance at the polls. Indeed, the Movement's platform included a few other innovative proposals such as a focus on renewable energy sources, the removal of party funding and even a referendum on euro membership. In this regard, however, the visual evidence provided in Figure 1 is somewhat compelling. While a broad interest in basic income can be clearly noted, such pattern is not discernible for the other search topics. More importantly, we are concerned that the marked anti-establishment connotation of the 5-Star Movement also played a key role in determining the party's performance at the 2013 election. We will provide evidence that past exposure to CasMez aid does not seem to relate to populist attitudes of voters, while it is robustly associated with their preferences for state intervention. A second reason why we do not use the votes share of the 5-Star Movement as our main outcome is that welfare-related instances were present in the political manifestos of other parties, albeit with less urgency and clamor than for the 5-Star Movement. This would imply that only looking at the Movement's electoral performance would deliver an incomplete picture of preferences for state intervention of the Italian voters.

We thus consider alternative, more suitable outcomes. We build indices of voters' preferences for state intervention using party-specific scores developed by the Manifesto Project (Volkens et al., 2020), envisaged to capture how particular economic and social categories are supported across political platforms. The Manifesto Project is a large-scale initiative that collects data on the programmatic supply of over 1,000 parties from 1945 until today in more than 50 countries, by covering several topics related to political ideology and party preferences. Specifically, for each party and election year, the score associated to a

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[10] The fact that the 5-Star Movement (founded in 2009) run for the first time at the 2013 election serves our purposes well, as it implies that voters could assess the proposals advanced by the Movement solely based on their content, and free from any bias driven by the party's behavior in the past. In addition, the Italian electoral law in 2013 was based on a proportional system where voters could express their preference only for a list and not an individual. This further corroborates our view that preferences for state intervention were effectively elicited in 2013. This is also a reason why we do not focus explicitly the 2018 vote, when the 5-Star Movement run again proposing a basic income but as an established party rather than a newborn one.

particular category (e.g., human rights, environment) is computed using the incidence of sentences related to that category in the party's publicly available manifesto. We narrow our focus to three main categories that are linked to the topic of state intervention and display sufficient variation across parties: "Free market economy", "Market regulation" and "Welfare state expansion".[11] We then build our outcome variables by standardizing these party-level scores between 0 and 1 to ensure comparability and mapping them at the municipality level by using the local party shares in each election year. In formulas:

$$score_m^t = \sum_j share_{j,m}^t \cdot manifesto\_score_j^t \qquad (1)$$

Where $score_m^t$ is the municipality-year specific outcome, $share_{j,m}^t$ is the votes share of party j in municipality m and election year t and $manifesto\_score_j^t$ is party j's (standardized) score computed by the Manifesto Project for election year t. We also construct a synthetic index using the first principal component of the three scores, which we then standardize and combine with vote shares for each party. The value of this index in 2013 will be our preferred outcome throughout the analysis, since single items could be affected by random errors and statistical noise in their coding (Budge et al., 2001; Benoit et al., 2009). We report descriptive statistics for this outcome in the CasMez area in Table 1. We also compute these indices every year including, importantly, those prior to the beginning of the policy to test the balancing properties of our outcomes. While the 2013 vote will be our main focus for the reasons outlined above, we will also exploit the full depth of the Manifesto Project archives and check the robustness of our results when all national elections between 1946 and 2018 are considered.

4. Other data sources

We obtain detailed information about the universe of CasMez activities between 1950 and 1992 from the ASET database.[12] Each record contains basic information such as the type of intervention (firm transfer or infrastructure project), the year of approval and the total financial resources allocated. Conveniently, we can geocode these interventions at the municipality level. We thus collapse the data to obtain a dataset reporting CasMez transfers between 1950 and 1992 for around 3,000 municipalities located in ten Italian regions.[13] Data on voting at all general elections between 1946 and 2018 is sourced from the Italian Ministry

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[11] Specifically, "Free market economy" reports "favorable mentions of the free market and free market capitalism as an economic model"; "Market regulation" includes "support for policies designed to create a fair and open economic market". Last, "Welfare state expansion" reports "favorable mentions of need to introduce, maintain or expand any public social service or social security scheme". See the Manifesto Project Dataset – Codebook (Version 2019b). Appendix Table A1 reports the Manifesto scores for each party at the 2013 election. A potentially interesting indicator called "Economic planning" is unfortunately not usable as it displays no variation across parties (its value in 2013 is zero for almost all parties).

[12] The ASET (Archives for Economic and Regional Development) Project has been launched in 2013 with the goal of cataloguing all activities performed within the *extraordinary intervention*.

[13] Abruzzo, Basilicata, Calabria, Campania, Lazio, Marche, Molise, Apulia, Sardinia and Sicily. All these regions were fully part of the CasMez jurisdiction except for Lazio and Marche, for which only some municipalities were included. A small number of

of Interior.[14] We complement this dataset with a rich set of controls for geographic, demographic and economic characteristics for each municipality, sourced from decennial population census data starting in 1951. We further collect data on taxable income from the Italian Finance Ministry. Lastly, we gather individual-level survey data from the World Values Survey (WVS), which reports measures of preferences for state intervention that are not inferred from voting outcomes but elicited directly from people.

5. Empirical analysis

Identifying the causal effect of a place-based policy on voting outcomes poses a serious challenge. Places targeted by public transfers tend to differ systematically from other areas. For example, the policymaker might intervene more intensively in poorer regions, or channel larger sums of money towards politically connected municipalities. These differences between treated and control areas might be correlated with local electoral preferences and generate spurious results. In turn, this will invalidate any empirical strategy that simply compares with each other municipalities that are differentially exposed to transfers. Controlling for municipality-level characteristics overcomes this challenge only in part, as long as the allocation mechanism remains unknown and unobserved confounders are not ruled out.

To identify the effect of interest, we exploit the definition of the program's territorial jurisdiction as a source of exogenous variation in CasMez transfers. The Italian South is traditionally defined as the macro-region coinciding with the territories of the six southernmost Italian regions plus the islands of Sicily and Sardinia. This region is separated from the rest of Italy by the upper borders of Abruzzo, Campania and Molise (the blue line in Figure 2). At the time of inauguration of the *extraordinary intervention* and definition of the covered area, however, the policymaker set the northern boundary of the CasMez jurisdiction above those administrative borders to include some neighboring municipalities in Lazio and Marche (the red line in Figure 2). This area was defined in 1950 (a time when the program was supposed to last for ten years only) and remained unchanged for four decades.

The CasMez border gives rise to a spatial sharp RD design that compares municipalities just below the border to those just above. The border $\mathcal{B}$ constitutes a two-dimensional discontinuity in latitude-longitude space that separates the treated area $\mathcal{A}^t$ from the control area $\mathcal{A}^c$. Let the spatial location of the centroid

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[14] We do not focus on local (regional or municipal) elections, for which the debate typically revolves around local issues. By contrast, national parliamentary elections take place at the same time across the country and ensure comparability across municipalities, as all voters express their views on topics of national interest. Indeed, the Manifesto Project classification is available only for national elections. In addition, the Ministry of Interior reports data on general elections since 1946 (before the beginning of the *extraordinary intervention*); the data for local elections is only available since 1970 (regional elections) or 1989 (municipal elections).

interventions carried out in some islands of Tuscany are excluded from the sample. We leverage the spatial variation in transfers within the CasMez area more explicitly in Appendix B.

of municipality m be denoted by the latitude-longitude pair $\boldsymbol{\ell}_m = (l_{x,m}, l_{y,m})$. Treatment status is a deterministic function of a municipality's location, which acts as running variable: $T_m = \mathbb{I}[\boldsymbol{\ell}_m \in \mathcal{A}^t]$. Differently from standard RD designs, the running variable in geographic RD is two-dimensional. We collapse it to a one-dimensional metric $\delta_m \equiv d(\boldsymbol{\ell}_m, \mathcal{B})$, computed as the geodetic distance between the centroid of municipality m and the closest point on the treatment boundary (Imbens and Zajonc, 2011). Negative distance is assigned to municipalities north of the border, such that $T_m = \mathbb{I}[\boldsymbol{\ell}_m \in \mathcal{A}^t] = \mathbb{I}[\delta_m \geq 0]$. We begin by providing graphical evidence in favor of a discontinuity in voters' preferences for state intervention at the border. We then turn to regression analysis to quantify this effect and provide further robustness checks.

Graphical evidence. Figure 3 provides a clear depiction of our "first stage". It plots (log) CasMez transfers cumulated between 1950 and 1992 for each Italian municipality, in thousand euros (2011 prices) per 1951 inhabitant, against distance to the border over a (symmetric) 75 kilometers (km) window. In particular, the grey dots are binned means of the outcome computed within non-overlapping, evenly-spaced bins of the running variable and the solid black line is a quadratic polynomial of the outcome on the running variable.[15] A sizable jump in transfers can be noticed at the border, equivalent to about 8,000 euros per capita.[16] Figure 4 then illustrates the behavior of our main outcome – the synthetic index capturing voters' preferences for state intervention in 2013 – long after the end of the program and at a time when, according to our previous discussion, preferences for state intervention were strongly elicited in the population. A positive jump in the outcome can be observed at varying bandwidths (75, 50 and 25 km) around the CasMez border.[17]

The main identifying assumption behind this RD approach is the continuity of potential outcomes at the CasMez border. This assumption requires relevant factors (other than the treatment) not to change discontinuously at the border, so that municipalities just north of it make for an appropriate counterfactual for those subsidized (Imbens and Lemieux, 2008).[18] A first threat to the continuity assumption would arise if the geographic cutoff we exploit overlaps with other relevant administrative and/or historical borders (Dell, 2010; Oto-Peralias and Romero-Avila, 2017; Wahl, 2017). This would imply that other factors, unrelated with the policy of interest but potentially correlated with voting outcomes, vary discontinuously

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[15] The number of bins is chosen using the data-driven procedure proposed in Calonico et al. (2015).

[16] The small uptick in transfers just north of the cutoff is due to some neighborhoods in the municipality of Rome, which was not fully part of the CasMez jurisdiction. Also, the high value of transfers just north of the border is driven by two municipalities (Pomezia and Aprilia) that received generous subsidies and had a relatively small population. Our results are unchanged when Rome, Pomezia and Aprilia are excluded from the estimation sample.

[17] The chart shows that this discontinuity encompasses a negative spillover to municipalities north of the border. This implies, as in von Ehrlich and Seidel (2018), that we are unable to estimate the net effect of the policy, but rather a gross effect that includes this spillover.

[18] Another classic concern in RD designs is selective sorting, which arises when units can manipulate the value of the running variable to be just above or below the cutoff. In our case, this would imply that municipalities can shift their location south of the CasMez border, which is clearly not possible. Indeed, a McCrary (2008) test reveals no discontinuity in the density of the running variable at the cutoff. The possibility that the policy affected migration choices of individuals (not our unit of observation) at the border is discussed below.

at the cutoff thus making it impossible to separately identify the effect of the policy. This is however not a concern in our set-up. On the one hand, the border does not systematically separate regions (NUTS-2) or provinces (NUTS-3). In fact, the CasMez border separates administrative units as small as municipalities and there is little reason to expect systematic differences between the many pairs of municipalities located along the border (for a similar argument see von Ehrlich and Seidel, 2018). On the other hand, the border does not coincide with other key partitions that are relevant for the allocation of public transfers today, such as that used by the European Cohesion policy (the green line in Figure 2). We also inspect past relevant geographic discontinuities and make sure they do not coincide with our cutoff. Notably, the CasMez border does not overlap with the old boundary of the Kingdom of the Two Sicilies[19] (Alfani and Sardone, 2018) nor with the "Gustav line", exploited in Fontana et al. (2017) as a discontinuity in the duration and intensity of Nazi occupation during World War II. A last observation is that the choice of the additional municipalities to be added to the program's jurisdiction was in many cases informed by technical reasons related to the execution of CasMez infrastructure projects, rather than by political or economic rationales, as we document by inspecting historical parliamentary discussions.[20] Importantly, at its onset the policy was meant to last for ten years and to only perform infrastructure projects. Our main focus (transfers) became part of the CasMez range of interventions only in the 1960s and was not even discussed before then. Arguably, prospects of economic development and even short-term political considerations were unlikely to be key concerns when the exact location of the CasMez border was being discussed.

To corroborate these claims, we look for systematic imbalances at the cutoff by plotting relevant observable characteristics in the vicinity of the border. First, we detect no discontinuity in employment composition in 1951 (Figure 5). In particular, the industry share of employment was rather similar north and south of the cutoff, which again suggests that the choice of the border was not informed by the industrial potential of the subsidized areas. Treated and control municipalities were also quite similar in terms of population density (Figure 5, bottom panel). Figure 6 shows that other demographic characteristics related to gender composition, age and education were also balanced at the cutoff in 1951. Importantly, despite geographical traits might have been, at least in a few cases, relevant for the assignment to the CasMez jurisdiction (see footnote 20), we do not find evidence of large discontinuities in mean elevation and slope levels at the border (Figure 7). Last, we show that electoral outcomes prior to the beginning of the *extraordinary intervention* were overall balanced at the border. We examine both the 1946 and the 1948 general election as well as the outcome of the 1946 referendum on the abolition of monarchy. As showed in Figure 8, there seems to be no particularly large discontinuity in vote shares for the main parties (Christian Democrats,

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[19] In a robustness check showed below, we still estimate a sizable discontinuity in preferences for state intervention if removing areas where the CasMez border overlaps with the old Kingdom's border.

[20] For example, a part of the regional border between Abruzzo and Marche would have cut in two parts a mountain basin and the river generated from it (Tronto river). Given that the entire area was planned to undergo a reclamation project, all municipalities belonging to that area were included in the CasMez jurisdiction. A similar rationale led to the extension of the border to annex some municipalities in Lazio (Latina reclamation area, see Cervone-Villa Law draft, 1953).

Socialists and Communists) and electoral turnout in both 1946 and 1948, as well as in votes for republic rather than monarchy in 1946. Turnout in 1946 was indeed larger north of the border than south, but the binned means show no discontinuous jump at the cutoff.

In Figure 9, we further exploit the Manifesto archives to construct indices of voters' positions along other policy dimensions in 2013. More specifically, we collect party-level scores related to the following topics: "Support to EU and international bodies", "Government efficiency and corruption", "Multi-culturalism", "Nationalism", "Freedom and human rights", "Democracy", "Decentralization of power" and "Law and order";[21] these scores are again mapped at the municipality level using local party shares in 2013 (see Equation 1). We observe little or no discontinuities in all these outcomes at the CasMez border in 2013. Importantly, there seems to be no meaningful imbalance in support to the EU and other international organizations (i), nor in voters' concerns about government efficiency and corruption (ii) – two traits strongly associated with support for the 5-Star Movement (more on this below). We also fail to detect jumps comparable to those in preferences for state intervention in other traits of the electorate captured by the Manifesto classification, ranging from their position towards multi-culturalism (iii) and nationalism (iv) and their views about human rights (v), democracy (vi), decentralization of political power (vii) and about preserving law and order (viii).

We then examine whether economic outcomes have been affected during and especially after the policy. First, in Figure 10 we show the behavior of the employment rate over the last phase of the policy (1981 and 1991) and in the two decades after its termination (2001 and 2011). We notice a positive, although small discontinuity in the employment rate in 1981, but this difference between treated and control areas is already much smaller and not easily discernible at the end of the policy in 1991 and has fully disappeared by 2011. In Figure 11 we extend our focus to other economic and demographic outcomes in 2011 (close to the 2013 vote), such as the unemployment rate, income per capita, the share of high school educated and the share of public employees. In line with the results on employment, we again fail to detect meaningful discontinuities between municipalities north and south of the border. These findings, analyzed more in depth below, suggest that the policy did not induce long-lasting economic benefits to the targeted areas.

Regression analysis. The above visual evidence suggests that voters' preferences for state intervention in 2013 are higher in areas south of the CasMez border than in areas just north of it, and that this jump is likely reflecting previous exposure to government transfers through the *extraordinary intervention*. We now turn to regression analysis to quantify the effect of interest and provide robustness checks. Specifically, we implement a spatial sharp RD design and estimate the following regression model:

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[21] Table A2 in Appendix A describes each of these scores.

$$score_{m,p,b}^{2013} = \alpha + \beta \cdot T_{m,p,b} + f\left(\delta_{m,p,b}\right) + \gamma_p + \varphi_b + \varepsilon_{m,p,b} \qquad (2)$$

where $score_{m,p,b}^{2013}$ is the 2013 preference score for municipality m in province p and closest to border segment b, $T_{m,p,b}$ is the treatment variable taking value of one if municipality m belongs to the CasMez area and zero otherwise, $f\left(\delta_{m,p,b}\right)$ is a linear polynomial[22] in the geodetic distance between municipality m's centroid and the closest point of the border, γ_p are province (NUTS-3) fixed effects and φ_b are fixed effects associated with five border segments. We use the algorithm proposed in Calonico et al. (2014) to derive the optimal bandwidth over which this regression is estimated.

Table 2 provides baseline estimates for the β coefficient when Equation (2) is estimated for the synthetic index for preferences for state intervention in 2013 (Column (1)) as well as its three sub-components in the same election year (Columns (2)-(4)). In Panel A we use a symmetric bandwidth of 46.845 km around the CasMez border – the optimal bandwidth obtained for the synthetic index. These results confirm the previous graphical evidence, showing a significant effect of CasMez status on voters' preferences for state intervention. In our main specification (Column (1)), crossing the CasMez border implies an increase of 3.105 points in the synthetic index. This effect is strongly significant and corresponds to around 8 percent of the mean value of the index and 62 percent of its standard deviation in the estimation sample. Similarly-sized effects obtain for the individual indices, except for the single item of preferences for free markets (for which the coefficient is small and non-significant). In Panel B, we show that these results hold when each regression is estimated choosing an optimal bandwidth that is specific to each outcome. Panel C instead replicates the above analysis but implements the non-parametric estimation methods proposed in Calonico et al. (2014). In particular, each municipality is weighted using a triangular kernel function giving larger weight to those closer to the border. The estimated coefficients rise in magnitude, except again for voters' preferences for free markets.

Robustness exercises. Table 3 provides robustness tests for the baseline RD estimates to different specification choices. For the sake of brevity, we only present the estimation output for the synthetic index (Column (1) in Table 2) using the parametric specification of Equation 2. All results hold for the individual scores and when using the non-parametric estimation technique of Panel C in Table 2. Column (1) reports again the baseline estimate. Columns (2) to (4) highlight the sensitivity of the results to the choice of the estimation bandwidth relative to the baseline bandwidth (46.845 km). In particular, we adopt a 25 (Column (2)), 75 (Column (3)) and 100-km (Column (4)) symmetric bandwidth around the CasMez border and

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[22] We follow Gelman and Imbens (2019) and choose a low order for the polynomial control function. More flexible specifications are tested in the robustness checks.

observe that the estimated effect remains significant and becomes smaller as the bandwidth widens. The index for preferences for state intervention jumps by 3.653 points (70 percent of a standard deviation) when a 25-km bandwidth is used; this coefficient almost halves to 1.994 points (38 percent of a standard deviation) when the sample is extended to all municipalities within 100 km of the border. In Columns (5) and (6), we drop municipalities within 5 and 15 km of the border, respectively. This "donut hole" exercise ensures that our findings are not entirely driven by spillovers between nearby municipalities at the boundary. When excluding municipalities very close to the border (Column (5)) the effect remains roughly similar to the baseline estimate in both magnitude and significance. As more municipalities are excluded (Column (6), where about one third of the optimal bandwidth is cut), the estimated discontinuity remains positive but becomes imprecisely estimated, although we would caution that comparability between the treated and control group decreases as the hole gets larger. In Columns (7) and (8), we test our results when controlling for a quadratic or a cubic (rather than linear) function of the distance from the border. The estimated coefficient rises when more flexible control functions are used. Last, in Column (9), standard errors are corrected to allow for spatial correlation using Conley (1999)'s procedure, with no meaningful difference relative to the baseline estimates.[23]

It should also be noted that the preference scores we compute partly reflect the votes share of the 5-Star Movement, which at the 2013 election was featuring the highest degree of support for state intervention among the running parties. Indeed, we also detect a large (3 percentage points) and significant jump in the Movement's electoral performance at the CasMez border (Table 4, Column (1)). However, another distinctive feature of the Movement was its strong anti-establishment rhetoric. We are therefore concerned that that our results might not fully reflect different economic preferences in the electorate but may be contaminated by populist attitudes also associated with voting for the 5-Star Movement. This could be the case if, say, subsidized areas have also experienced more episodes of political corruption, thus leading to voters' aversion towards the political class. The visual evidence in Figure 9 already provides some reassurance in this regard, as we see little discontinuities at the CasMez border for a vast range of voter attitudes including concerns about government efficiency and political corruption. We confirm this in Column (2), which shows that the difference between treated and control municipalities in voters' preferences for parties proposing a more transparent and efficient government (the index plotted in Figure 9, Panel (ii)) is undistinguishable from zero. To complement this evidence, we perform two additional tests. First, we look at the experience of Forza Italia, a right-wing party which first ran for election in 1994. This historical comparison is particularly suited to our purposes. On the one hand, the strong populist rhetoric of Forza Italia as a new player in the political arena in 1994 (Jones and Pasquino, 2015) compares well with that of the 5-Star Movement in 2013.[24] On the other, Forza Italia was not advocating more state intervention

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[23] Following Colella et al. (2020) we pick the radius that maximizes the standard error in the baseline specification (10 km).
[24] Durante et al. (2019) suggest that supporters of these parties share similar endowments of human and social capital.

in the economy as was the Movement in 2013. Testing whether the support for Forza Italia in 1994 varies discontinuously at the CasMez border thus serves as a convenient placebo check. Column (3) in Table 4 documents no meaningful discontinuity. In a second test, we examine the 5-Star Movement's performance at the 2014 European Parliament election, which took place not long after the 2013 vote but elicited voters' anti-establishment attitudes rather than their preferences for state intervention. In that occasion, the Movement was primarily endorsing a radical renovation of European institutions rather than calling for more public intervention in the economy. In fact, the Movement was part of a political coalition (*Europe of Freedom and Direct Democracy*) that included parties from the opposite side of the political spectrum.[25] The members of this coalition were likely at poles apart in their views on the role of the state in the economy, but were united by marked eurosceptic, anti-establishment positions. The votes share of the 5-Star Movement at the 2014 European election thus provides, in our view, a rather clean measure of anti-establishment voting. If, as we claim, our results are driven by differential preferences for state intervention as a result of the policy, then we should observe little or no jump in votes for the Movement at the CasMez border in 2014. Indeed, this is confirmed in Column (4) of Table 4. Taken together, these results provide reassuring pieces of evidence that our findings largely reflect the impact of transfers on preferences for state intervention, rather than on populist attitudes or other positions within the electorate.

Table 5 experiments with alternative cutoff choices. First, in Columns (1) and (2) we shift the border 100 km south and north, respectively, and re-estimate our baseline specification. The estimated effect on voters' preferences for state intervention is small relative to baseline estimates and not significant, suggesting that no discontinuities occur at these placebo cutoffs. Another concern is that, while the CasMez border does not overlap with other relevant cutoffs, some portions of it do coincide with potentially problematic frontiers such as those between Lazio, Umbria and Abruzzo (three NUTS-2 regions) or the historical border that until the country's unification in 1861 separated the Kingdom of the Two Sicilies from the rest of Italy (D'Adda and de Blasio, 2016). In turn, this "compound treatment" could give rise to identification concerns as the observed effect on voters' preferences might be driven, at least in part, by systematic differences between treated and control municipalities that are unrelated to CasMez intervention. To rebut these concerns, we exclude municipalities close to segments of the CasMez border that coincide with either regional borders or with the old Kingdom border and re-estimate the baseline RD specification on this subset of the original sample.[26] As showed in Columns (3) and (4), the effect on preferences for state

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[25] These included right-wing parties such as the UK Independence Party and the Sweden Democrats.

[26] In practice, we first exclude segments of the CasMez border that coincide with either regional delimitations (Column (3)) or with the border of the Kingdom of the Two Sicilies (Column (4)) and obtain a "trimmed" CasMez border. We then compute, for each municipality, the distance to the trimmed border. In the last step, we exclude municipalities whose distance to the trimmed border is larger than their distance to the full CasMez border, that is, those municipalities that were closer to segments of the border which were overlapping with the other problematic cutoffs. This rule excludes 146 municipalities close to NUTS-2 borders (Column (3)) and 185 municipalities close to the Kingdom's border (Column (4)), relative to 558 municipalities in the full RD sample.

intervention does not differ much from the baseline estimates, suggesting that previous results were not driven by systematic imbalances occurring around these segments of the border.

We then extend our focus beyond the 2013 vote to include all other elections in the Italian post-war history.[27] Specifically, we exploit the full historical depth of the Manifesto Project database and compute the baseline index for preferences for state intervention for all national elections between 1946 and 2018. We then pool election years together and run the baseline RD design on this pooled sample, controlling for election year effects:

$$score_{m,p,b}^t = \alpha + \beta \cdot T_{m,p,b} + f(\delta_{m,p,b}) + \gamma_p + \varphi_b + \theta_t + \varepsilon_{m,p,b,t} \qquad (3)$$

Where θ_t are election year dummies and all other variables are defined above. We estimate Equation 3 separately for the subperiods before, during and after the policy. When focusing on the policy years, we also augment Equation 3 by interacting the treatment dummy with the number of years since the beginning of the policy in 1950. Table 6 reports the results. The discontinuity is very close to zero in the years prior to the policy (Column (1)) and becomes positive after the beginning of the intervention (Column (2)). The coefficient is small at around one tenth of a standard deviation and 2 percent of the mean, and only weakly significant. We also observe that the estimated difference increases as more time passes since the start of the program (Column (3)). For the post-intervention period, we estimate a positive discontinuity of similar magnitude as during the policy years and more statistically significant (Column (4)).

As noted above, our key research question is whether the effects of government transfers on voters' preferences persist over time, and especially long after the termination of the policy. Hence our focus on the 2013 vote, which occurred two decades after the end of the intervention and provides an ideal set-up to study these preferences. The contemporaneous effect on preferences for state intervention might be influenced by short-term effects of the program on the targeted areas, or by rewarding incentives (more on this below). For these reasons, we place less emphasis on the results in Columns (2)-(3) of Table 6 as they refer to periods when the policy was still in place and the Christian Democratic Party, which was in charge of the program, was still running for government. In addition, we would also caution that voters' preferences for state intervention might not be clearly elicited at each election as they were in 2013, as noticed in Section 3. In turn, we have less confidence that the estimates reported in Table 6 reflect differential preferences for state intervention and not also voters' views on other topics.

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[27] We exclude the 1992 election, which coincided with a serious corruption scandal and the subsequent political crisis. Results do not vary substantially when including 1992.

Economic effects of the policy. We now analyze the economic effects of the intervention. As illustrated in Figure 10, the policy did not seem to induce particularly large employment gains. A quite small positive jump in the employment rate is observed at the CasMez border during the intervention, but by 2011 there appears to be no difference in employment between treated and control municipalities. Figure 11 confirms that the long-term economic effects of the program at the border were hardly noticeable, as we observe no discontinuity in the unemployment rate, income per capita, or education levels. There is no meaningful difference in the share of public employees too, suggesting that treated areas did not develop a more prominent public sector as a consequence of the intervention. Table 7 reports the estimation output of Equation 2 for these outcomes. Column (1) quantifies the small jump in employment rate south of the border at 2.6 percentage points in 1991,[28] and Column (2) shows that this difference is not distinguishable from zero in 2011. Columns (3) to (7) report the RD estimate for the other outcomes: the unemployment rate, income per capita, the share of people with at least a high school degree and the share of public employees. All these outcomes, potentially affected by the policy, are measured in 2011 and could potentially be correlated with voters' preferences for state intervention in 2013. We do not notice meaningful differences between treated and control municipalities in any of these variables, suggesting that the policy had very small effects on aggregate economic and social outcomes in the long run.[29] These results are by and large confirmed by the several robustness checks, presented in Appendix Table A3, that test their stability under various specifications.

The Industrial Zones. The above analysis comes with some limitations associated with the use of a spatial RD design. First, the identified effects are local to the CasMez frontier, which inevitably lowers their external validity. Second, the design compares municipalities within the CasMez area to other municipalities outside of it, which did not happen to receive any transfer. Another policy-relevant question is whether any marginal increase in transfers influences voting outcomes in the long term. Third, crossing the policy boundary implies a jump in *total* CasMez expenses. These include not only transfers but also infrastructure investment. As explained above, we are mostly interested in the effect of transfers, as they gradually became the core business of the agency and a widely used policy tool in the targeted areas. In the attempt to overcome the above limitations, in Appendix B we place ourselves *within* the CasMez jurisdiction and exploit variation in transfers across municipalities. Such variation is provided by the so-called Industrial Zones, groups of municipalities targeted as suitable hosts for industrial clusters where the CasMez could concede (by law) more generous transfers to firm. We exploit the criteria for the establishment of a Zone in a propensity score matching design that compares municipalities that were part

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[28] This difference was 3.5 percentage points in 1981. We do not report this coefficient in Table 7 to avoid repetitions.
[29] The share of public employees is an exception, as it jumps by 6 workers per 1,000 people (one fifth of the mean share in the estimation sample). This discontinuity is however imprecisely estimated and statistically not distinguishable from zero.

of a Zone to observationally similar municipalities that were not included in these areas and received much less transfers. Our results, presented in Appendix B, are qualitatively in line with the RD estimates.

6. Discussion

What emerges from our analysis is a robust link between the exposure to public transfers and voters' views on state intervention in the economy, long after transfers have elapsed. In particular, residents of subsidized places have developed a long-lasting, positive view of an interventionist state relative to those in control areas.[30] Standard channels proposed in the political economy literature cannot explain our results.[31] Importantly, the Christian Democratic Party, which promoted the *extraordinary intervention*, disappeared from the political scene in 1994. In fact, a brand-new political landscape emerged in Italy following corruption scandals in the early 1990s. Our findings are then likely to reflect a shift in voters' preferences for policies involving more state in the economy, regardless of the party proposing such policies.

A first, potential mechanism underlying our results could have been that the policy had permanently affected economic performance in the targeted region. The longstanding literature that has studied the determinants of preferences for state intervention has identified economic conditions as a key factor shaping these preferences. While conducting a full empirical evaluation of the economic consequences of the *extraordinary intervention* is beyond the scope of this paper, a better understanding of our results does require some insight into the economic effects of the program. An increase in public transfers should mechanically result into higher wealth and consumption possibilities in the targeted region. The implications on attitudes towards state intervention in the long-term depend on whether such wealth gains are persistent. To the extent that the economic benefits to subsidized areas relative to other areas are self-sustained, then our findings would most certainly reflect them. For example, economic theory suggests that residents would have less incentives to support welfare policies if local economic conditions are relatively good. By contrast, if the increase in wealth is short-lived and long-run economic performance in treated and control areas does not differ as a consequence of the policy, then our previous findings are likely driven by another mechanism.

As previously noted, we fail to find convincing evidence of a long-run effect of CasMez transfers on economic outcomes. More precisely, we observe a (small) positive discontinuity in the employment rate of treated regions until 1991, but this effect dissipates in the long run (2011). The positive (albeit small) effect on employment while the policy was in place, combined with possible rises in income and consumption during those years (which we cannot measure), may partly explain why we fail to detect large effects on

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[30] Figure 12 summarizes all robustness checks and shows that the estimated RD coefficient remains stable across specifications.
[31] Two main channels are reciprocity (Finan and Schechter, 2012), according to which voters reward politicians to which they feel indebted; and rational but poorly informed voters who use policy to infer politicians' views (Manacorda et al., 2011).

voters' preferences for state intervention during the policy years (Table 6). If economic performance was better in treated areas than in control areas, there might have been less incentives for voters to demand a more active role of the state in the economy. However, when focusing on the longer run (2011), we observe a very small effect of the policy on economic outcomes that could potentially have affected preferences for state intervention in 2013 (Table 7).

This result raises an important question. Why would people vote for more state intervention even in the absence of long-term economic benefits? One possibility is that the transient economic stimulus in subsidized areas while the policy was in place induced higher accumulation of human capital, which could have in turn affected preferences. Education outcomes, which should reflect human capital accumulation, do not differ substantially north and south of the border in 2011, suggesting that this channel is unlikely to be at play.[32]

It should also be noticed that, while selective sorting is not a concern in our set-up (see footnote 18), the effect we identify might partly be driven by differential location choices of *individuals* (not our unit of observation) at the border as a result of the policy. These migration patterns would not undermine the causal interpretation of our results (von Ehrlich and Seidel, 2018) but could be a potential mechanism. For instance, the policy might have induced selective migration of people in treated areas in response to transfers, with possible repercussions on local preferences. Municipality-level data on migration flows in 2010 suggest that differences in electoral outcomes in 2013 were not driven by differential migration patterns at the time of the vote, as migrant inflows and outflows do not seem to vary dramatically between treated and control municipalities.[33] Unfortunately, this data is not available during the policy years, which makes it hard to assess whether any migration occurred while transfers were in place. When looking at population growth between 1951 and 1991, we observe two things (Figure A1). First, the entire area under analysis has experienced a decline in population during the policy years (the annualized 1951-1991 population growth rate is on average equal to -0.6 percent in a 50-km bandwidth around the border). Second, there seems to be a positive jump of 0.5-1 percent at the CasMez border, suggesting that municipalities just south of the border have experienced less severe depopulation relative to those just north of it.[34] While population trends can also be affected by differential fertility and mortality patterns, this evidence suggests that migration outcomes likely differed between treated and control areas during the policy years – most

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[32] Another possibility, which is unfortunately hard to test, is that local voters in 2013 were still mindful of the (short-lived) economic stimulus that followed the provision of subsidies in their area. The memory of the economic gains resulting from government aid in the past might in turn have made individuals more favorable to state intervention, despite the policy's ineffectiveness in the long run.

[33] Municipalities south of the border had a higher immigration rate and lower emigration rate than those north of the border in 2010, but the estimates are relatively small (2-3 people per 1,000 inhabitants) and statistically insignificant.

[34] These possible migration patterns do not seem to have produced dramatic differences in the population age structure of treated areas relative to control ones, especially in the recent years (Figure A2). In particular, the age structure is skewed towards younger cohorts south of the border in 1991 but looks overall more balanced in 2011.

likely in terms of lower emigration rates. In turn, these patterns might partly explain our results if, for example, people more favorable to state intervention remained south of the CasMez border (or moved there) rather than north of it. This interesting mechanism is unfortunately hard to test with the data at hand.

While it is hard to pin down a single mechanism at the basis of our findings, we briefly focus here on another possible determinant of preferences for state intervention that has so far been explored almost exclusively in the theoretical literature: past experience of state intervention itself.[35] Simply put, prolonged state presence in a community can tilt local preferences in favor of a more proactive role of the state in the economy. In particular, theoretical models have stressed that government intervention can alter perceptions about the role of effort as a driver of individual success, which might then be at the basis of this preference shift.[36] To investigate this channel, we match our municipality-level dataset with individual-level survey data reporting more direct measures of preferences that are not deduced from voting outcomes. We exploit the 5th Wave (2005-2009) of the World Values Survey (WVS), which contains a small set of questions on individual preferences for state intervention for Italy.[37] Conveniently, the WVS questions closely match the three categories we sourced from party manifestos in our main analysis. We use the following questions, all posed as a self-placement scale from 1 to 10: i) 1 (*"Incomes should be made more equal"*) – 10 (*"We need larger income differences as incentives for individual effort"*); ii) 1 (*"Private ownership of business and industry should be increased"*) – 10 (*"Government ownership of business and industry should be increased"*); iii) 1 (*"The government should take more responsibility to ensure that everyone is provided for"*) – 10 (*"People should take more responsibility to provide for themselves"*); iv) 1 (*"Competition is good. It stimulates people to work hard and develop new ideas"*) – 10 (*"Competition is harmful. It brings out the worst in people"*); v) 1 *"In the long run, hard work usually brings a better life"* and 10 *"Hard work doesn't generally bring success – it's more a matter of luck and connections"*.[38] In particular, the last question pins down the precise mechanism we are trying to uncover, which is whether individual beliefs on the role of effort versus luck are related to past experience of state intervention.

The 5th wave of the WVS features responses from 1,012 Italians scattered around the country. Of these, only 17 live 50 km (roughly our baseline RD bandwidth) south of the CasMez border and these are concentrated in only two municipalities. Even within a larger 100 km bandwidth south of the border, only 48 respondents are available in just four municipalities. To increase sample size and obtain more reliable

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[35] As noted above, some evidence in this regard has been provided by Alesina and Fuchs-Schündeln (2007) in the context of Germany, where the decades-long experience of the Communist regime in the East has led people to support state intervention more than in West Germany.

[36] If a society believes that effort has only a little role in determining wealth, it will further reinvigorate public intervention in the economy, possibly making these beliefs self-sustained (Alesina and Angeletos, 2005; Benabou, 2008).

[37] At the time of writing, Italy features only in the 5th wave of the WVS (2005-2009).

[38] To ease interpretation, we recode questions i) and iii) as follows: i) 1 (*"We need larger income differences as incentives for individual effort"*) – 10 (*"Incomes should be made more equal"*); iii) 1 (*"People should take more responsibility to provide for themselves"*) – 10 (*"The government should take more responsibility to ensure that everyone is provided for"*).

estimates, we therefore have to widen the estimation bandwidth further to 150 km. 248 respondents live within this radius, 138 of which in nine treated municipalities south of the border and the remainder in eight municipalities north of it. Figure 13 plots the empirical distribution of responses to the five above questions separately for respondents living south (green bars) and north (white bars) of the border. A glance at the histograms suggests that the distribution of responses in treated municipalities is more skewed towards agreement to each statement. In particular, respondents south of the border tend to support more income equality (i) and government ownership (ii), are relatively more in line with the idea that the state should provide for people (iii) and believe that competition is harmful (iv). In addition, they also agree more with the statement that luck and connections bring success relative to people in control areas (v). To confirm these observations, we estimate an ordered logit model relating each preference measure for each individual in the WVS data to CasMez status based on the municipality of residence, again focusing on respondents living in a 150 km symmetric bandwidth around the border and controlling for distance to the border. Because we are now comparing more distant municipalities than in the previous RD analysis due to the larger bandwidth, we also account for municipality characteristics (provincial capital status, coastal location, elevation and slope) to improve comparability. In addition, we control for a set of individual-level covariates available in the WVS database (age, age squared, gender and education) and cluster standard errors by municipality. The estimation output, reported in Table 8, confirms the graphical evidence of Figure 13. Individuals residing in treated municipalities tend to show more support for redistribution (Columns (1)), prefer more regulated markets (Column (2)) and see competition as harmful (Column (4)).[39] Importantly, past state presence is significantly associated with more pronounced beliefs that luck and connections, rather than effort, determine success (Column (5)).[40]

7. Conclusions

This paper illustrates that government transfers can have a persistent impact on voting outcomes. Italy's local communities that were exposed to a large place-based program from 1950 to 1992 have indeed developed a long-lasting positive assessment of state intervention in the economy relative to other areas, which is reflected in voting patterns. We document that in 2013 – more than two decades after the termination of the program – having received aid in the past is still a significant predictor of local electoral preferences for regulation, redistribution and the welfare state. These results survive several robustness checks and do not appear to reflect different anti-establishment attitudes within the electorate. Because the parties that promoted the policy had long disappeared from the political scene, standard explanations offered in political economy cannot rationalize our findings. We also illustrate that the program led to no

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[39] The coefficient in Column (3), reporting agreement with the idea that the state should provide for people, is small and non-significant in contrast with the evidence of Figure 13.
[40] The coefficients in Table 8 are expressed in log-odds units and do not have a meaningful interpretation. Table A4 shows the implied predicted probabilities.

tangible difference in economic performance between treated and control areas in the long-term, thus ruling out a key driver of preferences for state intervention. While identifying the precise mechanism underlying our results is challenging, we briefly focus on a relatively under-explored mechanism that is related to the effect of state aid on local preferences and attitudes. We find that individual (survey-based) measures of preferences for state intervention show patterns that are consistent with those inferred from election results. We also observe that past experience of state aid is robustly associated with beliefs that individual effort does not drive success – a mechanism that, according to standard models in political economy, might foster pro-state views in the population.

Overall, our contribution stresses an important, possibly unintended consequence of place-based policies. We document that a persistent effect on electoral outcomes has derived from a regional program that has lasted a long time. Future work employing more granular data sources could shed further light on the underlying channels. In this regard, we argue that this shift in voting patterns might have been, at least in part, the result of a change in voters' assessment about the role of the state in the economy. Existing studies have examined the relevance of these preferences in determining voting behavior (Fisman et al., 2017). Future research will investigate the interplay between shifting economic preferences and other outcomes.

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List of figures

Figure 1
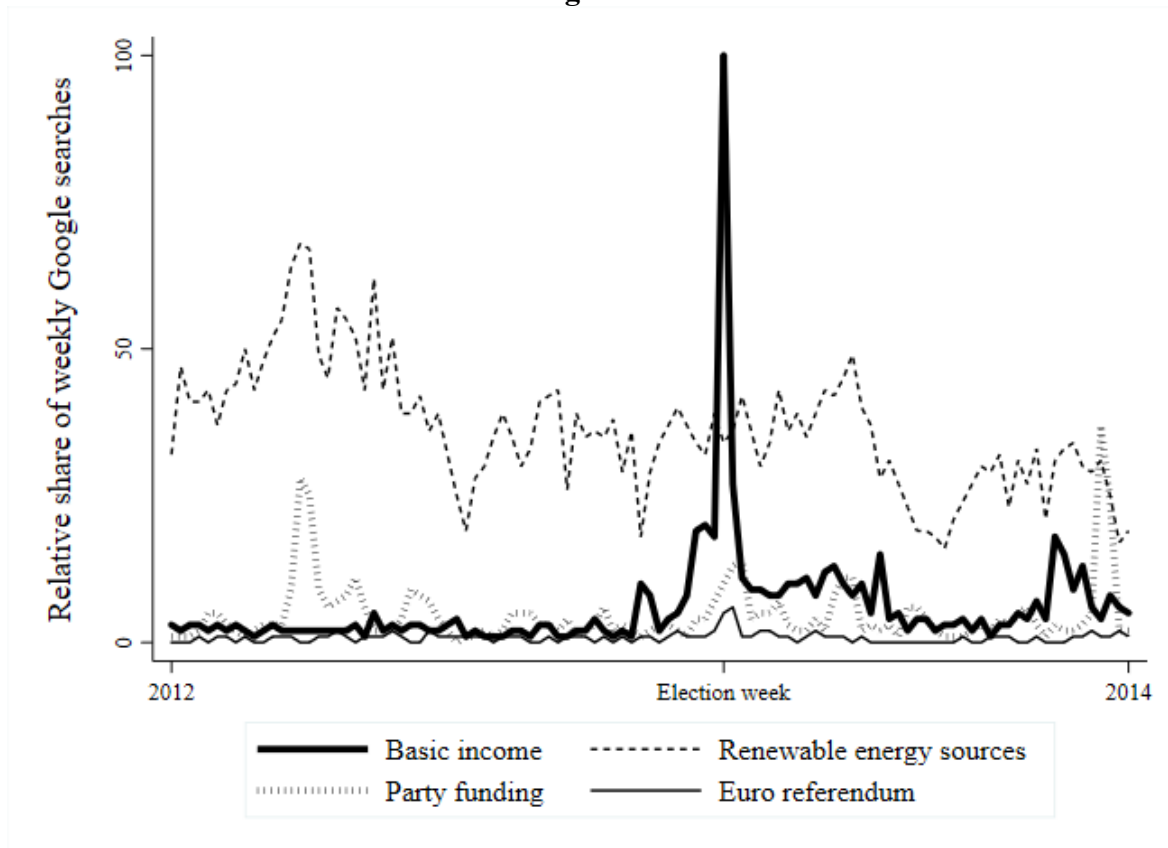
Note: Relative share of weekly searches from Google Trends for the selected search topics. Each data point is divided by the total amount of searches in Italy between 2012 and 2014. Shares are then normalized on a 0-100 scale based on all searches for all topics.

Figure 2
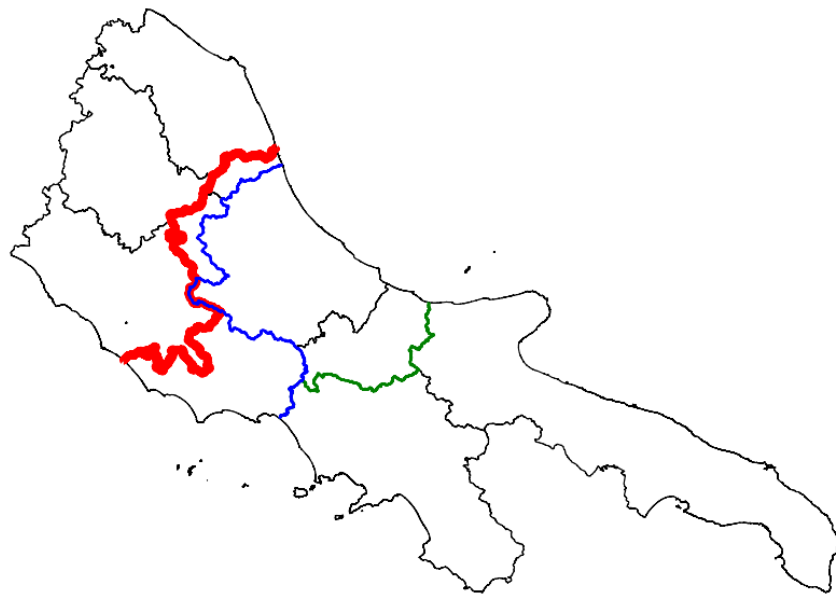
Note: The red line traces the border of the CasMez jurisdiction. The blue line indicates the border traditionally separating the Centre-North from the South of Italy, corresponding to regional delimitations. The green line indicates the border separating Convergence Objective and Competitiveness Objective regions in the 2007-2013 EU programming period.

Figure 3

(Log) CasMez transfers (1950-1992)
Thousand euros (2011 prices) per person (1951 population)

Distance from the CasMez border (km)
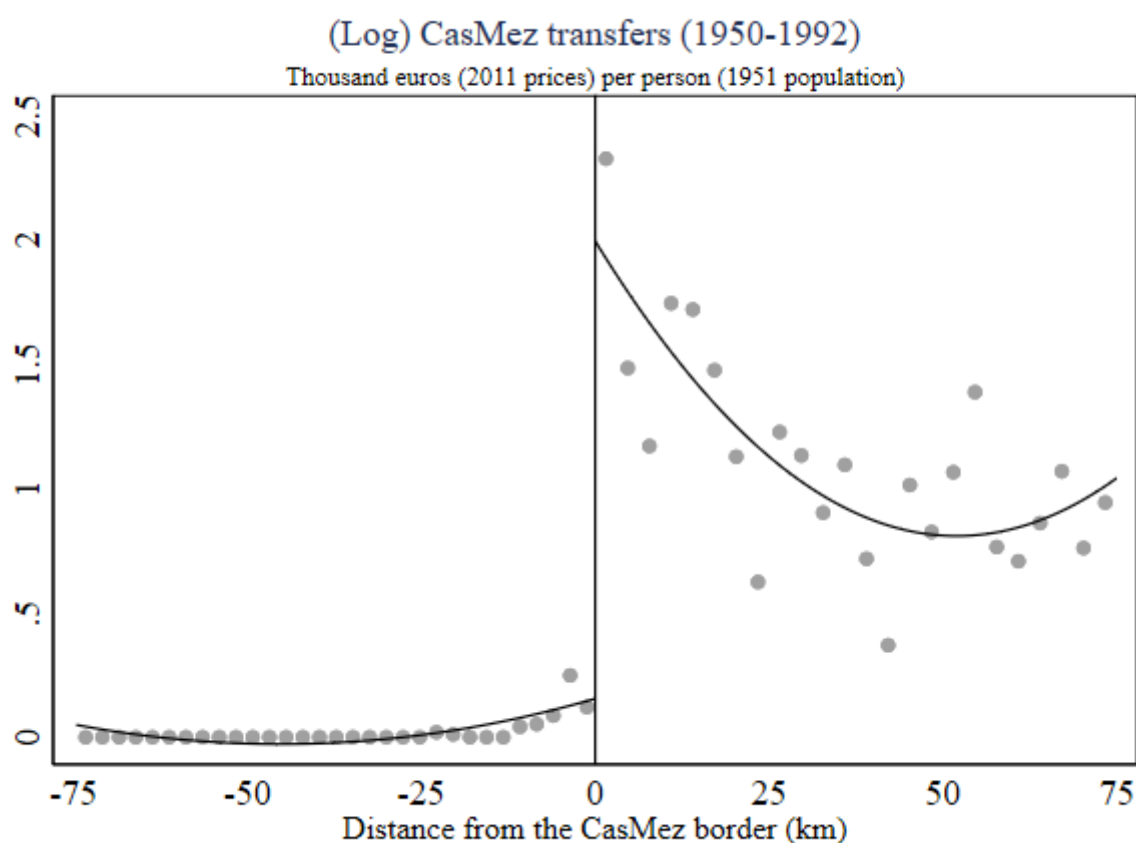
Note: CasMez transfers are in (natural log) thousand euros (2011 prices), cumulated between 1950 and 1992 and scaled by population in 1951. Negative distance denotes municipalities north of the border. The solid line is a quadratic polynomial of the outcome on the running variable, fit separately north and south of the border. The grey dots are binned means of the outcome computed within disjoint, evenly-spaced bins of the running variable. The optimal number of bins is chosen in a data driven way that mimics the variability of the underlying data (Calonico et al., 2015).

Figure 4
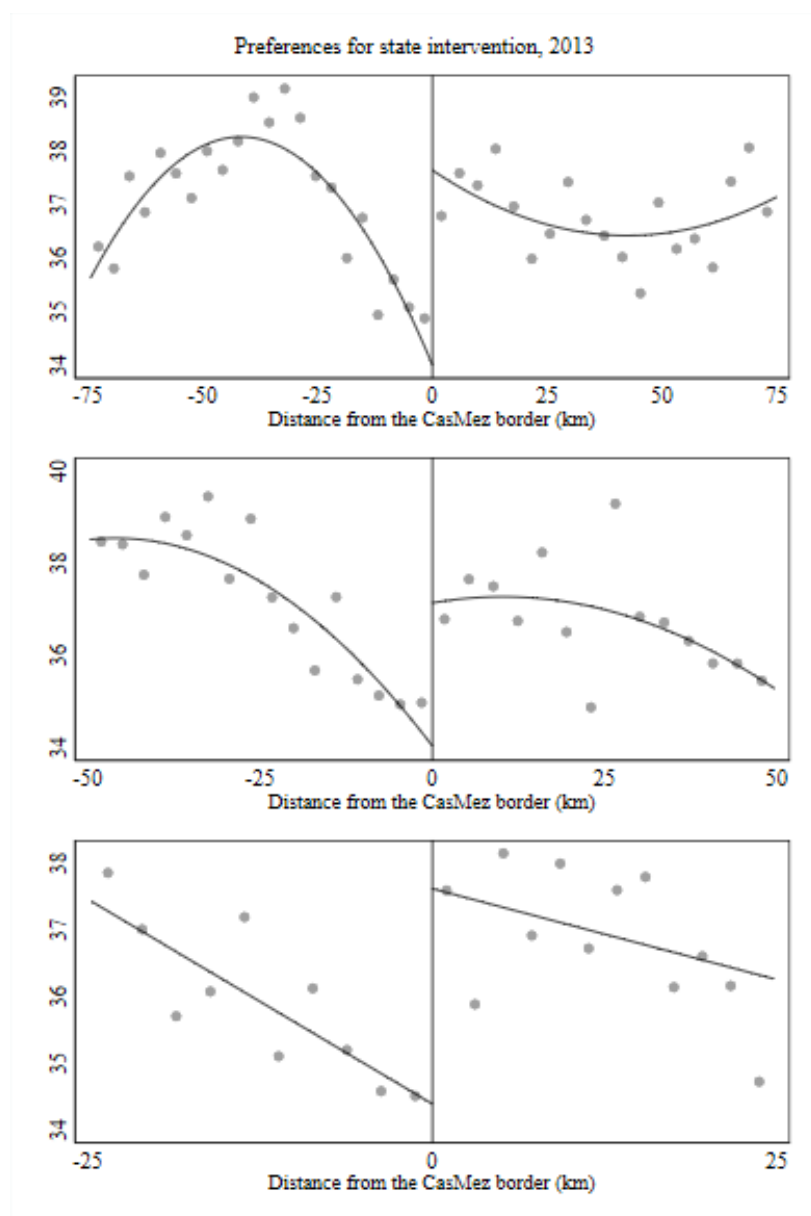
Note: Preferences for state intervention are computed using the first principal component of the individual Manifesto Project scores, then weighted by the relative party votes shares at the 2013 election. The solid black line is a quadratic polynomial of the outcome on the running variable, fit separately north and south of the border and accounting for province and border segment effects. We use a linear polynomial in the bottom panel. See Figure 3 and text for details.

Figure 5
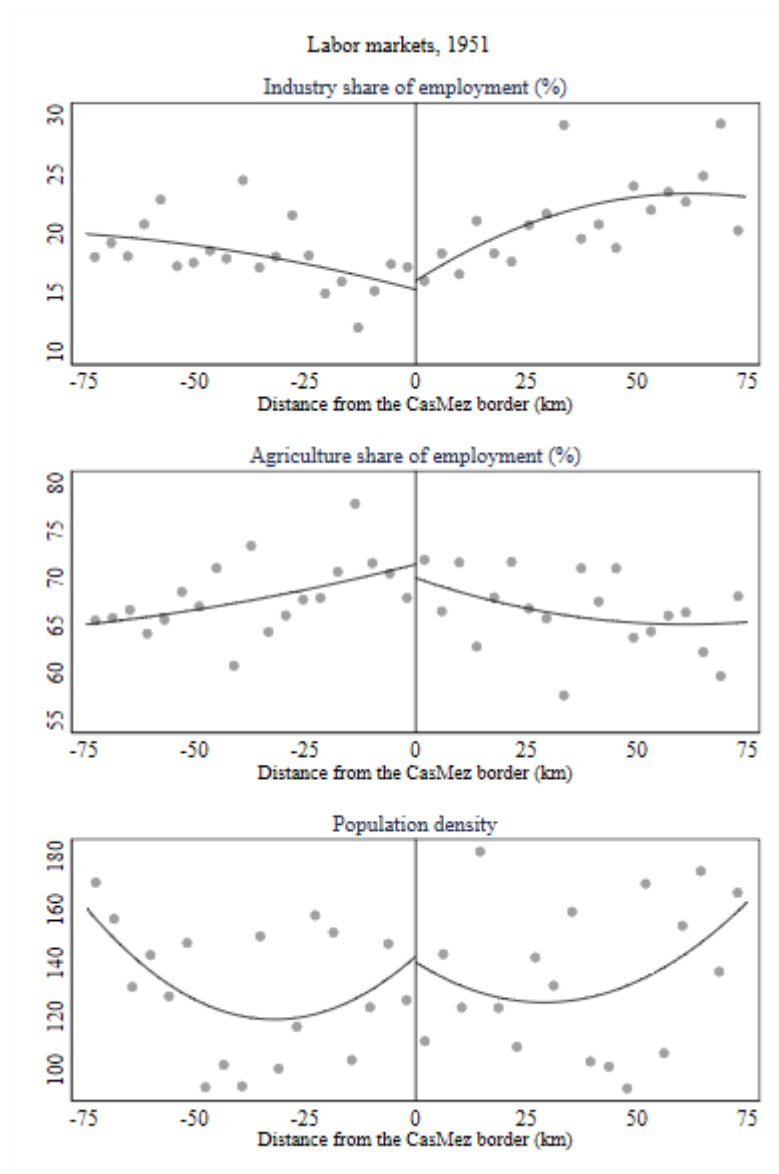
Note: The solid black line is a quadratic polynomial of the outcome on the running variable, fit separately north and south of the border. "Population density" measured as number of inhabitants per km2. See Figure 3 and text for details.

Figure 6
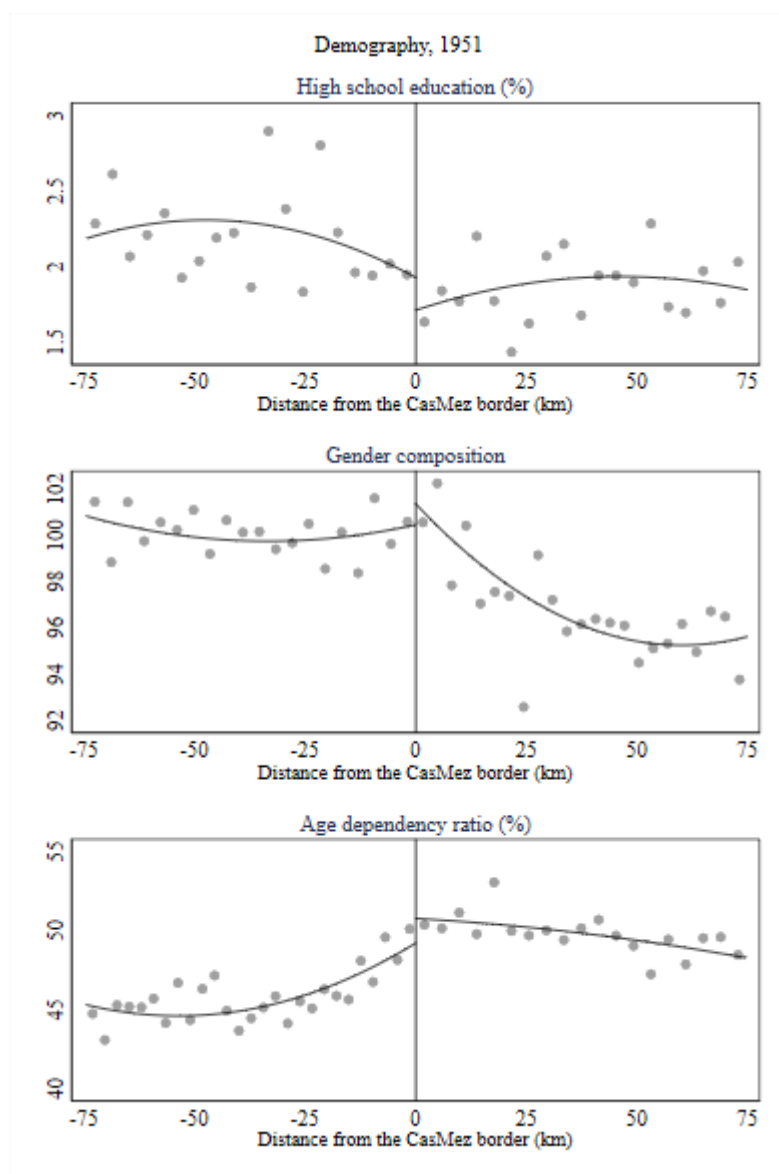
Note: The solid black line is a quadratic polynomial of the outcome on the running variable, fit separately north and south of the border. "High school education" denotes the share of people aged at least 6 with high school education or more. "Gender composition" is the ratio between male and female population (multiplied by 100). "Age dependency ratio" is the share of those aged below 14 and above 65 as a share of those aged 15-64. See Figure 3 and text for details.

Figure 7

Geography

Mean elevation

Slope

Note: The solid black line is a quadratic polynomial of the outcome on the running variable, fit separately north and south of the border. Both variables are measured in meters. "Slope" is the difference between the highest and the lowest point in a given municipality. See Figure 3 and text for details.

Figure 8

Note: The solid black line is a quadratic polynomial of the outcome on the running variable, fit separately north and south of the border. The "Socialist and Communist share" includes cumulated votes for the Communist and Socialist party in 1946 and votes for the Popular Democratic Front (which included both the Communist and the Socialist party) in 1948. See Figure 3 and text for details.

Figure 9

Other voter preferences, 2013

(i) Pro EU and international bodies

(ii) Government efficiency and corruption

(iii) Multi-culturalism

(iv) Nationalism

Other voter preferences, 2013 (continued)

(v) Freedom and human rights

(vi) Democracy

(vii) Decentralization of power

(viii) Law and order
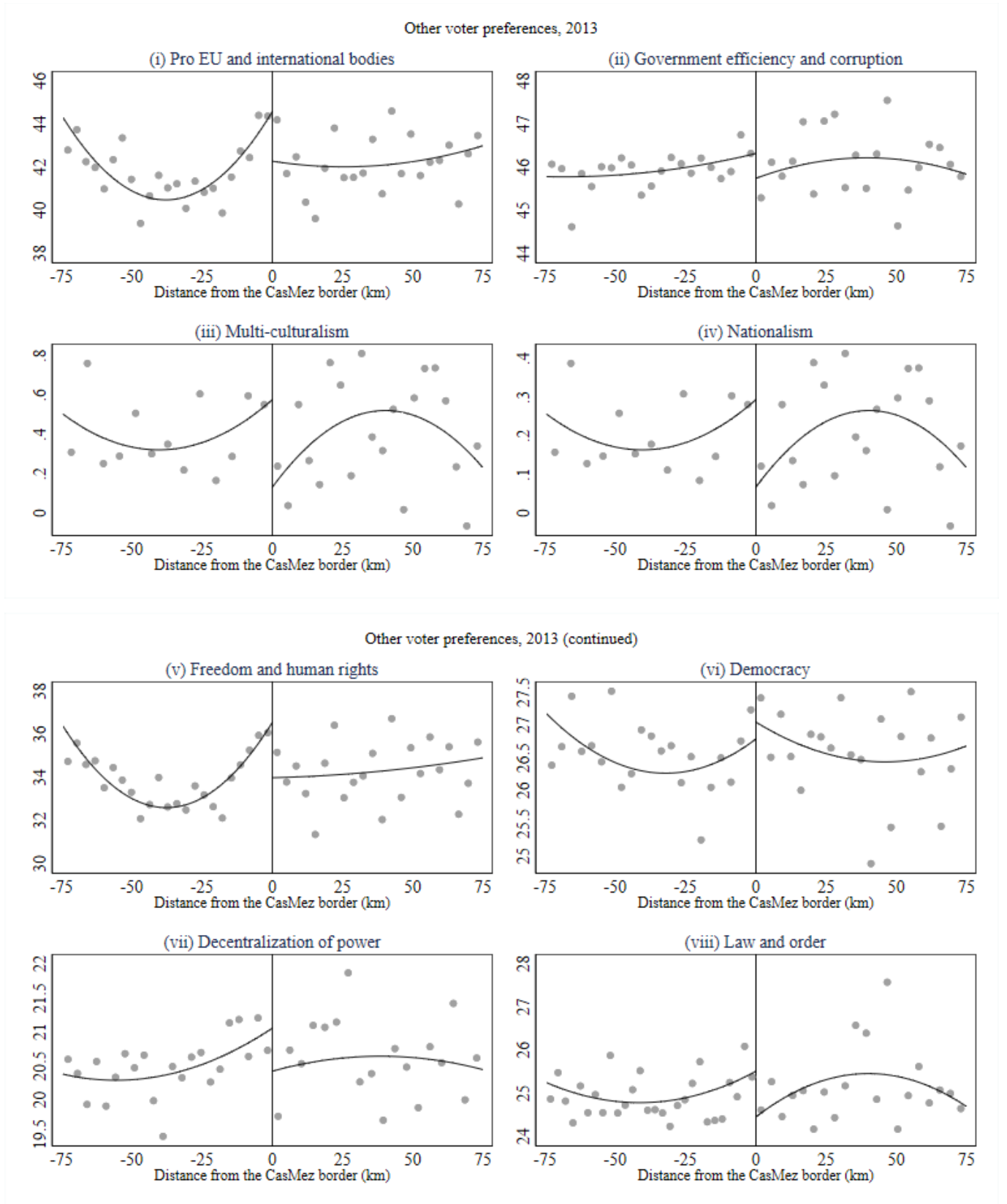
Note: Each preference index is computed by weighting Manifesto Project scores with party votes shares at the 2013 election. The solid black line is a quadratic polynomial of the outcome on the running variable, fit separately north and south of the border and accounting for province and border segment effects. Appendix Table A2 describes each of the above scores. See Figure 3 and text for details.

Figure 10
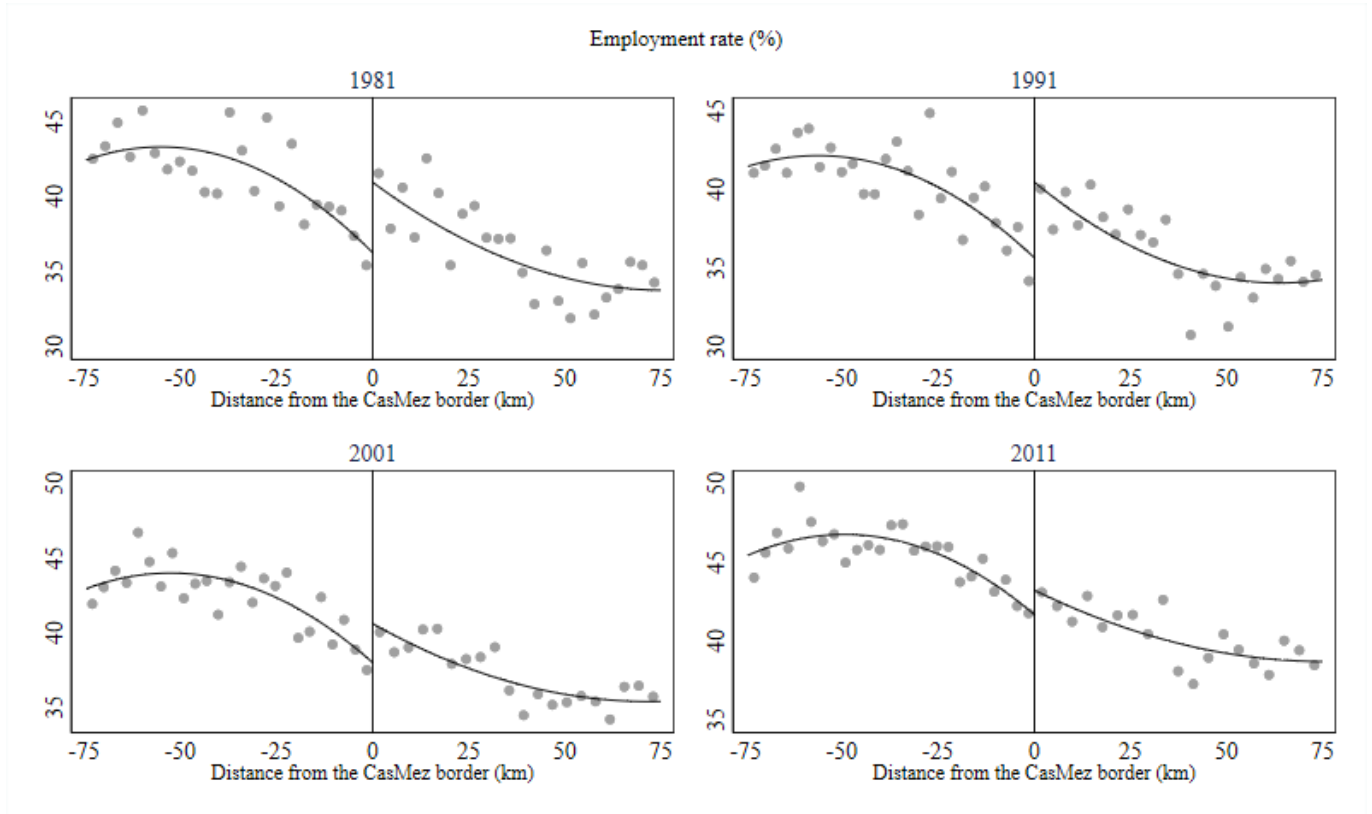
Note: The solid black line is a quadratic polynomial of the outcome on the running variable, fit separately north and south of the border. See Figure 3 and text for details.

Figure 11

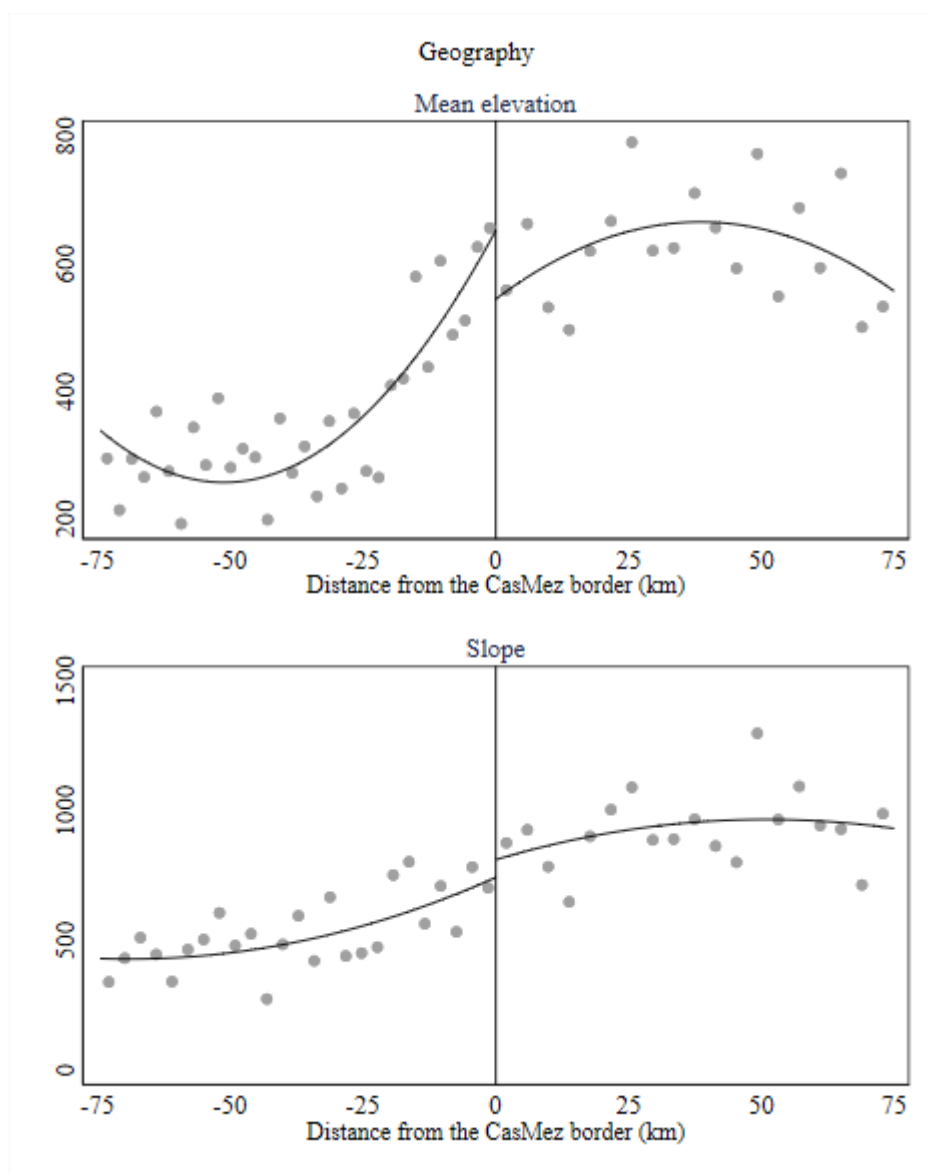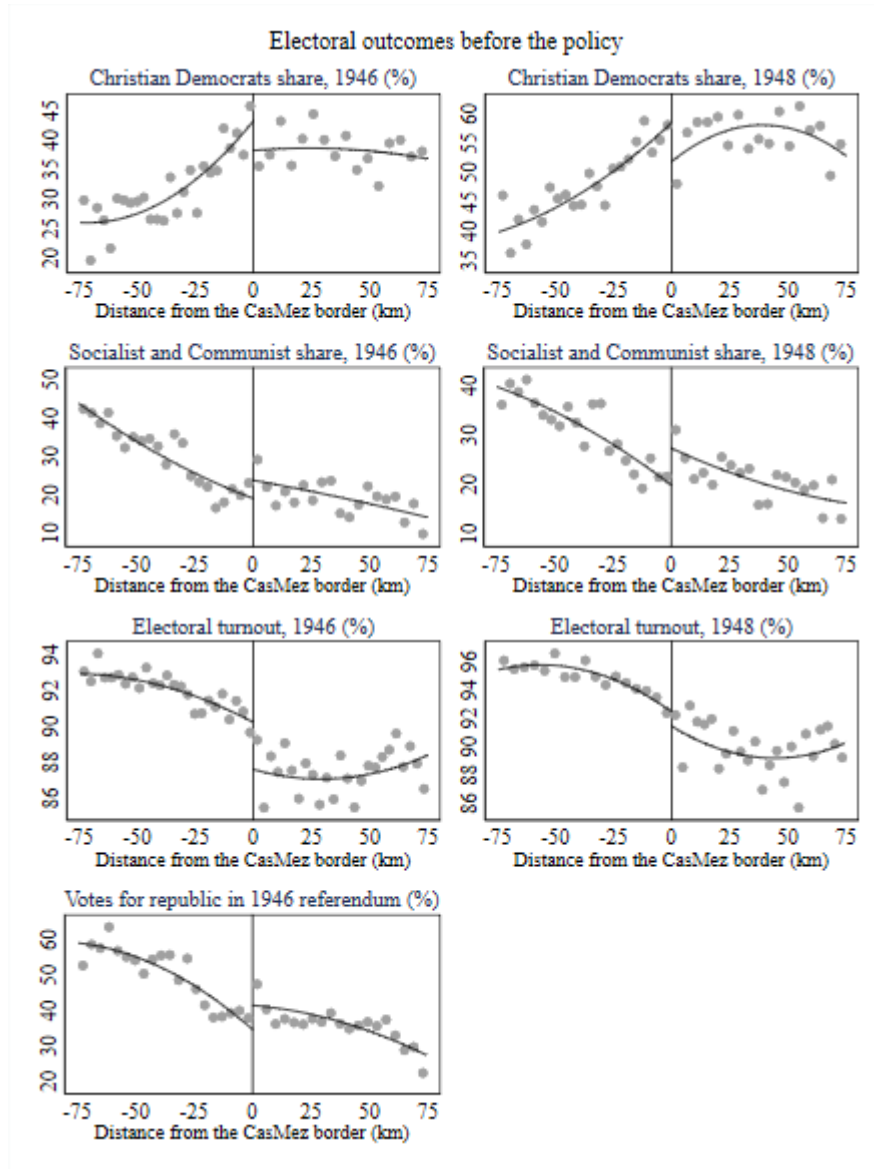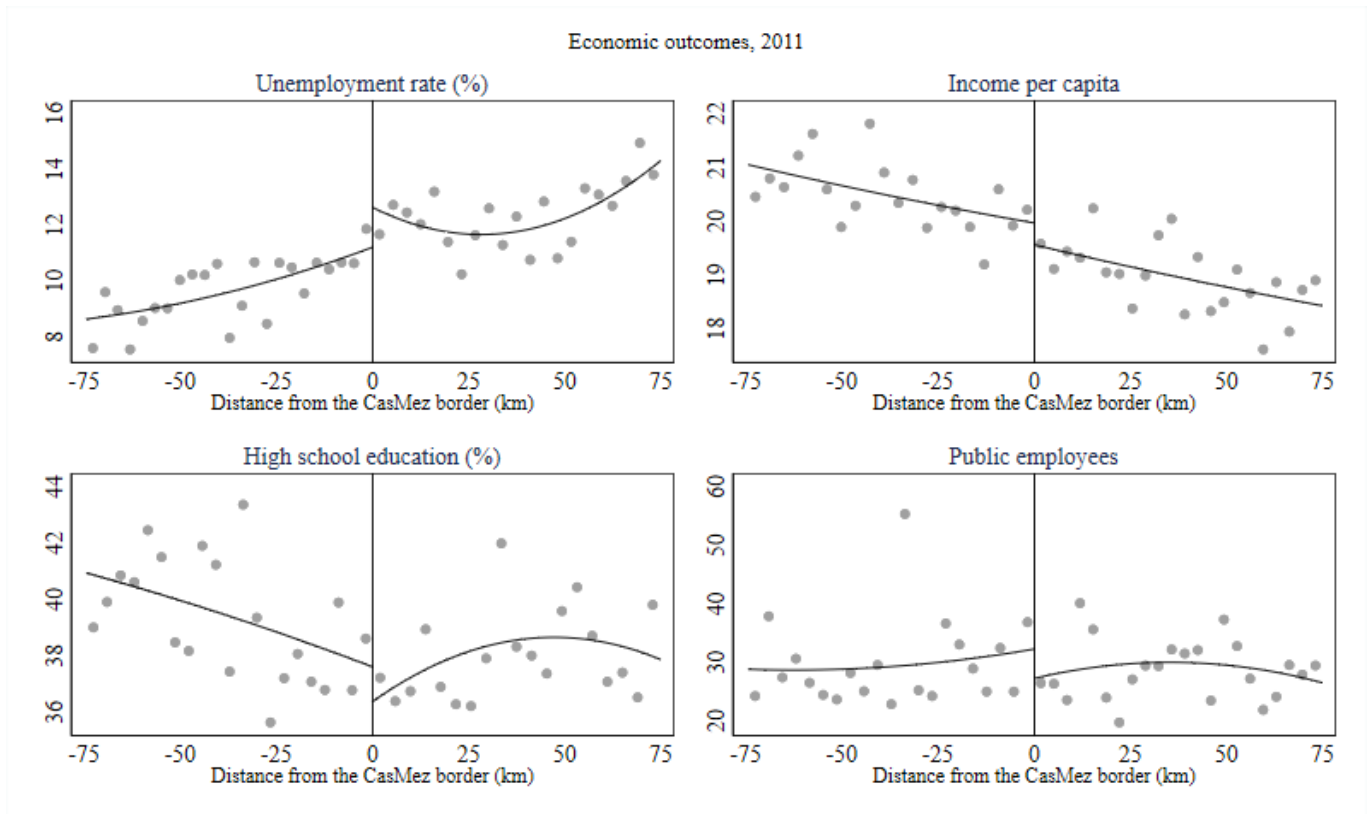Note: The solid black line is a quadratic polynomial of the outcome on the running variable, fit separately north and south of the border. "Income per capita" is measured as taxable income per taxpayer in 2011 (thousand euros). "High school education" denotes the share of people aged at least 6 with high school education or more. "Public employees" is the number of public workers per 1000 people in 2011. See Figure 3 and text for details.

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Figure 12

Dependent variable: Preferences for state intervention, 2013
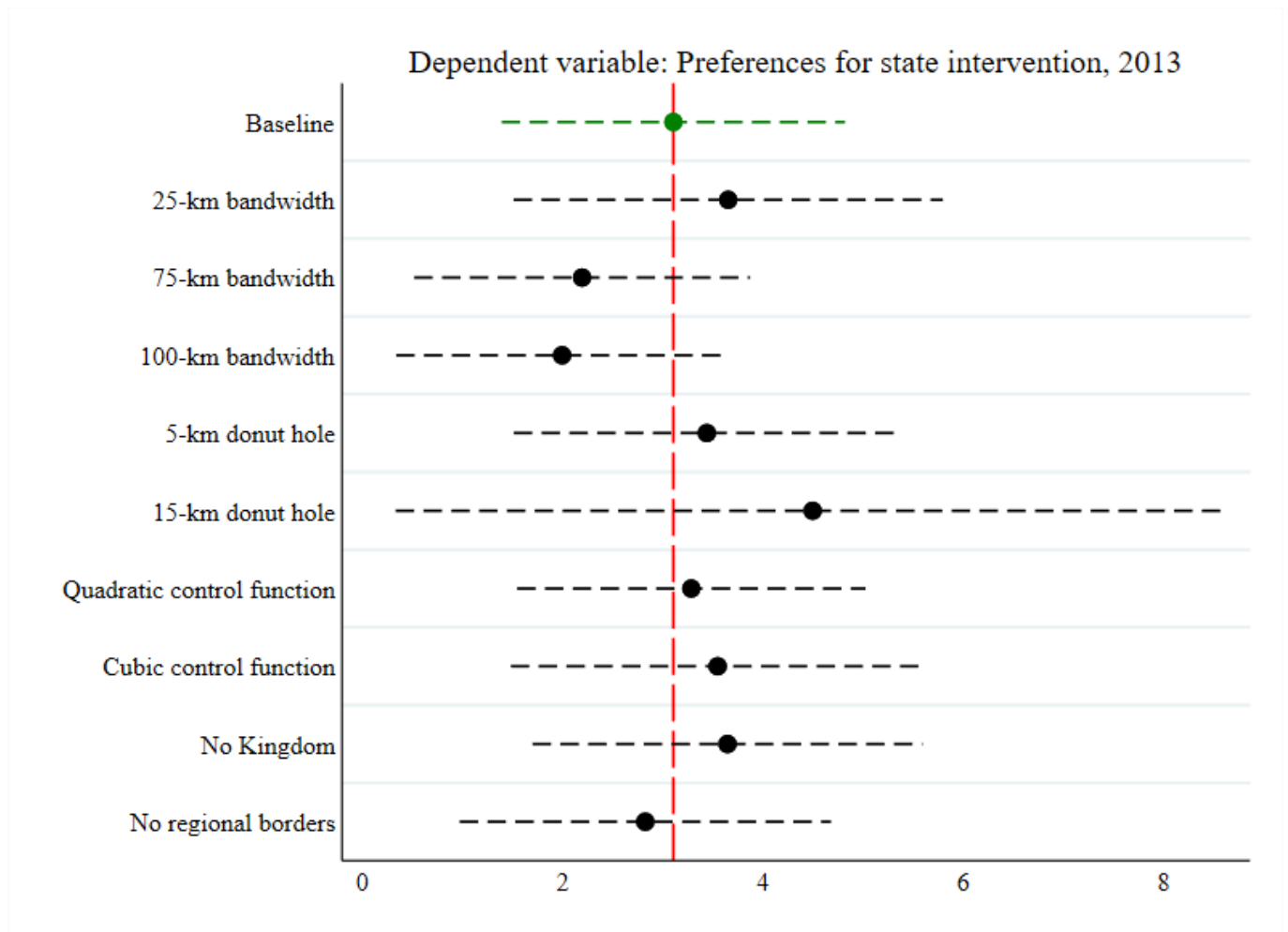
Note: Regression coefficient for preferences for state intervention in 2013 across specifications. The black dashed lines denote 95% confidence intervals. See Tables 2, 3 and 5 and text for details.

Figure 13
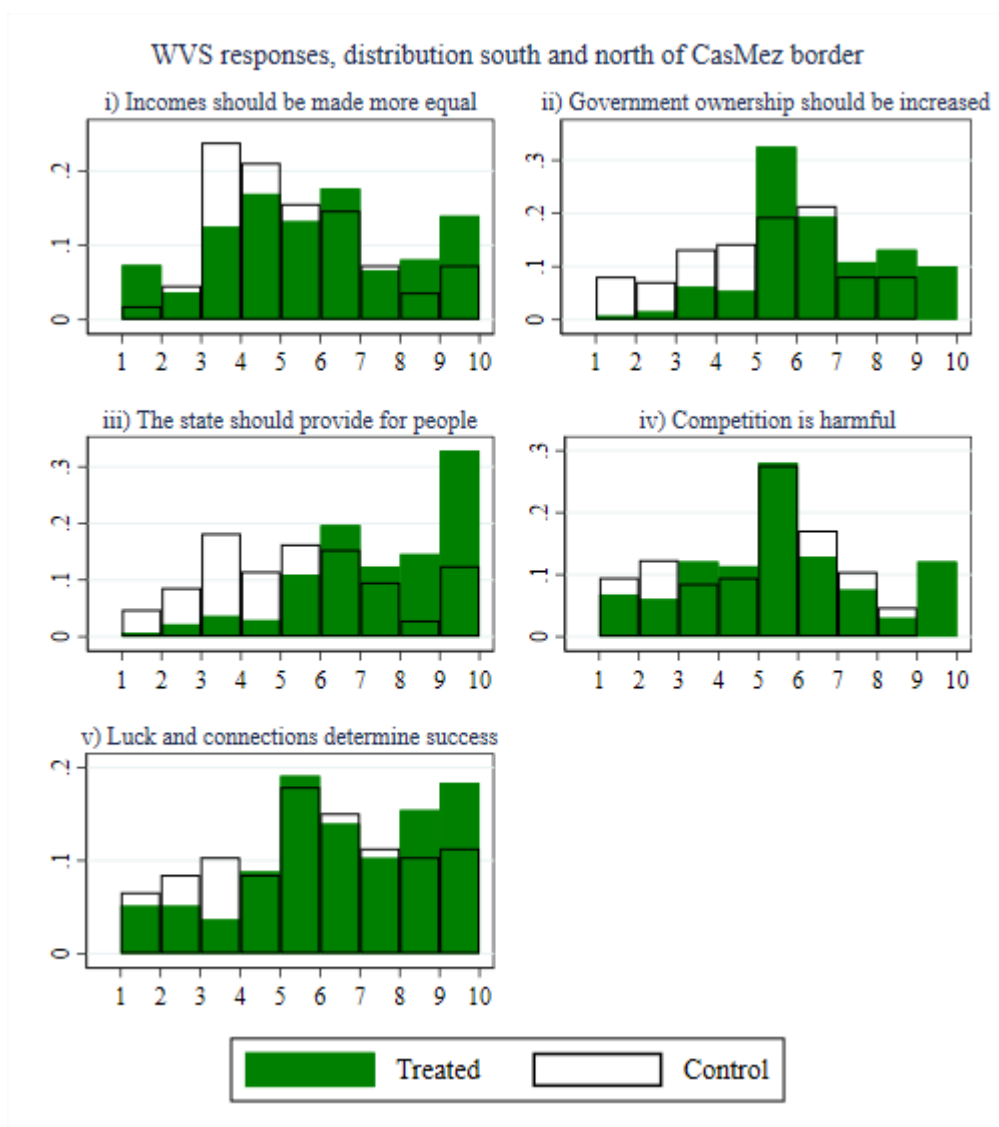
Note: Empirical distribution of responses to five questions in the World Values Survey (2005-2009 wave). Respondents are concentrated in a 150-km symmetric bandwidth around the CasMez border. Green bars denote respondents south of the border. Survey responses are collected on a 1-10 scale based on the degree of agreement with the specific question. See text for details.

List of tables

Table 1: Preferences for state intervention in 2013 - descriptive statistics

	Mean	Median	Standard deviation	Min	Max	Number of municipalities
Free market economy, 2013	25.881	25.430	6.775	8.022	63.310	2731
Market regulation, 2013	33.653	33.492	6.685	11.669	55.232	2731
Welfare state expansion, 2013	43.692	44.079	6.979	14.455	64.852	2731
Preferences for state intervention, 2013	35.225	35.146	6.694	12.247	56.586	2731

Descriptive statistics in the CasMez area. Each index is computed by combining party-specific scores compiled by the Manifesto Project with party vote shares at the 2013 general election (see Equation 1). The main index for preferences for state intervention is obtained as the first principal component of the three individual scores, again combined with vote shares in 2013. See text for details.

Table 2: Baseline RD results

Dependent variable (2013 general election)	Main index (1) Preferences for state intervention	Individual components (2) Free market economy	(3) Market regulation	(4) Welfare state expansion
PANEL A: PARAMETRIC ESTIMATES, BASELINE BANDWITDH				
CasMez status	3.105	0.675	3.021	3.493
	(0.873)	(0.938)	(0.878)	(0.926)
Bandwidth (km)	46.845	46.845	46.845	46.845
Number of municipalities	558	558	558	558
Mean	38.46	24.34	37.01	46.31
Standard deviation	5.017	5.877	5.062	5.022
PANEL B: PARAMETRIC ESTIMATES, OPTIMAL BANDWITDH				
CasMez status	3.105	0.921	2.991	3.534
	(0.873)	(0.917)	(0.875)	(0.921)
Bandwidth (km)	46.845	64.179	47.506	48.254
Number of municipalities	558	732	564	574
Mean	38.46	24.20	37.01	46.32
Standard deviation	5.017	5.912	5.053	5.057
PANEL C: NON-PARAMETRIC ESTIMATES, OPTIMAL BANDWITDH				
CasMez status	3.486	0.615	3.351	3.862
	(0.932)	(0.912)	(0.920)	(0.992)
Bandwidth (km)	46.845	64.179	47.506	48.254
Number of municipalities	558	732	564	574
Mean	38.46	24.20	37.01	46.32
Standard deviation	5.017	5.912	5.053	5.057

CasMez status is a dummy variable equal to one for municipalities belonging to the CasMez area. Columns (1)-(4) report the estimation output for the main index for preferences for state intervention (Column (1)) and its individual components (Columns (2)-(4)). "Free market economy" reports "favorable mentions of the free market and free market capitalism as an economic model"; "Market regulation" includes "support for policies designed to create a fair and open economic market"; "Welfare state expansion" reports "favorable mentions of need to introduce, maintain or expand any public social service or social security scheme". See the Manifesto Project Dataset – Codebook (Version 2019b). All outcomes are measured for the 2013 general election using the formula in Equation 1. Panels A and B report the estimation output for Equation 2. Panel C uses a local linear regression and robust bias-corrected inference proposed by Calonico et al. (2014). The choice of the bandwidth is based on the MSE-criterion proposed by Calonico et al. (2014). Panel A uses the optimal bandwidth for the main index. Panels B and C compute the optimal bandwidth for each individual outcome. Robust standard errors in parentheses. Descriptive statistics are always computed within the estimation sample. See text for details.

Table 3: Robustness tests

Dependent variable: Preferences for state intervention, 2013	Baseline	Alternative bandwidths			Exclude "donut hole"		Alternative control function		Spatial standard errors
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
CasMez status	3.105	3.653	2.194	1.994	3.439	4.496	3.285	3.548	3.105
	(0.873)	(1.090)	(0.854)	(0.844)	(0.981)	(2.115)	(0.886)	(1.052)	(1.001)
Bandwidth (km)	46.845	25	75	100	46.845	46.845	46.845	46.845	46.845
Polynomial order	Linear	Linear	Linear	Linear	Linear	Linear	Quadratic	Cubic	Linear
Donut hole (km)	0	0	0	0	5	15	0	0	0
Number of municipalities	558	357	824	1047	461	308	558	558	558
Mean	38.46	38.11	38.62	38.28	38.71	38.88	38.46	38.46	38.46
Standard deviation	5.017	5.223	5.021	5.245	4.865	4.655	5.017	5.017	5.017

Replication of Table 2, robustness tests. All results are related to the baseline index for preferences for state intervention in 2013. Column (1) reports the baseline estimation of Table 2, Panel A, Column (1). Columns (2)-(4) use different estimation bandwidths. Columns (5)-(6) perform donut-hole RD regressions excluding municipalities in a neighborhood of the cutoff. Columns (7)-(8) use a more flexible specification for the RD polynomial. Column (9) allows for spatially clustered standard errors using Conley's (1999) procedure and picks a 10-km radius that maximizes the standard errors, as suggested in Colella et al. (2020). Descriptive statistics are always computed within the estimation sample. See Table 2 and text for details.

Table 4: Populism

Dependent variable	(1) 5-Star Movement votes share (%), 2013	(2) Government efficiency and corruption, 2013	(3) Forza Italia votes share (%), 1994	(4) 5-Star Movement votes share (%), 2014
CasMez status	3.023 (0.974)	0.044 (0.516)	1.723 (1.033)	0.150 (0.720)
Bandwidth (km)	46.845	46.845	46.845	46.845
Number of municipalities	558	558	558	558
Mean	27.12	42.56	18.10	14.50
Standard deviation	5.753	2.909	5.511	4.069

Estimation output of Equation 2 using the optimal bandwidth computed for the baseline index for preferences for state intervention in 2013. Column (1) uses the 5-Star Movement votes share at the 2013 general election. The outcome in Column (2) is computed using party-level Manifesto scores for Government efficiency and Corruption (see Appendix Table A2), then weighted by party vote shares in 2013. Column (3) uses the electoral share of the Forza Italia party at the 1994 general election. Column (4) uses the 5-Star Movement votes share at the 2014 European Parliament election. Robust standard errors in parentheses. Descriptive statistics are always computed within the estimation sample. See Table 2 and text for details.

Table 5: Alternative cutoffs

Dependent variable: Preferences for state intervention, 2013	(1) Placebo cutoff (100 km south)	(2) Placebo cutoff (100 km north)	(3) Excl. regional borders	(4) Excl. Kingdom of Two Sicilies borders
Placebo cutoff	-0.655 (0.883)	-1.008 (0.947)		
CasMez status			2.825 (0.943)	3.646 (0.990)
Bandwidth (km)	46.845	46.845	46.845	46.845
Number of municipalities	581	285	412	373
Mean	35.55	39.31	39.00	38.92
Standard deviation	5.540	4.823	4.844	4.914

Estimation output of Equation 2 using alternative cutoffs. The choice of the bandwidth is based on the MSE-criterion proposed by Calonico et al. (2014). Columns (1)-(2) use placebo cutoffs located 100 km south and north of the CasMez border, respectively. Column (3) replicates the output of Column (1) of Panel A, Table 2 but excludes municipalities in the proximity of regional administrative borders. Column (4) excludes instead municipalities close to the border delimiting the old Kingdom of the Two Sicilies. Robust standard errors in parentheses. Descriptive statistics are always computed within the estimation sample. See Table 2 and text (in particular footnote 26) for details.

Table 6: Different estimation periods

Dependent variable: preferences for state intervention	(1) Before CasMez (1946-1950)	(2) During CasMez (1950-1992)	(3)	(4) After CasMez (1992-2018)
CasMez status	-0.653 (0.873)	1.044 (0.612)	-0.751 (0.779)	0.850 (0.404)
CasMez status * n. years since policy start in 1950			0.083 (0.018)	
Bandwidth (km)	46.845	46.845		46.845
Number of observations	1056	4895		3796
Number of elections	2	9		7
Mean	37.89	53.53		44.62
Standard deviation	18.06	20.22		10.09

Estimation output of Equation 3. The choice of the bandwidth is based on the MSE-criterion proposed by Calonico et al. (2014) for the main index of preferences for state intervention in 2013. Column (3) interacts CasMez status with the number of years since the beginning of the policy in 1950. Robust standard errors in parentheses. Descriptive statistics are always computed within the estimation sample. See Table 2 and text for details.

Table 7: Economic outcomes

Dependent variable	(1) Employment rate (%), 1991	(2) Employment rate (%), 2011	(3) Unemployment rate (%), 2011	(4) Income per capita, 2011	(5) High school education (%), 2011	(6) Public employees per 1,000 people, 2011
CasMez status	2.604	0.862	0.652	0.375	1.530	6.274
	(0.998)	(0.753)	(0.706)	(0.319)	(0.963)	(5.917)
Bandwidth (km)	46.845	46.845	46.845	46.845	46.845	46.845
Number of municipalities	556	558	558	558	558	558
Mean	38.07	42.89	11.12	19.79	38.18	29.97
Standard deviation	7.192	5.081	3.674	2.154	6.292	22.15

Estimation output of Equation 2. "Income per capita" is measured as taxable income per taxpayer in 2011 (thousand euros). "High school education" denotes the share of people aged at least 6 with high school education or more. "Public employees" is the number of public workers per 1000 people in 2011. The choice of the bandwidth is based on the MSE-criterion proposed by Calonico et al. (2014) for the main index of preferences for state intervention in 2013. Robust standard errors in parentheses. Descriptive statistics are always computed within the estimation sample. See Table 2 and text for details.

Table 8: Individual preferences – World Values Survey

WVS question	(1) Incomes should be made more equal	(2) Government ownership should be increased	(3) The state should provide for people	(4) Competition is harmful	(5) Luck and connections rather than effort determine success
CasMez status	1.371 (0.822)	1.839 (0.493)	0.484 (0.666)	2.194 (0.462)	1.215 (0.618)
Bandwidth (km)	150	150	150	150	150
Number of respondents	239	222	235	231	237
Mean	5.201	5.482	6.353	4.913	5.835
Standard deviation	2.328	2.033	2.553	2.240	2.491

Estimation output of an ordered logit model relating individual preferences to CasMez status in a 150-km neighborhood of the CasMez border. Outcomes are sourced from the 2005-2009 wave of the World Values Survey and are on a placement scale from 1 (minimum agreement with the statement) to 10 (maximum agreement with the statement). Questions in Columns (1) and (3) have been recoded relative to the original WVS question to ease interpretation. CasMez status is a dummy equal to one for the municipalities belonging to the CasMez area. All regressions control for distance to the CasMez border, individual-level covariates (age and its square, gender, education level) and municipality-level controls (provincial capital status, coastal location, elevation and slope). Table A4 shows the implied predicted probabilities. Standard errors clustered by municipality are in parentheses. Descriptive statistics are always computed within the estimation sample. See text for details.

Appendix A

Table A1

	Free market economy	Market regulation	Welfare state expansion
Brothers of Italy	3.47	3.47	6.07
Civic Choice	0	3.27	7.74
Civil Revolution	2.42	1.21	5.8
Democratic Centre	2.55	4.08	5.87
Democratic Party	0	3.43	0
Five Star Movement	0	23.23	14.19
Labor and Freedom List	2.27	6.82	0
Left Ecology Freedom	0	1	5.53
Northern League	2.38	6.19	6.67
People of Freedom	2.38	6.19	6.67
Union of the Center	2.39	0.95	2.15

Party-specific Manifesto scores for the 2013 Italian general election. Each score is computed using the incidence of sentences related to a given category in the party's publicly available manifesto. More details available in the Manifesto Project Dataset – Codebook (Version 2019b).

Table A2

Manifesto score (2013 election)	Description
Support to EU and international bodies	"Favorable mentions of European Community/Union in general", "Need for international co-operation"
Government efficiency and corruption	"Need for efficiency and economy in government and administration", "Need to eliminate political corruption and associated abuses of political and/or bureaucratic power"
Multi-culturalism	"Favorable mentions of cultural diversity and cultural plurality within domestic societies"
Nationalism	"Favorable mentions of the manifesto country's nation, history, and general appeals"
Freedom and human rights	"Favorable mentions of importance of personal freedom and civil rights"
Democracy	"Favorable mentions of democracy as the only game in town"
Decentralization of power	"Support for federalism or decentralization of political and/or economic power"
Law and order	"Favorable mentions of strict law enforcement, and tougher actions against domestic crime"

Description of the Manifesto scores used to compute the indices showed in Figure 9. All indices are computed for the 2013 Italian general election using the formula in Equation 1. More details available in the Manifesto Project Dataset – Codebook (Version 2019b).

Table A3: Economic outcomes – robustness

	Alternative bandwidths			Exclude "donut hole"			Control function	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

Dependent variable: Employment rate (%), 1991								
CasMez status	2.841	2.206	1.794	2.976	4.507	8.928	2.578	2.645
	(1.189)	(0.996)	(0.985)	(1.259)	(1.779)	(2.402)	(1.004)	(1.171)
Number of municipalities	356	822	1045	459	373	306	556	556
Mean	38.12	37.92	37.45	38.21	38.33	38.19	38.07	38.07
Standard deviation	7.386	7.139	7.191	7.042	6.918	6.769	7.192	7.192

Dependent variable: Employment rate (%), 2011								
CasMez status	1.753	0.318	-0.079	1.177	0.805	0.660	0.855	1.401
	(0.923)	(0.734)	(0.721)	(0.984)	(1.558)	(1.692)	(0.753)	(0.879)
Number of municipalities	357	824	1047	461	375	308	558	558
Mean	42.97	42.71	42.16	42.98	43.01	42.99	42.89	42.89
Standard deviation	4.667	5.407	5.671	5.134	5.225	5.322	5.081	5.081

Dependent variable: Unemployment rate (%), 2011								
CasMez status	0.791	0.182	0.135	0.852	0.066	4.980	0.658	0.822
	(0.813)	(0.701)	(0.696)	(0.900)	(1.397)	(1.381)	(0.703)	(0.774)
Number of municipalities	357	824	1047	461	375	308	558	558
Mean	11.25	11.13	11.27	11.06	10.93	10.86	11.12	11.12
Standard deviation	3.735	3.854	4.225	3.610	3.535	3.489	3.674	3.674

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Bandwidth (km)	25	75	100	46.845	46.845	46.845	46.845	46.845
Polynomial order	Linear	Linear	Linear	Linear	Linear	Linear	Quadratic	Cubic
Donut hole (km)	0	0	0	5	10	15	0	0

Replication of Table 7, robustness tests. Columns (1)-(3) use different estimation bandwidths. Columns (4)-(6) perform donut-hole RD regressions excluding municipalities in a neighborhood of the cutoff. Columns (7)-(8) use a more flexible specification for the RD polynomial. Descriptive statistics are always computed within the estimation sample. See Table 2 and text for details.

Table A3: Economic outcomes – robustness (continued)

	Alternative bandwidths			Exclude "donut hole"			Control function	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

|								
Dependent variable: Income per capita, 2011								
CasMez status	0.557	0.178	0.024	0.553	0.548	1.028	0.454	0.222
	(0.389)	(0.311)	(0.309)	(0.387)	(0.570)	(1.381)	(0.321)	(0.372)
Number of municipalities	357	824	1047	461	375	308	558	558
Mean	19.79	19.71	19.44	19.78	19.72	19.82	19.79	19.79
Standard deviation	2.137	2.198	2.178	2.171	2.107	2.162	2.154	2.154
Dependent variable: Share of people with at least high school education (%), 2011								
CasMez status	2.079	1.024	1.023	2.706	1.250	3.794	1.797	0.981
	(1.185)	(0.952)	(0.948)	(1.393)	(2.085)	(2.954)	(0.971)	(1.147)
Number of municipalities	357	824	1047	461	375	308	558	558
Mean	37.59	38.53	38.05	38.24	38.23	38.60	38.18	38.18
Standard deviation	6.011	6.294	6.329	6.364	6.348	6.588	6.292	6.292
Dependent variable: Public employees per 1,000 people, 2011								
CasMez status	6.000	7.056	7.048	14.349	36.705	4.662	6.095	4.212
	(5.900)	(5.916)	(5.868)	(12.080)	(25.512)	(9.697)	(5.928)	(5.750)
Number of municipalities	357	824	1047	461	375	308	558	558
Mean	30.12	29.49	29.08	29.72	30.01	30.01	29.97	29.97
Standard deviation	22.21	21.30	20.91	21.63	22.15	21.27	22.15	22.15
Bandwidth (km)	25	75	100	46.845	46.845	46.845	46.845	46.845
Polynomial order	Linear	Linear	Linear	Linear	Linear	Linear	Quadratic	Cubic
Donut hole (km)	0	0	0	5	10	15	0	0

Replication of Table 7, robustness tests. Columns (1)-(3) use different estimation bandwidths. Columns (4)-(6) perform donut-hole RD regressions excluding municipalities in a neighborhood of the cutoff. Columns (7)-(8) use a more flexible specification for the RD polynomial. Descriptive statistics are always computed within the estimation sample. See Table 2 and text for details.

Table A4: Individual preferences – implied predicted probabilities

|	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
WVS question	Incomes should be made more equal		Government ownership should be increased		The state should provide for people		Competition is harmful		Luck and connections rather than effort determine success	
Answer	Control	Treated	Control	Treated	Control	Treated	Control	Treated	Control	Treated
1	5.00%	3.39%	5.49%	1.80%	3.83%	0.72%	8.59%	5.56%	6.84%	4.28%
2	3.94%	2.76%	6.95%	2.57%	7.88%	1.70%	10.82%	7.69%	8.17%	5.45%
3	20.85%	15.93%	14.83%	6.71%	16.65%	4.80%	12.38%	9.78%	7.67%	5.46%
4	21.08%	18.79%	13.13%	7.62%	10.64%	4.21%	11.55%	10.13%	9.88%	7.59%
5	14.58%	14.90%	29.32%	25.40%	17.86%	10.21%	26.42%	27.33%	20.43%	17.93%
6	14.52%	16.73%	15.49%	21.58%	18.19%	17.58%	13.09%	15.90%	14.09%	14.51%
7	5.65%	7.13%	5.79%	10.95%	8.73%	13.43%	7.91%	10.41%	9.93%	11.59%
8	5.27%	7.03%	5.30%	12.46%	5.72%	12.04%	2.59%	3.55%	11.03%	14.56%
9	2.44%	3.41%	1.81%	5.06%	2.71%	7.03%	1.85%	2.59%	5.35%	7.89%
10	6.67%	9.94%	1.88%	5.86%	7.80%	28.28%	4.81%	7.05%	6.62%	10.75%

Implied predicted probabilities from an ordered logit model relating individual preferences to CasMez status in a 150-km neighborhood of the CasMez border. Outcomes are sourced from the 2005-2009 wave of the World Values Survey and are on a placement scale from 1 (minimum agreement with the statement) to 10 (maximum agreement with the statement). Questions in Columns (1) and (3) have been recoded relative to the original WVS question to ease interpretation. "Control" and "Treated" denote municipalities north and south of the border, respectively. See Table 8 and text for details.

Figure A1
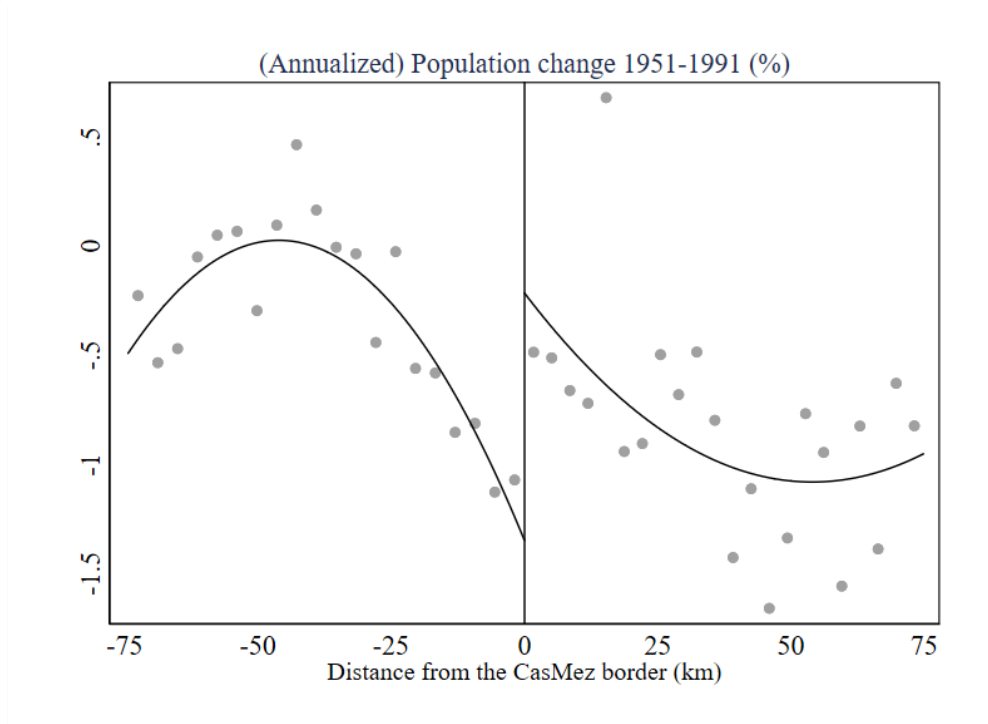
(Annualized) Population change 1951-1991 (%)

Note: The solid black line is a quadratic polynomial of the outcome on the running variable, fit separately north and south of the border. See Figure 3 and text for details.

Figure A2
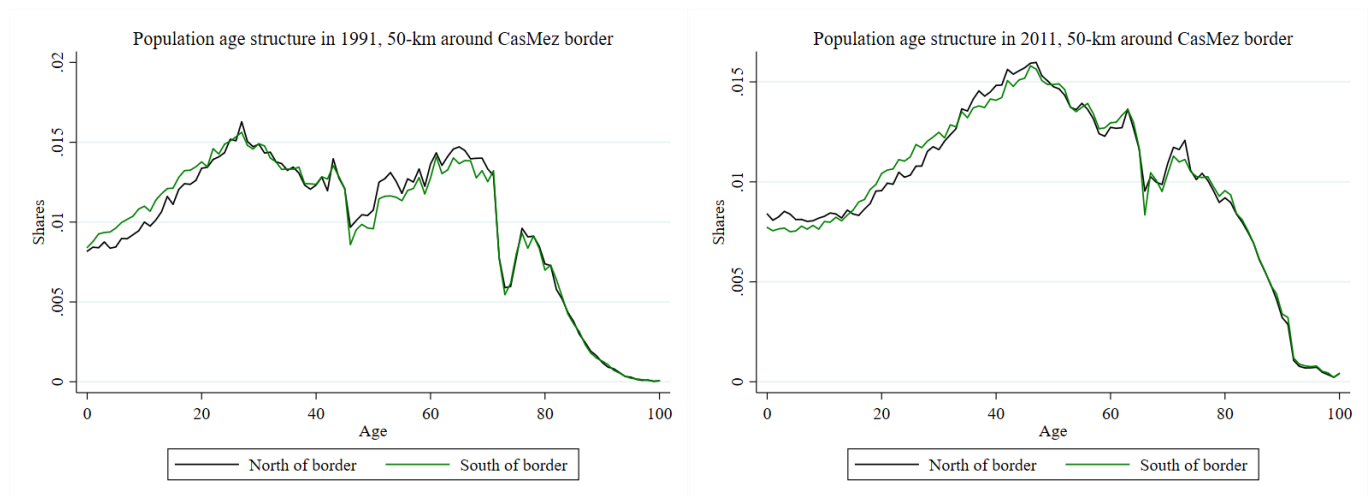
Note: Population age shares in a 50-km symmetric bandwidth around the CasMez border in 1991 and 2011.

Appendix B

In this Appendix we aim to isolate variation in transfers within the CasMez jurisdiction and relate it to voters' preferences for state intervention. There is indeed large cross-sectional variation in transfers as is clear from the left panel of Figure B1, which shows the cumulative amount of CasMez transfers received by each municipality between 1950 and 1992. To address the endogeneity concerns raised in Section 5 and provide more reliable estimates, we exploit here a source of institutional variation in transfers. As described in Section 2, the main purpose of the *extraordinary intervention* was reoriented from infrastructure investment towards industrial policy with Law n. 634 in 1957, which introduced the Industrial Zones. A Zone was created upon the initiative of a group of municipalities to form a *consortium* and submit a development plan for the area to the CasMez. Importantly, the policymaker disposed that firms located in a Zone could benefit of more generous transfers than other firms in the CasMez region.[41] The ASET historical archives provide a list of the Industrial Zones, together with all the included municipalities (around 400), which we digitize and plot in the right panel of Figure B1. A quick glance back at the left panel suggests that transfers were largely concentrated in these areas.

The primary goal of this policy was to encourage industrial concentration in specific areas of the South deemed particularly suitable for industrialization. Legitimate concerns would arise about the validity of an estimation strategy that simply compares municipalities belonging to Industrial Zones to all other municipalities in the sample. Important differences indeed exist between the former and the latter. We inspect them in Table B1, which compares the average CasMez transfer, along with a range of other observable characteristics, between municipalities within and outside of Industrial Zones. On average, cumulative transfers stand at around 8,120 real euros per capita in municipalities belonging to Industrial Zones versus 1,380 in other municipalities in the CasMez jurisdiction. Municipalities belonging to a Zone were also more likely to be a provincial capital and their geographic traits were more prone to industrialization. They were more densely populated and featured a more educated population and a larger industry share of the workforce relative to other municipalities.

We exploit the fact that the inclusion of a municipality in a Zone was subject to the government's examination of a well-defined set of parameters, listed in the 1951 census. An excerpt of the form that a *consortium* had to fill, for each candidate municipality, when submitting its application to the government is pasted in Figure B2. The form listed a range of demographic, geographic and economic characteristics aimed at assessing the suitability of the area to future industrial concentration, such as the availability of a large and educated workforce, pre-existing industrial settlements and infrastructure endowment.

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[41] See the 1965-1970 government coordination plan for public intervention in the South of Italy.

Conveniently, we observe many of these (and other, likely correlated) characteristics in the 1951 census data, which we use to compute the predicted probability of belonging to a Zone for each municipality in the CasMez area. Specifically, we estimate the following logit regression:

$$e_{m,p} \equiv \Pr\left(IZ_{m,p} = 1 \mid W_{m,p}, \gamma_p, \varepsilon_{m,p}\right) = \Phi\left(\alpha + \gamma_p + W'_{m,p} \cdot \beta + \varepsilon_{m,p}\right)$$

(4)

Where $IZ_{m,p}$ is a dummy variable taking value of one if municipality m in province p belongs to an Industrial Zone and zero otherwise. The estimation controls for municipality-level geographic characteristics (elevation, slope, coastal location and seismicity) and the following covariates in 1951: population density, number of establishments per person, population age and gender composition, share of people with high school education, labor market participation rate and workforce sectoral composition. Provincial capitals have been dropped from the sample. We also include CasMez infrastructure spending before the establishment of the Industrial Zones to account for different pre-existing infrastructure endowments. Lastly, we control for the municipality's political orientation during the 1960s (when Industrial Zones were being created), proxied by the average votes share for the Christian Democratic party at the 1963 and 1968 election. While obviously not listed among the relevant characteristics for Zone inclusion in the official form, the position of a given municipality across the political spectrum might have influenced such decision. For instance, the incumbent government may have used Zone inclusion to reward local voters in a politically affine municipality, or to erode support for opposition parties in places where these were stronger.

We then match each municipality belonging to a Zone with another municipality lying outside of a Zone but sharing similar values of the estimated propensity score $\widehat{e_{m,p}}$.[42] In other words, we construct a matched sample composed of pairs of municipalities that do not differ in terms of relevant characteristics but are subject to differential exposure to the treatment (CasMez transfers) based on whether they belong to a Zone (Rosenbaum and Rubin, 1983; Abadie and Imbens, 2016; Caliendo and Kopeinig, 2005). Our matched sample consists of 360 municipalities, half of which belong to a Zone, and is showed in Figure B3. Descriptive statistics are reported in Table B2 and confirm the overall balancing of the sample. In addition, treated and control municipalities do not differ much in the amount of infrastructure spending received within the program. By contrast, a stark gap in CasMez transfers between municipalities remains, with those included in Industrial Zones receiving (on average) funds for 7,880 euros per capita versus only 1,870 in control municipalities. This ensures that, differently from the RD estimates, we are now able to separately identify the effect of transfers. Intuitively, this estimation procedure corresponds to using $IZ_{m,p}$ as an

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[42] We adopt a nearest-neighbor matching without replacement and within a 0.05 caliper, corresponding to roughly one quarter of the standard deviation of the estimated propensity score. The matching procedure excludes municipalities whose propensity score lies outside of the common support.

instrument for CasMez transfers. Correct identification thus relies on the conditional independence of potential outcomes and treatment of the Zone status. More precisely, one first requirement is that, conditional on the observed covariates, Zone status is as good as randomly assigned across municipalities.[43] Another requirement is that Zone status affects voters' preferences for state intervention in 2013 only through the variation it induces to CasMez transfers (exclusion restriction). The existence of well-defined observable criteria for the establishment of a Zone is crucial for the validity of this strategy, which however comes with the big caveat that only selection on observables can be checked and that there might be relevant unobservable differences between the treated and the control group. In this regard, we address the valid concern that the inclusion in a Zone might have been influenced by political incentives by also matching on municipalities' political orientation. In addition, relevant outcomes in 2011 (employment rate, income per capita and education) do not differ substantially between treated and control municipalities (Table B2).

We employ this matched sample to estimate a 2-Stage Least Squares regression specification relating each preference score for municipality m in province p in 2013 to the total amount of transfers received from 1950 to 1992 (scaled by population size in 1951), instrumented using Zone status and controlling for province-level fixed effects. The estimation output is showed in Table B3. As for Table 2, we run separate regressions for each of the three individual scores and the synthetic index in 2013. We estimate that an increase of 1,000 real euros in transfers per capita (one fourth of the mean transfer in the estimation sample) corresponds to a rise of 0.297 points rise in the synthetic index – about 5 percent of a standard deviation. Looking at the individual indices, the intensity of CasMez transfers is positively associated with electoral support for party platforms in favor of market regulation and welfare state expansion, in line with the previous RD analysis. Interestingly, we also document a negative association with preferences for free markets, in contrast with the small and insignificant effect observed at the CasMez border.

As said, we have less confidence in these estimates relative to those produced by the RD design, which also accounts for selection on unobservables provided the main identifying assumptions hold. However, the drawbacks of this approach are in part compensated by its greater external validity relative to the RD estimates, which are local to the CasMez border. It should also be noticed that the parameters identified by the two strategies are not comparable: in the latter approach, we placed ourselves *within* the CasMez territory and exploited variation in the intensity of transfers across municipalities. The RD strategy compares instead municipalities within the CasMez area with other municipalities outside of it.

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[43] In other words, two municipalities sharing similar characteristics but with different Zone status can be safely compared as the missed inclusion in a Zone is driven by factors exogenous to electoral preferences for state intervention in 2013. This ensures that the reduced form effect of $IZ_{m,p}$ on the outcome of interest has a causal interpretation.

Figure B1
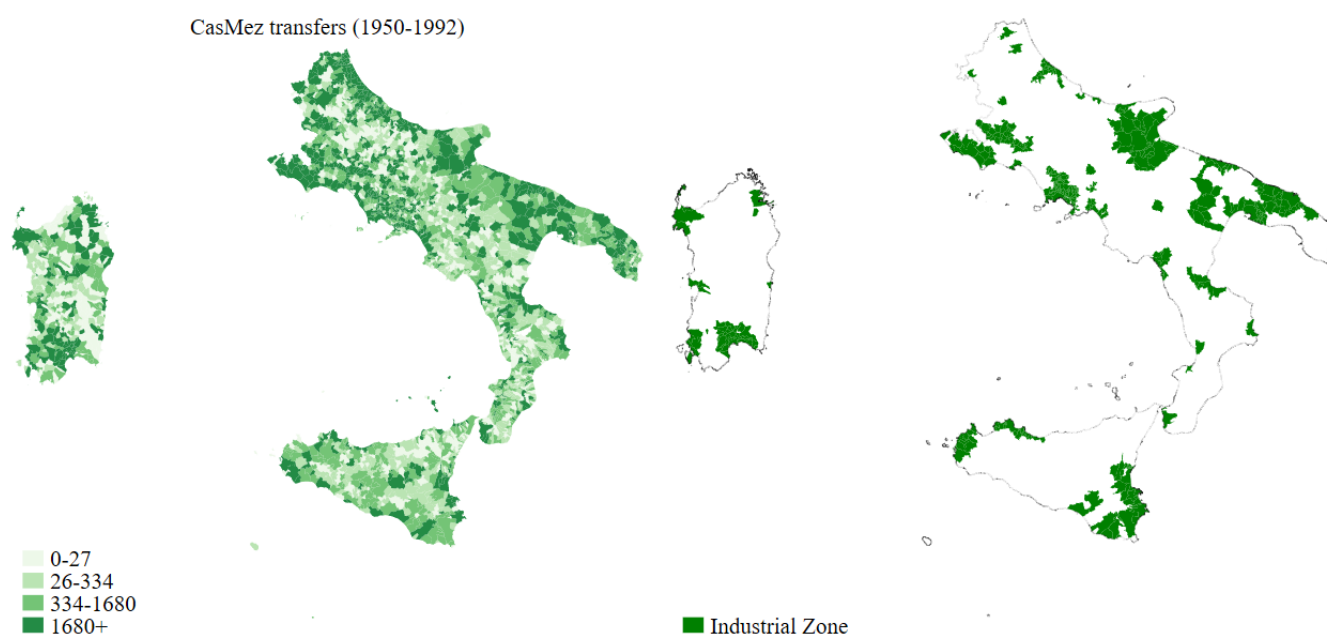
Note: The left panel shows the total amount of CasMez transfers to each municipality between 1950 and 1992 in euros (2011 prices), as a fraction of the population in 1951. The right panel shows municipalities belonging to Industrial Zones.

Table B1: Industrial Zones versus other CasMez municipalities – descriptive statistics

	Industrial Zone		Other municipalities	
	Mean	Standard deviation	Mean	Standard deviation
CasMez transfers	8.121	12.582	1.379	4.326
CasMez infrastructure spending	4.111	7.014	3.134	5.085
Provincial capital	0.086	0.280	0.008	0.090
Coastal location	0.292	0.455	0.143	0.349
Elevation	173.482	162.962	454.213	312.291
Population density, 1951	558.546	940.185	157.711	301.631
High school education (%), 1951	2.527	1.877	1.814	0.980
Agriculture share of employment (%), 1951	53.974	21.497	71.030	15.365
Industry share of employment (%), 1951	25.488	12.902	16.924	11.151
Number of municipalities	407		2761	

Descriptive statistics for the CasMez area. CasMez transfers and infrastructure spending are in thousand euros (2011 prices), cumulated between 1950 and 1992, scaled by population in 1951 and winsorized at the 1st and 99th percentile. Provincial capital and coastal location are dummies equal to one for municipalities that are a provincial capital or are located by the sea, respectively. Elevation is measured in meters. "Population density" is measured as number of inhabitants per km2. "High school education" denotes the share of people aged at least 6 with high school education or more. See text for details.

Figure B2

Scheda del Comune di ....

| VOCI	Data	Unità di misura	Cifre (*)
I. INDICATORI DEMOGRAFICO-ECONO- MICO-SOCIALI			
Popolazione	31-12-1958	N. abitanti	
2. *Popolazione attiva* (censimento demografico):			
2.1. In complesso	4-11-1951	unità	
2.2. Attivi in agricoltura in % sul complesso	4-11-1951	%	
3. *Situazione Industriale* (censimento industriale e commerciale):			
3.1. Industrie in totale (estrattive, manifatturiere, delle costruzioni, ecc.):			
3.1.1. Addetti in complesso . .	5-11-1951	numero	
3.1.2. Addetti in esercizi con oltre 50 addetti	5-11-1951	»	
3.1.3. % addetti ad esercizi maggiori (3.1.2.) su addetti in complesso (3.1.1.)	5-11-1951	%	
3.2. Industrie in totale escluso artigianato (1) addetti	5-11-1951	numero	
3.3. Industrie manifatturiere:			
3.3.1. Addetti in complesso . .	5-11-1951	»	
3.3.2. Addetti in esercizi con oltre 50 addetti	5-11-1951	»	
3.3.3. % addetti ad esercizi maggiori (3.3.2.) su addetti in complesso (3.3.1.)	5-11-1951	%	
3.4. Proporzione degli addetti industriali su popolazione attiva:			
3.4.1. Addetti industriali in totale (3.1.1.) per 1.000 attivi (2.1.)	5-11-1951	%	
3.4.2. Addetti industrie escluso artigianato (3.2.) per 1.000 attivi	5-11-1951	%	
3.4.3. Addetti industrie manifatturiere (3.3.1.) per 1.000 attivi	5-11-1951	%	
3.5. Forza motrice utilizzabile:			
3.5.1. In tutte le industrie (3.1.)	5-11-1951	HP	
3.5.2. Media HP per addetto (3.5.1. diviso 3.1.1.)	5-11-1951	»	
3.6. Industrie prevalenti (2):			
3.6.1. . . . . addetti	5-11-1951	numero	
3.6.2. . . . . addetti	5-11-1951	»	
3.6.3. . . . . addetti	5-11-1951	»	
3.6.4. . . . . addetti	5-11-1951	»	

(1) Addetti alle industrie in totale (3.1.1.) meno addetti all'artigianato secondo le indicazioni del *Censimento Industriale del 1951*.

(2) Classi di industrie (secondo classificazione del Censimento) con non meno del 20% sugli addetti alle industrie in totale (3.1.1.).

(*) Da riportare se possibile in quattro colonne distinte per le quattro categorie indicate nella Avvertenza.

Source: Excerpt of the form to be filled by a *consortium* to include a municipality in an Industrial Zone. See the government 1965-1970 government coordination plan for public intervention in the South of Italy.

Figure B3

Industrial Zone
Matched control municipality
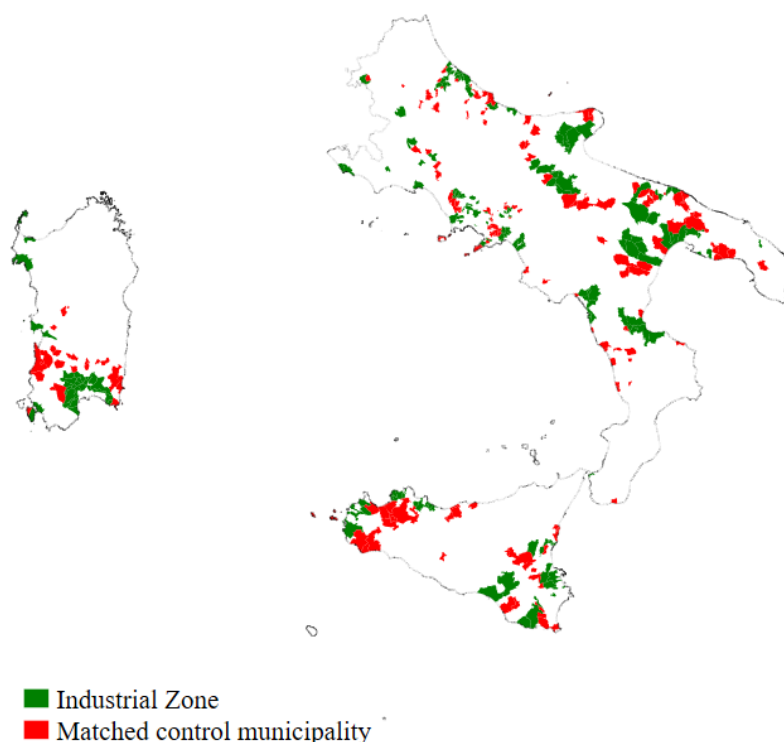
Note: Matched sample resulting from a propensity score matching that relates Zone status to municipality characteristics. See text for details.

Table B2: Matched sample – descriptive statistics

	Industrial Zone		Matched control municipality	
	Mean	Standard deviation	Mean	Standard deviation
CasMez transfers	7.881	12.635	1.871	3.644
CasMez infrastructure spending	3.993	6.269	3.567	5.868
Provincial capital	0.000	0.000	0.000	0.000
Coastal location	0.311	0.464	0.294	0.457
Elevation	223.347	183.080	233.101	168.814
Population density, 1951	283.803	356.617	328.842	425.817
High school education (%), 1951	2.070	1.165	2.195	1.325
Agriculture share of employment (%), 1951	62.193	16.207	60.164	18.378
Industry share of employment (%), 1951	21.893	10.560	22.768	12.792
Employment rate (%), 2011	38.810	4.376	37.221	4.733
Income per capita, 2011	19.705	2.125	18.715	2.122
High school education (%), 2011	37.192	6.999	35.300	7.596
Number of municipalities	180		180	

Descriptive statistics for a matched sample based on the predicted probability of belonging to an Industrial Zone. CasMez transfers and infrastructure spending are in thousand euros (2011 prices), cumulated between 1950 and 1992, scaled by population in 1951 and winsorized at the 1st and 99th percentile. Provincial capital and coastal location are dummies equal to one for municipalities that are a provincial capital or are located by the sea, respectively. Elevation is measured in meters. "Population density" measured as number of inhabitants per km2. "High school education" denotes the share of people aged at least 6 with high school education or more. "Income per capita" measured in thousand euros per taxpayer in 2011. See text for details.

Table B3: Baseline 2-SLS estimates

Dependent variable (2013 general election)	Main index (1) Preferences for state intervention	Individual components		
		Free market economy (2)	Market regulation (3)	Welfare state expansion (4)
CasMez transfers (instrumented with Industrial Zone status dummy)	0.297	-0.311	0.305	0.207
	(0.091)	(0.101)	(0.092)	(0.090)
Kleibergen-Paap F-stat	35.615	35.615	35.615	35.615
Number of municipalities	360	360	360	360
Mean	38.76	25.79	37.08	47.50
Standard deviation	6.327	6.043	6.498	5.972

Estimation on a matched sample based on the predicted probability of belonging to an Industrial Zone. CasMez transfers are in thousand euros (2011 prices), cumulated between 1950 and 1992, scaled by population in 1951 and winsorized at the 1st and 99th percentile. The coefficients are estimated using a 2-SLS procedure that instruments CasMez transfers with a dummy equal to one for municipalities belonging to Industrial Zones. Columns (1)-(4) report the estimation output for our main index for preferences for state intervention (Column (1)) and its individual components (Columns (2)-(4)). All outcomes are measured for the 2013 general election using the formula in Equation 1. All regressions include province-level fixed effects. Robust standard errors in parentheses. See text for details.