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# The Labor Market of Italian Politicians

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## INTRODUCTION

Like voters (*the represented*), politicians (*the representees*) are the heart and soul of representative democracy. But isn't being a politician just like any other job? After we get past the rhetoric, is politics any different than other occupations? In the political sector, voters, parties and politicians represent the counterparts of consumers, firms and workers/managers in the market sector. The extent to which individual endowments of "political" and "market" skills are correlated, or experience in one sector is also valuable in the other, link the labor markets in the two sectors. This link affects the selection of politicians, their careers, and the relationship between parties and voters.

In his famous 1918 lecture *Politics as a Vocation*, Max Weber writes:

"Politics, just as economic pursuits, may be a man's avocation or his vocation. [...] There are two ways of making politics one's vocation: Either one lives 'for' politics or one lives 'off' politics. [...] He who lives 'for' politics makes politics his life, in an internal sense. Either he enjoys the naked possession of the power he exerts, or he nourishes his inner balance and self-feeling by the consciousness that his life has meaning in the service of a 'cause.' [...] He who strives to make politics a permanent source of income lives 'off' politics as a vocation." [from Gerth and Mills (1946; pp. 83-84)]

This quote highlights the importance of analyzing the motivations of politicians in the context of their career decisions over the life-cycle, and represents the starting point of a large literature where scholars from many different disciplines within the social sciences have been tackling these issues from a variety of angles.<sup>1</sup>

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<sup>1</sup> The contributions by sociologists and political scientists are particularly numerous, and it is outside of the scope of this study to survey this literature, which is vast even if one were to restrict attention to the case of Italy. In addition to the references we cite in the remainder of this study, there are many others we read to help us place our work in the context of the literature. In particular, we refer the interested reader to Aberbach, Putnam and Rockman (1981), Bartolini and D'Alimonte (1996), Caciagli and Barnes (1994), Cotta and Isernia (1996), Di Palma (1977), Di Palma and Cotta (1986), Dogan (1975, 1989), Doring (1995), Eldersveld (1989), Ignazi and Ysmal (1998), La Palombara (1987), La Palombara and Weiner (1996), Morlino (1998), Norris (1997), Norris and Lovenduski (1995), Patzelt (1999), Putman (1976), Sartori (1966), Spotts and Wieser (1986), Verzichelli (1994, 1996), Vianello and Moor (2000), and Wertman (1988). The economics literature on this topic is more recent and quite smaller, and is surveyed by Merlo (2006).

In this study, we analyze the career profiles of Italian legislators in the post-war period. Using a unique, newly collected dataset that contains detailed information on all the politicians who have been elected to the Italian Parliament between 1948 and 2008, we address a number of important issues that pertain to their career paths prior to election to Parliament, their parliamentary careers, and their post-Parliament employment. Our data span two institutional regimes: Italy's First Republic (1948-1994) and the Second Republic (1994-present), characterized by different electoral rules and party structures.

In Chapter I, we present a brief overview of the Italian political system. In Chapter II, we then provide a comprehensive view of the career profiles of Italian legislators over the entire sample period, and highlight the major differences between the First and the Second Republic. We also compare the profiles of Italian legislators to those of the members of the United States Congress. In Chapter III, we use our data to address a number of questions that pertain to the selection of Italian politicians, their labor market, and their overall quality. We then draw some general conclusions that contribute to the debate about the relative efficacy and desirability of alternative policies regarding the selection and the compensation of elected representatives.

## CHAPTER I: Institutional background

The set of political institutions put in place by the 1948 Italian Constitution were designed to prevent the concentration of power in the hands of the majority, and required the political and institutional power to be shared among many actors. This was achieved through the establishment of a strong bicameral parliamentary system where the balance of power between the legislative and the executive branches favored the former, and through a proportional electoral law, which guaranteed the representation of many political forces in the Parliament leading to a multiparty system and to executive power sharing within broad coalition governments. The combination of all of these features makes Italy a consensus democracy.

### 1. The Italian Parliament

Italy is a parliamentary democracy with a perfect bicameral structure, where the House (*Camera dei Deputati*) and the Senate (*Senato della Repubblica*) have symmetric legislative power. In fact, during the *iter legis*, which represents the procedure to finalize a law, the text of the law has to be approved by both chambers.<sup>2</sup> Approvals typically require a simple majority of votes of the members who are present at the time of deliberation (*quorum funzionale*). The presence of a majority of the members of each chamber is however needed for any decision to be valid (*quorum strutturale*).<sup>3</sup>

The House is composed of 630 members (MPs), all chosen by the Italian electorate during general political elections.<sup>4</sup> The Senate, on the other hand, has 315 elected members chosen through competitive elections, but also a handful of non-elected members. Non-elected members of the Senate are the past Italian Presidents (*senatori di*

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<sup>2</sup> Typically, the initiative to draft a law arises within the government or is brought up by some members of the Parliaments, and is then assigned to a committee for further investigation. The newly drafted text has to be approved by (simple) majority by the committee and then by the two chambers of Parliament. If either chamber modifies the text that was previously approved by the other chamber, the text has to go back to the previous chamber for a new approval.

<sup>3</sup> In the House, abstentions are not counted as votes – effectively reducing the number of votes required to pass a law; whereas in the Senate, abstentions are counted as votes – thereby maintaining constant the number of votes required to pass a law.

<sup>4</sup> The number of representatives became fixed at 630 in the 1963 election. In the previous three Legislatures, it depended on the size of the population in each electoral district. The number of representatives who were elected to the House prior to 1963 was 574 in 1948, 590 in 1953 and 623 in 1958.

*diritto a vita*) and those citizens who have been declared senators for life (*senatori a vita*) by the Italian Presidents, as the highest national recognition for exceptional achievements in science, art or social life.

The constitutionally mandated duration of a parliamentary term or Legislature is five years. Within seventy days before the end of a Legislature new elections have to take place to nominate the members of the new Parliament. Early elections may however take place before the regular end of the Legislature. Indeed, early elections have been relatively frequent in Italy, as documented in Table 1, which reports the beginning and end dates of the 15 Italian Legislatures between 1948 and 2008. The authority to dissolve Parliament and call early elections rests with the President of the Republic, who by calling an early election acknowledges and certifies that the current Parliament is unable to support the formation of a government (i.e., no government can obtain a majority of the votes in each of the two chambers of Parliament).

The (active) electorate for the House is composed of all Italian citizens who have reached 18 years of age, whereas the voting age for the Senate is 25 years. Differences in age restrictions across elections are a peculiar feature of the Italian system, since everywhere else in Europe the minimum age to vote in all elections is 18 years, with the sole exception of Belgium, where voters have to be at least 21 years old. Age restrictions are also imposed on the passive electorate. To be eligible to become a member of the Parliament, an Italian citizen has to be at least 25 years old for the House and at least 40 years old for the Senate. The latter is the highest age limit in Europe.<sup>5</sup>

The members of the Italian Parliament enjoy a special status. Regardless of the party list or of the geographic location of the district in which they have been elected, the members of Parliament have the legal duty of representing the interest of the entire nation. For instance, their electoral-affiliation party has no formal control over their political or voting behavior while in Parliament. Moreover, MPs cannot be arrested or prosecuted

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<sup>5</sup> The only other European country that imposes such a limit is the Czech Republic. In Belgium, candidates have to be older than 21 years of age, in France 23 and in Greece 25.

without a previous permission granted by the chamber of Parliament they belong to, except in few special instances.

The relative importance of the legislative power (the Parliament) vis-à-vis the executive power (the government) is captured by two important institutional features that regulate the interaction between these two functions. First, the head of the government (the Prime Minister) is not directly elected by the citizens, but is instead selected by the Parliament. Typically, the name of the prime minister (and the composition of his cabinet) emerges from consultations among the major parties. However, to assume power, the government must be approved by a majority in each chamber of Parliament (investiture vote). Second, the Prime Minister is responsible to the Parliament. Namely, in order to remain in power the government must retain the support of a parliamentary majority, and either chamber of Parliament can remove the Prime Minister from office at any time with a legislative vote of no confidence.

Political parties play an important role within the organization and the daily working of the Italian Parliament. Each chamber of Parliament has a President and an Office of the President, which represent all the parties and have mainly administrative duties, as well as some (permanent) committees. In addition, the parties also have some institutional organizations within the Parliament: the parliamentary groups (where typically each group represents a different party, although the mapping between parties and groups has become increasingly complicated over the years), and the heads of these groups (*Capigruppo*), who jointly form a body called *Conferenza dei Capigruppo*, which has an important agenda-setting role since it determines the calendar of the Parliament and the issues to be discussed during each parliamentary session.

## **2. The electoral law**

The 1948 Italian Constitution instituted an electoral law with proportional representation for both chambers of the Parliament. In the House, the proportionality applied at the national level to elect all the representatives. The entire electorate was divided in large electoral districts. In each district several MPs were elected. In the Senate, on the other

hand, the proportionality applied at the regional level. Each of the 20 Italian regions elected a share of the 315 senators, according to its population, with a minimum of seven senators per region, except for small regions, such as Valle d'Aosta (which elected only one senator), and Molise (which elected two).

The proportional rule that had regulated the Italian electoral system since WWII, however, came under strain at the end of the 1980s. This was partially due to the increasing instability of the governments, which was often blamed on the increase in the number of parties, and on the growing relevance of small parties in the coalition governments. As we can see from Table 2, which lists all Italian governments from 1948 to 2008, during the 1980s Italy experienced twelve governments, which lasted on average less than a year.<sup>6</sup> These short lasting executives were typically coalition governments, and in four instances the Prime Minister did not belong to the largest party, which at that time was the Christian Democratic Party or *Democrazia Cristiana* (DC). A move from a proportional to a majoritarian electoral rule was thus presented as an effective way of reducing the power of the small parties and thereby increasing the stability of the executive.

In 1990, a popular referendum was proposed by several politicians with the objective of eliminating the proportional electoral rule for the Senate and also eliminating the possibility of expressing preferences for multiple candidates on each ballot for the House. While the Italian Constitutional Court ruled against the admissibility of the former referendum, the latter was held in 1991. Almost 95% of the 30 millions Italians who voted (65% of the electorate) agreed on abandoning the much criticized multiple vote of preference for House elections. Two years later, the legitimacy of the referendum to eliminate the proportional electoral rule for the Senate was approved by the Italian Constitutional Court, and on April 18<sup>th</sup> and 19<sup>th</sup> 1993, 77% of the Italian electorate voted in the referendum and determined by a large majority (82.7%) the end of the proportional electoral rule for the Senate.

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<sup>6</sup> One cabinet, led by Amintore Fanfani, only lasted eleven days.



Soon after the 1993 referendum, a major modification of the Italian electoral system was implemented for both chambers of Parliament by the so-called “*Legge Mattarella*” of 1994 (named after the Christian Democrat legislator Sergio Mattarella who sponsored it). In the House, Italy moved from a pure proportional system to a mixed system, where 75% of the representatives were elected with a majoritarian system and the remaining 25% according to the proportional system.<sup>7</sup> Italy was divided into 475 uninominal House districts. In each district, one representative was elected by simple plurality according to a pure first-past-the-post election. The remaining representatives were then selected with a proportional rule among the candidates of those parties which were able to reach a threshold of at least 4% of the votes, with a mechanism favoring the losing parties in the uninominal districts. The 1994 law also modified the electoral rule for the Senate. In the new mixed system, 232 senators were elected according to a simple plurality rule in the 232 uninominal Senate electoral districts in which Italy was partitioned. The remaining 83 representatives of the Senate, previously allocated in fixed numbers among the twenty Italian regions, were then selected according to a proportional system. In each region, the representatives elected in the proportional system were selected using the votes received by the losing candidates in the uninominal districts of the region.<sup>8</sup>

Three Legislatures later, in the eve of the 2006 national elections, the Italian electoral system was again modified to move back to a proportional system, although with some notable differences with respect to the original proportional system which had been in use between 1948 and 1994. Representatives to the House are now elected according to proportional rule with a double threshold. If a party does not belong to a coalition, in order to gain a seat in the House, it has to reach the threshold of 4% of the total votes. If instead the party is linked to other parties in a coalition, the threshold (for each party in the coalition) becomes 2%. Special rules apply to allow the first two parties which do not reach these thresholds to gain a seat in the Parliament. In the House, the strict

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<sup>7</sup> The choice of attributing 25% of the seats according to the proportional rule was highly criticized by the proposers of the 1993 referendum, who claimed that the 1994 law contradicted the spirit of the referendum of abandoning the proportional system. Two additional referenda in April 1999 and May 2000 tried to eliminate the 25% proportional quota. However, neither referendum reached the required quorum of 50% of the votes (the turnout in the 1999 referendum was 49.6% of the population of eligible voters, thereby falling short of the threshold by less than 210,000 votes).

<sup>8</sup> The votes received by the winning candidates in the uninominal districts were not counted.

proportionality rule is also modified to allow for a premium (in terms of additional seats in the Parliament) to be assigned to the party (or coalition) which obtains the relative majority. Accordingly, the party with the relative majority is guaranteed at least 340 seats out of the 630 seats available.

An analogous change was implemented in the electoral law for the Senate. The proportional representation was introduced to assign the seats at the regional level with a premium (in terms of additional seats) for the party with the relative majority, again at the regional level. Single parties were allowed to form coalitions to reach the majority premium. The coalition enjoying the relative majority within the region is awarded a number of representatives in the Senate equal to 55% of the representatives in the region, unless the received votes would provide the coalition with even more seats. The minimum (regional) threshold to obtain a seat is equal to 20% of the votes in the region for a coalition and to 8% for a single party (or for a party in a coalition that fails to reach 20% of the votes).<sup>9</sup> Within each coalition, votes are shared among the parties that have received at least 3% of the votes.

A controversial feature of this electoral system is that voters are only allowed to cast a ballot for the party, but not for individual candidates. Clearly, this system (which is typically referred to as “closed-list proportional representation”) enhances the power of the political parties and strengthens their influence over the selection of legislators. In fact, since voters cannot choose among the various candidates within a party list, the elected representatives are effectively selected by the parties, which decide how to rank the candidates in their list. We address the issue of the selection of elected representatives and the role of parties in the selection process in more details below.

It is interesting to note that the introduction of the mixed majoritarian-proportional system in 1994 had initially proven effective in reducing the number of parties represented in the Parliament with respect to its 1992 level (see Figure 1). Yet, this effect appeared to be quite short-lived and unstable as the number of parties increased in the

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<sup>9</sup> The effective thresholds are indeed higher, due to the small number of seats per region.

1996 election before dropping again after the 2001 election. After the 2006 election, following the return to a proportional system, the number of parties which obtained parliamentary representation increased again. The duration of the Italian governments also changed somewhat after the changes in the electoral law. Since the 1994 election, Italy has experienced an increase in the average duration of a government of about one year with respect to the average government duration over the period 1948-1994 (see Table 2).

### **3. A tale of two Republics**

In addition to the first major change in Italy's electoral law that we described above, 1994 also marked the end of an era in Italian politics, and the beginning of a new phase. It is now common to refer to the period that goes from the beginning of the first Legislature to the end of the 11<sup>th</sup> Legislature as Italy's First Republic (May 1948-April 1994), and the period inaugurated with the election of the 12<sup>th</sup> Legislature in April of 1994 as Italy's Second Republic.

The process that eventually led to the demise of the old system started in February 1992, when judge Antonio Di Pietro had Mario Chiesa, a member of the Socialist Party or *Partito Socialista Italiano* (PSI), arrested on a corruption charge. The event marked the beginning of a massive judicial investigation into political corruption, which soon became known as "Operation Clean Hands" (*Mani Pulite*).<sup>10</sup> In the ten years that followed, the pool of Milan-based judges that worked on the case prosecuted more than 3,000 people, many of whom were politicians, but which also included industry leaders and public managers. According to the official judicial records 1,254 individuals were convicted, while 910 were found not guilty. This investigation uncovered a large corruption network (which is commonly referred to as "Bribeville" or "*Tangentopoli*"), which controlled several critical aspects at the junction between the economic and the political system. The demise of this network had profound consequences for the Italian political system, and led to a dramatic change in the structure and the organization of its

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<sup>10</sup> See, e.g., Colajanni (1996).

political parties. We therefore discuss the role of the political parties in the recruitment of politicians during the First and the Second Republic, separately.

### **3.1 The political parties of the First Republic**

The political class of Italy's First Republic was dramatically different from the political class of the pre-war period. In fact, while the latter was mainly composed of landowners and nobility (*the notables*), the post-war political scene has been increasingly dominated by modern party professionals. The transformation process was very gradual, and some scholars suggest that elements indicating an ongoing change in this direction were already present at the beginning of the 20<sup>th</sup> century with an increasing proportion of blue-collar workers and, in particular, public sector employees being elected to Parliament. This trend affected virtually all political parties.

The early renewal process of the Italian political class, however, came to a grinding halt during the Fascist dictatorship. What is particularly relevant for our purposes is that this non-democratic regime had long-lasting consequences on the post-war recruitment of politicians, affecting in particular the fate of the smaller political parties. In fact, only two parties, namely the DC and the Communist Party or *Partito Comunista Italiano* (PCI), managed to preserve their organization structure during the dictatorship. Indeed, the DC was able to maintain a relatively strong and functioning organization because it was traditionally built on the large network of the Catholic organizations that, as a consequence of the 1929 Lateran Pacts, were protected from the regime's repression. More generally, parties with a cohesive organization structure were relatively more successful in overcoming the dictatorship period as in the case of the PCI, which managed to survive in a covert way while many of his members were in exile. As a result, following the breakdown of the Fascist regime, the DC and the PCI were the only two large political parties still capable of carrying out the political recruitment function, and therefore being able to replace the old guard in the early post-war years. This was not the case for smaller parties, like for example the Socialist Party or *Partito Socialista Italiano* (PSI), which instead had to rely on its old political class and was therefore

delayed in its attempt to adjust to the new political scenario (see, e.g., Best and Cotta, 2000 and Henig and Pinder, 1969).

In the 1948 election, which was the first free political election after the Constituent Assembly had drafted the Italian Constitution between 1946 and 1948, the DC experienced a landslide victory, and led the first executive of the First Republic with a coalition government which also included the Liberals or *Partito Liberale Italiano* (PLI), the Republicans or *Partito Repubblicano Italiano* (PRI) and the Social Democrats or *Partito Social Democratico Italiano* (PSDI). From the first election until the 1992 election, which was the last election of the First Republic under the proportional electoral rule, the DC always won the elections, becoming the party of relative (and sometimes absolute) majority (see Figure 2). In fact, DC representatives were present in all 47 governments of the First Republic, and headed the executive in all but six instances (see Table 2).<sup>11</sup>

The DC represented an Italian anomaly as it ruled the country uncontested for almost fifty years, yet giving rise to unstable governments – as we can see from Tables 1 and 2, from 1948 to 1994, the average duration of a government was around one year, and half of the elections took place before the natural end of the Legislature. The other Italian anomaly was the existence of an “uncontested” opposition party: the PCI. While always at the opposition in the Parliament, the PCI represented the second largest party in the country, controlling as much as 36% of the seats in the House in 1976 (see Figure 2), and being particularly strong in the central and northern regions of Italy, where the PCI often controlled the regional administrations.

The typical organization structure of the parties of the First Republic was composed of three distinct levels: national, provincial (or federal), and local. The national structure of each party (e.g., the National Council for the DC, or the Central Committee for the PCI and the PSI), was elected by the party congress and appointed the party’s directorate and

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<sup>11</sup> The Republican Giovanni Spadolini from 1981 to 1982, the Socialist Bettino Craxi from 1983 to 1987 and Giuliano Amato from 1992 to 1993, and a former Governor of the Bank of Italy, Carlo Azelio Ciampi, from 1993 to 1994, were the only non-DC politicians who led a government during the First Republic.

secretariat, which controlled the party and ran its operation. The party leader was the head of the national secretariat. The provincial committee (e.g., the federal committee for the PCI and the PSI) was elected by the provincial congress and also had an executive and a provincial secretariat. By and large, the selection of candidates for public office took place at the provincial level, although it then needed to be approved by the national leadership. The local level was the basic territorial unit of a party, which coordinated the party's activities in each village or city.

Although most features of the recruitment process of politicians differed across the political parties of the First Republic, there were also some important common traits. For example, albeit with some distinctions, the selection process was mostly under the control of the parties' secretaries (i.e., the parties' leaders). In addition, the selection process was clearly influenced by the electoral law, which provided for open lists for each party and the possibility for the voters of casting both a vote for the party list and at the same time a (preference) vote for one or more candidates on the party list. Furthermore, almost all the parties of the First Republic (with the notable exception of the PCI) relied heavily on the public sector for the supply of new politicians. Not only were political parties increasingly drawing their recruits from this sector, but parties with a long government tradition like the DC were also appointing their members to key positions in publicly owned firms and in various public economic agencies (the *sottogoverno*), creating a complex two-ways flow between the public and the political sectors (see, e.g., Galli and Prandi, 1970).

Turning to the main differences in the career paths of politicians within the various parties of the First Republic, it is again useful to begin by comparing the two main parties: the DC and the PCI. In the DC, there was a very small distinction between MPs and the party's national leadership. In fact, election to Parliament was almost regarded as a necessary condition to be considered a viable candidate for a leadership position within the party. This was not the case for the PCI, where the overlap between national leadership and MPs was fairly minimal (see, e.g., Morlino, 2001 and Henig and Pinder, 1969). In fact, in the PCI holding a parliamentary seat carried a much lower weight

within the party than holding a post in the party's *nomenklatura*, and switching candidatures (i.e., constantly rotating different party members on the electoral lists) was common practice.

Holding a post within the party organization at the provincial (or federal) level, on the other hand, was an important stepping stone for a successful political career within the party both for the DC and the PCI (see, e.g., Galli and Prandi, 1970). At the same time, however, professional (career) politicians were relatively less prevalent in the DC than in the PCI (where the party structure played an absolutely critical role in the recruitment process as well as in every other function performed by the party),<sup>12</sup> although a previous experience in local public offices was a common trait of most DC and PCI leaders alike. The two parties also differed with respect to the background of their politicians and their training. In particular, while a large fraction of the DC leaders started their political career by holding a post in youth sections of a powerful Catholic organization called Catholic Action or *Azione Cattolica* (see, e.g., Henig and Pinder, 1969), a large proportion of the PCI national leaders held a post in the General Confederation of Italian Workers (CGIL), one of the largest trade unions in Italy. With respect to the socio-economic background of its politicians, Galli and Prandi (1970, pp. 148-149) point out that while “a political career in the DC was clearly not a vehicle for social mobility for workers and peasants, but almost exclusively for the middle status groups [...] only in the Communist Party were national positions open to party members who had manual occupations.” In this respect, it is interesting to note that while the PCI required its elected MPs to contribute to the party's finances by donating a large fraction (40%) of their parliamentary wage, the DC did not.

Among the other parties of the First Republic, the PSI was also a mass party very much like the DC and the PCI. Indeed, the PSI organization structure was originally similar to the one of the PCI, with a marked pyramidal configuration. However, as several scholars pointed out, it is important to note that a differentiation along the standard ideological

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<sup>12</sup> According to the “democratic centralism”, the decisions were taken by the leaders following a top-down approach, but rank and file members had to be convinced (see Morlino, 2001).

dimension might be very misleading, since in fact there are more similarities between the DC and the PSI than between the PSI and the PCI, in particular regarding their recruitment process.

The parliamentary history of the PSI can be divided in two different periods. The first phase approximately goes until the early 1950s, corresponding to the period when the Leninist characteristics of the party and the similarities with the PCI were more apparent. The second period begins when the PSI became a government party with the first Moro cabinet in 1963. The PSI maintained the role of a (minority) government party, aside from some relatively short interludes, until the end of the First Republic.

A first important characteristic that differentiated the PSI from the PCI was the particularly weak “Party on the Ground” structure (Katz and Mair, 1994).<sup>13</sup> The limited grassroots participation together with the power of the provincial federations provided a fertile ground for the emergence of strong intra-party factions which were a distinct trait of the PSI, thus making it more similar to the DC than to the ideologically more homogeneous PCI.<sup>14</sup> The limited involvement of the rank and file members in the internal decision process is also proven by the fact that the delegates to federal or national congresses were typically appointed from the party leadership.

In order to be considered as a potential electoral candidate in the national elections, a politician needed a training period in the PSI that was typically shorter than the one ‘imposed’ by the PCI and longer than the one of DC.<sup>15</sup> In the 1960s, with an increasing concentration of power at the top, socialization within the party became less important and the selection process was completely under control of the party leadership. Furthermore, the remarkable overlap between the roles of MPs and PSI party officials, in conjunction with the limited grassroots participation, leads some scholars to define the

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13 For example, the militants-to-members ratio was in the order of 1:50 for the PSI as compared to 1:23 for the DC and 1:18 for the PCI, respectively (see, e.g., Henig and Pinder, 1969 and Morlino, 2001).

14 The power of internal factions in the PSI was formally acknowledged in its statute in 1959 with the adoption of a proportional voting rule for all internal elections. See Morlino (2001).

15 This is reflected in the percentage of newly elected politicians in the PSI who were affiliated with the party before the age of 25, which is typically in between the values for DC and PCI until the 1950s. See Best and Cotta (2000).



PSI as a propaganda/electoral machine. PSI became increasingly populated of professional politicians and local bosses that used the party solely as a mean to win a parliamentary seat. The change that occurred with the Craxi's leadership (1976-93) did not generate a reversal in the trend.

The other relevant political parties of the First Republic were the PSDI, the PLI, the PRI, and the Social Movement or *Movimento Sociale Italiano* (MSI). The first three political parties were quite similar in terms of their organization structure. They were all opinion parties characterized by a relatively limited number of members. Moreover, they shared a strong tradition of being government parties (in particular the PSDI).<sup>16</sup> The only party that was instead much closer to a mass-party was the MSI (the political party heir of the Fascist tradition), which was characterized by a strong central apparatus and leadership. Furthermore, a majority of the MSI electoral candidates had a party experience and had been also members of its youth organization (the *Fronte della Gioventu'* or FdG).

### **3.2 The political parties of the Second Republic**

Big changes had begun to occur in Italian politics ever since the fall of the Berlin Wall. In particular, the events in East Germany contributed to accelerate a transformation that was already ongoing in the PCI since the mid 1970s: a gradual shift towards reformist positions closer to those of the European Left and towards the overcoming of the *conventio ad excludendum* (i.e., the informal agreement among government parties to exclude PCI from any ruling coalition). On February 1991, during its annual Congress, the majority of the delegates of the PCI, which was holding 177 seats in the House, chose to turn the PCI into a social democratic party. The name (and symbol) was changed to Democratic Party of the Left or *Partito Democratico della Sinistra* (PDS). Some delegates, namely the radical left wing of the PCI chose not to participate in the new political entity and to preserve the Communist identity by founding the Party of the Communist Rebirth or *Rifondazione Comunista* (RC) taking with them about ten percent

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<sup>16</sup> In 1963 the PSDI merged with the PSI forming a unified party, the PSU. The alliance was abandoned in 1969 after a modest electoral performance.

of the PCI members. In the 1992 election, the PDS won 16% of the votes and 107 seats in the House, while RC won 5.6% of the votes and 35 seats.

During the April 1992 election, while the corruption scandal was quickly spreading to the entire political system, for the first time in their history the DC obtained less than 30% of the seats in each chamber of Parliament. Meanwhile, the Northern League or *Lega Nord* (LN), a local party based in the North of Italy, received almost three and a half million votes, which translated into 55 seats in the House. The coalition government, which included DC, PSI, PSDI and PLI, and was led by the Socialist Giuliano Amato, lasted only for one year, and in September of 1992 had to face one of the deepest financial crises of the post-WWII Italian history. Following the large support in favor of the abrogation of the existing proportional electoral law in the referendum of April 1993, Amato resigned. The Parliament was unable to produce a new government, and Carlo Azeglio Ciampi, a former Governor of the Bank of Italy, was appointed to lead a “technical” transition government which was backed by DC, PSI, PSDI, and PLI. However, as a consequence of the mounting charges of corruption toward their members and a disastrous performance in the local elections, where their electoral vote share halved, each of the four parties in the 1992 government coalition was about to disappear, while the LN was becoming the strongest political force in northern Italy.

The 1994 elections represented a major turning point for Italian politics. New parties had emerged, replacing most of the old parties of the First Republic, and the electoral competition was to take place with the new mixed electoral system. Three large and very heterogeneous coalitions ran for election. A center coalition, named Pact for Italy or *Patto per l'Italia*, included the Popular Party or *Partito Popolare Italiano* (PPI) which was part of the former DC, and parts of the former PSDI, PRI, PLI and PSI, among others. A left-wing coalition, named the Party of Progress or *Progressisti*, included the PDS, part of the former PSI, RC, the Green Party, and the Social Christians (which was also part of the former DC), among others. A right-wing coalition ran under the two different names of Party of Freedoms or *Polo delle Libertà* in the North and Party of Good Government or *Polo del Buon Governo* in the Centre and the South of Italy. The

right-wing coalition was led by Silvio Berlusconi, a media tycoon participating for the first time in an election with his party, *Forza Italia* (FI), and also included LN, National Alliance or *Alleanza Nazionale* (AN), which was the former MSI, and the Christian Democratic Party of the Center or *Centro Cristiano Democratico* (CCD), among others. The right-wing coalition won the election with 42.8% of the votes, and thanks to the new rules in place with the mixed-majoritarian system received 57% of the seats in the House. The left-wing coalition obtained 33.8% of the House seats, while the center coalition received a mere 7.3%. The composition of the new Parliament demonstrated the magnitude of the change, with the largest turnover rate since 1948.

Unlike what happened during the First Republic, where the DC dominated the political scene by winning all the elections, in each election since 1994 the ruling party (or more precisely the ruling coalition) has always been defeated. Hence, to date, the Second Republic has been characterized by two leading coalitions, one stably located in the center-left of the political spectrum and the other in the center-right (in spite of the frequent changes in their names), alternating in office. In fact, after the political crisis in the center-right coalition initiated by the LN, which brought down the first Berlusconi government, and the experience of a one-year-long “technical” government led by Lamberto Dini (who was a Minister in the previous Berlusconi government), the 1996 election led to a change in the balance of power, with the center-left coalition then named the Olive Tree or *L’Ulivo* (ULIVO) led by Romano Prodi obtaining a parliamentary majority and hence the control of the executive. After the election in 2001, it was then again the turn of the center-right coalition (which included AN, FI, and LN) to rule the country, until the 2006 election (which was the first election of the Second Republic after the re-introduction of proportional representation), which led to a new change in the leadership in favor of the center-left coalition. The most recent election of April 2008 was no exception, as the center-right coalition regained power.

The institutional changes in the electoral rules associated with the transition from the First to the Second Republic, together with the aftermath of the large scale corruption which wiped out a large part of the previous political elite and created a temporary

political vacuum in the Italian political system, has had profound effects on the political parties of the Second Republic and the recruiting of new politicians. The entry of a new political class coming from the business sector largely modified the political selection process. Moreover, the changes in the electoral law altered the existing procedure of bargaining over electoral lists and parties' positions. As a result, the 12<sup>th</sup> Legislature witnessed the entry in politics of a large contingent of young middle class representatives from LN, and upper class managers and entrepreneurs from FI. The public sector, which throughout the First Republic was the major source of new blood in politics, had been replaced in its role by the private sector. An immediate consequence of this phenomenon was a marked reversal in the direction taken by the recruitment process that characterized the First Republic, with a significant drop in the proportion of professional career politicians seating in the Parliament.

Most of the parties of the Second Republic have a similar organization structure, albeit with some notable differences. FI was founded in 1993 by Silvio Berlusconi as a fresh political movement that distinguishes itself from the past political parties for a less structured, in fact minimal, internal organization. Berlusconi imported a managerial model prevalent in the private sector into politics: the new organization scheme was based on a few hierarchical levels, whose members were mostly recruited among the managers and employees of Berlusconi's companies. For example, FI is the only party whose President is also the party leader. The President is appointed by a small Presidential Committee and, after 1997, by the National Congress, which is the assembly of the party members. The Presidential Committee is the main deliberative body within the party and is composed of a majority of members directly appointed by the President and a minority appointed by the National Congress. In this respect, a primary characteristic of the movement that led to the creation of FI was the absence of professional politicians: the candidates for the 1994 elections were recruited with the intent of forming a critical mass of "yes-men" that would legitimate Berlusconi as the unquestioned political leader of this group. FI was born as a movement centered on a charismatic leadership, almost completely lacking a "Party on the Ground" organization

and much closer to an electoral committee than to a traditional political party, (Paolucci, 2007).<sup>17</sup>

In terms of the occupational and social background of the FI MPs, the vast majority came from free professions, self employment and the private sector. Using Weber's dichotomy, politics seemed more to be an *avocation* for the MPs of FI than a *vocation*. One of the few characteristics that FI has in common with other more traditional parties is the high degree of overlap between party leaders and MPs. Indeed, in the whole period 1994-2001, only about one third of the Presidential Committee members were not members of Parliament.

The selection process in FI is markedly pyramidal and, the predominant feeling among elected officials is that their parliamentary careers are almost totally in the hands of Berlusconi, who also controlled entry in the national electoral lists (Poli, 2001). However, while there is little doubt about FI being the party with the lowest level of political professionalization, scholars agree that after a first phase when FI, according to the original 1994 statute, exemplified the model of a *light* party under the founder/leader control, elements of a structural change can be detected beginning from the late 1990s. In fact, the early termination of the Berlusconi government in 1994, the defeat in the 1996 elections, and the prospect of remaining at the opposition, increased the need for a more stable party structure and an inflow of experienced professional politicians which was partly achieved with "lateral moves" from other parties (e.g., the former DC and PSI).<sup>18</sup> Furthermore, there were more recent examples of successful political careers within the party (as opposed to the traditional practice of horizontal cooptation) with the candidacy of several local coordinators in the 2001 elections. With respect to the party's finances, it

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<sup>17</sup> According to Morlino (2001, p. 129), "[...] in Forza Italia, members are components of local electoral committees or promoters of a "product," centered around the leader and founder of the party, with no role to play outside election campaigns." Some scholars refer to FI as "the party of the elected (representatives)".

<sup>18</sup> As Mannheim (1994) among others suggests, FI originates as a party machine conceived to win elections and it is therefore structurally unprepared to take a defeat.

is worth mentioning that since 2003, FI requires its MPs to give back to the party an amount of approximately 1,000 Euros per month out of their parliamentary wage.<sup>19</sup>

A second important political force of the Second Republic is represented by the parties that formed from the ashes of the former PCI. As we already mentioned before, the PCI changed his name to PDS in 1991, and again to Democrats of the Left or *Democratici di Sinistra* (DS) in 1998. After the 1991 splinter of the RC, a new splinter occurred in 1998 when the majority of the RC decided to withdraw their support to the centre-left coalition and a minority of the party, which instead kept supporting the Prodi government, founded the Party of the Italian Communists or *Partito dei Comunisti Italiani* (PdCI) taking with them about one fourth of the RC members.

Although the monolithic structure of the mass party was only a vague memory, the PDS managed to preserve a grassroots organization similar to the PCI at least in the first half of the 1990s. However, after 1998 the DS party structure resembled that of a *modern cadre party* (Koole, 1994), characterized by a strong leadership with a substantive presence of professional politicians and a low members-to-voters ratio. At the same time, it maintained a structure with vertical ties, which is typical of a mass party.

Regarding candidate selection, there is evidence of a clear transformation from the absolute centrality of the party structure in the recruitment process (that characterized the PCI experience) to a more open and less hierarchical system fostering a larger participation of rank and files members and supporters in the decision process. For example, the 2001 DS statute provided for open primaries, closed primaries and cooptation as possible selection methods, with a very limited use of the latter as compared to methods of nomination from below. Furthermore, since the second half of the 1990s, the political career paths started in local public offices gained the same dignity of the traditional *cursus honorum* within the party. The most recent statute also requires

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<sup>19</sup> See Paolucci (2007) and also an interview with MP Ferrigno which can be found at <http://www.mclink.it/com/inform/art/07n18617.htm>

an equal representation of men and women (at least 40% of each gender) in the electoral lists.

In the transition from the PDS to DS, there was an increase in the overlap between the MP role and the party leadership: from a proportion of 45% MPs in the 1991 National Secretary to more than 50% in 2001, and from about one fifth of the 1991 National Direction to one third in 2001 (De Rosa, 2007). At the same time, the presence of the party inside the government became substantial, with more than 50% of the cabinet posts held by PDS-DS MPs in the governments that formed between 1996 and 2000 (Prodi I, D'Alema I and II, Amato II). The obvious overall effect was a marked drop in the political weight of party officials.

RC moved away from the PCI tradition of democratic centralism, which also corresponded to a weakening of the National Political Committee's role in the candidates' selection process. Moreover, in order to foster political turnover, in RC an outgoing MPs cannot run again after a second term (with the exception of the National Secretary of the party). The RC statute also prescribes that the majority of the National Secretary must be composed of non-elected party officials and in fact the percentage of MPs in the National Secretary was around 11% in 2005.

With respect to MPs' contributions to the party, the most recent DS statute provides for a contribution of 40% of the parliamentary wage. Moreover, MPs are required to give back 15% of their severance pay to the party. Regarding the RC, the MPs' contributions to the party decreased from 60% of the parliamentary wage in 1991 to 20% in 2003-04 (Bertolino, 2004).

A third major political force of the Second Republic is AN, which was born during the 17<sup>th</sup> MSI national congress in January 1995. The need for a new right-wing political entity that was fully integrated within the democratic system of political forces (*arco costituzionale*) was already clear at the end of the 1980s, when the MSI was experiencing a decline of its electoral support. The transformation became almost a

necessity with the change of the electoral law in the 1990s, which would have severely penalized the relatively small and isolated parties. The idea was to soften the more radical position of the MSI in order to create a new political movement able to attract the right-wing component of the former DC and, more importantly, a political entity able to propose itself as a government party. The timing of the transition was strategic since it shortly followed the remarkable and somewhat unexpected success (given its proportion) of the MSI in the 1993 local elections. The success of the transformation was evidenced by the participation of AN in the first Berlusconi government and by the creation of a splinter party the MSI-FT, which maintained the Fascist legacy.

The transition from the MSI to AN can be described as a change from a mass party to a modern movement party (Morlino, 2001). Indeed, there are several elements of continuity with the tradition of mass parties: a top-down recruitment mechanism (while the National Direction is responsible for approving the lists proposed by the Provincial Executive, the President of the party is in fact the ultimate decision maker); an experience within the party or as a local administrator as an important stepping stone for a successful political career; and some overlap between public and central office positions (more than one third of the members of the National Secretary's Office were MPs).

Another important phenomenon of the Second Republic is the emergence of regional parties advocating a variety of local issues from fiscal federalism to secession. This phenomenon actually began in Veneto and Piedmont (two regions that were under the DC control until 1987) in the early 1980s, and then spread over to Lombardy. The party LN was born as a federation of several autonomist groups and regional parties (e.g., *Lega Lombarda* and *Liga Veneta*) in 1991. In 1994 the LN became the second largest parliamentary party after the PDS. Under the first Berlusconi government the LN secured five Ministers (including the internal affairs cabinet) and the Speaker of the House. However, more than half of the elected MPs left the party in the first months of 1995 joining the ranks of FI. In 1996, the LN withdrew the support to the second Berlusconi government and ran alone in the 1996 political elections securing 10% of votes at the national level (a remarkable result for a party with a regional base).



The LN is characterized by a markedly hierarchical structure, a strong leader and by the centrality of the party apparatus. Some scholars consider the LN as a hybrid party somewhat in between an updated version of the mass party and a *modern cadre party* without a professional leadership (Morlino, 2001). Political recruitment follows a top-down approach and it is almost completely under the control of the Federal Council. The MPs typically have some experience as grassroots activists in regional parties, and they also hold posts in central offices (from 7% to 30% of MPs among top party officials with a maximum of 55% in 1994).

In addition to the major political parties we mentioned above, a number of post-DC parties were formed during the Second Republic after the crisis that swept the DC in 1992-1994. The 1994 mixed majoritarian electoral rule favored the formation of large coalition of parties on opposite sides of the political spectrum, and tailed off the political weight of the center thus making the political unity of the Catholics a feature of the past. With the exception of the PPI, which was born in 1994 in the desperate attempt of revamping the DC legacy, the other newly formed Catholic parties (CCD, CDU, UDEUR, DL) are essentially “elite parties”, with an evanescent organizational structure more similar to electoral committees supporting single political figures (Morlino, 2001). The elected politicians typically come from a career in the public sector and hold positions both in the Parliament and in the party leadership. Since 1994, the partisan composition of all of the ruling coalitions contained at least one of these Catholic parties.

#### **4. The role of trade unions**

Trade unions have historically been an important player in the Italian political arena. With a coverage rate well above 80% of the Italian work-force, unions have been responsible for bargaining most of the labor contracts both in the private and public sector throughout the post-war period. Furthermore, they enjoyed a strong support among the workers. The union density (measured by the rate of union membership among the Italian workers) has varied between 50% in the late 1970s and 30% at the beginning of

the 21<sup>st</sup> century, following a decreasing trend which is common to most industrialized countries.

The strong ties between the trade unions and the political system can also be seen in the political careers that several of the most representative leaders of trade union organizations undertook after leaving their positions within these organizations. Perhaps the first secretary general of a trade union to seat in the Parliament was Giuseppe Di Vittorio. He was elected secretary of the CGIL in 1945 and became a member of the Italian Parliament in its Constituent Assembly in 1946 with the PCI. Notably, he never resigned from his post in the CGIL. From their post of secretary general of the CGIL, all subsequent trade unionists after Di Vittorio (namely Agostino Novella, Luciano Lama, Antonio Pizzinato and Bruno Trentin) were also elected to the Parliament with the PCI; while Sergio Cofferati, who led the CGIL from 1994 to 2002, was elected Mayor of Bologna with the centre-left coalition of the ULIVO in 2004 (see Table 3).

The recruitment of politicians from among the top trade unionists occurred also for the Catholic union CISL. Of the seven general secretaries who ended their mandate between 1950 and 2006, six became member of the Parliament with the DC and later the center-left coalitions of the Second Republic. In addition, Pierre Carniti has been a member of the European Parliament in two Legislatures between 1989 and 1999, with the PSI in his former mandate and with the PDS in the latter one.

The third largest Italian trade union, UIL, which was founded by the PRI and the PSDI, also had strong ties with the political system, although its leaders were slightly less successful in their political aspirations to be elected to the Parliament. Among the six general secretaries leading the union since 1952, only three, i.e., Italo Viglianesi, Pietro Larizza and Giorgio Benvenuto, eventually become members of the Parliament. Viglianesi was elected to the Senate and later became Minister, Benvenuto, who was secretary of the PSI in 1993, was elected to the House in the DS lists, while Larizza became senator for the DS in 2007.

**Table 1: Italy's Legislatures (1948-2008)**

| <b>Legislature</b> | <b>Date begins</b> | <b>Date ends</b> |
|--------------------|--------------------|------------------|
| I                  | May 8, 1948        | June 24, 1953    |
| II                 | June 25, 1953      | June 11, 1958    |
| III                | June 12, 1958      | May 15, 1963     |
| IV                 | May 16, 1963       | June 4, 1968     |
| V                  | June 5, 1968       | May 24, 1972     |
| VI                 | May 25, 1972       | July 4, 1976     |
| VII                | July 5, 1976       | June 19, 1979    |
| VIII               | June 20, 1979      | July 11, 1983    |
| IX                 | July 12, 1983      | July 1, 1987     |
| X                  | July 2, 1987       | April 22, 1992   |
| XI                 | April 23, 1992     | April 14, 1994   |
| XII                | April 15, 1994     | May 8, 1996      |
| XIII               | May 9, 1996        | May 29, 2001     |
| XIV                | May 30, 2001       | April 27, 2006   |
| XV                 | April 28, 2006     | April 28, 2008   |

**Table 2: Italy's governments (1948-2008)**

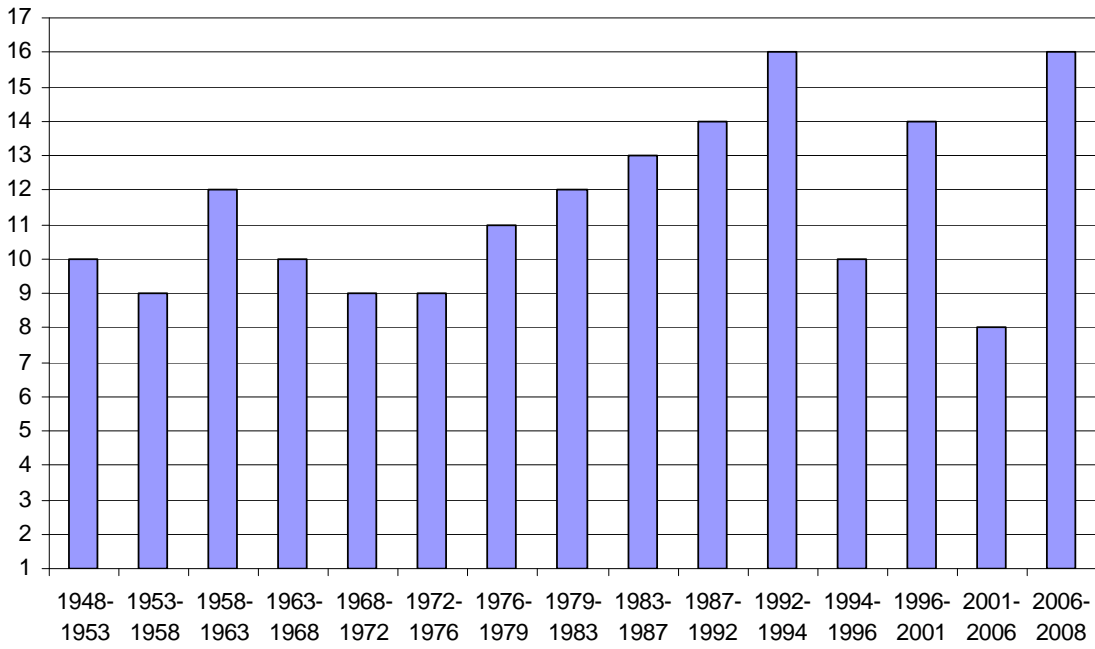
| <b>Government</b> | <b>Date begins</b> | <b>Date ends</b>  | <b>Coalition</b>   | <b>Legislature</b> | <b>Republic</b> |
|-------------------|--------------------|-------------------|--------------------|--------------------|-----------------|
| De Gasperi V      | May 23, 1948       | January 14, 1950  | DC, PLI, PSDI, PRI | I                  | I               |
| De Gasperi VI     | January 27, 1950   | January 19, 1951  | DC, PSDI, PRI      | I                  | I               |
| De Gasperi VII    | July 26, 1951      | July 7, 1953      | DC, PRI            | I                  | I               |
| De Gasperi VIII   | July 16, 1953      | August 2, 1953    | DC                 | II                 | I               |
| Pella             | August 17, 1953    | January 12, 1954  | DC, Ind.           | II                 | I               |
| Fanfani I         | January 18, 1954   | February 8, 1954  | DC                 | II                 | I               |
| Scelba            | February 10, 1954  | July 2, 1955      | DC, PSDI, PLI      | II                 | I               |
| Segni             | July 6, 1955       | May 15, 1957      | DC, PSDI, PLI      | II                 | I               |
| Zoli              | May 19, 1957       | July 1, 1958      | DC                 | II                 | I               |
| Fanfani II        | July 1, 1958       | February 15, 1959 | DC, PSDI           | III                | I               |
| Segni II          | February 15, 1959  | March 23, 1960    | DC                 | III                | I               |
| Tambroni          | March 25, 1960     | July 26, 1960     | DC                 | III                | I               |
| Fanfani III       | July 26, 1960      | February 21, 1962 | DC                 | III                | I               |
| Fanfani IV        | February 21, 1962  | June 21, 1963     | DC, PSDI, PRI      | III                | I               |
| Leone I           | June 21, 1963      | December 4, 1963  | DC                 | IV                 | I               |
| Moro I            | December 4, 1963   | July 22, 1964     | DC, PSI, PSDI, PRI | IV                 | I               |
| Moro II           | July 22, 1964      | February 23, 1966 | DC, PSI, PSDI, PRI | IV                 | I               |
| Moro III          | February 23, 1966  | June 24, 1968     | DC, PSI, PSDI, PRI | IV                 | I               |
| Leone II          | June 24, 1968      | December 12, 1968 | DC                 | V                  | I               |
| Rumor I           | December 12, 1968  | August 5, 1969    | DC, PSI, PRI       | V                  | I               |
| Rumor II          | August 5, 1969     | March 27, 1970    | DC                 | V                  | I               |
| Rumor III         | March 27, 1970     | August 6, 1970    | DC, PSU, PSI, PRI  | V                  | I               |
| Colombo           | August 6, 1970     | February 17, 1972 | DC, PSI, PSDI, PRI | V                  | I               |
| Andreotti I       | February 17, 1972  | June 26, 1972     | DC                 | V                  | I               |
| Andreotti II      | July 26, 1972      | July 7, 1973      | DC, PLI, PSDI      | VI                 | I               |
| Rumor IV          | July 7, 1973       | March 14, 1974    | DC, PSI, PSDI, PRI | VI                 | I               |
| Rumor V           | March 14, 1974     | Novemebr 23, 1974 | DC, PSI, PSDI      | VI                 | I               |
| Moro IV           | Novemebr 23, 1974  | February 12, 1976 | DC, PRI            | VI                 | I               |

|                |                   |                   |                          |      |    |
|----------------|-------------------|-------------------|--------------------------|------|----|
| Moro V         | February 12, 1976 | July 29, 1976     | DC                       | VI   | I  |
| Andreotti III  | July 29, 1976     | March 11, 1978    | DC                       | VII  | I  |
| Andreotti IV   | March 11, 1978    | March 20, 1979    | DC                       | VII  | I  |
| Andreotti V    | March 20, 1979    | August 4, 1979    | DC, PRI, PSDI            | VII  | I  |
| Cossiga I      | August 4, 1979    | April 4, 1980     | DC, PSDI, PLI            | VIII | I  |
| Cossiga II     | April 4, 1980     | October 18, 1980  | DC, PSI, PRI             | VIII | I  |
| Forlani        | October 18, 1980  | June 28, 1981     | DC, PSI, PRI, PSDI       | VIII | I  |
| Spadolini I    | June 28, 1981     | August 23, 1982   | DC, PSI, PSDI, PRI, PLI  | VIII | I  |
| Spadolini II   | August 23, 1982   | December 1, 1982  | DC, PSI, PSDI, PRI, PLI  | VIII | I  |
| Fanfani V      | December 1, 1982  | August 4, 1983    | DC, PSI, PSDI, PLI       | VIII | I  |
| Craxi I        | August 4, 1983    | August 1, 1986    | DC, PSI, PSDI, PLI, PRI  | IX   | I  |
| Craxi II       | August 1, 1986    | April 17, 1987    | DC, PSI, PSDI, PLI, PRI  | IX   | I  |
| Fanfani VI     | April 17, 1987    | July 28, 1987     | DC, Ind.                 | IX   | I  |
| Goria          | July 28, 1987     | April 13, 1988    | DC, PSI, PSDI, PLI, PRI  | X    | I  |
| De Mita        | April 13, 1988    | July 22, 1989     | DC, PSI, PSDI, PLI, PRI  | X    | I  |
| Andreotti VI   | July 22, 1989     | April 12, 1991    | DC, PSI, PSDI, PLI, PRI  | X    | I  |
| Andreotti VII  | April 12, 1991    | April 24, 1992    | DC, PSI, PSDI, PLI       | X    | I  |
| Amato I        | June 28, 1992     | April 28, 1993    | DC, PSI, PSDI, PLI       | XI   | I  |
| Ciampi         | April 28, 1993    | May 10, 1994      | DC, PSI, PSDI, PLI, Ind. | XI   | I  |
| Berlusconi I   | May 10, 1994      | January 17, 1995  | Center-right             | XII  | II |
| Dini           | January 17, 1995  | May 17, 1996      | Technical                | XII  | II |
| Prodi I        | May 17, 1996      | October 21, 1998  | Centre-left              | XIII | II |
| D'alema I      | October 21, 1998  | December 18, 1999 | Centre-left              | XIII | II |
| D'alema II     | December 22, 1999 | April 25, 2000    | Centre-left              | XIII | II |
| Amato II       | April 25, 2000    | June 11, 2001     | Centre-left              | XIII | II |
| Berlusconi II  | June 11, 2001     | April 23, 2005    | Centre-right             | XIV  | II |
| Berlusconi III | April 23, 2005    | May 17, 2006      | Centre-right             | XIV  | II |
| Prodi II       | May 17, 2006      | April 28, 2008    | Centre-right             | XV   | II |

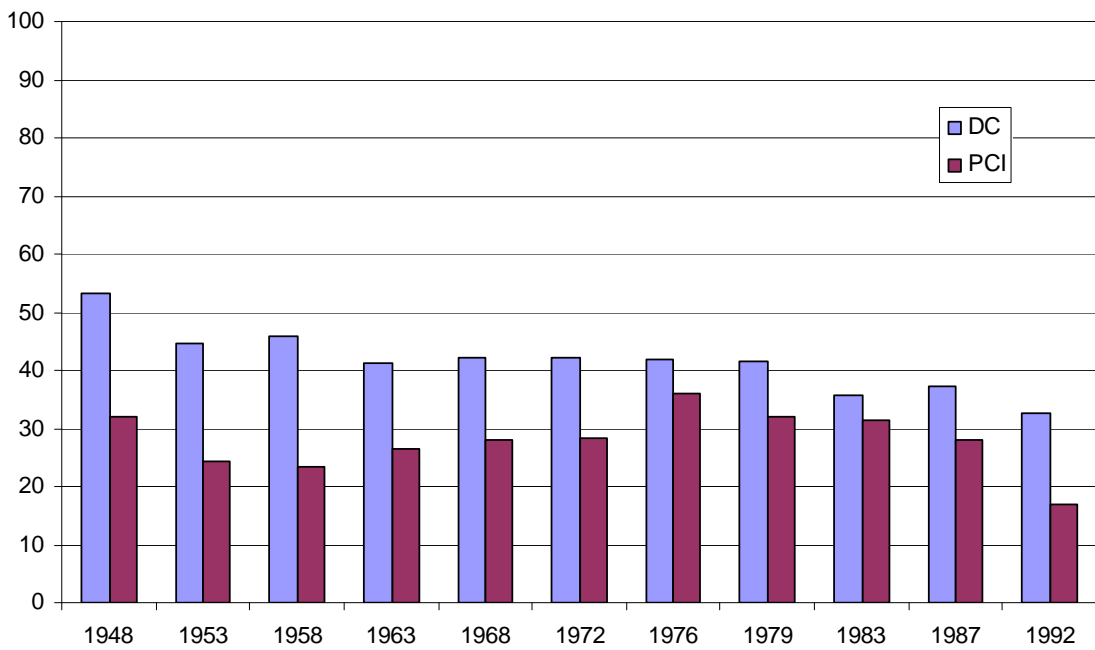
**Table 3: Political careers of trade union leaders**

| <b>Name</b>          | <b>Union</b> | <b>Secretary general</b> | <b>MP</b> | <b>Party</b> |
|----------------------|--------------|--------------------------|-----------|--------------|
| Giulio Pastore       | CISL         | 1950-1958                | Yes       | DC           |
| Bruno Storti         | CISL         | 1958-1977                | Yes       | DC           |
| Luigi Macario        | CISL         | 1977-1979                | Yes       | DC           |
| Pierre Carniti       | CISL         | 1979-1985                | No        |              |
| Franco Marini        | CISL         | 1985-1991                | Yes       | ULIVO        |
| Sergio D'Antoni      | CISL         | 1991-2000                | Yes       | ULIVO        |
| Savino Pezzotta      | CISL         | 2000-2006                | Yes       | UNIONE       |
| Raffaele Bonanni     | CISL         | 2006-                    | No        |              |
| Giuseppe Di Vittorio | CGIL         | 1944-1957                | Yes       | PCI          |
| Agostino Novella     | CGIL         | 1957-1970                | Yes       | PCI          |
| Luciano Lama         | CGIL         | 1970-1986                | Yes       | PCI          |
| Antonio Pizzinato    | CGIL         | 1986-1988                | Yes       | PDS          |
| Bruno Trentin        | CGIL         | 1988-1994                | Yes       | PCI          |
| Sergio Cofferati     | CGIL         | 1994-2002                | No        | ULIVO        |
| Guglielmo Epifani    | CGIL         | 2002-                    | No        |              |
| Italo Viglianesi     | UIL          | 1953-1969                | Yes       | PSU          |
| Lino Ravecca         | UIL          | 1969-1971                | No        |              |
| Ruggero Ravenna      | UIL          | 1969-1971                | No        |              |
| Raffaele Vanni       | UIL          | 1969-1976                | No        |              |
| Giorgio Benvenuto    | UIL          | 1976-1992                | Yes       | DS           |
| Pietro Larizza       | UIL          | 1992-2000                | Yes       | DS           |
| Luigi Angeletti      | UIL          | 2000-                    | No        |              |

**Figure 1: Number of parties represented in the Parliament**



**Figure 2: Share of seats in the House of DC and PCI**



## CHAPTER II: Stylized facts

This study uses a newly collected, unique, longitudinal data set which contains detailed information on all individuals who have been elected to the *Camera dei Deputati* of the Italian Parliament (the House), since the inception of the Italian Republic in 1948. The data span 60 years (1948-2008), 15 Legislatures, and the two Republics (Italy's First Republic, from 1948 to 1994, and the Second Republic, which began with the election of the 12<sup>th</sup> Legislature in 1994).

In addition to comprehensive information on individuals' demographic characteristics (such as their age, gender and education), their last occupation prior to entering Parliament, and their electoral history and record of service in Parliament (including, possibly, election to the Senate, committee membership and government positions), our data set also contains partial information on legislators' attendance of parliamentary voting sessions (for Legislatures VIII-XV), their annual income from their tax returns (from 1981 to 2005), their involvement in scandals (from 1948 to 1994), and their occupation after leaving Parliament (for a representative sub-sample of individuals). Details on the collection of the data and the sources we used are contained in the Appendix.

In this chapter, we use these data to establish a number of interesting stylized facts pertaining to the careers of Italian politicians. Whenever possible, we also draw a comparison with the U.S.

### 1. Career profiles

Our data document several important aspects of the career profiles of 4,465 Italian legislators, from the time they enter the House to when they either leave Parliament or the sample ends (387 individuals in our sample were re-elected to the 16<sup>th</sup> Legislature in April 2008).



The overwhelming majority of politicians (82.9%) spend their entire parliamentary career in the House. A small fraction (4.1%) goes from the Senate to the House. The remaining 13% moves from the House to the Senate during the course of their legislative tenure (with 1.1% eventually returning to the House). Most politicians (89.4%) have uninterrupted parliamentary careers, while 9.9% of them exit and reenter once (multiple reentries are extremely rare).

The average duration of a (complete) parliamentary career is 10.6 years or 2.5 Legislatures, with a standard deviation of 7.6 years or 1.8 Legislatures (the median duration is 9 years or 2 Legislatures). Over a third of all politicians (36.2 %) remain in Parliament for only one term, and only 11% have parliamentary careers that last longer than 20 years. Male legislators (who represent 90.2% of the sample) tend to have longer parliamentary tenure (10.8 years or 2.5 Legislatures on average) than female legislators (whose parliamentary careers last 8.5 years or 2.1 Legislatures on average).

The fraction of legislators who die in office is 4.8%, and 0.1% become President of the Italian Republic and/or senator for life. Of the remaining legislators with complete parliamentary careers, 58.7% leave office without seeking reelection (while the other 41.3% fail to be reelected). The fraction of politicians seeking reelection has declined steadily over time from 91.4% at the end of the first Legislature (in 1953), to 85% in 1972 to a record low of 50.8% at the end of Italy's First Republic in 1994. During the Second Republic, this fraction has oscillated between 66% and 78%. Reelection rates, on the other hand, have increased during the First Republic from 71.3% in 1953, to 86% in 1987, before declining to 60.5% in 1994. During the Second Republic, reelection rates have increased from 70.5% in 1996 to 77.1% in 2006, before dropping to 65% in the most recent election. These patterns are illustrated in Figure 1.

The overall parliamentary turnover rate (measured by the fraction of new entrants) over the period 1953-2008 is equal to 40%.<sup>20</sup> In the second Legislature (1953-58), it was equal

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<sup>20</sup> Since 1948 was the beginning of the First Republic, the proportion of new entrants in Legislature I was 100%.

to 37.6%, and it reached its minimum level of 26.3% in the 8<sup>th</sup> Legislature (1979-1983). In the 12<sup>th</sup> Legislature (1994-1996), which marked the beginning of Italy's Second Republic, the turnover rate spiked at 69.5%, and has been roughly constant at around 45-50% ever since (see Figure 1).

To provide a term of comparison, Figure 2 illustrates the fraction of legislators seeking reelection at the end of a term, their reelection rates, and the overall turnover rate in the U.S. House of Representatives during the period 1951-1994 (U.S. Congress 81-103).<sup>21</sup> Note that the duration of a House term in the U.S. is fixed and equal to two years. As we can see from comparing Figure 2 to Figure 1 both the fraction of legislators who seek reelection at the end of a term and their reelection rates are systematically lower in Italy than in the U.S. As a result, turnover rates are significantly higher. Interestingly, however, the duration of (complete) congressional careers of U.S. legislators is comparable to that of Italian legislators, and is equal to 10.4 years on average, with a standard deviation of 7.7 years and a median duration of 8 years. The fraction of U.S. legislators who have congressional careers that last longer than 20 years (10%) is nearly the same as in Italy (11%). Differences across genders are also similar in the two countries, with male U.S. legislators having longer congressional careers (10.5 years on average) than female U.S. legislators (whose parliamentary careers last 7.9 years on average). However, in the U.S., the fraction of House members who remain in Congress for only one term (20%) is lower than the corresponding figure for Italy (36.2%).

Another interesting question we can address with our data is whether the characteristics of the Italian politicians who are elected to Parliament have changed over time. To assess the extent to which such change may have occurred, we focus on the composition of the cohorts of new House entrants in each of the 15 Legislatures from 1948 to 2006. Figure 3 plots the patterns in the average age at first entry, the percentage of new legislators who are women and the percentage with a college degree ("Laurea") which we observe in the data. As we can see from this figure, the composition of the cohorts of new House

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<sup>21</sup> The U.S. data we use here is from the study of Diermeier, Keane and Merlo (2004, 2005). Their data set contains detailed information on all individuals who served in the U.S. Congress between 1947 and 1994.

entrants has changed greatly over the years along each of these three dimensions. The average age at entry, which was equal to 45.8 years at the beginning of the first Legislature, declined to 42.7 in the 7<sup>th</sup> Legislature (1976), and then started to rise monotonically to reach 50 in the 15<sup>th</sup> Legislature (2006). The fraction of women in the cohorts of new entrants has almost tripled between 1948 and 2006, from 7.2% to 20.8%. The smallest percentage, 1.7%, was in the cohort that first entered the House during the 5<sup>th</sup> Legislature (1968-1972). The average level of education in the cohorts of new entrants has also changed dramatically over time. The percentage of new entrants with a college degree, which was equal to 91.4% at the beginning of the first Legislature, has been declining monotonically over time, and was equal to only 64.6% in the cohort that entered the House for the first time in 2006. Focusing on the differences between the cohorts of politicians who first entered Parliament during the First Republic (1948-1992) and the Second Republic (1994-2006), we document that the average age at entry has increased from 44.7 to 48.1, the fraction of women has also increased from 8% to 13.9%, while the percentage of politicians with a college degree has declined from 80.5% to 68.5%. It is also interesting to point out that while the average age at entry of both men and women has increased from the First to the Second Republic (from 45 to 48.3 years for men and from 41.1 to 46.5 years for women), and the percentage of legislators with a college degree is lower in the Second Republic than it was in the First Republic (when the percentages were 80.1% for men and 75.1% for women) for either gender, during the Second Republic a larger percentage of female legislators has a college degree (70.1%) than their male counterparts (68.2%)

To assess whether the trends we observe for Italy are indicative of a more general phenomenon, in Figure 4 we plot the patterns in the average age at first entry, the percentage of female new legislators and the percentage of entering legislators with a college degree (“Bachelor”) in the U.S. data. With the exception of the fraction of women in the cohorts of new entrants to Congress, which displays a similar, increasing pattern as the one we observe for Italy, the trends we observe in the other two variables for the U.S. are quite different. In fact, the fraction of individuals first elected to the U.S. Congress

who have a college degree steadily increases over time (from 88.5% in 1947 to 93.9% in 1993), while the average age at first entry remains fairly stable at around 47.5 years.

Turning attention to how the professional background of Italian legislators has evolved over time, we classify the last occupation held by an individual prior to entering Parliament into twelve broad categories, which correspond to their sector of employment and/or type of occupation. The categories we consider are: agriculture (e.g., farmers), education (e.g., teachers and professors), health care (i.e., doctors), industry workers (i.e., blue-collar and white-collar workers), industry managers (i.e., middle-management and executives), legal (e.g., lawyers and judges), lobbying (i.e., trade unions officials), media (e.g., journalists), military (i.e., professional soldiers), political (e.g., party officials), public (e.g., employees of public firms), and self-employment (e.g., consultants and small entrepreneurs). We also add an additional category to account for individuals who, prior to entering Parliament, are out of the labor force. Table 1 summarizes the distribution of occupations held by individuals prior to entering Parliament for each of the 15 cohorts of new entrants, as well as for the overall sample, the samples of men and women, and the samples of politicians who entered Parliament during the First and the Second Republic. Several interesting patterns emerge from the table. The fraction of new entrants coming from the legal sector has declined steadily from 33.9% in the first Legislature to 10.6% in the cohort entering the 15<sup>th</sup> Legislature. While always relatively small, the fraction of new entrants coming from the agriculture sector has also declined. On the contrary, the fraction of newly elected legislators with prior work experience in the industrial sector (regardless of the type of job) has increased from 12.4% in the first Legislature to 26.3% in the 14<sup>th</sup> Legislature (2001-06). At the same time, the composition of the group of new entrants coming from the industrial sector has also changed over time, as the fraction of workers decreased from 6.3% to 5%, while the fraction of managers increased from 6.1% to 18.2% between Legislatures I and XV. The fraction of new entrants with a background in the political sector and the fraction of new entrants with a background in the public sector have also grown from 1.7% and 2.4% in the first Legislature to 15.2% and 6% in the 15<sup>th</sup> Legislature, respectively, although their patterns have been non-monotonic. Another variable which displays an interesting non-monotonic pattern, is the fraction of

entering legislators coming from trade unions (the lobbying sector), which more than doubled (from about 5% to 11%) over the course of the first four Legislatures, but then dropped in the early 1970s and has been fluctuating around 3% since then. On the other hand, the relative prevalence of other occupations within each cohort of new legislators (like for example the fraction of people working in the media, the education, and the health care sector, as well as the self-employed), has remained fairly stable over time.

Overall, looking at the extent to which the composition of Parliament has changed between the First and the Second Republic with respect to the professional background of its members, we observe the following percentage changes (averaged over all of the cohorts of new entrants in each of the two Republics): agriculture -1 percentage point, education -1.1, health care +3.1, industrial workers -4.5, industrial managers +11.5, legal -6.3, lobbying -4.3, media -2.4, military -0.5, political +2.6, public +0.2, self-employment +1.1 and out of the labor force +1.4 percentage points. It is also interesting to note that 37.3% of all female legislators come from the education sector (compared to only 17.5% of all male legislators), only 5.3% from the legal sector (the corresponding figure for men is 20.4%), and although the overall fractions of female and male legislators coming from the industrial sector are comparable (19.7% for men and 17.9% for women), relatively more female legislators hold lower-level (blue-collar and white-collar) jobs prior to entering Parliament (11.5%) than male legislators (8%), while the opposite is true with respect to managerial occupations (6.5% for women and 11.6% for men). These patterns of differences in the occupation background of male and female legislators are similar in the First and the Second Republic.

Some peculiar features of the Italian labor market, in particular the presence of a very large public sector and professional party officials who hold regular, paid full-time jobs within various political organizations, make it hard to compare the professional background of Italian and U.S. legislators. Nevertheless, Table 2 reports the percentages of individuals who worked in the legal and the business sector prior to entering the U.S. Congress for each of the 24 cohorts of new entrants over the period 1947-1994. As we can see from this table, in spite of the large differences in the levels, the U.S. data also

displays a sharply declining trend in the fraction of legislators coming from the legal sector, which is similar to the one we observe in the Italian data. On the other hand, the fraction of newly elected legislators with prior work experience in the business sector is quite different in Italy and the U.S., both in levels and with respect to its trend over time. In fact, in the U.S. this fraction has remained fairly stable over the years ranging between 15 and 20%.

In addition to the last occupation held prior to being elected to the Italian Parliament, which we observe for 4,317 individuals out of the 4,465 in the population of legislators elected to the House between 1947 and 2007, for a representative sample of 860 individuals (768 men and 92 women) our data set also contains information on their occupation after exiting Parliament. The average age at exit in the sample is equal to 56 years, which is the same as the average age at exit in the population of legislators with complete parliamentary histories. The fraction of people in the sample who retire at the end of their parliamentary career is 5.6%, while 2.7% end up in jail. Using the same classification as before, the distribution of post-Parliament occupations for the remaining individuals in the sample is summarized in Table 3, for the overall sample as well as the samples of men and women. When compared with the distributions of pre-Parliament occupations contained in Table 1, the figures reported in Table 3 suggest a dramatic shift away from most private sector occupations and into the political sector, both in the overall sample as well as for each gender.

To explore this issue further, Table 4 reports the pre-Parliament to post-Parliament occupation transition matrix for the sample of individuals for whom we observe both occupations.<sup>22</sup> There are three quantitatively most striking phenomena that emerge from this table. First, most legislators (57.4%) do not return to the occupation they had before entering Parliament at the end of their parliamentary tenure. Second, the category of people who are least likely to return to their previous occupation after exit from Parliament (4.3%) is that of workers in the industry sector. In fact, 17% of them do return

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<sup>22</sup> Since the agriculture sector and the military account for less than 1% of the observations, we drop them from Table 4. Also, the number of observations for former female legislators is too small to produce separate transition matrices for each gender that would have statistical meaning.

to the industry sector, but in managerial occupations. Third, politics appears to be an absorbing state. A large fraction of individuals who prior to entering Parliament were working in other sectors, after exiting Parliament end up taking another political job. This fraction varies from 28.1% for individuals whose pre-Parliament occupation was in the legal sector, to 37.5% for people with managerial occupations in the industry sector, to 49.1% for people coming from self-employment, to 54.9% for people coming from the public sector, to 61.2% for people with a background as regular employees in the industrial sector. At the same time, 74.2% of the individuals who prior to entering Parliament were already in the political sector continue their post-Parliament career in that sector, and only 21% switch to the private sector (with the remaining 4.8% taking a job in the public sector). Of all the former members of Parliament who remain in politics, 21.5% are elected or appointed to a public office at the local (i.e., city or province) level, 14.3% at the regional level and 10.6% at the national level. The remaining 53.6% takes a position within a party organization.

Interestingly, although as we pointed out before the Italian and U.S. data on occupations are not directly comparable, in the U.S. we observe the exact opposite phenomenon. Namely, a much larger fraction of the former members of Congress who do not retire after exiting have post-congressional careers in the private sector (59.8%) rather than taking another political job (40.2%). The fraction of U.S. legislators who retire after exiting Congress is also higher (13%) than the corresponding figure for their Italian counterparts, although their average age at exit is the same (56 years).

## **2. Incomes**

In Italy, the (before-tax) real annual parliamentary wage (“indennità parlamentare”) in 2005 Euros has increased from 10,712 Euros in 1948 to 137,691 Euros in 2006 (an overall growth of 1,185.4%), at an average annual growth rate of 9.9% (Figure 5). In the U.S., the (before-tax) real annual congressional wage in 2005 Dollars has increased from 101,297 Dollars in 1948 to 160,038 Dollars in 2006 (an overall growth of 58%), at an average annual growth rate of 1.5% (Figure 6). Over the same period of time, Italy’s real

GDP per-capita grew 449.5%, at an average annual growth rate of 3.2%, and the U.S. real GDP per-capita grew 241.7%, at an average annual growth rate of 2.1%.

As we can see from Figures 5 and 6, both countries experienced a period of sharp, sustained growth in the real wage of its legislators in the 1960s, followed by a significant drop during the 1970s (mainly due to the high inflation during that decade). However, while in the U.S. the real congressional wage has remained essentially constant after 1980, the real parliamentary wage in Italy has been growing at an average annual rate of 3.9% since 1980.<sup>23</sup>

To facilitate further comparisons between the two countries, in Figure 7 we plot the difference between the real annual wage of Italian and U.S. legislators in 2005 Euros (calculated after converting 2005 Dollars into 2005 Euros using the 2005 average real exchange rate of 0.7 Euros per Dollar). As we can see from this figure, during the First Republic, Italian legislators were underpaid relative to their U.S. counterparts until the late 1980s, although the gap was closing down throughout the 1980s. Since 1994, however, that is since the beginning of the Second Republic, we observe the opposite phenomenon. The real annual wage of the members of the Italian Parliament exceeds that of the members of the U.S. Congress, and the gap increased during the late 1990s and early 2000s.

There are several important considerations that are relevant for the interpretation of the evidence presented in Figures 5-7. While 1948 marks the dawn of the Italian Republic and the election of its first Parliament, by that time the U.S. political system was already a well established democracy with a stable institutional structure. In particular, while politics was for all practical purposes an employment sector in the U.S. and being a member of Congress a full-time job, the same was not true in Italy. Most importantly, unlike U.S. legislators, Italian legislators were allowed to keep their regular jobs outside of Parliament (except for employment in other public or private institutions controlled by

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<sup>23</sup> Note that in both countries, the parliamentary or congressional wage is determined by the legislature itself which every year votes on its own compensation.



the government, either directly or indirectly),<sup>24</sup> in part not to cause an economic harm to them due to the relatively low wage they were receiving as elected members of Parliament. After 1965, however, the economic treatment of Italian legislators started to improve dramatically, not only relative to their U.S. counterparts, but also relative to other private-sector occupations in Italy, thus making the case for allowing legislators to earn additional income from activities outside of Parliament practically moot. In fact, as we can see from Figure 8, by 1985 the annual real parliamentary wage of an Italian legislator (84,229 Euros) was 4.7 times larger than the average real annual earnings of an Italian blue-collar worker (18,046 Euros), 3.8 times larger than the average real annual earnings of an Italian white-collar worker (21,959 Euros) and 3.4 times larger than the average real annual earnings of an Italian manager (24,848 Euros).<sup>25</sup> In 2004, at 146,533 Euros, it was 7.7 times the average real annual earnings of a blue-collar worker (19,009 Euros), 6 times that of a white-collar worker (24,625 Euros) and 4.4 times that of a manager (33,459 Euros).<sup>26</sup> Nevertheless, to date Italian legislators can still supplement their parliamentary wage with additional income from extra-parliamentary activities (which instead is not allowed in the U.S., except for a relatively small allowance).<sup>27</sup>

Since 1982, the Italian law requires all elected officials to disclose their annual tax returns, which we collected as part of our data.<sup>28</sup> Since tax returns refer to incomes earned in the previous calendar year, and tax returns filed in 2007 were not yet available when we consulted the archive of the Italian Parliament where the returns are kept, our data set contains information on the total (reported) income of all House legislators between 1981 and 2005. In addition, for 2,009 individuals who were first elected to the House on or after 1983, we observe their income in the year before they enter Parliament.

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<sup>24</sup> Exclusion restrictions for employment of current members of Parliament are regulated by the Italian Law number 60 of February 13, 1953.

<sup>25</sup> The data on annual earnings in the private sector by type of occupation come from the administrative payroll records of INPS, the Italian Social Security Administration. These data are only available for the period 1985-2004. Average annual earnings are calculated for the samples of full-time workers in each occupation.

<sup>26</sup> All real incomes are in 2005 Euros.

<sup>27</sup> In addition, Italian legislators also receive a number of allowances (e.g., per-diem reimbursements for each day they are in Parliament and lump-sum monthly payments for expenses related to their interaction with the voters, among others). Since these allowances are not considered part of their income, we do not include them in our analysis. See, however, Rizzo and Stella (2007).

<sup>28</sup> Italian Law number 441 of July 5, 1982.

We are therefore in a unique position to address a number of questions that pertain to the extra-parliamentary income of legislators, both prior to and during their tenure in Parliament.<sup>29</sup>

Figures 9 and 10 summarize the distribution of the real annual incomes (in 2005 Euros) prior to entering Parliament for each cohort of new entrants in Legislatures IX-XV, both in levels (Figure 9) and as a percentage of the parliamentary wage (Figure 10). To offer a term of comparison, Figure 11 summarizes the evolution of the distribution of the real annual earnings of all Italian salaried workers in the private sector (which include blue-collar workers, white-collar workers and managers), between 1984 and 2004 (also in 2005 Euros). There are several interesting observations that emerge from these figures. First, income inequality among the individuals who are elected to Parliament (as measured either by the distance between the 75<sup>th</sup> and the 25<sup>th</sup> percentile or the ratio of the 90<sup>th</sup> to the 10<sup>th</sup> percentile) has increased steadily over time (see Figure 9). This phenomenon is due to the combination of growth in the median and the upper quantiles of the income distribution of newly elected legislators (especially in the 90<sup>th</sup> percentile) and the relative stagnation of the lower quantiles of the distribution. Given that the earnings distribution of workers in the private-sector has remained fairly stable over time (see Figure 11), this suggests that a majority of the newly elected legislators in more recent cohorts is drawn from a different segment of the population with respect to their income. This phenomenon is particularly evident since the beginning of the Second Republic in 1994. In fact, prior to 1994, between 10% and 25% of the newly elected members of Parliament had annual incomes that were less than or equal to the median income of individuals employed in the private-sector. After 1994, on the other hand, over 75% of the newly elected members of Parliament have pre-Parliament incomes that are higher than the annual incomes of 90% of the population of private-sector workers. A second interesting observation that emerges from Figure 10 is that for all entering cohorts for which we have income data, between 75% and 90% of the newly elected legislators have a pre-Parliament annual income that is lower than the parliamentary wage. This

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<sup>29</sup> For a small sample of 108 individuals who entered the Italian Parliament after 1983, exited, and then reentered before 2006, we also observe their income after their first spell in the Parliament.

implies that even if they were to stop engaging in any income-earning activity outside Parliament and simply earn the parliamentary wage after being elected, entering Parliament would entail a substantial pecuniary gain for a large majority of legislators. As we pointed out before, however, legislators can also earn additional income from extra-parliamentary activities.

To explore this issue further, Figure 12 summarizes the distribution of income growth rates upon entering Parliament, and Figure 13 plots the percentage of new entrants whose total real annual income decreases upon entry, for each cohort of new entrants in Legislatures IX-XIV.<sup>30</sup> As we can see from these figures, entering Parliament is a lucrative activity for the vast majority of politicians. The annual real income of over one fourth of all legislators more than doubles upon entering Parliament, and only about 10% of all legislators experience a drop in their real annual income after being elected. Overall, the median increase in their real annual income following election to the House is 77.8%. The median increase was equal to 32.8% in 1983, increased to 109.2% in 1996, and declined to 56.2% in 2001.

Figures 14 and 15 summarize the distribution of the real annual income of legislators in excess of their parliamentary wage (in 2005 Euros) for each year between 1981 and 2005 and for all legislators who are in Parliament the entire year, both in levels (Figure 14) and as a percentage of their total annual income (Figure 15). For each year, Figure 16 plots the fraction of legislators who report incomes in excess of their parliamentary wage. The most striking feature that emerges from Figures 14 and 15 is a clear “regime shift” between the First and the Second Republic.<sup>31</sup> The distribution of real annual additional

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<sup>30</sup> Calculation of the growth rate requires observations on the annual income of a politician in the two consecutive years before and after entering Parliament. Individuals who do not report any income prior to entering Parliament and individuals who were elected in 2006 (for whom we only observe their 2005 income) are excluded from these calculations.

<sup>31</sup> It is important to point out that this regime shift is not an artifact of the change in the law pertaining to the reporting of taxable income by Italian legislators which occurred in 1995. Prior to 1995, legislators had to include in their tax return only 82% of their annual parliamentary wage net of the standard deductions (*contribute previdenziali*). After 1995, on the other hand, they have to report their total parliamentary wage, either net or gross depending on the tax form they file, which is determined by whether or not they have additional income (typically related to self-employment or entrepreneurial activities, *attività d'impresa*) to report. We are extremely grateful to Vincenzo Busa of the *Agenzia delle Entrate* (the Italian IRS), for

income reported by legislators is fairly stable and homogeneous until the end of the First Republic, both in levels and as a fraction of total income. After 1994, on the other hand, there is a sharp increase in the additional income reported by over a quarter of the population of legislators. Although the increase is most noticeable in levels, it is also evident in the fraction of total annual income coming from sources other than the parliamentary wage. At the same time, the fraction of legislators reporting additional incomes over and above their parliamentary wage has remained fairly stable over time and, if anything, has decreased. The overall result is a dramatic increase in income inequality among legislators.

To provide once again a term of comparison, Figure 17 summarizes the distribution of the real annual earnings of Italian managers in the private sector between 1984 and 2004 (in 2005 Euros). When we compare this figure with Figure 14, we see that until 1994, about 75% of the legislators earned an additional annual income that was lower than the annual earnings of 75% of the managers. Starting with the late 1990s, on the other hand, 25% of the legislators have annual income in addition to their parliamentary wage that exceeds the total annual earnings of 50% of the managers.

We began this section of the paper by documenting the dramatic increase in the real parliamentary wage of Italian legislators over time. We conclude it by documenting another stark phenomenon about the growth in their real total income. Figure 18 plots the average real total annual income of elected members of the Italian Parliament between 1984 and 2004, together with their parliamentary wage and the average real annual earnings of Italian managers over the same period of time. Average real annual earning of managers in the private sector increased 34.7% between 1984 and 2004 at an average annual growth rate of 1.9%. During the same period, the average real total annual income of legislators grew 96.7% at an average annual growth rate of 3.8%. In 2004, an Italian legislator earned an annual parliamentary wage of 146,533 Euros, plus another 56,335

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clarifying these critical aspects of the Italian fiscal law, which we used in order to measure each legislator's annual income in excess of their parliamentary wage from the amounts reported in their tax returns.

Euros on average from additional sources, for a total annual real income that was 6 times larger than the average annual real earnings of an Italian manager (33,459 Euros).

### 3. Outcomes

In Sections 1 and 2, we documented several aspects related to a number of characteristics of Italian legislators (including their income) and how they have evolved over time. In this section, we turn our attention to assessing their performance while in office. While this is an admittedly difficult task, since it is not at all clear how to measure the “productivity” of a politician, our data set contains two variables that can at least shed some light on their behavior while in Parliament: their involvement in scandals and their attendance of roll-call voting sessions. Unfortunately, neither one of these measures is available for the entire time period we cover in our study, although for different reasons. To measure the involvement of a politician in a scandal, we use the data collected by Golden (2007), which record all the requests put forward by the Italian judiciary to remove parliamentary immunity from a legislator in order to prosecute them. These data are only available for the period 1948-1994 (that is, only during the First Republic), since a constitutional amendment in November of 1993 eliminated the possibility of such requests from the judiciary. To measure the extent to which politicians attend legislative sessions, we use the official record of participation in electronic voting sessions, which were introduced at the beginning of the 8<sup>th</sup> Legislature.<sup>32</sup> Hence, our data set contains information on legislators’ attendance of roll-call voting sessions for Legislatures VIII-XV (that is, during the period 1979-2008).<sup>33</sup>

Figure 19 plots the percentage of legislators involved in scandals during each of the 11 Legislatures of Italy’s First Republic. The overall rate is 22.1% and is higher among male legislators (22.6%) than female legislators (14.5%). This rate has been fairly stable throughout the First Republic except for a sharp increase during the 11<sup>th</sup> Legislature

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<sup>32</sup> Records are released at the end of each Legislature for the entire duration of the parliamentary term (i.e., only the overall attendance rates during a Legislature are available for each elected representative, not their annual records).

<sup>33</sup> In a recent paper, in addition to the attendance of voting sessions in Legislatures XIII and XIV, Gagliarducci, Nannicini and Naticchioni (2008) also analyze data on the number of major bills sponsored by each MP in these two Legislatures as another possible measure of the productivity of Italian MPs.

(38.7%) due to the coordinated effort by the Italian judiciary we described in Chapter I (“Clean Hands”) which led to the removal of a large number of legislators from office, many of whom were then prosecuted and in some cases went to jail. It is also interesting to point out that in the early Legislatures (I-IV) most of the requests for indictment of MPs were for war crimes or crimes against the Republic.

Figure 20 plots the average legislators’ attendance rates in each of the Legislatures VIII-XV. In Figure 21, we report the average overall attendance rates during Legislatures VIII-XV for each cohort of legislators in office during this period of time (where a cohort is defined by the Legislature of first entry). As we can see from these figures, legislators’ attendance rates (measured by the fraction of roll-call votes each politician participates in during a Legislature), decreased during the First Republic (from an average of 68% in the 8<sup>th</sup> Legislature to 60% in the 11<sup>th</sup> Legislature), and increased during the Second Republic (from an average of 62% in the 12<sup>th</sup> Legislature to 81% in the 15<sup>th</sup> Legislature). Interestingly, attendance rates decrease with seniority (or increase with the cohort of entry), with politicians elected relatively more recently participating more than legislators from earlier vintages. On average, legislators who first entered the House prior to the 12<sup>th</sup> Legislature (that is, were first elected during the First Republic) have lower attendance rates during their entire parliamentary tenure (65%) than legislators who first entered the House on or after the 12<sup>th</sup> Legislature (whose average attendance rate is equal to 73%). Mean attendance rates are also higher among female legislators (74%) than male legislators (68%).

#### **4. Parties**

Up to this point, our analysis has focused on individual legislators. As we discussed at length in Chapter I, however, political parties play a critical role in the selection of legislators and their political careers. In this section, we therefore change the unit of analysis from the individual to the party, and revisit some of the issues we investigated above. In particular, for each of the two periods corresponding to the First and the Second Republic, we identify seven parties (or groups of parties) that account for the vast majority of all legislators during that period. The seven parties of the First Republic are:

*Democrazia Cristiana (DC), Movimento Sociale Italiano (MSI), Partito Comunista Italiano (PCI), Partito Liberale Italiano (PLI), Partito Repubblicano Italiano (PRI), Partito Socialista Italiano (PSI) and Partito Social-Democratico Italiano (PSDI). The seven parties (or groups of parties) of the Second Republic are: Alleanza Nazionale (AN), Centro Cristiano Democratico-Cristiani Democratici Uniti-Unione dei Democratici Cristiani (CCD), Forza Italia (FI), Lega Nord (LN), Partito Democratico della Sinistra (PDS), Rifondazione Comunista (RC) and Ulivo-Margherita-Democratici di Sinistra (ULIVO).*<sup>34</sup>

We begin by documenting differences and similarities among parties with respect to the demographic characteristics of their legislators. For each party, Figure 22 plots the average age at entry of its legislators, and Figure 23 the fraction of female legislators and the fraction of legislators with a college degree. Among the parties of the First Republic, PCI stands out as the party with the youngest legislators (with a 43.6 average age at entry), the largest proportion of female legislators (15%), and the smallest fraction of legislators who have a college degree (64.8%). Among the parties of the Second Republic, LN has legislators with the smallest average age at entry (41.6 years), PDS and RC the largest fractions of female legislators (30.2% and 27.9%, respectively), and RC, LN and PDS the smallest fractions of legislators with a college degree (58.3%, 61% and 62.5%, respectively).

The finding that the PCI, PDS and RC have the largest proportions of female MPs can be explained by the fact that in the first half of the First Republic, about one fourth of the PCI members are female, and most left-wing parties of the Second Republic have statutory norms meant to ensure equal representation across genders. However, the same logic does not apply to the DC, which is the party with the highest proportion of female party members among all the parties of the First Republic, but has less than 5% of MPs who are women. Given that female candidates were typically included in the party lists, we conclude that female DC voters were not voting for female candidates.<sup>35</sup> What is also

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<sup>34</sup> Note that the labels CCD and ULIVO we use here each contain several parties.

<sup>35</sup> This might be explained by the political role played by the Church parishes (the DC equivalent of the PCI cells) in coordinating the behavior of Christian Democrats voters.

apparent is that this gender bias displays a remarkable degree of persistence, since the post-DC parties of the Second Republic (CCD) have the smallest fraction of female legislators among all the parties of the Second Republic.

Turning attention to the sector of occupation and income before entering Parliament of a party's legislators, Table 5 summarizes the distribution of occupations held by individuals prior to entering Parliament for each party, Figure 24 depicts the proportions of legislators whose last occupation prior to entering Parliament was in the industry sector, the legal sector, or the political sector for each party, and Figure 25 plots their average real annual income (in 2005 Euros) in the year before entry. The most noticeable features that emerge from Figure 24 are the preponderance of lawyers among the MSI legislators, of individuals with a background in the industry sector among the FI and LN legislators, and of individuals coming from the political sector among the PDS legislators. Interestingly, the 1994 election results suggest that most voters did not consider the fact that the candidates of FI and LN had little prior political experience as a downside. In fact, as a result of the generalized discontent and disaffection towards traditional political parties that followed the "Clean Hands" investigation, and partly in response to the personalization of politics introduced by the new majoritarian electoral system, not having being part of the old political system may have increased the appeal of the candidates of FI and LN for a large numbers of voters.

Note that, while the distribution of pre-Parliament occupations of Italian legislators is not very different across the parties of the First Republic,<sup>36</sup> in the Second Republic there is evidence of clustering along the (left-right) ideological dimension. For example, the education and political sectors account for nearly half of all the legislators of left-wing parties (i.e., PDS, RC, and ULIVO), while the majority of legislators of right-wing parties (i.e., CCD, FI, and AN) either had managerial occupations in the industry sector or were lawyers before entering the Parliament (with the exception of LN). On the other hand, an element of continuity between the First and Second Republic is represented by

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<sup>36</sup> Besides the aforementioned overrepresentation of lawyers in MSI, the only other exceptions are the relatively large fractions of industry workers in PCI and of self-employed in PLI.



the proportion of teachers and professors among legislators, which has always been above 10% across all parties (with the exception of FI). Finally, while the similarities in the occupational background between DC and the post-Christian Democratic parties are apparent, it is somewhat surprising that the distribution of pre-Parliament occupations of AN legislators resembles more the one of DC legislators than of MSI legislators.

Another interesting aspect of the data that emerges from these figures, is that in spite of the fact that the fraction of MPs of LN coming from the business sector is even higher of that of the MPs of FI, while the legislators of FI have the highest average real annual income before entry among all the parties of the Second Republic (173,189 Euros), the legislators of LN rank near the bottom in this dimension (58,243 Euros). This finding can be explained by the fact that while LN has been most successful in recruiting relatively young people from the working class, including small entrepreneurs, FI has been successfully tapping into the pool of upper class managers and executives. Among the parties of the First Republic, the legislators of PLI and those of PCI have the highest (155,759 Euros) and the lowest (33,886 Euros) average real annual income before entry, respectively, which can also be explained by the different professional backgrounds of their MPs illustrated in Table 5.

Figure 26 plots the median of the distribution of real income growth rates upon entry within each party; Figure 27 the proportion of legislators of each party who experience an income loss upon entering Parliament; Figure 28 the average real annual income from additional sources while in Parliament (that is, in excess of the parliamentary wage); and Figure 29 the fraction of each party's legislators who report incomes in excess of their parliamentary wage. Overall, the patterns that emerge from these figures are very much in line with what we observed in the previous graphs, and it is quite evident that being elected to Parliament entails large pecuniary gains especially for the legislators of LN, PDS and RC.

As we pointed out in Chapter I, grouping parties together based on their ideological proximity might be quite misleading since, for example, there seem to be more

similarities in terms of organization structure and recruitment processes between the DC and the PSI than between the latter and the PCI. However, when we look at the average annual income before entry in the First Republic, it is interesting to note that this dimension of the data tends to increase as we move from left to right along the ideological spectrum (Figure 25).<sup>37</sup> The only exception is represented by the MSI, which always had a somewhat isolated position with respect to the rest of the party system anyway. A similar ranking of parties emerges if we look at the average real annual income in excess of the parliamentary wage (Figure 28) or at the fraction of each party's legislators who report incomes in excess of their parliamentary wage (Figure 29). On the contrary, there is some evidence of an inverse U-shaped pattern in the average annual income before entry in the Second Republic, with the relatively centrists FI, CCD, and ULIVO having the highest values.

Most of the existing political science literature studying Italian political recruitment typically focuses on the analysis of the socio-occupational characteristics of MPs in order to detect similarities or differences across parties in the recruitment process. Though for the most part useful, sometimes this approach can also be misleading. For example, MSI and PSI are both traditional mass parties. Indeed, they are remarkably similar in all dimensions, including all income characteristics of their legislators. However, as Figure 24 shows, almost half of the legislators of MSI are lawyers as compared to relatively more similar proportions of industry, legal and political sector occupations in the case of the legislators of PSI.

The last issues we analyze with our data pertain to the differences among parties in the behavior of their legislators after they are elected to Parliament. For each party, Figure 30 plots the average rate at which legislators seek reelection at the end of each term and their reelection rate (conditional on running), Figure 31 their average attendance rate of roll-call voting sessions. The PCI and the ULIVO are clear outliers in the First and the Second Republic, respectively. Their legislators are relatively less likely to seek

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<sup>37</sup> In particular, the average annual income before entry in the First Republic is relatively low for left-wing parties such as PCI, PSI, and PSDI, intermediate for center parties such as PRI and DC, and relatively high for a right-leaning party like PLI.

reelection than legislators of other parties, but at the same time have relatively high reelection rates when they do. Also, once elected, their participation rates are the highest. Clearly, the discipline imposed by the party that essentially determines who runs for office and coordinates the behavior of its elected representatives goes a long way toward explaining this apparent anomaly. In addition, it is worth recalling that, as we pointed out in Chapter I, the practice of switching candidatures or rotating party members in Parliament was quite common in the PCI. Furthermore, in order to foster political turnover among its members, RC systematically forced its MPs to leave Parliament and not seek reelection after a second term. Another interesting case is that of the legislators of LN, who seek reelection at a relatively low rate, but are also relatively unlikely to get reelected when they do. Indeed, FI and LN are the parties with the lowest reelection and rerun rates among the parties of the centre-right coalition. This apparent anomaly could be the result of the fact that more than half of the LN legislators left the party in the first months of 1995 joining the ranks of FI, and in 1996 the LN withdrew its support to the second Berlusconi government and ran alone. Furthermore, the large success of these parties in the 1994 election was partly the result of a strong national popularity effect, and it is possible that some incumbents would have had little chances of winning in a more competitive election. Regarding turnover rates in the Second Republic, it is also interesting to note that while rerun rates always exceed reelection rates for the parties of the center-right coalition (i.e., CCD, FI, LN, and AN), the opposite is true for the parties of the center-left coalition (i.e., RC, PDS, and ULIVO). On the other hand, in the First Republic a similar pattern can be observed if we consider the partition between government parties (i.e., DC, PLI, PRI, PSI, and PSDI) and the main opposition party (PCI).

The third aspect of legislators' behavior we analyze here pertains to their involvement in scandals. As we discussed in Section 3 above, our dataset includes the records collected by Golden (2007) of all the instances where a formal request to strip a legislator of his or her parliamentary immunity to allow prosecution was made by the Italian judiciary during the First Republic. Figure 3 plots the average percentage of legislators who were the object of such requests during Legislatures V-XI for each of the seven major parties

of the First Republic.<sup>38</sup> In addition, our analysis of the post-parliamentary careers of a sample of 860 former legislators revealed that 19 of them who were first elected to the Parliament during the first Republic went to jail, 11 of whom belonged to DC, 4 to PSI, 2 to PSDI, and 1 each to MSI and PRI.<sup>39</sup> Although a comparison with the parties of the Second Republic is not possible, it is interesting to note that among those of the First Republic, some of the parties that fare relatively better with respect to other dimensions of the data fare relatively worse with respect to the fraction of their legislators who were involved in scandals. For example, there is a strong negative correlation (equal to -0.81), between the ranking of the parties of the First Republic based on the attendance rates of their legislators, and the ranking based on their scandal rates.

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<sup>38</sup> As we pointed out before, most of the indictments of MPs in Legislatures I-IV refer to either war crimes (for people who fought in WWII), or crimes against the Italian Republic (for people who disputed the legitimacy of the new republican form of constitution), as opposed to scandals.

<sup>39</sup> See also Gomez and Travaglio (2006).

**Table 1: Distribution of pre-Parliament occupations of Italian legislators by entry cohort**

| Cohort              | Sector of employment |       |      |       |       |       |       |       |      |       |      |       |      |
|---------------------|----------------------|-------|------|-------|-------|-------|-------|-------|------|-------|------|-------|------|
|                     | AGR                  | EDU   | HTH  | INDW  | INDM  | LEG   | LOB   | MED   | MIL  | POL   | PUB  | SE    | OLF  |
| 1948                | 3.41                 | 19.08 | 4.26 | 6.30  | 6.13  | 33.90 | 4.94  | 8.69  | 1.87 | 1.70  | 2.39 | 6.81  | 0.51 |
| 1953                | 4.60                 | 13.39 | 3.35 | 6.28  | 7.11  | 29.71 | 10.46 | 8.79  | 1.26 | 3.35  | 5.86 | 5.44  | 0.42 |
| 1958                | 1.32                 | 21.59 | 3.52 | 9.25  | 7.49  | 20.7  | 11.45 | 11.45 | 0.44 | 3.08  | 4.41 | 4.85  | 0.44 |
| 1963                | 3.03                 | 19.91 | 6.49 | 10.82 | 5.19  | 20.78 | 10.82 | 9.52  | 0.87 | 3.03  | 3.03 | 6.49  | 0.00 |
| 1968                | 2.59                 | 18.10 | 4.74 | 11.21 | 6.9   | 21.98 | 7.33  | 7.33  | 0.43 | 4.74  | 7.33 | 7.33  | 0.00 |
| 1972                | 0.00                 | 12.92 | 4.78 | 14.83 | 8.13  | 21.53 | 6.70  | 11.48 | 0.96 | 4.31  | 7.18 | 7.18  | 0.00 |
| 1976                | 1.50                 | 24.44 | 4.51 | 15.41 | 7.52  | 13.53 | 3.76  | 9.02  | 1.13 | 8.27  | 4.14 | 6.02  | 0.75 |
| 1979                | 1.6                  | 20.32 | 4.28 | 14.97 | 9.09  | 14.44 | 3.21  | 11.76 | 0.00 | 6.95  | 5.88 | 7.49  | 0.00 |
| 1983                | 1.51                 | 19.25 | 6.04 | 11.32 | 6.42  | 12.83 | 4.91  | 10.57 | 0.38 | 9.43  | 8.30 | 9.06  | 0.00 |
| 1987                | 0.43                 | 28.57 | 5.63 | 6.06  | 5.63  | 12.12 | 2.60  | 11.69 | 0.87 | 10.39 | 8.66 | 5.63  | 1.73 |
| 1992                | 0.70                 | 19.72 | 5.28 | 7.39  | 14.08 | 11.62 | 3.87  | 8.45  | 0.35 | 8.10  | 9.51 | 10.56 | 0.35 |
| 1994                | 2.41                 | 21.05 | 8.55 | 4.82  | 18.64 | 15.35 | 1.75  | 7.46  | 0.22 | 4.82  | 7.02 | 7.02  | 0.88 |
| 1996                | 0.32                 | 20.45 | 7.47 | 6.17  | 18.51 | 17.21 | 1.95  | 5.19  | 0.97 | 5.84  | 4.22 | 8.77  | 2.92 |
| 2001                | 0.34                 | 15.36 | 8.53 | 5.46  | 20.82 | 15.02 | 0.68  | 7.51  | 0.68 | 7.85  | 5.80 | 9.22  | 2.73 |
| 2006                | 0.33                 | 16.56 | 6.62 | 4.97  | 18.21 | 10.60 | 2.98  | 8.94  | 0.00 | 15.23 | 5.96 | 8.28  | 1.32 |
| <b>Sample</b>       |                      |       |      |       |       |       |       |       |      |       |      |       |      |
| All                 | 1.74                 | 19.41 | 5.74 | 8.36  | 11.12 | 18.95 | 4.79  | 8.92  | 0.76 | 6.21  | 5.74 | 7.39  | 0.86 |
| Men                 | 1.85                 | 17.49 | 5.9  | 8.03  | 11.62 | 20.42 | 5.03  | 8.8   | 0.85 | 5.69  | 5.87 | 7.69  | 0.77 |
| Women               | 0.72                 | 37.32 | 4.31 | 11.48 | 6.46  | 5.26  | 2.63  | 10.05 | 0    | 11    | 4.55 | 4.55  | 1.67 |
| 1 <sup>st</sup> Rep | 2.06                 | 19.74 | 4.77 | 9.77  | 7.51  | 20.93 | 6.15  | 9.67  | 0.91 | 5.38  | 5.68 | 7.03  | 0.41 |
| 2 <sup>nd</sup> Rep | 1.03                 | 18.69 | 7.87 | 5.3   | 18.98 | 14.64 | 1.84  | 7.28  | 0.44 | 8.02  | 5.89 | 8.17  | 1.84 |

Note: AGR = agriculture, EDU = education, HTH = health care, INDW = industry workers, INDM = industry managers, LEG = legal, LOB = lobbying, MED = media, MIL = military, POL = political, PUB = public, SE = self-employment, OLF = out of the labor force.

**Table 2: Distribution of occupations of U.S. legislators by entry cohort**

| <b>Cohort</b> | <b>Sector of employment</b> |                  |              |              |
|---------------|-----------------------------|------------------|--------------|--------------|
|               | <b>Business</b>             | <b>Education</b> | <b>Legal</b> | <b>Other</b> |
| 1947          | 17.95                       | 6.41             | 62.82        | 12.82        |
| 1949          | 20.20                       | 7.07             | 51.52        | 21.21        |
| 1951          | 19.05                       | 4.76             | 53.97        | 22.22        |
| 1953          | 20.24                       | 3.57             | 51.19        | 25.00        |
| 1955          | 13.21                       | 9.43             | 54.72        | 22.64        |
| 1957          | 12.24                       | 4.08             | 55.10        | 28.57        |
| 1959          | 21.35                       | 4.49             | 48.31        | 25.84        |
| 1961          | 20.90                       | 5.97             | 52.24        | 20.90        |
| 1963          | 17.33                       | 2.67             | 53.33        | 26.67        |
| 1965          | 19.78                       | 7.69             | 46.15        | 26.37        |
| 1967          | 14.06                       | 7.81             | 42.19        | 35.94        |
| 1969          | 12.24                       | 12.24            | 44.90        | 30.61        |
| 1971          | 18.52                       | 12.96            | 42.59        | 25.93        |
| 1973          | 19.74                       | 11.84            | 42.11        | 26.32        |
| 1975          | 24.44                       | 13.33            | 41.11        | 21.11        |
| 1977          | 27.94                       | 7.35             | 44.12        | 20.59        |
| 1979          | 25.00                       | 12.50            | 31.25        | 31.25        |
| 1981          | 33.78                       | 8.11             | 36.49        | 21.62        |
| 1983          | 5.95                        | 1.19             | 16.67        | 76.19        |
| 1985          | 14.29                       | 9.52             | 30.95        | 45.24        |
| 1987          | 7.41                        | 7.41             | 33.33        | 51.85        |
| 1989          | 19.05                       | 19.05            | 30.95        | 30.95        |
| 1991          | 22.22                       | 11.11            | 28.89        | 37.78        |
| 1993          | 16.67                       | 14.04            | 39.47        | 29.82        |

**Table 3: Distribution of occupations of a sample of former Italian legislators at exit**

| Sample | Sector of employment |       |      |      |       |      |      |      |      |       |      |      |
|--------|----------------------|-------|------|------|-------|------|------|------|------|-------|------|------|
|        | AGR                  | EDU   | HTH  | INDW | INDM  | LEG  | LOB  | MED  | MIL  | POL   | PUB  | SE   |
| All    | 1.01                 | 11.53 | 3.04 | 0.89 | 11.28 | 8.49 | 2.03 | 8.11 | 0.25 | 44.23 | 5.83 | 3.3  |
| Men    | 1.00                 | 11.25 | 3.28 | 1.00 | 11.25 | 9.54 | 1.85 | 8.26 | 0.28 | 43.16 | 5.84 | 3.28 |
| Women  | 1.15                 | 13.79 | 1.15 | 0.00 | 11.49 | 0.00 | 3.45 | 6.90 | 0.00 | 52.87 | 5.75 | 3.45 |

Note: AGR = agriculture, EDU = education, HTH = health care, INDW = industry workers, INDM = industry managers, LEG = legal, LOB = lobbying, MED = media, MIL = military, POL = political, PUB = public, SE = self-employment.

**Table 4: Pre- to post-Parliament occupation transition matrix of Italian legislators**

| <b>Post<br/>Pre</b> | <b>EDU</b> | <b>HTH</b> | <b>INDW</b> | <b>INDM</b> | <b>LEG</b> | <b>LOB</b> | <b>MED</b> | <b>POL</b> | <b>PUB</b> | <b>SE</b> |
|---------------------|------------|------------|-------------|-------------|------------|------------|------------|------------|------------|-----------|
| <b>EDU</b>          | 43.26      | 0.00       | 0.00        | 5.08        | 0.56       | 1.69       | 5.06       | 34.27      | 8.47       | 1.13      |
| <b>HTH</b>          | 7.55       | 43.40      | 0.00        | 0.00        | 0.00       | 0.00       | 1.89       | 45.28      | 0.00       | 1.89      |
| <b>INDW</b>         | 2.13       | 0.00       | 4.26        | 17.02       | 0.00       | 10.64      | 2.13       | 61.7       | 0.00       | 2.13      |
| <b>INDM</b>         | 0.00       | 0.00       | 1.25        | 46.25       | 0.00       | 2.50       | 2.50       | 37.5       | 2.50       | 5.00      |
| <b>LEG</b>          | 5.26       | 0.00       | 0.00        | 7.02        | 53.51      | 0.00       | 0.88       | 28.07      | 4.39       | 0.88      |
| <b>LOB</b>          | 0.00       | 0.00       | 0.00        | 12.50       | 0.00       | 20.83      | 0.00       | 62.5       | 4.17       | 0.00      |
| <b>MED</b>          | 2.25       | 0.00       | 0.00        | 5.62        | 0.00       | 0.00       | 46.07      | 43.82      | 1.12       | 1.12      |
| <b>POL</b>          | 0.00       | 0.00       | 3.23        | 6.45        | 0.00       | 0.00       | 8.06       | 74.19      | 4.84       | 3.23      |
| <b>PUB</b>          | 0.00       | 0.00       | 0.00        | 7.84        | 1.96       | 0.00       | 3.92       | 54.9       | 27.45      | 3.92      |
| <b>SE</b>           | 1.89       | 0.00       | 1.89        | 13.21       | 3.77       | 0.00       | 1.89       | 49.06      | 5.66       | 22.64     |

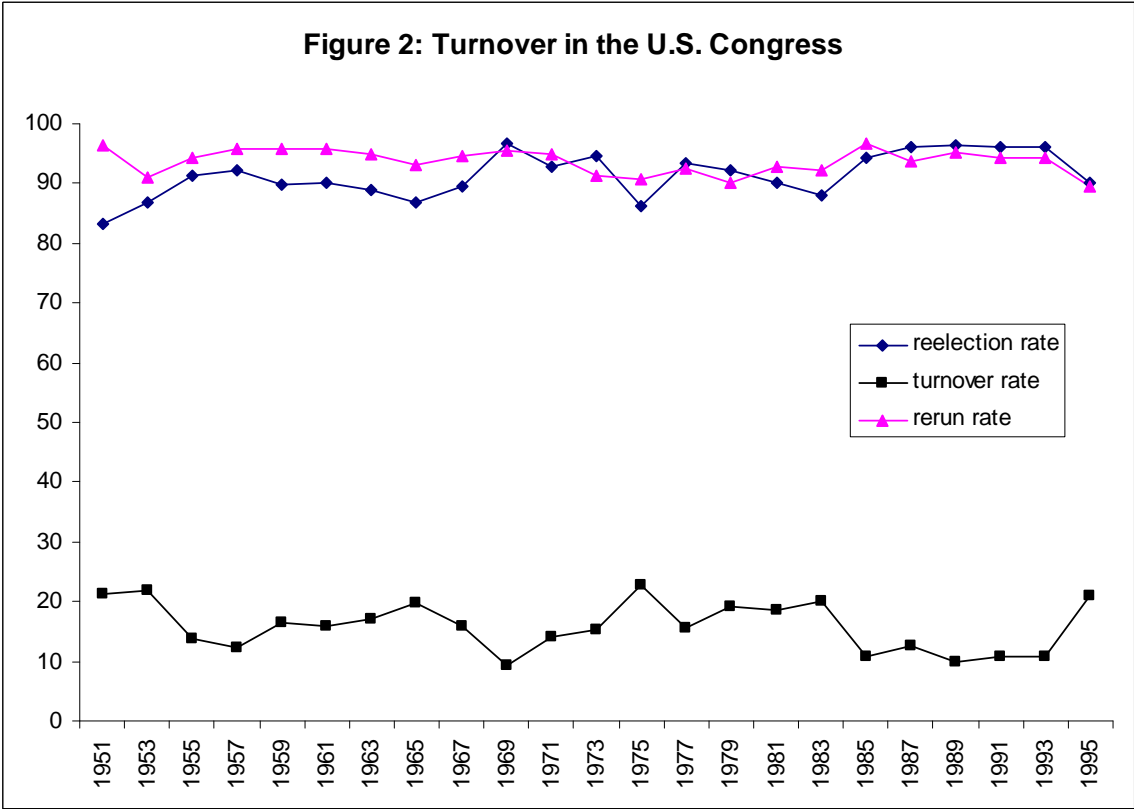
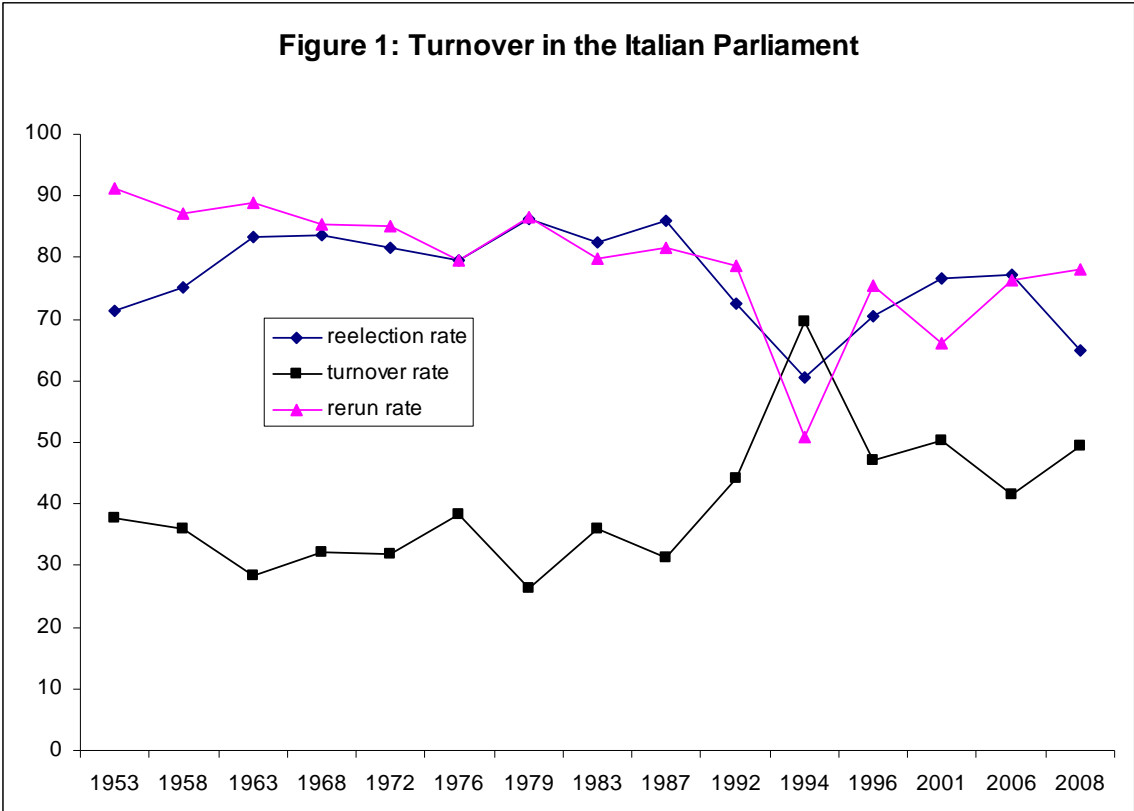
Note: EDU = education, HTH = health care, INDW = industry workers, INDM = industry managers, LEG = legal, LOB = lobbying, MED = media, POL = political, PUB = public, SE = self-employment, OLF = out of the labor force.



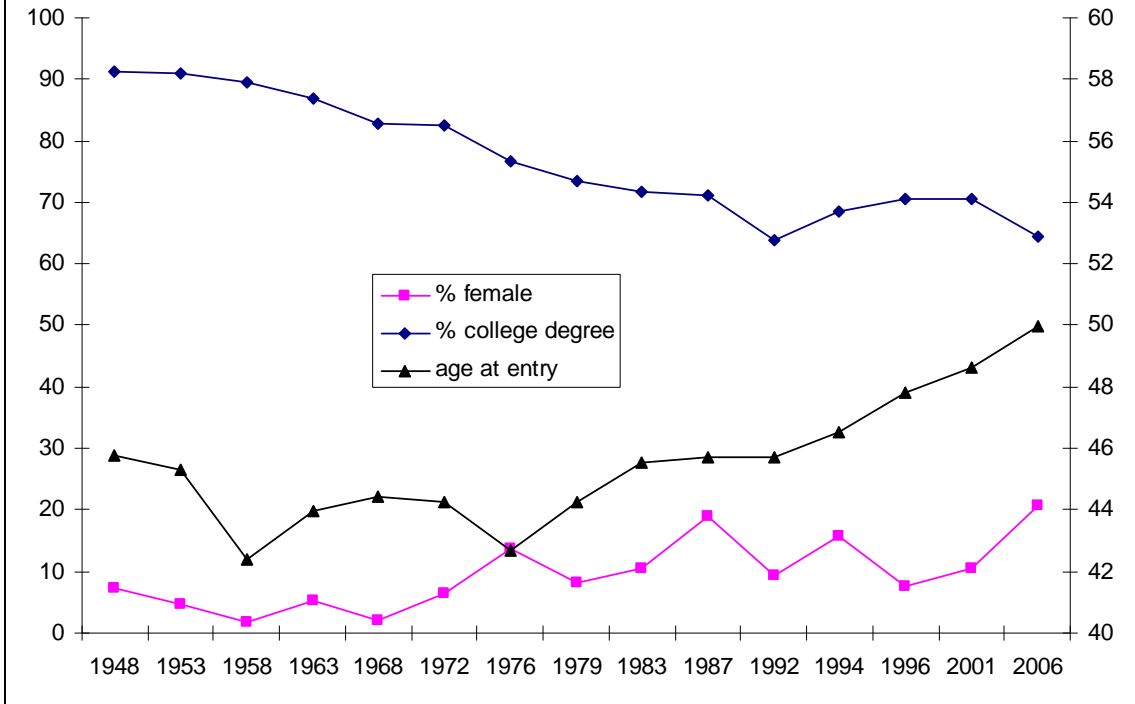
**Table 5: Distribution of pre-Parliament occupations of Italian legislators by party**

| Party                  | Sector of employment |       |       |       |       |       |       |       |      |       |       |       |      |
|------------------------|----------------------|-------|-------|-------|-------|-------|-------|-------|------|-------|-------|-------|------|
|                        | AGR                  | EDU   | HTH   | INDW  | INDM  | LEG   | LOB   | MED   | MIL  | POL   | PUB   | SE    | OLF  |
| <b>First Republic</b>  |                      |       |       |       |       |       |       |       |      |       |       |       |      |
| <b>DC</b>              | 3.36                 | 22.91 | 5.08  | 4.12  | 10.35 | 26.27 | 4.70  | 4.79  | 0.48 | 1.05  | 9.40  | 7.00  | 0.48 |
| <b>MSI</b>             | 0.77                 | 10.00 | 4.62  | 2.31  | 4.62  | 44.62 | 3.85  | 17.69 | 3.08 | 2.31  | 0.77  | 5.38  | 0.00 |
| <b>PCI</b>             | 1.51                 | 19.61 | 3.48  | 22.97 | 1.62  | 9.05  | 10.09 | 11.02 | 0.46 | 11.48 | 2.32  | 6.03  | 0.35 |
| <b>PLI</b>             | 1.22                 | 12.20 | 2.44  | 15.85 | 12.20 | 7.32  | 0.00  | 8.54  | 0.00 | 0.00  | 2.44  | 32.93 | 4.88 |
| <b>PRI</b>             | 1.43                 | 21.43 | 11.43 | 1.43  | 12.86 | 22.86 | 0.00  | 11.43 | 1.43 | 1.43  | 4.29  | 10.00 | 0.00 |
| <b>PSDI</b>            | 0.00                 | 11.27 | 9.86  | 0.00  | 7.04  | 22.54 | 8.45  | 11.27 | 2.82 | 0.00  | 12.68 | 14.08 | 0.00 |
| <b>PSI</b>             | 0.88                 | 18.71 | 2.05  | 7.02  | 6.43  | 25.73 | 7.02  | 11.70 | 1.46 | 5.85  | 5.85  | 6.73  | 0.58 |
| <b>Second Republic</b> |                      |       |       |       |       |       |       |       |      |       |       |       |      |
| <b>AN</b>              | 1.12                 | 15.17 | 8.99  | 5.62  | 18.54 | 21.91 | 0.00  | 11.80 | 1.69 | 1.12  | 6.18  | 7.87  | 0.00 |
| <b>CCD</b>             | 0.00                 | 18.92 | 9.46  | 4.05  | 17.57 | 22.97 | 0.00  | 2.70  | 0.00 | 4.05  | 8.11  | 10.81 | 1.35 |
| <b>FI</b>              | 2.26                 | 9.68  | 10.65 | 1.94  | 30.97 | 19.03 | 0.32  | 8.06  | 0.65 | 3.23  | 2.90  | 8.71  | 1.61 |
| <b>LN</b>              | 2.07                 | 11.40 | 8.29  | 7.77  | 29.53 | 8.81  | 1.04  | 3.63  | 0.00 | 1.55  | 3.63  | 21.24 | 1.04 |
| <b>PDS</b>             | 1.04                 | 23.96 | 2.08  | 11.46 | 9.38  | 7.29  | 7.29  | 3.13  | 0.00 | 27.08 | 6.25  | 1.04  | 0.00 |
| <b>RC</b>              | 0.00                 | 28.57 | 4.76  | 13.10 | 2.38  | 3.57  | 1.19  | 14.29 | 0.00 | 15.48 | 8.33  | 4.76  | 3.57 |
| <b>ULIVO</b>           | 0.00                 | 23.96 | 6.21  | 6.51  | 13.61 | 10.36 | 3.85  | 6.21  | 0.30 | 13.02 | 7.40  | 5.92  | 2.66 |

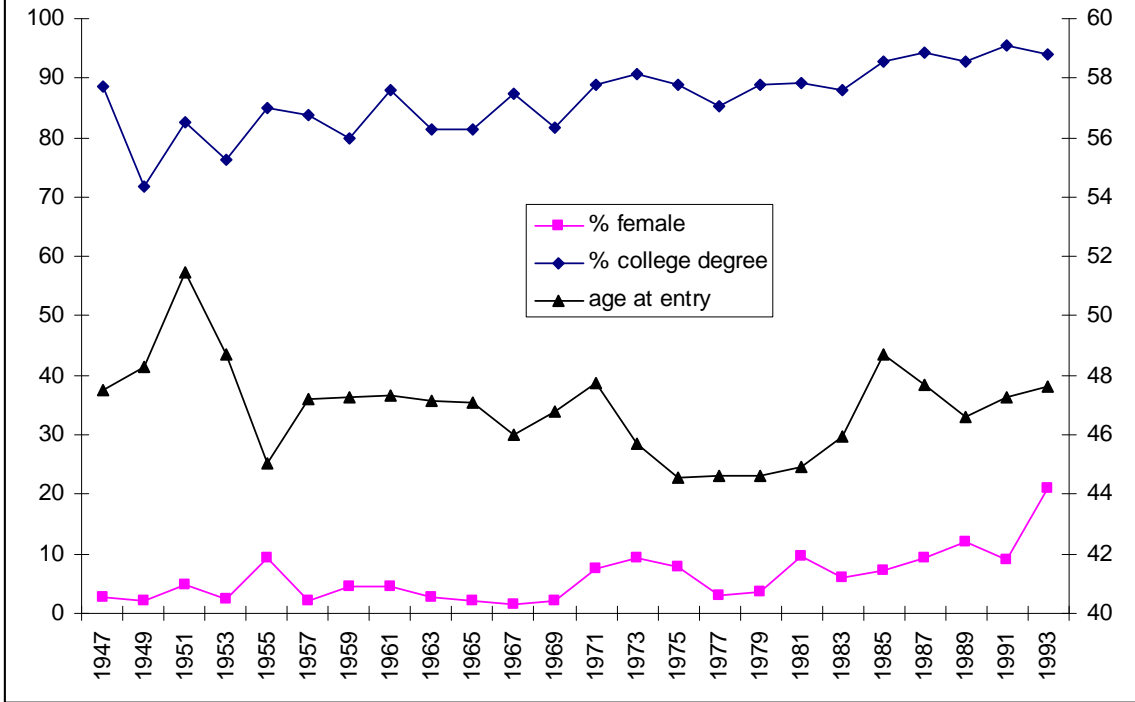
Note: AGR = agriculture, EDU = education, HTH = health care, INDW = industry workers, INDM = industry managers, LEG = legal, LOB = lobbying, MED = media, MIL = military, POL = political, PUB = public, SE = self-employment, OLF = out of the labor force.



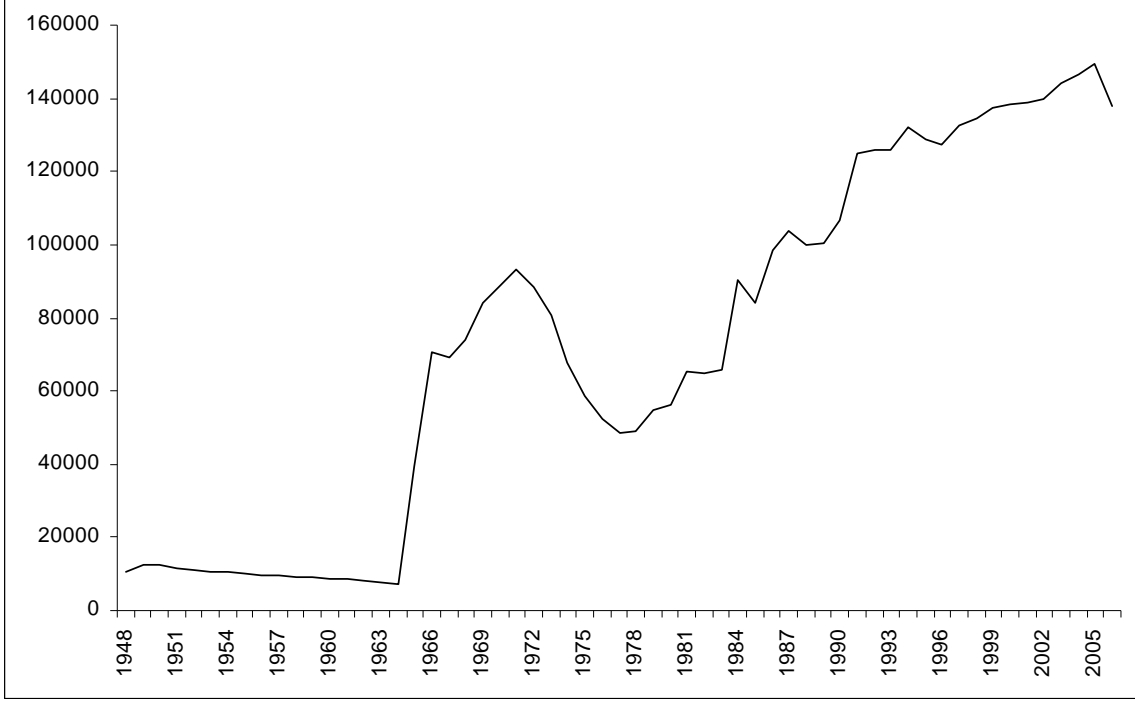
**Figure 3: Characteristics of Italian legislators by entry cohort**



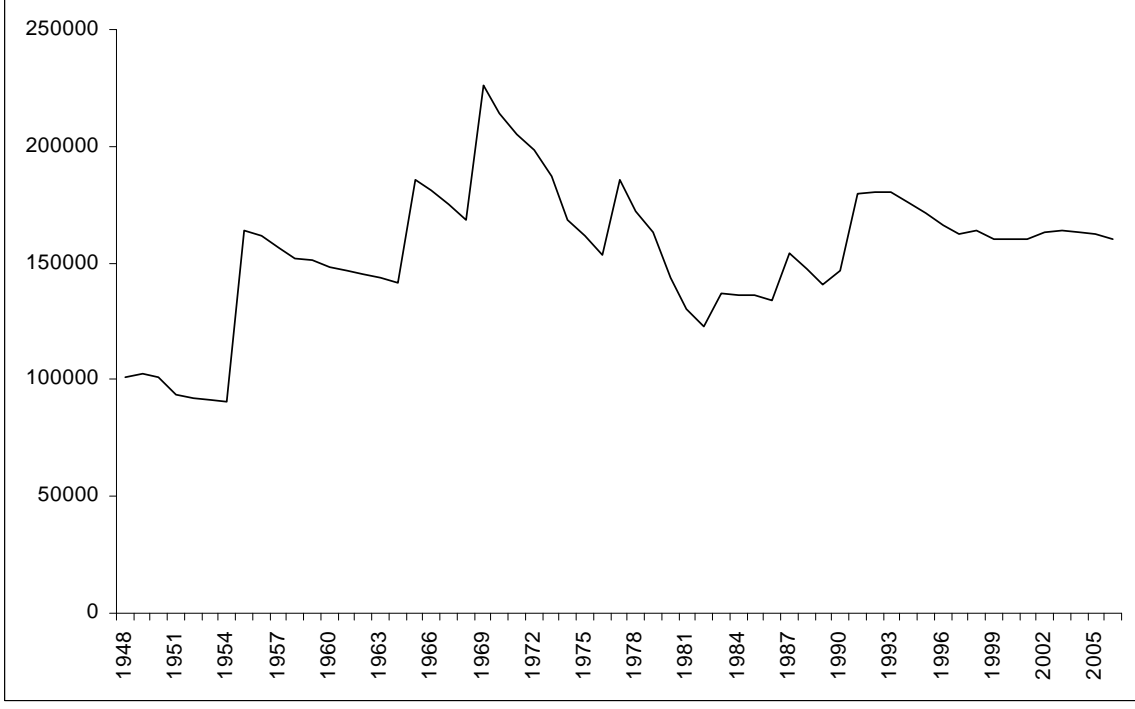
**Figure 4: Characteristics of U.S. legislators by entry cohort**



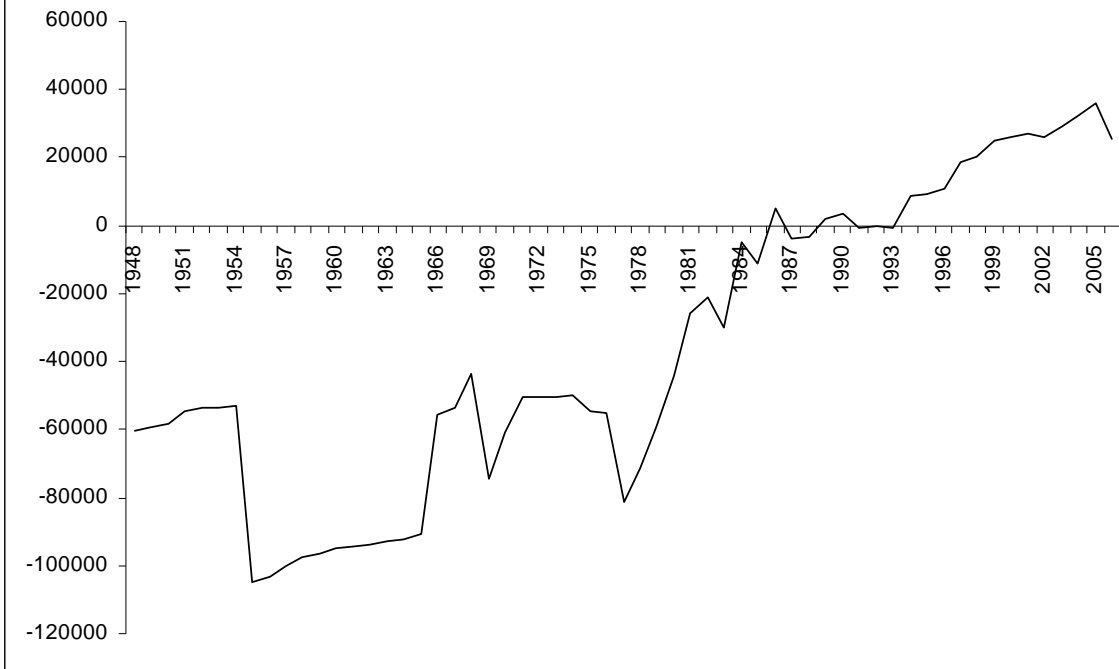
**Figure 5: Real annual parliamentary wage in Italy (2005 Euros)**



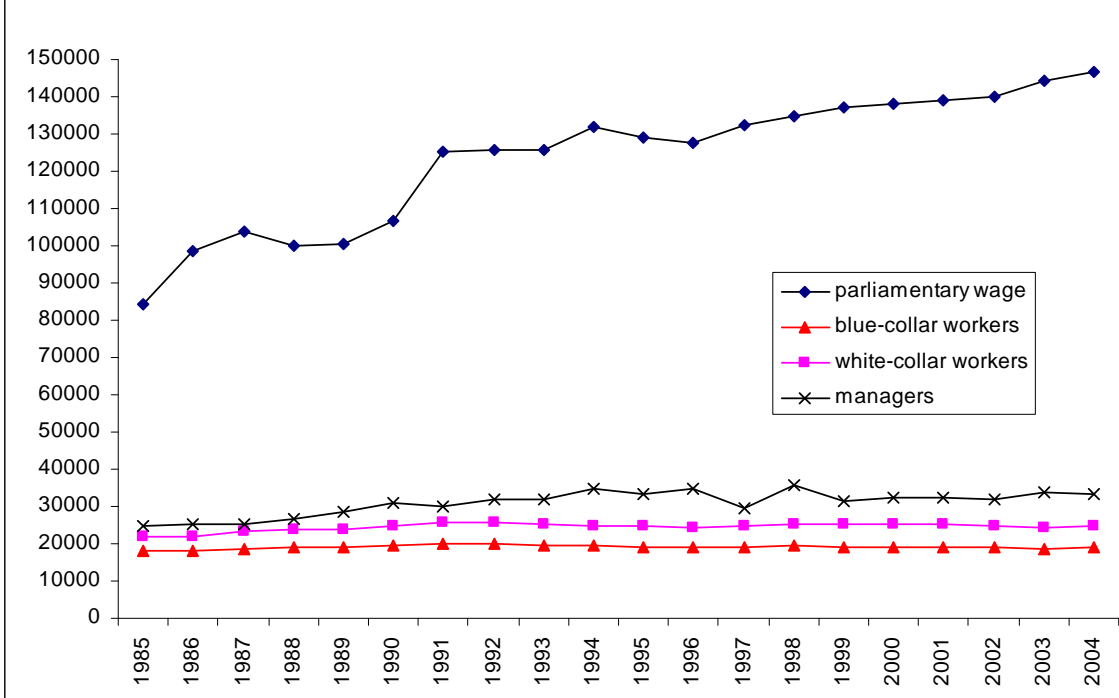
**Figure 6: Real annual congressional wage in the U.S. (2005 USD)**



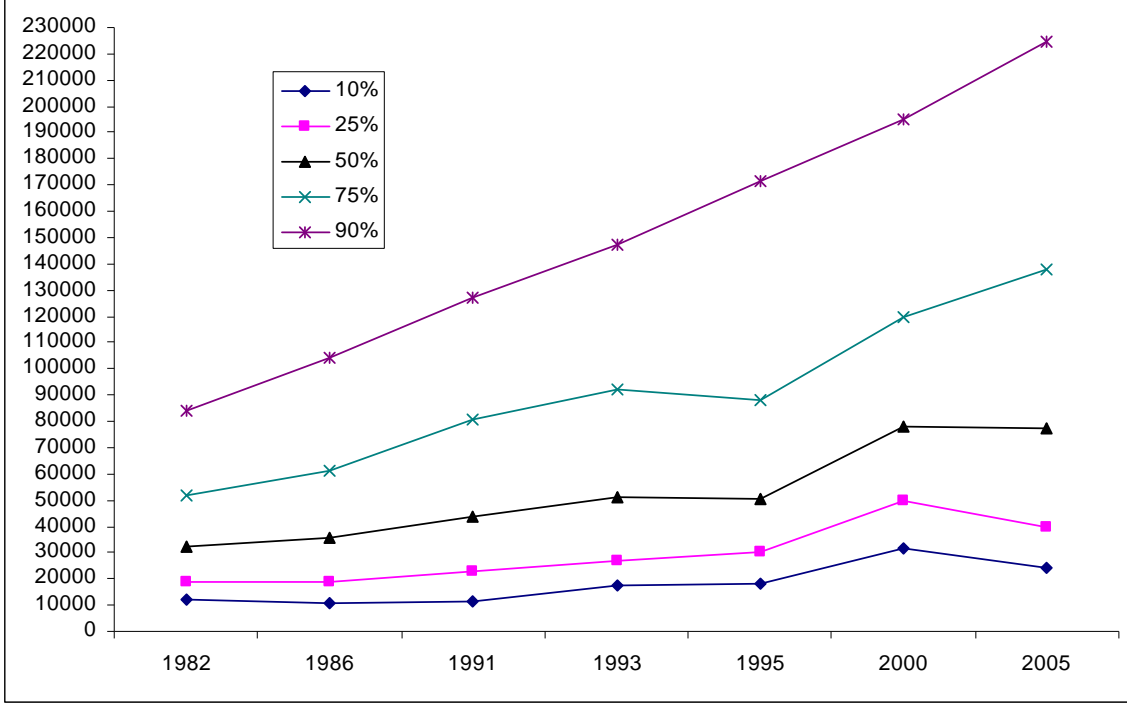
**Figure 7: Difference in real annual wage of Italian and U.S. legislators (2005 Euros)**



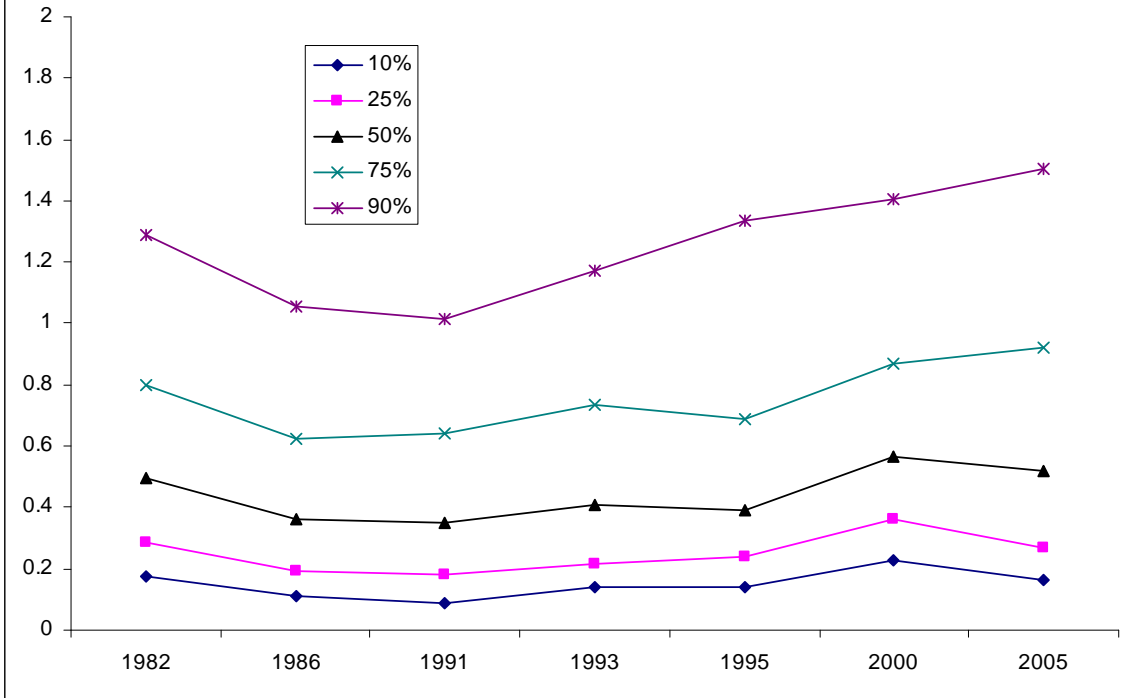
**Figure 8: Average annual real earnings, 1985-2004 (2005 Euros)**

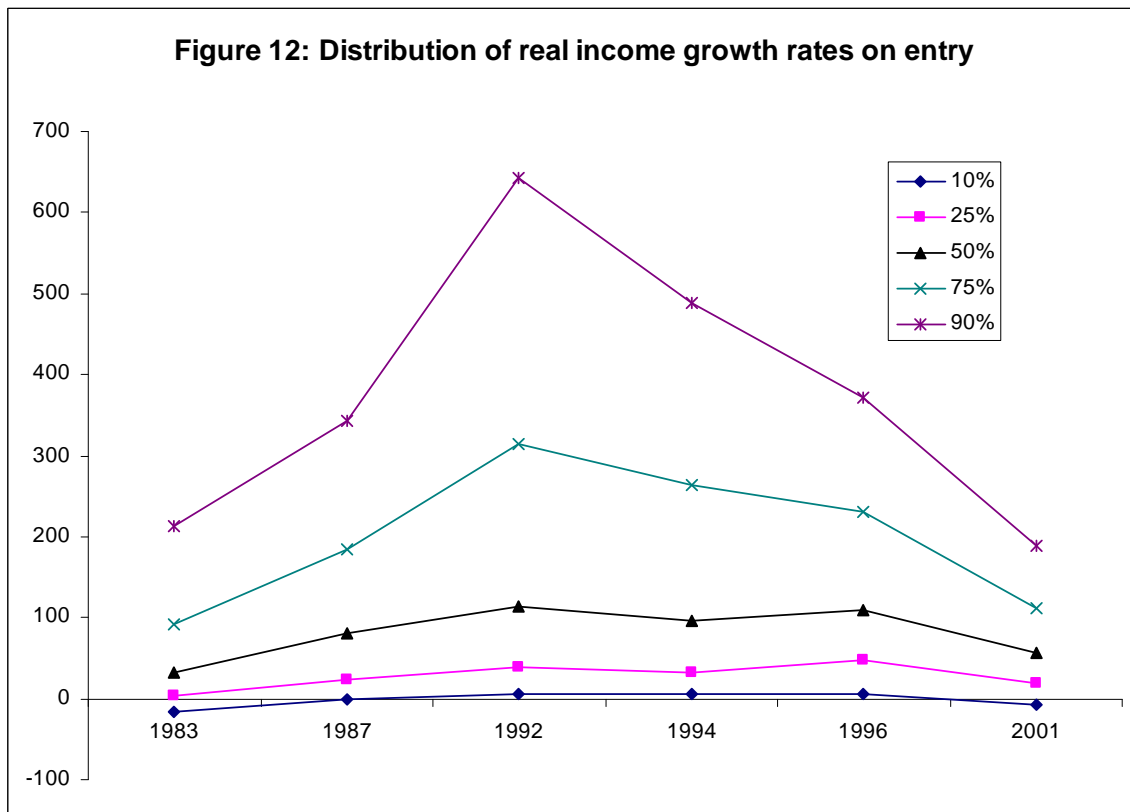
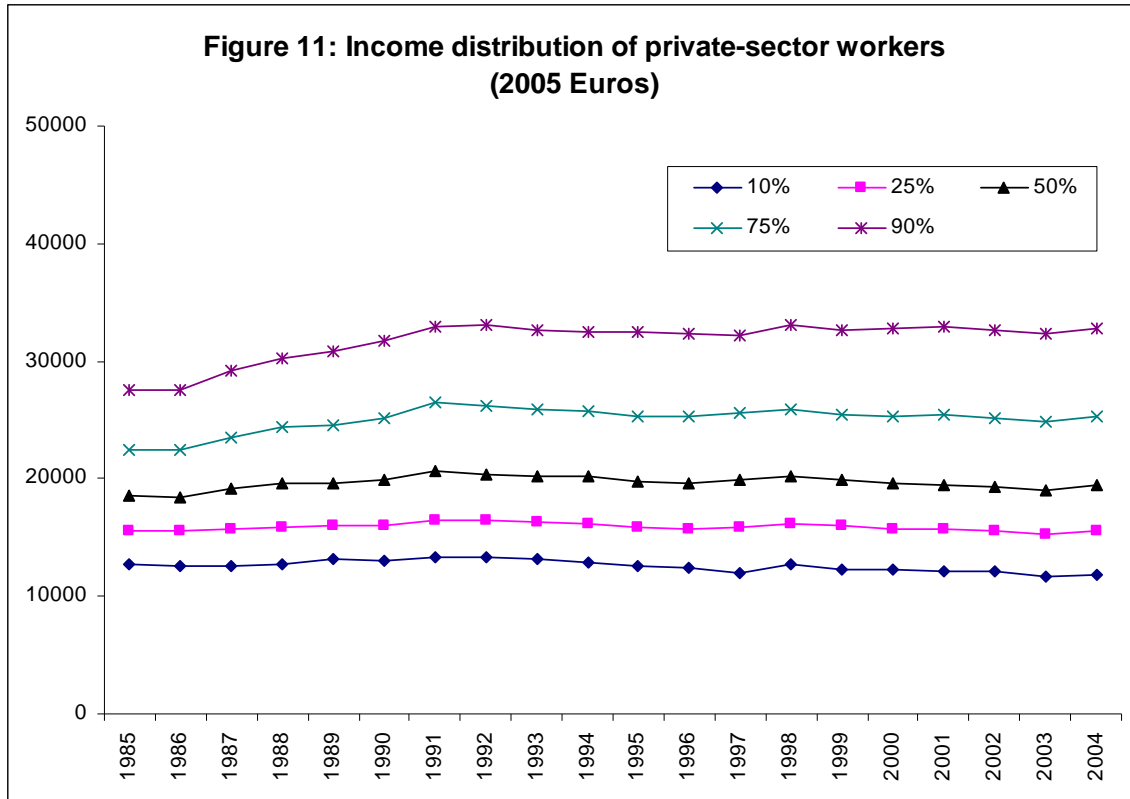


**Figure 9: Income distribution before entry (2005 Euros)**

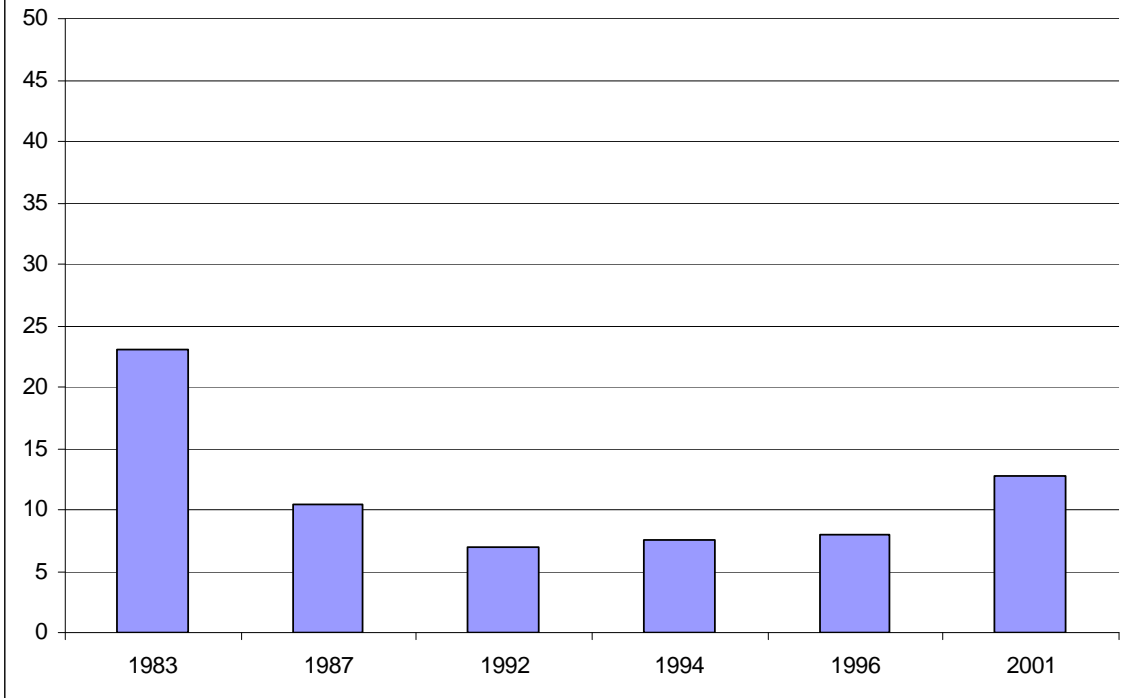


**Figure 10: Income distribution before entry as a fraction of the parliamentary wage**

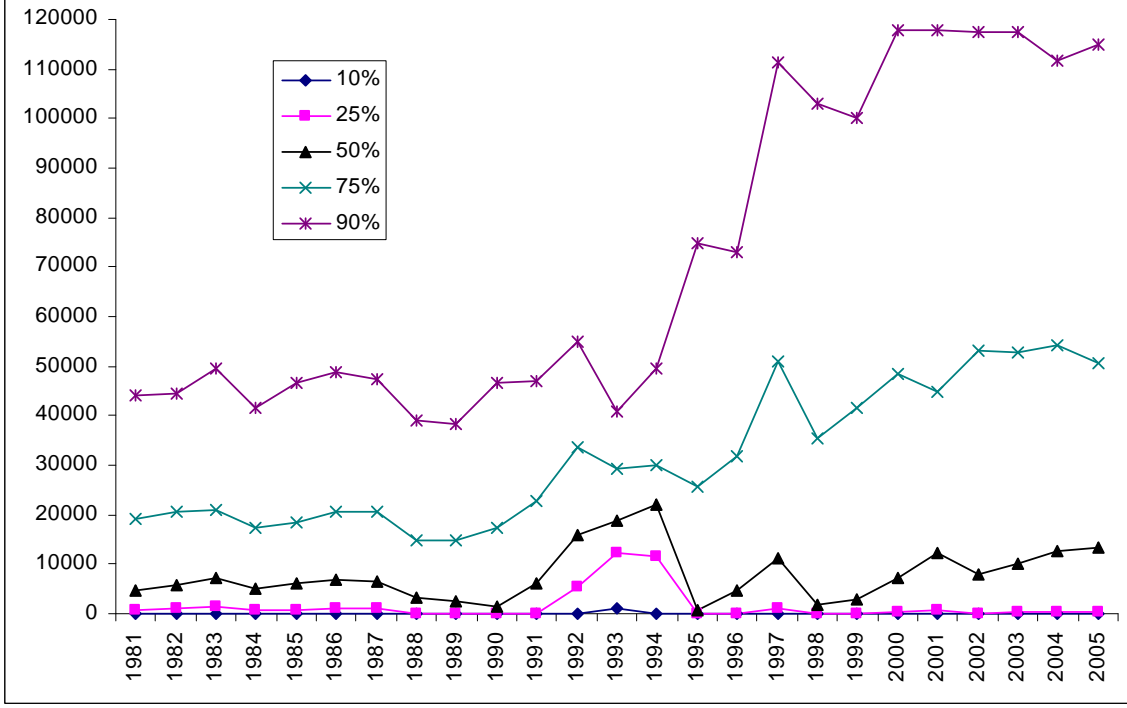




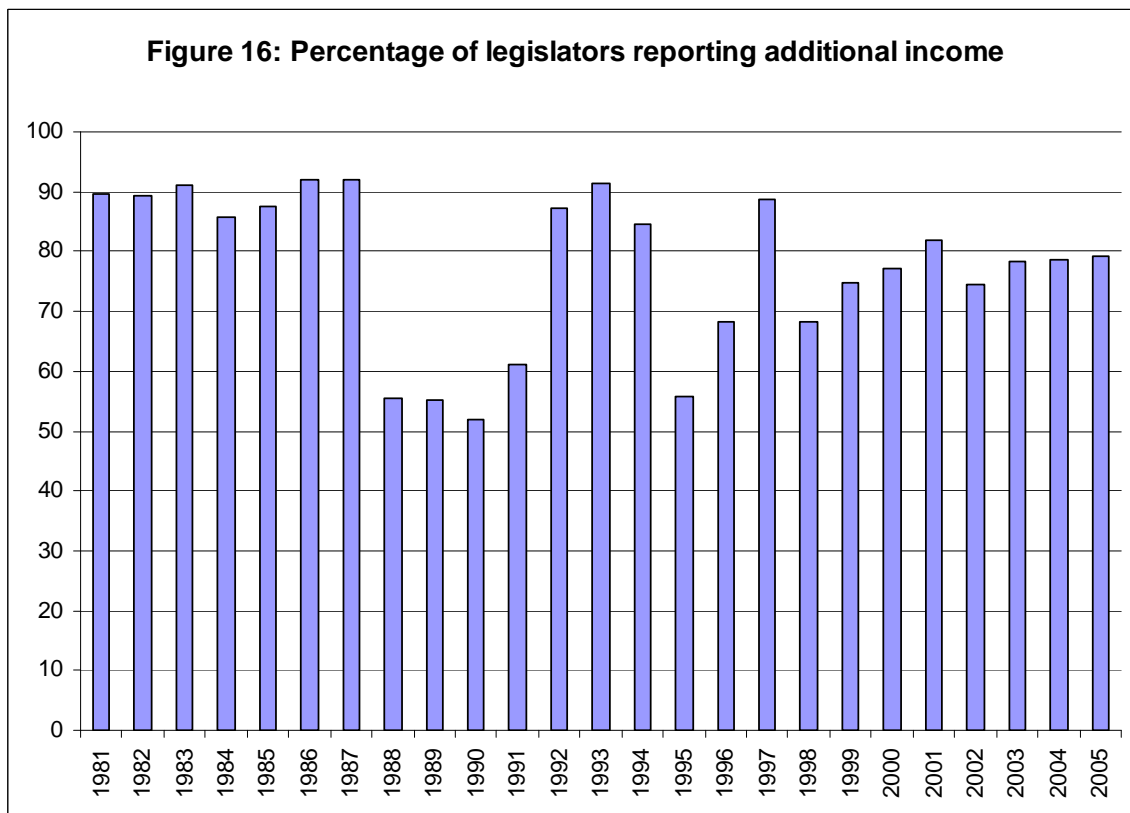
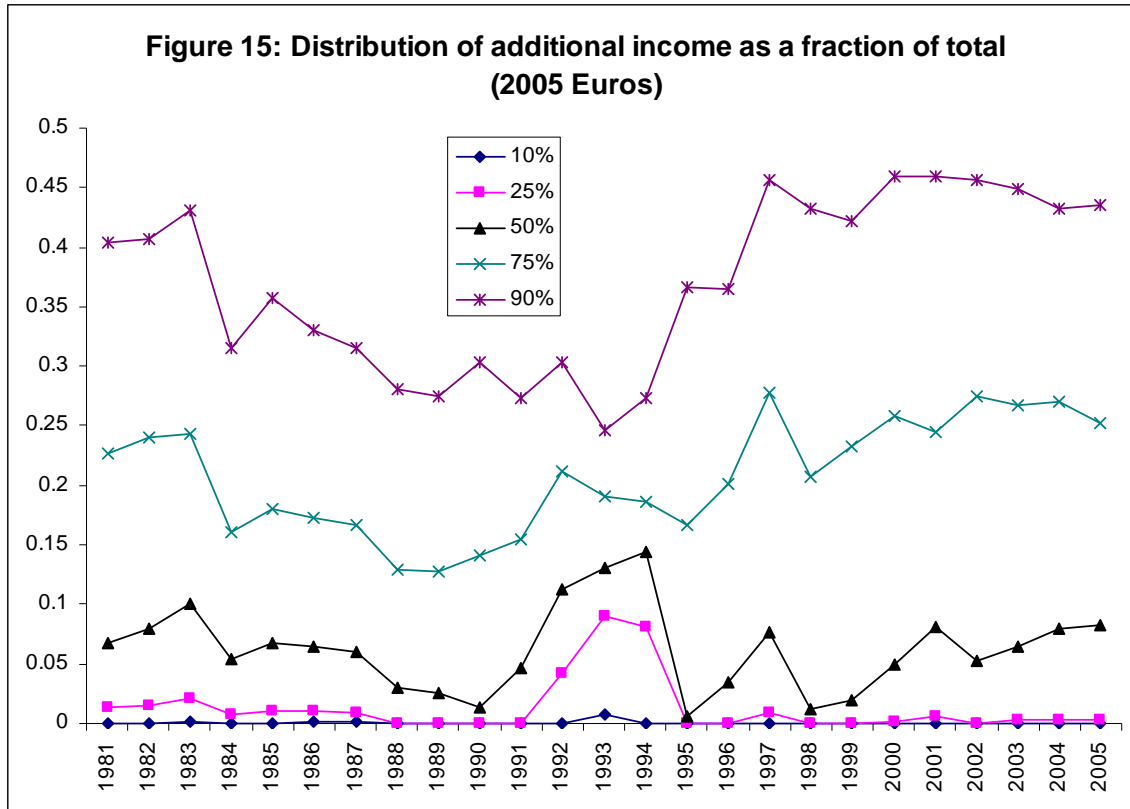
**Figure 13: Percentage of legislators with real income losses on entry**



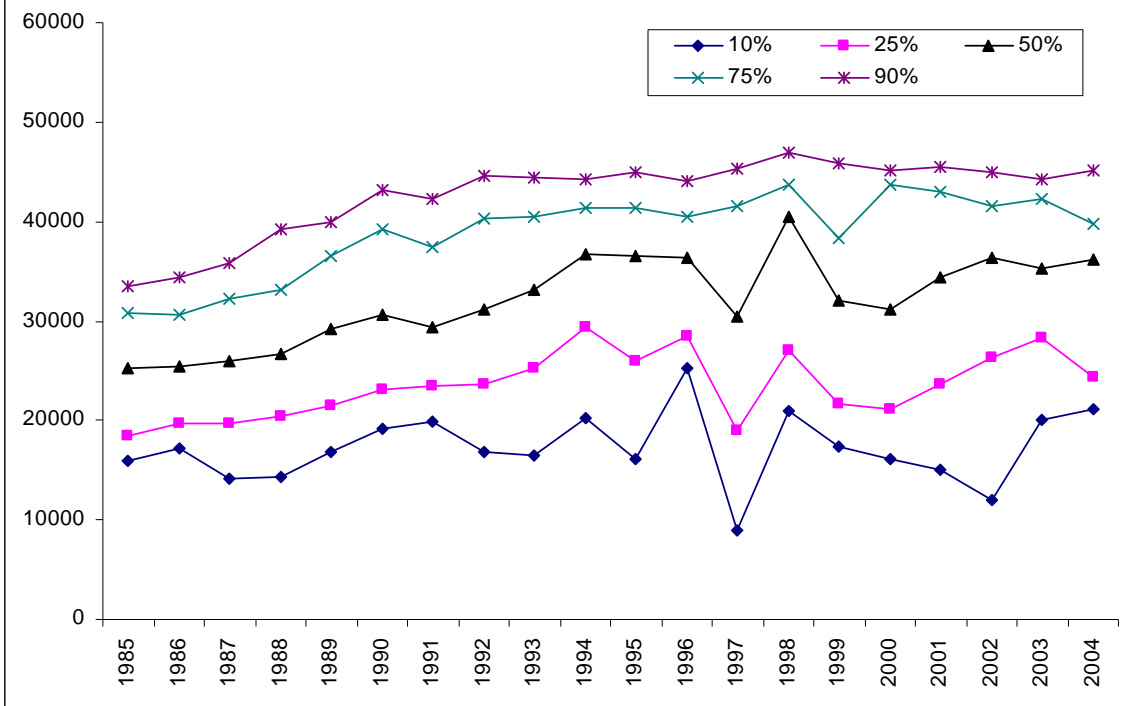
**Figure 14: Distribution of additional income (2005 Euros)**



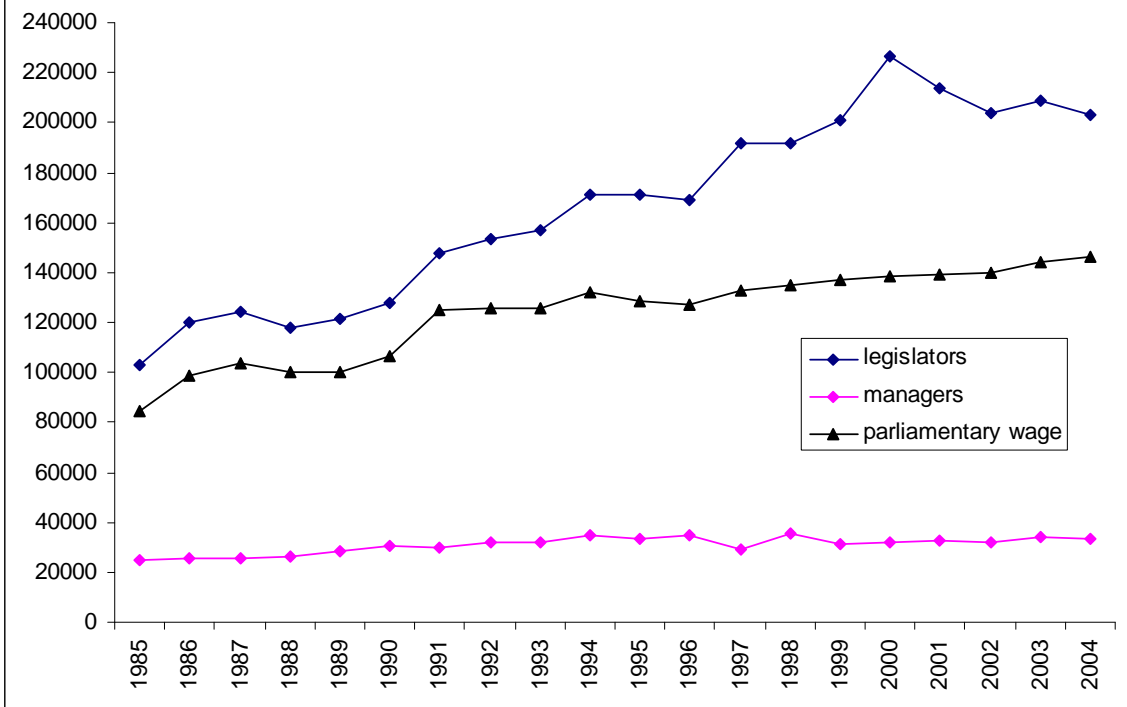




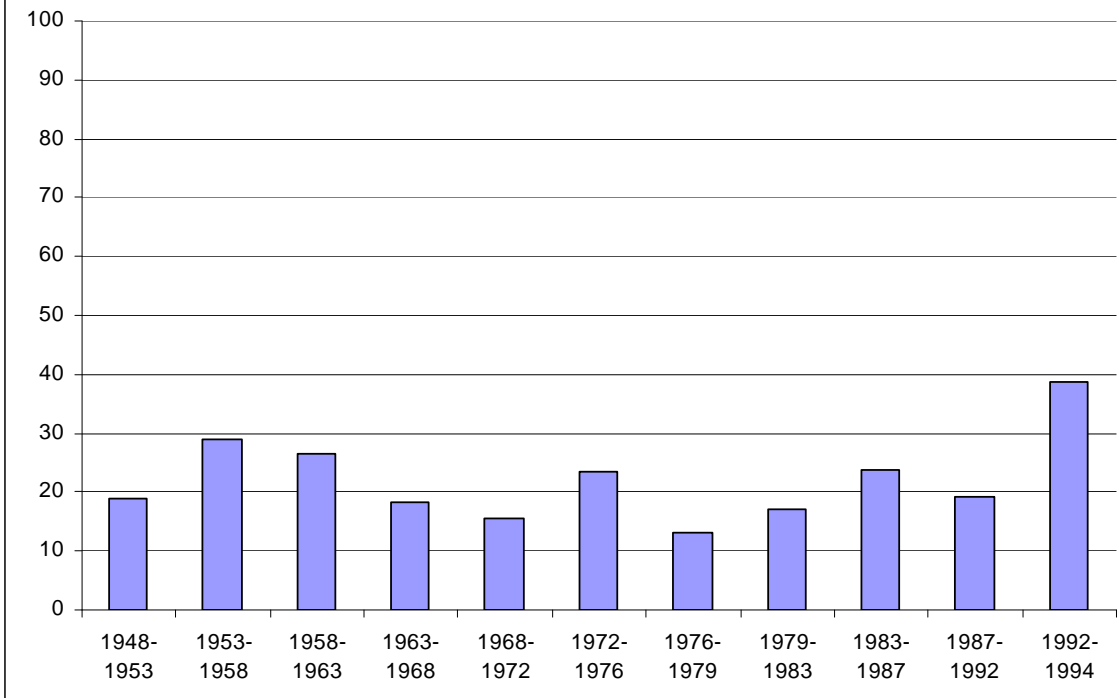
**Figure 17: Income distribution of managers (2005 Euros)**



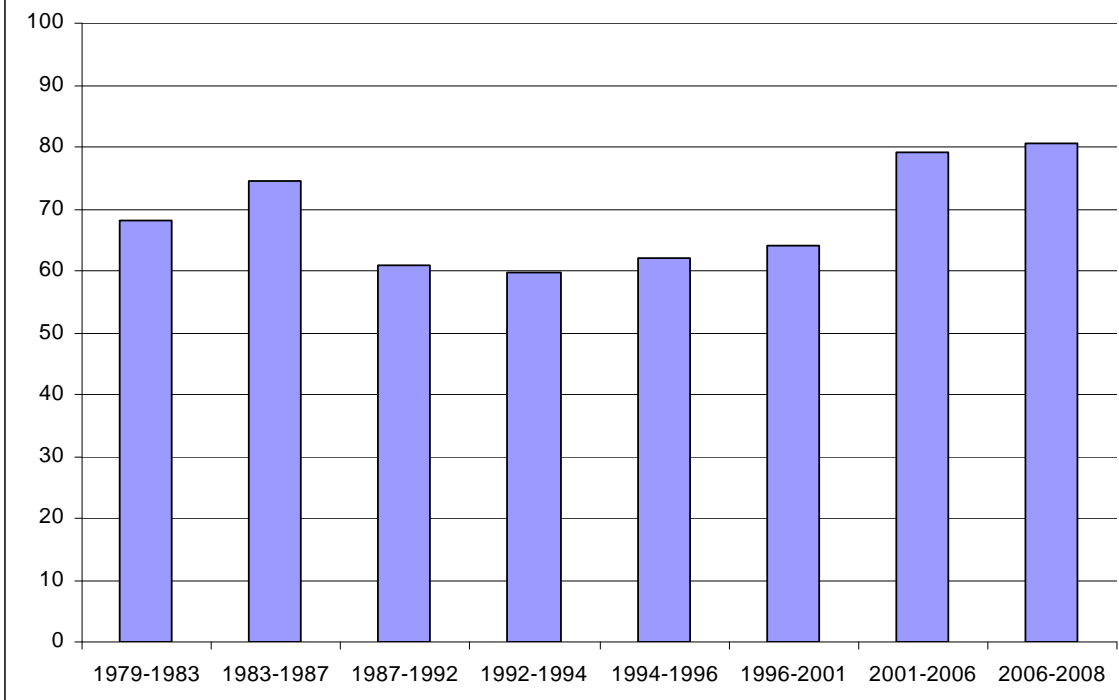
**Figure 18: Average annual real income, 1985-2004 (2005 Euros)**



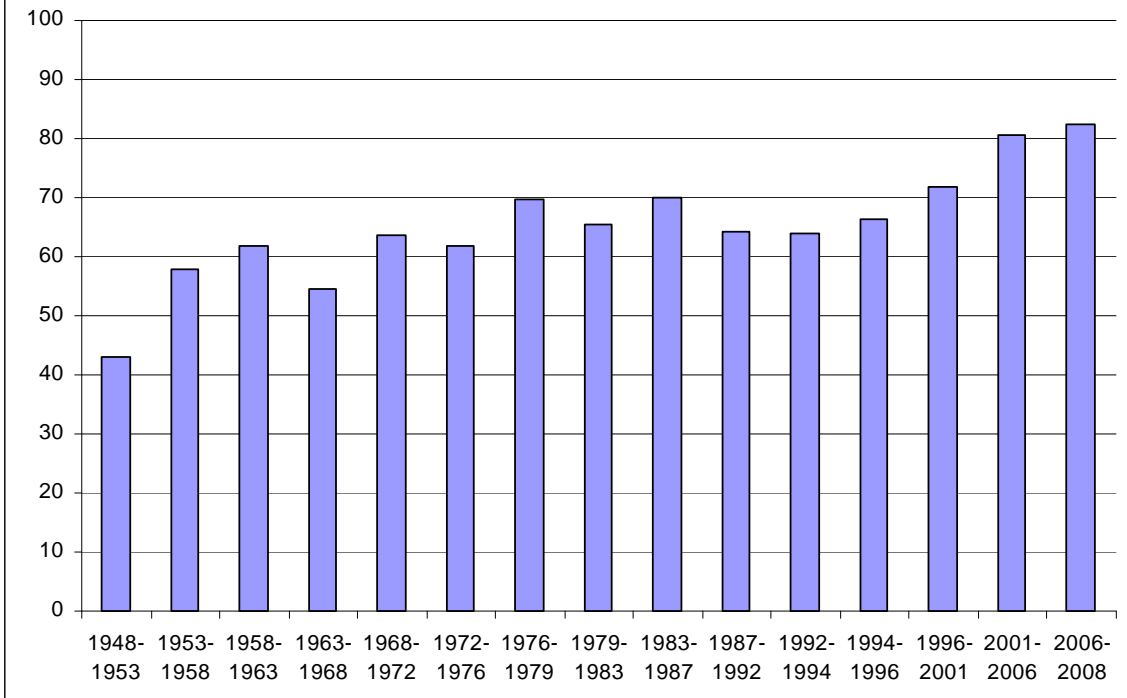
**Figure 19: Scandal rates in the Italian Parliament by legislature**



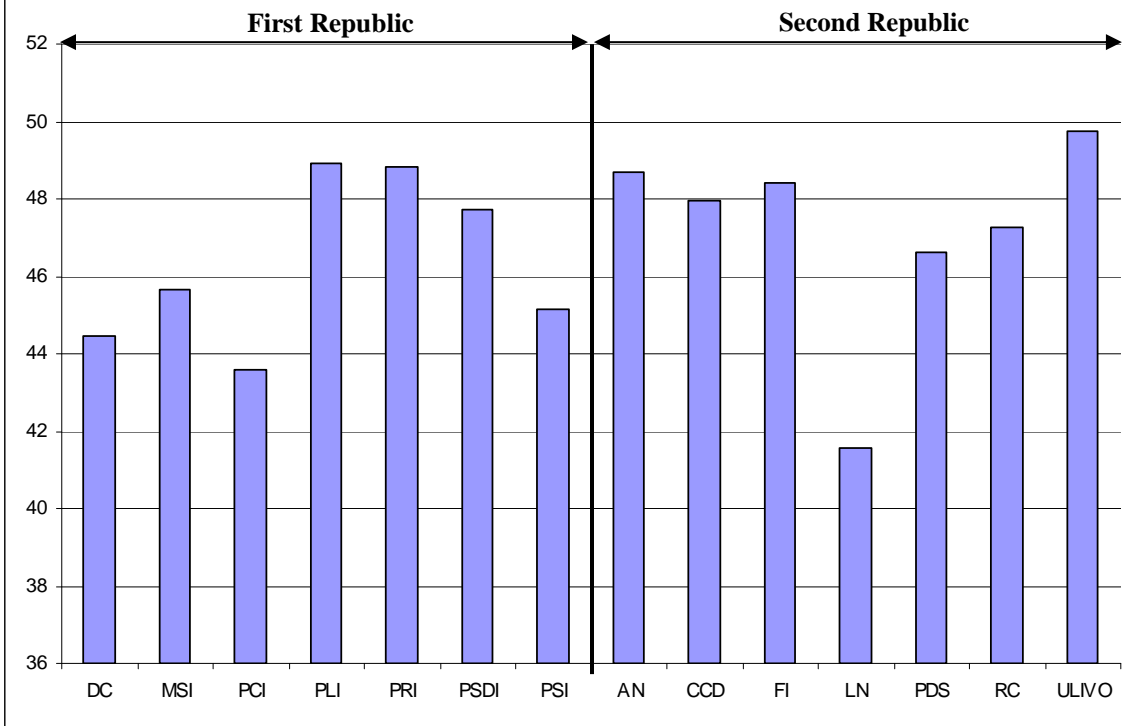
**Figure 20: Attendance rates in the Italian Parliament by legislature**

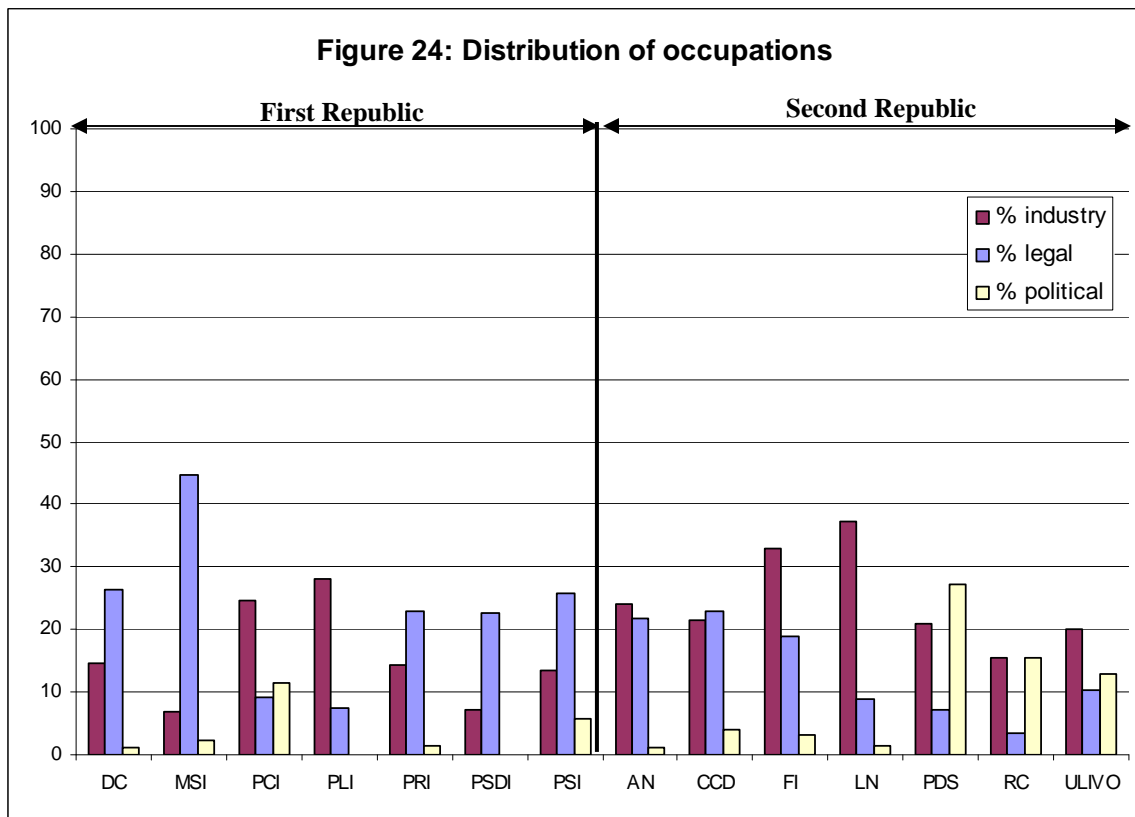
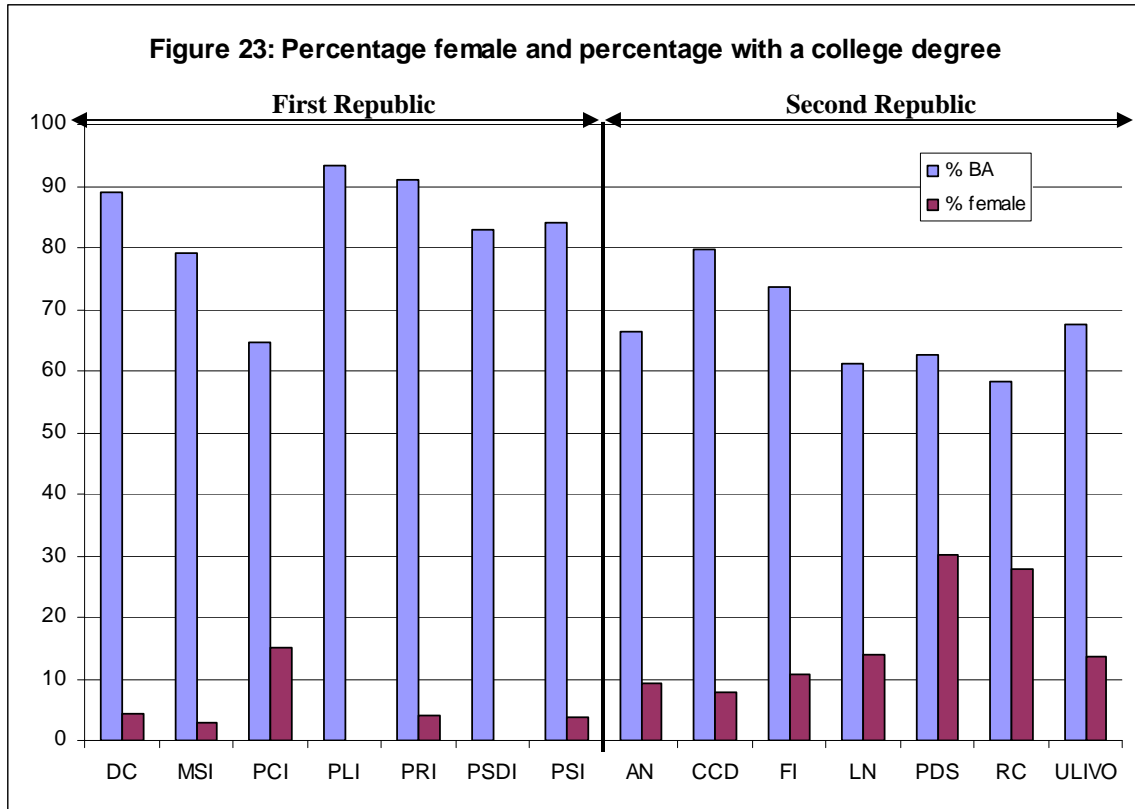


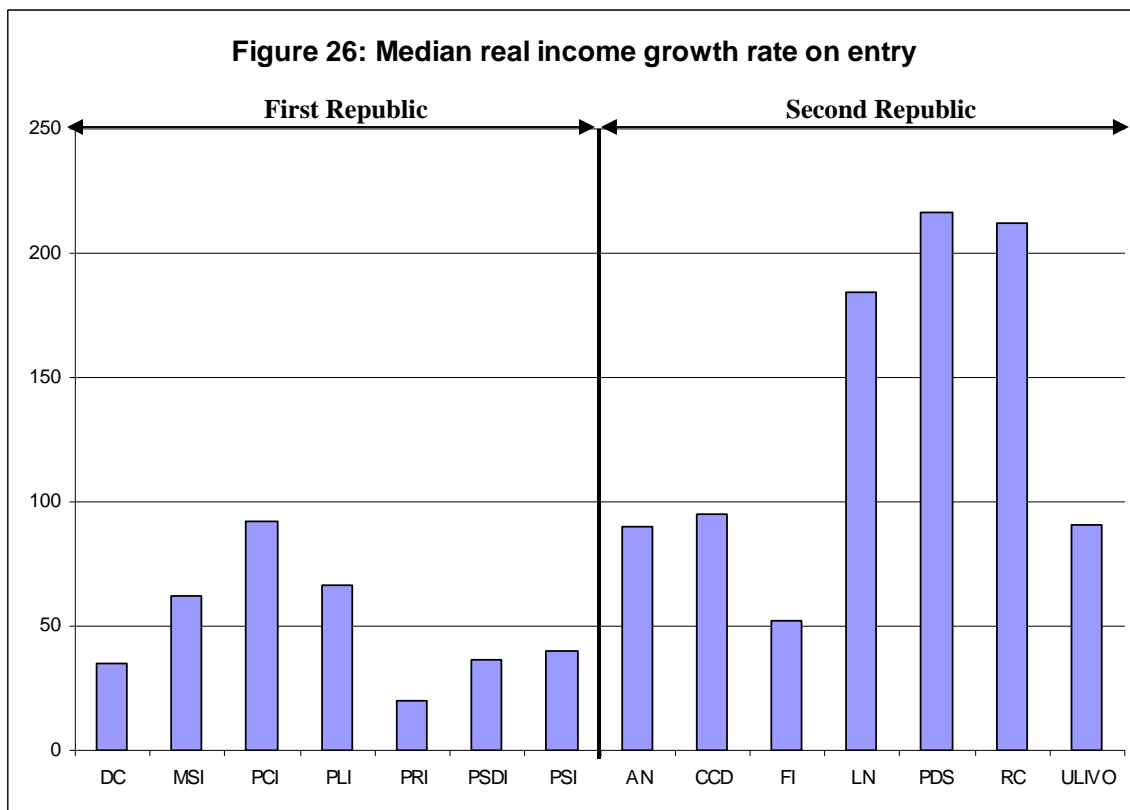
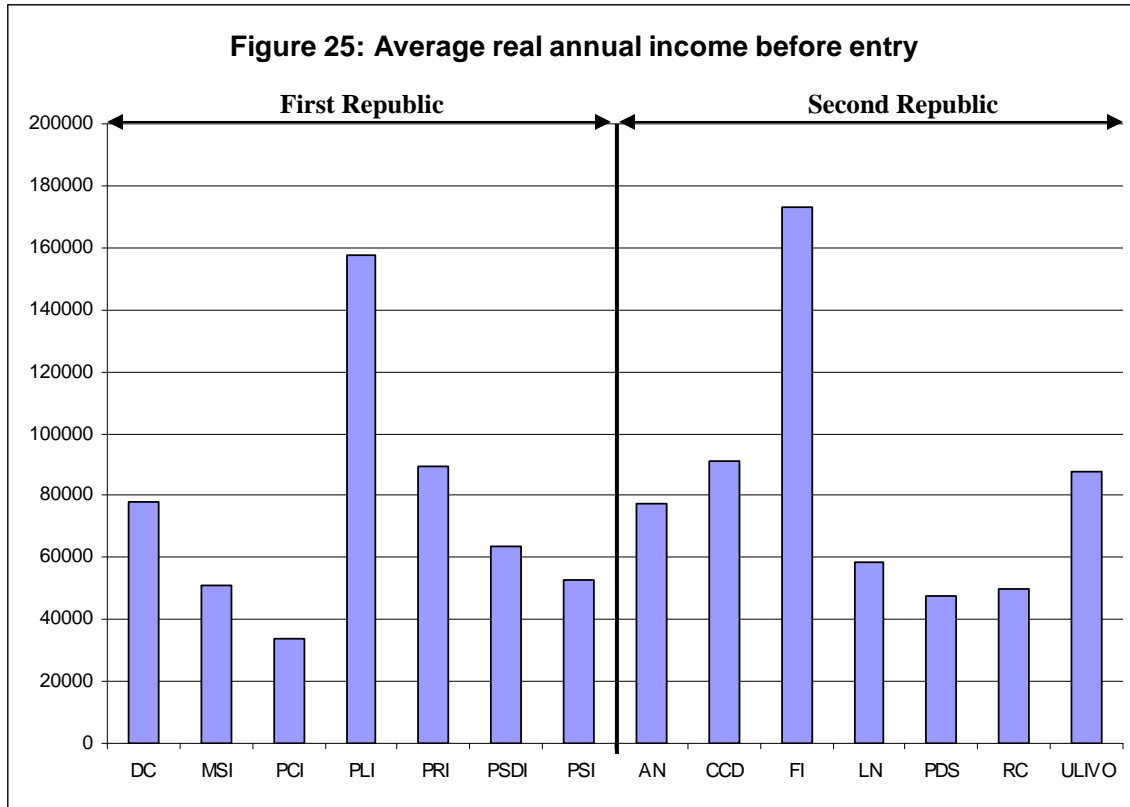
**Figure 21: Attendance rates in the Italian Parliament by cohort**

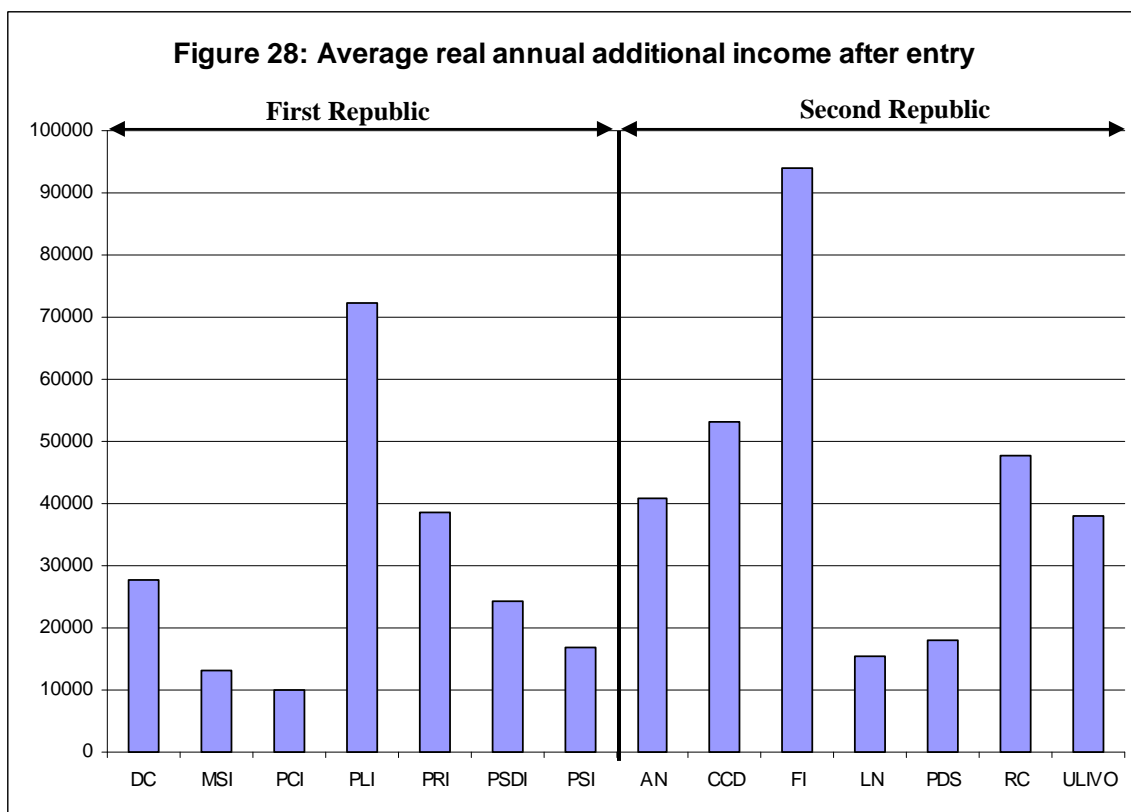
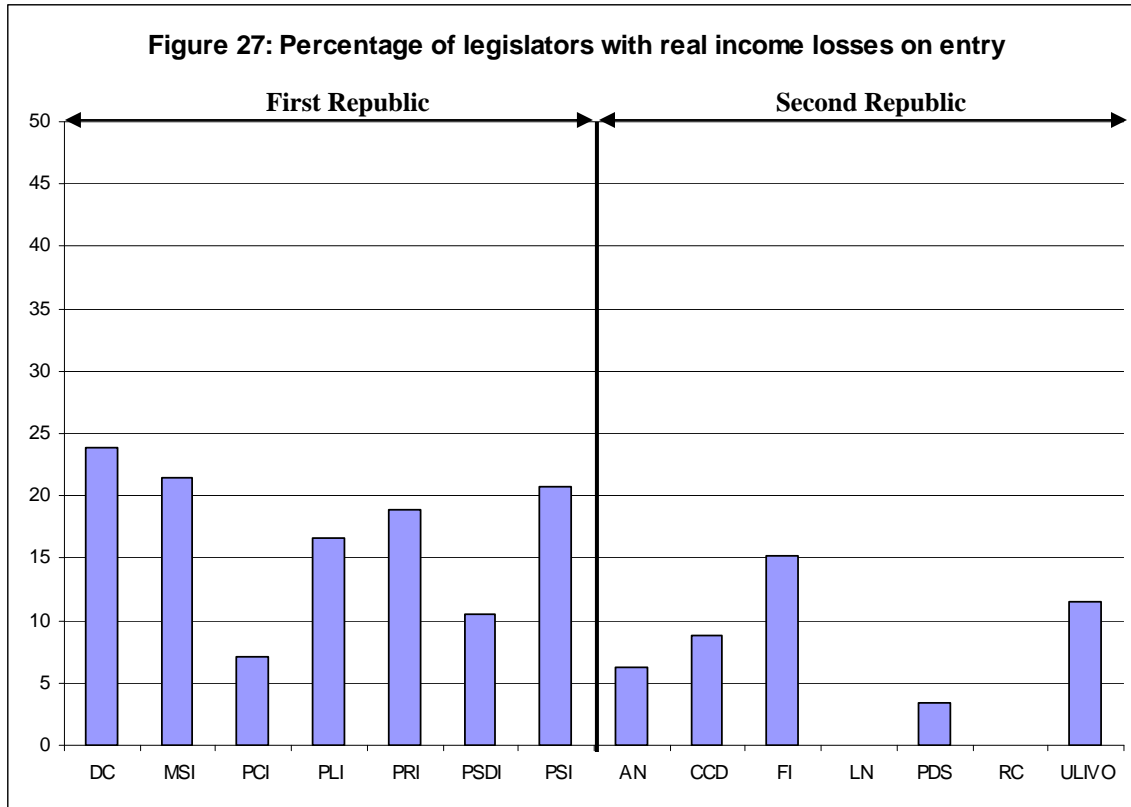


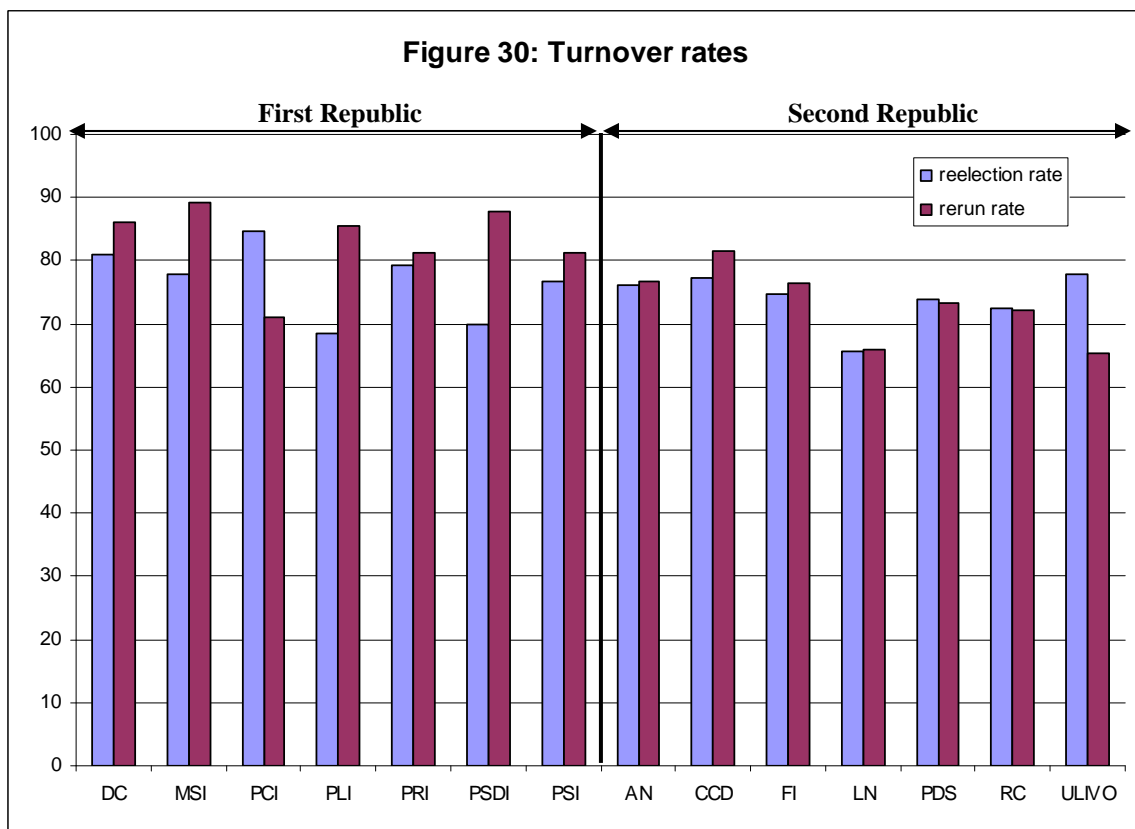
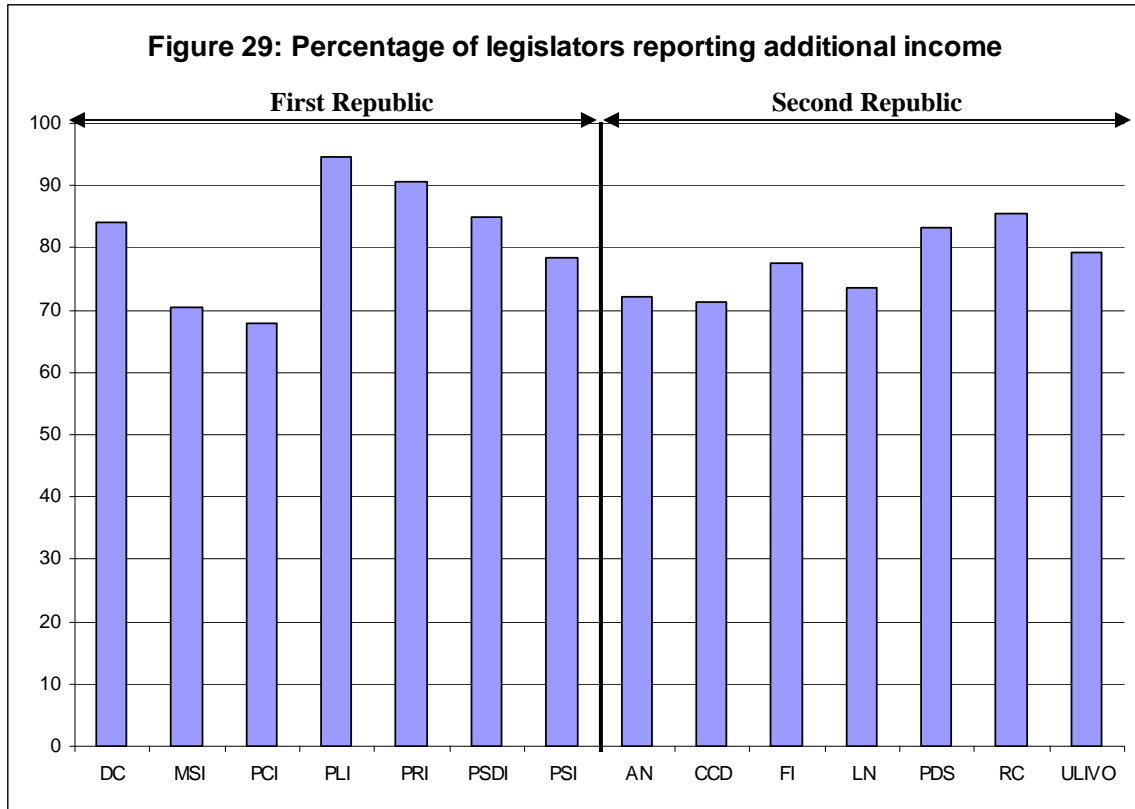
**Figure 22: Average age at entry**



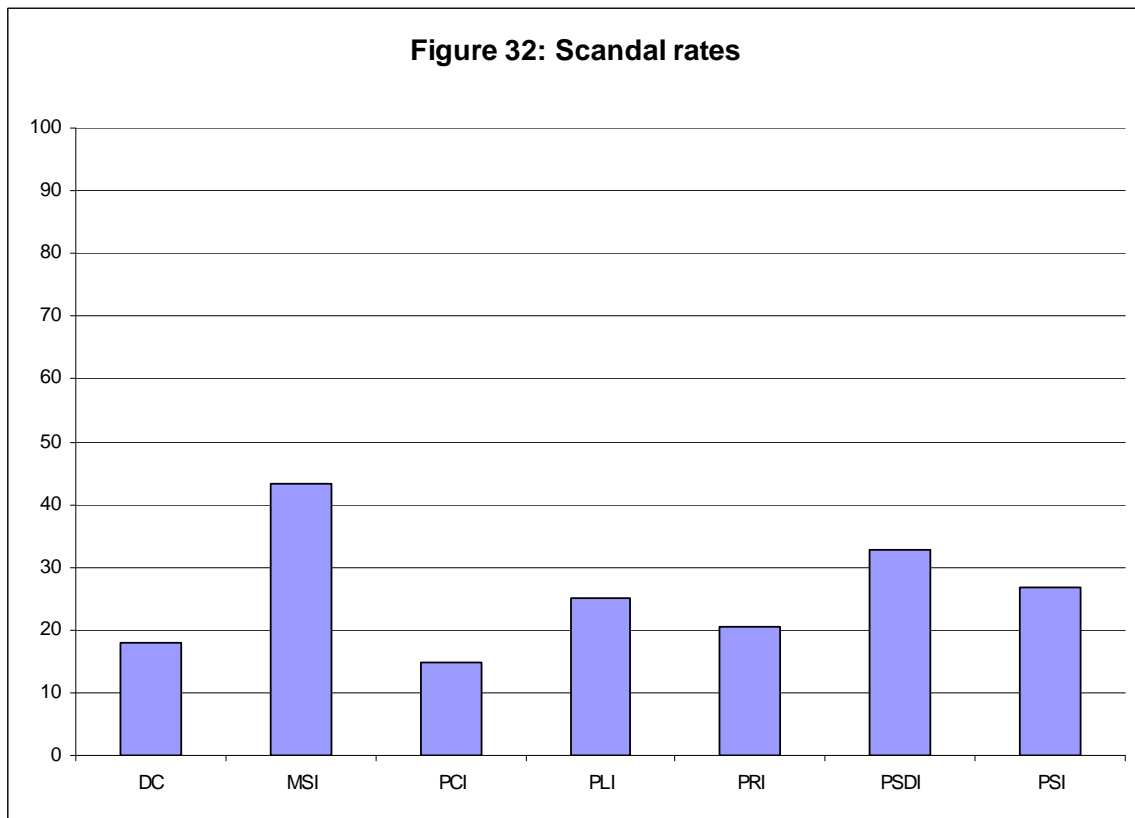
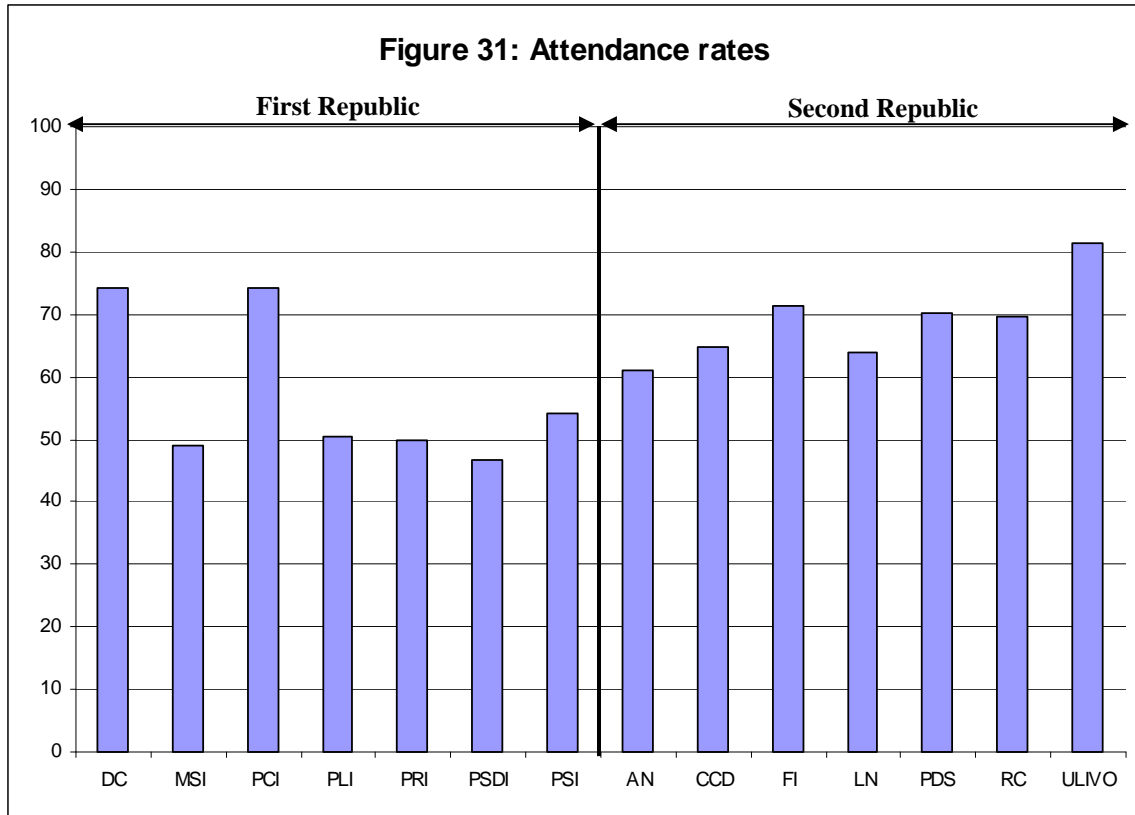












## CHAPTER III: Analysis and conclusions

In this chapter, we use our data to address a number of questions that pertain to the selection of Italian politicians, their labor market, and their overall quality. In order to accomplish this goal we restrict attention to the post-1981 sample for which we observe their annual income and their attendance rates of parliamentary voting sessions. We then draw some general conclusions that contribute to the debate about the relative efficacy and desirability of alternative policies regarding the selection and the compensation of elected representatives.

### 1. The private returns to legislative experience and the quality of politicians

The first question we pose is whether the earnings of politicians prior to entering Parliament can reveal some useful information about the type of individuals who are elected to represent the Italian citizens (since members of the executive are typically selected from among the legislators, this analysis extends beyond Parliament and is also relevant for the government). To address this question we specify and estimate a simple equation where the log of annual real income (expressed in 2005 Euros) in the year before entering the Parliament is regressed on: a vector of demographic characteristics (i.e., age, age square, education level and gender); a set of year dummies corresponding to the start of each Legislature since 1981, LexVIII-LexXV, capturing possible trends and other year effects; a set of dummy variables corresponding to the twelve categories that we used in the previous chapter to classify the pre-Parliament occupations of legislators (we denote them by AGR = agriculture, EDU = education, HTH = health care, INDW = industry workers, INDM = industry managers, LEG = legal, LOB = lobbying, MED = media, MIL = military, POL = political, PUB = public, SE = self-employment); and a set of dummy variables denoting the party affiliation upon entering Parliament which were also introduced in Chapter I (these are AN, CCD, DC, FI. LN, MSI, PCI, PDS, PLI, PSI, PSDI, PSI, RC, ULIVO, plus a residual category OTHER for all other minor parties).<sup>40</sup> The omitted dummies in the regression are LexVIII, PUB and OTHER, so that the

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<sup>40</sup> Recall that according to our classification CCD includes *Centro Cristiano Democratico*, *Cristiani Democratici Uniti* and *Unione dei Democratici Cristiani* and ULIVO includes *l'Ulivo*, *La Margherita* and *Democratici di Sinistra*.

benchmark group are the legislators affiliated with a minor party who entered the Parliament during the 8<sup>th</sup> Legislature coming from employment in the public sector. Due to the possible presence of outliers, we performed a robust regression (Huber) as well as a quantile (median) regression. The results are reported in Table 1.

Before interpreting our findings, note that the results are remarkably stable across the two estimations performed, and appear to be quite robust.<sup>41</sup> The first set of findings refers to the (cross-section) relationship between the demographic characteristics of the sample of individuals who are elected to the Italian Parliament and their real annual earnings in the year before they are first elected. Note that, holding everything else constant, the pre-Parliament income of female legislators is between 20.5% and 21.8% lower (depending on whether we look at the robust or the median regression) than that of male legislators, and a college degree increases the pre-Parliament income of legislators by between 30.8% and 32.2%. Also, the average (and median) pre-Parliament earnings of the legislators coming from the public sector are comparable to those of the legislators coming from the legal and the media sector as well as from managerial occupations in the industry sector, and are significantly higher than those of legislators coming from other sectors. Most importantly, even after controlling for demographic characteristics, sector of employment and differences across time period, many of the coefficients associated with party dummies are statistically different from zero. They are positive for (in order of the size of the estimated coefficient) PLI, PRI, DC, FI and PSI, and negative for LN and RC; for all other parties the coefficients are not statistically different from zero. This finding clearly indicates the presence of unobserved heterogeneity with respect to the (income-earning) ability of legislators, and may be interpreted as a measure of the relative success of different parties to recruit higher-quality politicians. On the other hand, another possible (although more cynical) interpretation is that being affiliated with specific parties generates different employment opportunities, and the simple cross-section regressions we performed cannot determine which interpretation (if either) is correct. We return to these issues in more detail below.

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<sup>41</sup> In addition to the results reported here, we performed a number of robustness checks using a variety of specifications and alternative estimation techniques (including simple OLS), all of which produced point estimates which are within the confidence intervals of the estimated parameters in Table 1.

The second issue we consider here is to measure the private returns to an individual from a career in politics. In particular, using our data we can quantify the returns to experience in the Italian Parliament, or in other words the extent to which each year spent in Parliament increases a legislator's income from sources outside of the Parliament. To achieve this goal, we specify and estimate a panel regression model where the log of the annual real income of legislators (in 2005 Euros) from all sources other than the parliamentary wage (henceforth, extra income) is regressed on: the legislators' age and age square; their parliamentary experience (measured by their number of years in Parliament) and experience square; the fraction of the year they are in Parliament (which is equal to zero the year before they are elected for the first time, a number between zero and one the year they are first elected and their last year in Parliament, since the beginning of a new Legislature never coincides with the beginning of a calendar year, and one otherwise); and a set of time (year, Legislature, and cohort specific) dummy variables which capture possible trends in real income and all other effects systematically related to events occurring over time (like, for example, changes in the real parliamentary wage). In addition, the error term in the panel regression contains two components: an idiosyncratic term capturing random (iid) shocks, and an individual specific component or fixed effect. The role of the fixed effects is to control for all (observed and unobserved) characteristics of each individual legislator. In addition, to the extent that earning (and reporting) extra income is the consequence of a choice each individual makes, the fixed effects also control for the "selection effects" such choices may introduce in the data. The results are reported in Table 2.

As we can see from Table 2, holding everything else constant, the amount of extra annual income a legislator earns decreases with the fraction of the year the legislator is in Parliament, but does not vary with his or her age. Most importantly, it significantly increases with experience. Using our estimates, we calculate that the first year in Parliament increases the extra wage of a legislator by 4.2%. The marginal effect of an additional year in Parliament then declines slowly with the number of year in Parliament and reaches zero after 12 years of experience. Diermeier, Keane and Merlo (2005)

performed a similar exercise for the U.S. and estimated the returns to congressional experience in post-congressional wages. They estimated an annual rate or return in all post-congressional occupations of 2.6% for the first year in Congress, and found that the marginal effect of an additional year in Congress decreases quite rapidly with experience. Figure 1 plots the estimated marginal returns as a function of the number of years of legislative experience for both countries. It is interesting to note that in addition of being higher, the returns to legislative experience in Italy are earned by a politician during his or her parliamentary tenure, while U.S. legislators can only realize such returns after they leave Congress.

In our data set, there is a small sample of 108 individuals who enter the Parliament for the first time after 1981, exit Parliament and then reenter prior to 2006. This implies that for these individuals we observe their annual income while they are not in Parliament both before and after their first spell of Parliamentary tenure. While this sample is hardly representative of the entire population of Italian legislators, we can nevertheless use these observations to supplement our previous analysis and gain some insights about the overall returns to parliamentary experience. A simple calculation based on the difference between the two annual incomes (both expressed in 2005 Euros) for each of the individuals in this sample, yields an average (median) return per year of experience in Parliament of 4,276 Euros (3,251 Euros) corresponding to a 23.1% (10.2%) increase over their annual income before their first entry.

We are now in a position to revisit the issue related to the quality of politicians and potential differences across parties in their ability to recruit legislators of different quality. Furthermore, we also want to assess the extent to which the quality of politicians has changed over time, especially between the First and the Second Republic. An important aspect of the quality of politicians is their skill endowment, which includes both observable characteristics (e.g., education), as well as characteristics which are intrinsically hard to measure directly (e.g., general ability). In addition to the estimates reported in Table 2, the panel regression we performed to estimate the returns to political experience in Parliament also generated estimates of the individual fixed effects, one for

each of the 2,760 legislators in our sample for whom we have data on their annual income. Recall that an individual's fixed effect summarizes all of his or her characteristics that are fixed over time and that are relevant for his or her income-earning ability. In other words, it represents a summary of an individual's overall endowments (both observable and unobservable). To the extent that the individuals' skills in the labor market are positively correlated with their ability as politicians (see, e.g., Mattozzi and Merlo, 2008), decomposing the fixed effects into their two components (that is, the part that can be explained by measurable characteristics and the residual), can shed some light on the overall skill endowments of Italian politicians.

To accomplish this goal, we regress these fixed effects on individual-specific observable characteristics (namely, education, gender, and sector of employment prior to election to Parliament), and then summarize the distribution of the residuals we obtain from this regression (which represents a summary measure of the individuals' unobserved "ability"), for each party as well as for each group of legislators who were first elected to the House during the First Republic (Legislatures VIII-XI), and the Second Republic (Legislatures XII-XV).<sup>42</sup> The results are reported in Table 3.<sup>43</sup> Note that a value of zero denotes politicians who are "average," while positive (negative) values denote politicians who are above (below) average. Figure 2 plots the percentage of elected legislators of each party whose "ability score" is positive.

As we can see from Table 3, the median ability score of their elected representatives is positive for all the major parties of the First Republic, while it is negative for all the major parties of the Second Republic. The same is true with respect to the mean ability

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<sup>42</sup> Recall that although the First Republic also included Legislatures I-VII, we can only perform this analysis for Legislatures VIII-XV because of the lack of pre-1981 income data.

<sup>43</sup> Since, as we mentioned above, the fixed effects may also capture (labor supply) selection effects related to the fact that a fraction of the legislators does not report positive extra income while they are in Parliament, to assess the robustness of our findings we also performed a Heckman two-step estimation procedure. The procedure consists of a first step where we estimate a Probit model of the probability of reporting positive extra income as a function of all of the individual variables, including party affiliation and cohort of first entry into the Parliament, and the parliamentary wage, and a second step where we regress the fixed effects on the individual-specific characteristics and an extra term (the inverse of the Mills ratio from the first step) that captures possible selection effects. The results we obtained from this alternative procedure are very similar.

score, except that FI has a positive score, although very close to zero. Within each set of parties, their relative ranking based on their median (mean) ability scores is PLI, PRI, PSDI, DC, MSI, PSI, and PCI (PLI, PRI, PSDI, DC, PSI, MSI and PCI) among the parties of the First Republic;<sup>44</sup> among the parties of the Second Republic, their relative ranking based on their median (mean) scores is FI, PDS, ULIVO, AN, CCD, RC and LN (FI, PDS, RC, ULIVO, CCD, AN and LN). With respect to how homogenous the quality composition of the group of legislators of each party is, measured by the interquartile range (i.e., the distance between the 25<sup>th</sup> and the 75<sup>th</sup> percentile), the most homogenous (heterogeneous) parties of the First and Second Republic are DC and LN (PLI and FI), respectively. Looking at Figure 2, we observe that the party with the largest fraction of “above average” legislators in the First Republic is the PLI (with 87%), followed by PSDI (80%), PRI (76.8%), DC (73.5%), PSI (60%), MSI (59.7%), and PCI (58%).<sup>45</sup> Among the parties of the Second Republic, the party with the largest fraction of “above average” legislators is FI (with 48%), followed by ULIVO and CCD (36%), RC (34.2%), AN (33%), PDS (31.6%), and a distant last LN (with only 18.6%). Overall, we observe that the switch from the First to the Second Republic lead to a dramatic worsening of the quality of the cohorts of politicians who have entered Parliament after 1994. In fact, the fractions of “above average” new legislators who were elected to the Parliament during the First and the Second Republic are equal to 61.9% and 35.2%, respectively.<sup>46</sup> This decline goes hand in hand with the dramatic decrease in the average level of education of

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<sup>44</sup> In interpreting these findings, it is worth recalling that, as noted in Chapter I, the best Communist politicians were more likely to be members of the Central Committee rather than MPs, while holding a seat in Parliament was common practice within the DC leadership.

<sup>45</sup> These results confirm once more the potential perils of basing an analysis of the political parties’ recruitment function solely on the socio-occupational characteristics of their MPs. For example, Figure 2 shows that MSI and PSI were equally able to select “above average” legislators, despite the fact that MSI was selecting politicians mainly from the legal sector and PSI from the industry and political sectors as well (see Figure 24, Chapter II). A similar argument applies to the three elite parties of the First Republic, i.e., PLI, PRI and PSDI.

<sup>46</sup> It is useful to point out that there are no noticeable differences in the distributions of ability scores across the four different cohorts that first entered the Parliament in 1994, 1996, 2001 and 2006, respectively, except for a slight improvement in the relative ability of the cohort elected in Legislature XV. For example, the fractions of “above average” new legislators who were elected to the Parliament in Legislatures XII-XV are 33.7%, 35.8%, 34.2% and 40%, respectively.

the newly elected MPs, which as we pointed out before, has been a staple of the Second Republic (see Figure 3, Chapter II).<sup>47</sup>

It is interesting to relate our findings on the deterioration of the quality of elected legislators (both with respect to their “ability score” as well as their level of education) in the period 1994-2006 relative to the earlier period (1981-1994), with what happened to the parliamentary wage. As we described in Chapter II, during the period 1981-2006 the (real) parliamentary wage displays a monotonically increasing pattern (see Figure 5, Chapter II). Furthermore, while in the late 1980s and early 1990s it was comparable to the (real) congressional wage of U.S. legislators, since 1994 it has become larger (see Figure 7, Chapter II). Thus, there appears to be a negative correlation between the quality of elected legislators and the parliamentary wage.

Recently, political economists have begun to investigate the relation between relative salaries in the political and private sectors and the behavior of politicians. For example, Besley (2004), Caselli and Morelli (2004) and Messner and Polborn (2004) model the relationship between relative wages of elected officials and their average ability, in environments where ability is uni-dimensional (i.e., common to the political and private spheres). Individuals decide whether to run for office based on their ability. In Caselli and Morelli (2004), individuals with relatively low ability have a lower opportunity cost of running, as they face worse opportunities in the private sector. This constrains the options available to voters, and may generate equilibria where only low-ability politicians are elected.<sup>48</sup> In their framework, increasing the relative wage of elected officials increases the average ability of politicians.<sup>49</sup> Similarly, in the model of Messner and Polborn (2004), lower ability individuals are more likely to run for office in equilibrium. The equilibrium mechanism is different, however. It relies on the fact that if salaries of elected officials are

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<sup>47</sup> Note that if we rank all parties of the First and Second Republic based on the percentage of their legislators with a college degree and on the median quality score of their legislators separately, the correlation between the two rankings is 0.83.

<sup>48</sup> In their model, the prestige from holding office depends on the quality of the political class. If incompetent individuals are elected, politics becomes a low-status occupation, which further deters high-ability individuals from entering.

<sup>49</sup> Besley (2004) obtains a similar result in the context of a political agency model with moral hazard and adverse selection, and also provides some empirical evidence.



relatively low, high-ability individuals may free-ride by not running and letting low-ability types run instead. This implies a U-shaped relation between the salary of elected officials and their average ability.<sup>50</sup>

Mattozzi and Merlo (2007), on the other hand, propose a dynamic equilibrium model of the careers of politicians. In their model there are two dimensions of ability, political skills and market ability. Individual endowments of each type of skill, which are private information, are positively correlated. In equilibrium, there are both career politicians (who work in the political sector until retirement) and individuals with political careers (who leave politics before retirement and work in the private sector). Career politicians enter the political sector because of the non-pecuniary rewards from being in office, which include both ego rents and potential benefits from influencing policy. Individuals with political careers, on the other hand, enter the political sector in order to increase their market wages.<sup>51</sup> In equilibrium, individuals with political careers (i.e., those who eventually plan to voluntarily leave politics to reap rewards in the private sector) have relatively better political skills than career politicians, although career politicians are still better than average.

Mattozzi and Merlo find that an increase in the salary a politician receives while in office decreases the average quality of individuals who become politicians, decreases turnover in office (as the proportion of career politicians goes up), and has an ambiguous effect on the average quality of career politicians. These results derive from the fact that a higher salary in the political sector makes politics a relatively more attractive option for all levels of political skills, thus lowering the quality of the marginal politician (entry effect). At the same time, however, relatively better incumbent politicians are willing to remain in politics, since the salary in politics is now better relative to the market wages (retention effect).

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<sup>50</sup> While the probability that low-ability individuals run for office increases monotonically with the salary, for high-ability individuals it may decrease at relatively low levels of salary before it increases.

<sup>51</sup> Since political skills are positively correlated with market ability, and politics is a showcase (i.e., individuals who serve in office display their political skills), incumbent politicians may leave the political sector and work in the market sector at a higher wage than they would have anticipated receiving had they not become politicians.

From an empirical point of view, Keane and Merlo (2007) analyze how the career decisions of U.S. legislators respond to monetary incentives. Their findings confirm the existence of the retention effect highlighted by Mattozzi and Merlo and show that it may be fairly sizeable. For example, they find that a 20% reduction in the congressional wage would lead to a 14% decrease in the average duration of congressional careers. Notably, however, the effect is not uniform across politicians of different types. In their analysis, Keane and Merlo distinguish between two latent characteristics of politicians: their political skills which refer to the ability to win elections (“skill type”), and their political ambition or desire for legislative accomplishment (“achiever type”). Their analysis shows that a reduction in the congressional wage would disproportionately induce skilled politicians to exit Congress, but not politicians who are the achiever type. They argue that whether a politician is the “achiever” type is perhaps a better measure of his/her “quality” than whether he/she is the “skilled” type (which refers to a politician’s electability). Thus, they conclude that the congressional wage does not differentially impact the career decisions of high vs. low quality members of Congress, although it does affect skilled politicians relatively more.

Borrowing some insights from this literature, we conclude that the sharp increase in the parliamentary wage in Italy has contributed to the decline of the quality of the elected legislators over time (via the entry effect pointed out by Mattozzi and Merlo, 2007). However, a drastic reduction in the parliamentary wage at this time may be counterproductive (because of the retention effect discussed above).<sup>52</sup> On the other hand, the historic circumstances that allowed elected Italian legislators to maintain additional sources of income from activities outside of Parliament no longer apply. To date, the parliamentary wage of Italian legislators is more than 4 times larger than the average

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<sup>52</sup> Note, however, that the possible drawbacks of the retention effect would depend on the differential impact a reduction in the parliamentary wage would have on the behavior of politicians of different types. If it could be shown, as pointed out by Keane and Merlo (2007) for the case of the U.S., that a reduction in the parliamentary wage would not disproportionately induce relatively better legislators to leave the Italian parliament, then reducing the parliamentary wage may be a desirable policy. Also, note that following a 10% reduction in the parliamentary wage in 2006, it appears that the new cohort elected to the Italian parliament that year was of slightly better quality than the previous cohorts based on their ability score although not with respect to their average level of education. However, the electoral system was also different, thus making the interpretation of the comparison difficult.

annual earnings of an Italian manager working in the private sector (see Figure 8, Chapter II), and their additional annual income is on average equal to another 38% of their parliamentary wage. We therefore believe that a sensible policy would be to preclude Italian legislators from supplementing their parliamentary wage with additional earnings from sources outside of Parliament (as it is the case in the U.S.), and to index the parliamentary wage to the growth rate of the Italian economy.

Barring any discussion of the potential conflict of interest which arises when elected representatives can engage in income-earning activities outside of their public office, there is another important reason why limiting these activities may be desirable: *de facto* “part-time” legislators may not be as effective and/or as invested into the job of representing citizens as “full-time” ones. Using our data we can quantify the extent to which a legislator’s involvement in income-earning activities outside of the Parliament affects his or her participation in parliamentary activities, or more precisely the extent to which earning additional income in excess of the parliamentary wage reduces a legislator’s attendance rate of parliamentary voting sessions. To achieve this goal, we specify and estimate a panel regression model similar to the one we used to estimate the private returns to parliamentary experience, except that we now regress the attendance rate of legislators in each parliamentary term on their age and age square, their parliamentary experience and experience square, their average real annual extra income during the Legislature (in thousands of 2005 Euros), and a set of Legislature specific (time) dummy variables. As before, the role of the time dummies is to control for possible trends and all other effects systematically related to events occurring over time (like, for example, changes in the parliamentary majority that would make it more or less important for a legislator to attend the voting sessions during a Legislature), and the role of the fixed effects in the error term is to control for all (observed and unobserved) legislators’ characteristics that are related to their attendance behavior. An important difference with the previous panel regression, however, is that the amount of extra income earned and the attendance of parliamentary sessions are simultaneously determined. In fact, both variables are presumably jointly endogenously determined as outcomes of each legislator’s choice of how to allocate his or her time between

parliamentary and extra-parliamentary activities. To address the endogeneity issue, we adopt an instrumental variable procedure where the annual income before entering Parliament is used as an instrument for the extra income earned while in Parliament. The results are reported in Table 4.<sup>53</sup> As we can see from the estimates, holding everything else constant, an additional 10,000 Euros of extra income earned outside of Parliament decreases the attendance rate of a legislator by 1%.<sup>54</sup> This result strengthens the case for precluding Italian legislators from supplementing their parliamentary wage with additional earnings from sources outside of Parliament

The analysis of legislators' attendance rates of parliamentary voting sessions also allows us to bring a new element into our discussion of the quality of the Italian legislators and how it has changed between the First and the Second Republic. As we mentioned above, Keane and Merlo (2007) raise the issue of whether, using their terminology, being a "skilled" type is a better measure of the overall quality of a politician than being an "achiever" type. More broadly, in addition to possessing the type of general skills that make an individual more likely to be successful in every occupation (e.g., intelligence), the list of desirable traits for a politician typically include being "public spirited" (e.g., having a desire for public service and/or influencing public policy), as well as personal characteristics such as morality, integrity and work ethic. Clearly, being involved in a scandal and/or being convicted of corruption or another crime is a direct indication of a lack of such desirable characteristics, and the data we presented in Chapter II provide some information in this regard. However, like for the case of ability, these traits are for the most part unobservable, and the best we can do to try to measure them is to "extract" them from the observed behavior of individuals, like for example their attendance of parliamentary voting sessions, after having controlled for their observable characteristics.

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<sup>53</sup> Another important difference with the other panel regression we described above is that unlike income, which is observed on an annual basis, attendance rates are only available for the entire duration of each Legislature. Hence, the panel of attendance rates is much shorter (i.e., the number of observations for each individual is much smaller), which affects the performance of the fixed-effect estimator. We therefore use a random-effect estimator, which we then use to predict the individual fixed effects.

<sup>54</sup> Gagliarducci, Nannicini and Naticchino (2008) obtain a similar finding in their analysis of the behavior of Italian MPs in Legislatures XIII and XIV. We also find that, *coeteris paribus*, attendance rates decline with experience in Parliament, but increase with age.

We therefore perform the same exercise we performed above (where we used the fixed-effects from the income panel regression to obtain an estimate of the legislators' "ability scores"), and decompose the fixed effects from the attendance panel regression into the part that is explained by observable characteristics (i.e., the predicted values based on a regression of the fixed effects on the legislators' education, gender, and sector of employment prior to election to Parliament), and the unobserved component (i.e., the residuals of the regression). For lack of a better term we refer to the unobserved component as the "public spiritedness score."

Table 5 summarizes the distribution of these scores for each party as well as for each group of legislators who were first elected to the House during the First Republic (Legislatures VIII-XI), and the Second Republic (Legislatures XII-XV). Note that as it was the case for the ability score, a value of zero denotes politicians who are "average," while positive (negative) values denote politicians who are above (below) average. The relative magnitude of the two scores, on the other hand, has no meaning since they were obtained from variables that are measured in different units (log income for the ability score and percentage attendance rates for the public spiritedness score). Figure 3 plots the percentage of elected legislators of each party whose "public spiritedness score" is positive.

As we can see from Table 5, the clear ranking we observed between the parties of the First Republic and the parties of the Second Republic with respect to the distributions of ability scores of their elected representatives no longer applies. In fact, the situation is somewhat reversed, with three of the top five parties with respect to the overall degree of public spiritedness of their legislators being parties of the Second Republic. The overall ranking based on their median (mean) public spiritedness scores is PDS, DC, ULIVO, FI, PCI, LN, RC, CCD, AN, PLI, PSI, MSI, PRI and PSDI (DC, PDS, ULIVO, FI, PCI, LN, CCD, RC, AN, PSI, PRI, PLI, MSI and PSDI). With respect to how homogenous the quality composition of the group of legislators of each party is, measured by the interquartile range (i.e., the distance between the 25<sup>th</sup> and the 75<sup>th</sup> percentile), the most homogenous (heterogeneous) parties of the First and Second Republic are PCI and AN

(PSDI and CCD), respectively. Looking at Figure 3, we observe that the party with the largest fraction of “above average” legislators is DC (with 75.3%), followed by PDS (73%), ULIVO (68.9%), PCI (67.2%), FI (62.5%), LN (53.3%), RC (41.7%), CCD (40%), PSI (34.1%), PRI (33.3%), AN (31.4%), PLI (25%), PSDI (21.1%) and a distant last MSI (with only 18.5%). Overall, we observe that the switch from the First to the Second Republic did not entail a big change with respect to this other dimension of the quality of elected legislators. Nevertheless, it led to a slight improvement as the median (mean) public spiritedness score increased from 2.1 to 2.6 (-0.8 to 0.6) and the fraction of “above average” new legislators from 55.6% to 56.2%. Another interesting observation is that the ability scores of legislators and their public spiritedness scores do not seem to be correlated (the correlation is equal to -0.07).

## **2. Some closing remarks on the Italian electoral law**

As we already pointed out in Chapter I, Italy has experienced two changes of its electoral law in the last twelve years. Until 1994 (Legislatures I-XI), elections were held according to an open-list proportional system. In 1994, a mixed-majoritarian system was introduced (the so-called *Mattarellum*), which was used to elect Legislatures XII-XIV. Finally, in 2005, a new closed-list proportional system was adopted (the so-called *Porcellum*), and has been used to elect Legislatures XV and XVI (the newest Legislature which was elected in late April).

Most of the public and scholarly debate on the relative merits of the different electoral laws focuses on their impact on the number of political parties and on government stability. With the adoption of the mixed-majoritarian electoral system, the average duration of the executive increased from slightly above one year in the First Republic to more than two years in Legislatures XII-XIV.<sup>55</sup> On the other hand, it has not been effective in reducing party fragmentation. In fact, while in 1994 – the first election with the mixed-majoritarian electoral system – the number of parties in the Lower House

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<sup>55</sup> Government duration is measured as the time elapsed between two changes in the partisan composition of the cabinet. As a term of comparison, during the period 1945-96, government duration was over three and a half years in Germany, almost five years in Sweden and eight and a half years in the UK.

decreased from 16 to 10, in the next election in 1996 it went back to 14, and then down to 8 in 2001 (see Figure 1, Chapter I). Under the closed-list proportional system, 16 parties were represented in the 15<sup>th</sup> Legislature and 5 in the current Parliament.

However, a second issue which is equally important in the assessment of the relative desirability of different electoral systems is whether these systems differ in any systematic way with respect to the incentives they provide to politicians in terms of electoral accountability. In a pure majoritarian system, an incumbent typically re-runs for office in the same district where he or she was first elected. Hence, at least to some degree, voters can evaluate the incumbent according to his or her own performance in office. In proportional systems, on the other hand, several incumbents run for office in the same district. Moreover, in a closed-list proportional system, such as the *Porcellum*, electors can only vote for the party list, but cannot choose a particular candidate on the list. As a result, the link between an incumbent's own political performance and the probability of being reelected is weakened, and so is the electoral accountability. Although in an open-list proportional system — where voters vote for the party and for one (or more) candidate(s) in the list — there is some room for rewarding a good performance in office, the voters' control over the incumbent remains weaker than in a pure majoritarian system, both because electoral districts are larger and because candidates may run in more than one district. Unfortunately, the existing empirical findings on the effect of different electoral systems on ex-post electoral incentives are scant and inconclusive.

A third important element of the fundamental differences in electoral laws is the effect that alternative electoral systems may have on the selection of candidates by political parties. To this end, we can use the measures of legislators' quality we derived above (namely, their "ability" and "public spiritedness" scores), to analyze the consequences of changes of the electoral law on the selection of candidates and hence the quality of elected legislators. We document that the change from an open-list proportional system to the mixed-majoritarian system decreased the ability score of the cohorts of legislators who entered Parliament between 1994 and 2001, while at the same time having little

effect on their public spiritedness score. On the other hand, it appears that the new cohort who was elected to Legislature XV (that is, the first cohort elected with the *Porcellum*) was of slightly higher ability than those elected during the Second Republic with the mixed-majoritarian system.<sup>56</sup> In fact, with respect to their ability scores, the fractions of “above average” new legislators who were elected to the Parliament under the three electoral systems are equal to 62%, 34% and 40%, respectively.<sup>57</sup> With respect to their public spiritedness score, the fractions of “above average” new legislators who were elected to the Parliament under the open-list proportional system and the mixed-majoritarian system are equal to 55.6% and 56.2%, respectively. However, it is interesting to point out that there was some improvement in the distribution of public spiritedness scores between the cohort who entered the Parliament in 1994 (Legislature XII), where the fraction of above average new legislators was 54.7%, and the following cohort, where the fraction was 60.7%, although it then declined to 53.8% within the new cohort who entered Legislature XIV.

Large differences emerge in the quality of legislators when we analyze the results at the party level (Tables 3 and 5, Figures 2 and 3, and Figure 22, Chapter II). The small, elite parties of the First Republic (PLI and PRI) were better equipped to select good politicians in terms of their ability score and education level, although only a relatively small proportion of them appeared to be “public spirited.” Furthermore, in the case of the two largest parties of the First Republic, DC managed to select better politicians than the PCI in every dimension: the median (mean) candidate in the DC had an ability score of 0.64 (0.76) and a public spiritedness score of 10.34 (9.18) as compared to 0.23 (0.17) and 5.04 (1.25) for the median (mean) candidate in the PCI, and almost 90% of the DC legislators

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<sup>56</sup> Since for the last cohort who entered the Parliament in 2006 (Legislature XV) we do not yet have their tax returns for the years they were in Parliament, we could not include them in the panel regression of the attendance rates even though we do observe their attendance in parliamentary voting sessions. Hence, we could not calculate their public spiritedness scores.

<sup>57</sup> It is worth noting that the new cohort elected in 2006 only contains 267 individuals compared to the 1,065 politicians who were first elected to the House between 1994 and 2001, and the 15<sup>th</sup> legislature only lasted two years. Hence, we have to be very cautious in interpreting the effect of the *Porcellum*, and we need to revisit these findings after more cohorts of legislators are elected with the new law. Also, recall that with respect to the open-list proportional electoral system, we could only calculate quality scores for Legislatures VIII-XI because of the lack of pre-1981 income data. We also lack data for the XVI Legislature.



had a college degree compared to about 65% in the PCI. Turning the attention to the Second Republic, the new recruits of the largest parties, FI and ULIVO, are systematically better than those of other parties with respect to their ability score, their public spiritedness score and also their level of education. At the opposite end of the spectrum is LN, whose elected MPs fare the worst along several dimensions that include their level of education as well as their ability scores. However, all parties of the Second Republic are worse than those of the First Republic in terms of their proportion of new legislators with above average ability scores, although the two largest parties of the Second Republic (FI and ULIVO) are comparable to the two largest parties of the First Republic (DC and PCI) with respect to the proportion of their legislators with above average public spiritedness scores.

These results portray a completely novel picture of the Italian electoral landscape. A better selection of politicians occurred under the open-list proportional system, where the recruiting of politicians was essentially done by the parties, with the control of the voters being limited to choosing the party and possibly a candidate in the party list. However, not all parties, when given this opportunity, were equally successful in recruiting the “best” politicians. Moreover, the duration of governments was typically short. Placing the selection of the candidates even more under the control of party leaders, as it has recently been done with the closed-list proportional system, reduced the overall quality of the legislators substantially below that of the legislators elected under the pre-1994 (open-list) system. Furthermore, the selection of politicians under the mixed-majoritarian law, which was strongly advocated during the nineties leading to the abolition of the proportional electoral system with the 1996 referendum, proved to be sensibly worse.

These findings have interesting implications for the current debate on the electoral law. In fact, although the current electoral system with closed-list proportional representation may not be undesirable *per se*, it is extremely risky, as its implications for the overall quality of the Parliament critically hinge on the ability of individual parties to recruit the best possible politicians. As suggested by our analysis, this is not always the case.

Should we make a case for less party involvement in the selection of candidates? At least to some extent, the answer is yes. The open-list (proportional) system, which gives more choice to the voters, performed better than the closed-list (proportional) system. The worst selection occurred in a mixed majoritarian system, where recruitment of candidates for the different districts was again under strict control of the party. Is an open-list proportional system the best possible electoral law for Italy? Should we then go back to the First Republic and (continue to) disregard the 1994 referendum? Not necessarily. A pure majoritarian system provides better incentives to discipline politicians enhancing their electoral accountability, and it contributes to increase government duration. Moreover, a majoritarian system coupled with primary elections can also effectively reduce the control of party leaders over the selection of candidates.

**Table 1: Cross-section regressions of log pre-Parliament real annual earnings**

| <b>N = 1,910</b> | <b>Robust regression</b> |                   | <b>Median regression</b> |                   |
|------------------|--------------------------|-------------------|--------------------------|-------------------|
| <b>Variable</b>  | <b>Coefficient</b>       | <b>Std. error</b> | <b>Coefficient</b>       | <b>Std. error</b> |
| Intercept        | 7.2810**                 | 0.4771            | 7.9123**                 | 0.5453            |
| Age              | 0.0653**                 | 0.0139            | 0.0469**                 | 0.0170            |
| Age <sup>2</sup> | -0.0004**                | 0.0001            | -0.0002                  | 0.0002            |
| Female           | -0.2053**                | 0.0470            | -0.2184**                | 0.0583            |
| College degree   | 0.3083**                 | 0.0393            | 0.3222**                 | 0.0487            |
| AGR              | -0.6587**                | 0.1672            | -0.7099**                | 0.1998            |
| EDU              | -0.2714**                | 0.0684            | -0.3258**                | 0.0854            |
| HTH              | -0.3213**                | 0.0830            | -0.3749**                | 0.1031            |
| INDW             | -0.3513**                | 0.0895            | -0.3289**                | 0.1105            |
| INDM             | 0.0822                   | 0.0721            | 0.0404                   | 0.0898            |
| LEG              | -0.0011                  | 0.0714            | -0.0258                  | 0.0890            |
| LOB              | -0.4051**                | 0.1144            | -0.4281                  | 0.1410            |
| MED              | 0.0498                   | 0.0813            | 0.0686**                 | 0.1012            |
| MIL              | -0.0641                  | 0.2349            | -0.2213                  | 0.2808            |
| POL              | -0.4623**                | 0.0836            | -0.4912**                | 0.1039            |
| SE               | -0.1507*                 | 0.0796            | -0.1780*                 | 0.0989            |
| LexIX            | 0.8068**                 | 0.3408            | 0.6733*                  | 0.3701            |
| LexX             | 0.9515**                 | 0.3415            | 0.7793**                 | 0.3708            |
| LexXI            | 1.1746**                 | 0.3431            | 1.0108**                 | 0.3744            |
| LexXII           | 1.28158**                | 0.3474            | 1.1400**                 | 0.3802            |
| LexXIII          | 1.2580**                 | 0.3495            | 1.0598**                 | 0.3831            |
| LexXIV           | 1.55196**                | 0.3504            | 1.4014**                 | 0.3846            |
| LexXV            | 1.6953**                 | 0.3494            | 1.5136**                 | 0.3830            |

|       |           |        |           |        |
|-------|-----------|--------|-----------|--------|
| AN    | -0.0169   | 0.0718 | -0.0858   | 0.0893 |
| CCD   | -0.0496   | 0.0948 | -0.1403   | 0.1178 |
| DC    | 0.3546**  | 0.0858 | 0.3306**  | 0.1066 |
| FI    | 0.3029**  | 0.0630 | 0.2489**  | 0.0784 |
| LN    | -0.2158** | 0.0694 | -0.2263** | 0.0860 |
| MSI   | -0.0305   | 0.1484 | -0.0735   | 0.1771 |
| PCI   | -0.0614   | 0.0955 | -0.1011   | 0.1185 |
| PDS   | -0.1353   | 0.0892 | -0.1064   | 0.1097 |
| PLI   | 0.4029**  | 0.2059 | 0.7278**  | 0.2378 |
| PRI   | 0.5082**  | 0.1336 | 0.45619** | 0.1649 |
| PSDI  | -0.0212   | 0.1698 | 0.0624    | 0.2048 |
| PSI   | 0.2307**  | 0.1025 | 0.2436**  | 0.1275 |
| RC    | -0.3592** | 0.0909 | -0.3988** | 0.1129 |
| ULIVO | -0.0245   | 0.0656 | -0.0401   | 0.0815 |

Note: A \*\* denotes significance at the 5% level, a \* at the 10% level.

**Table 2: Panel regression of log real annual extra earnings (N = 13,250)**

| <b>Variable</b>                    | <b>Coefficient</b> | <b>Std. error</b> |
|------------------------------------|--------------------|-------------------|
| Intercept                          | 11.1887**          | 3.6095            |
| Age                                | 0.0337             | 0.1002            |
| Age <sup>2</sup>                   | 0.0001             | 0.0002            |
| Experience                         | 0.0462**           | 0.0224            |
| Experience <sup>2</sup>            | -0.0019**          | 0.0003            |
| Fraction of the year in Parliament | -1.8820**          | 0.1050            |

Note: The estimates of the 2,760 fixed-effect coefficients and the coefficients of the 57 time dummies that were included in the regression are not reported here to economize on space. A \*\* denotes significance at the 5% level, a \* at the 10% level.

**Table 3: The “ability scores” of politicians**

|                                       | Quantiles |       |       |       |      | Interquartile Range | Mean  |
|---------------------------------------|-----------|-------|-------|-------|------|---------------------|-------|
|                                       | 10%       | 25%   | 50%   | 75%   | 90%  |                     |       |
| <b>Parties of the First Republic</b>  |           |       |       |       |      |                     |       |
| DC                                    | -0.68     | -0.04 | 0.64  | 1.60  | 2.45 | 1.63                | 0.76  |
| MSI                                   | -1.28     | -0.42 | 0.44  | 1.29  | 1.79 | 1.70                | 0.37  |
| PCI                                   | -1.61     | -0.63 | 0.23  | 1.08  | 1.79 | 1.71                | 0.17  |
| PLI                                   | -0.07     | 0.59  | 1.59  | 2.88  | 3.30 | 2.29                | 1.66  |
| PRI                                   | -0.81     | 0.10  | 1.12  | 2.00  | 3.01 | 1.91                | 1.10  |
| PSDI                                  | -0.60     | 0.08  | 0.88  | 1.99  | 2.80 | 1.91                | 1.07  |
| PSI                                   | -1.20     | -0.48 | 0.34  | 1.33  | 2.12 | 1.82                | 0.43  |
| All parties                           | -1.27     | -0.47 | 0.39  | 1.28  | 2.17 | 1.63                | 0.42  |
| <b>Parties of the Second Republic</b> |           |       |       |       |      |                     |       |
| AN                                    | -2.44     | -1.34 | -0.45 | 0.33  | 1.11 | 1.67                | -0.57 |
| CCD                                   | -2.02     | -1.27 | -0.46 | 0.37  | 1.08 | 1.64                | -0.52 |
| FI                                    | -1.61     | -0.83 | -0.09 | 1.00  | 1.75 | 1.83                | 0.04  |
| LN                                    | -2.54     | -1.47 | -0.75 | -0.21 | 0.44 | 1.27                | -0.86 |
| PDS                                   | -1.73     | -1.04 | -0.33 | 0.29  | 1.22 | 1.32                | -0.34 |
| RC                                    | -1.87     | -1.31 | -0.49 | 0.30  | 0.93 | 1.61                | -0.51 |
| ULIVO                                 | -2.35     | -1.35 | -0.43 | 0.47  | 1.12 | 1.82                | -0.51 |
| All parties                           | -2.21     | -1.32 | -0.43 | 0.40  | 1.29 | 1.67                | -0.47 |

Note: The rows that refer to all parties in the First and Second Republic also include minor parties.

**Table 4: Panel regression of attendance rates (N = 2,775)**

| <b>Variable</b>                           | <b>Coefficient</b> | <b>Std. error</b> |
|---|--------------------|-------------------|
| Intercept                                 | 52.7191**          | 8.8674            |
| Age                                       | 1.1436**           | 0.3410            |
| Age <sup>2</sup>                          | -0.0099**          | 0.0032            |
| Experience                                | -0.8114**          | 0.3956            |
| Experience <sup>2</sup>                   | 0.0077**           | 0.0223            |
| Extra income (in thousands of 2005 Euros) | -0.0883**          | 0.0149            |

Note: The estimates of the first stage regression and of the 1,679 fixed-effect coefficients and the coefficients of the 7 time dummies that were included in the regression are not reported here to economize on space. A \*\* denotes significance at the 5% level, a \* at the 10% level.

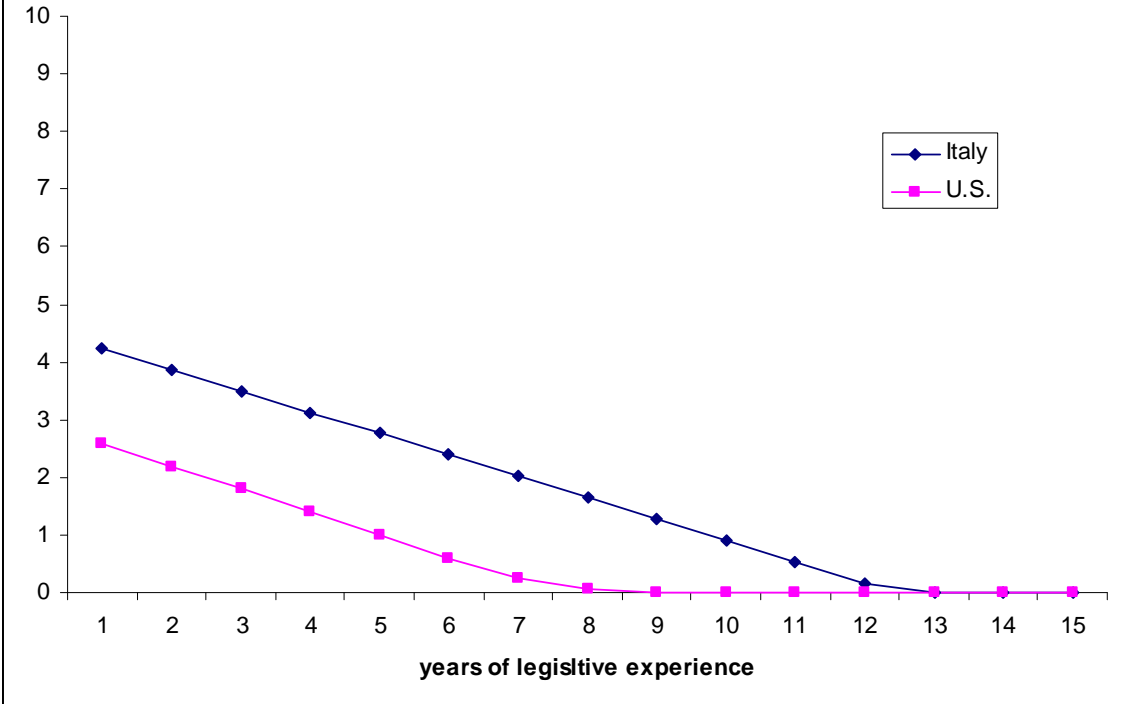
**Table 5: The “public spiritedness scores” of politicians**

|                                       | Quantiles |        |        |       |       | Interquartile Range | Mean   |
|---------------------------------------|-----------|--------|--------|-------|-------|---------------------|--------|
|                                       | 10%       | 25%    | 50%    | 75%   | 90%   |                     |        |
| <b>Parties of the First Republic</b>  |           |        |        |       |       |                     |        |
| DC                                    | -8.62     | 0.37   | 10.34  | 21.34 | 25.84 | 20.97               | 9.18   |
| MSI                                   | -36.47    | -20.91 | -10.64 | -3.29 | 6.84  | 17.62               | -13.21 |
| PCI                                   | -21.22    | -2.65  | 5.04   | 9.52  | 15.14 | 12.17               | 1.25   |
| PLI                                   | -36.81    | -19.96 | -6.57  | -0.67 | 9.08  | 19.29               | -10.83 |
| PRI                                   | -29.97    | -21.09 | -15.06 | 3.24  | 6.95  | 24.33               | -10.03 |
| PSDI                                  | -53.42    | -36.92 | -20.97 | -3.39 | 19.74 | 33.53               | -17.82 |
| PSI                                   | -28.29    | -15.85 | -6.81  | 1.49  | 9.30  | 17.34               | -7.57  |
| All parties                           | -25.99    | -10.19 | 2.08   | 11.30 | 19.76 | 21.40               | -0.77  |
| <b>Parties of the Second Republic</b> |           |        |        |       |       |                     |        |
| AN                                    | -26.47    | -15.47 | -6.00  | 2.35  | 10.75 | 17.82               | -7.17  |
| CCD                                   | -23.23    | -15.70 | -2.15  | 5.98  | 9.47  | 21.68               | -4.76  |
| FI                                    | -20.33    | -7.11  | 5.50   | 13.33 | 20.45 | 20.43               | 2.12   |
| LN                                    | -23.54    | -9.21  | 1.54   | 10.10 | 17.28 | 19.31               | -1.20  |
| PDS                                   | -9.57     | -0.56  | 10.41  | 19.00 | 24.15 | 19.56               | 7.70   |
| RC                                    | -30.51    | -14.97 | -2.09  | 6.50  | 15.42 | 21.47               | -5.57  |
| ULIVO                                 | -15.60    | -3.65  | 7.97   | 16.72 | 23.68 | 20.37               | 5.67   |
| All parties                           | -22.38    | -9.26  | 2.58   | 12.22 | 20.72 | 21.47               | 0.58   |

Note: The rows that refer to all parties in the First and Second Republic also include minor parties.



**Figure 1: Annual rate of return of legislative experience**



**Figure 2: Percentage of above average politicians: "ability"**

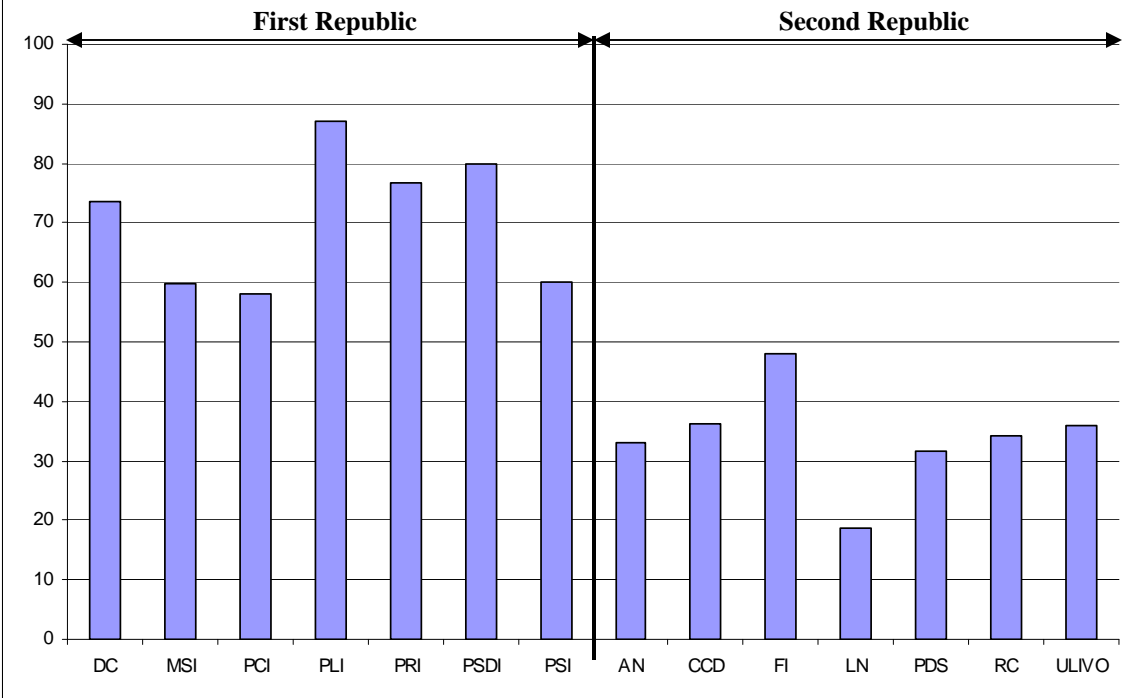
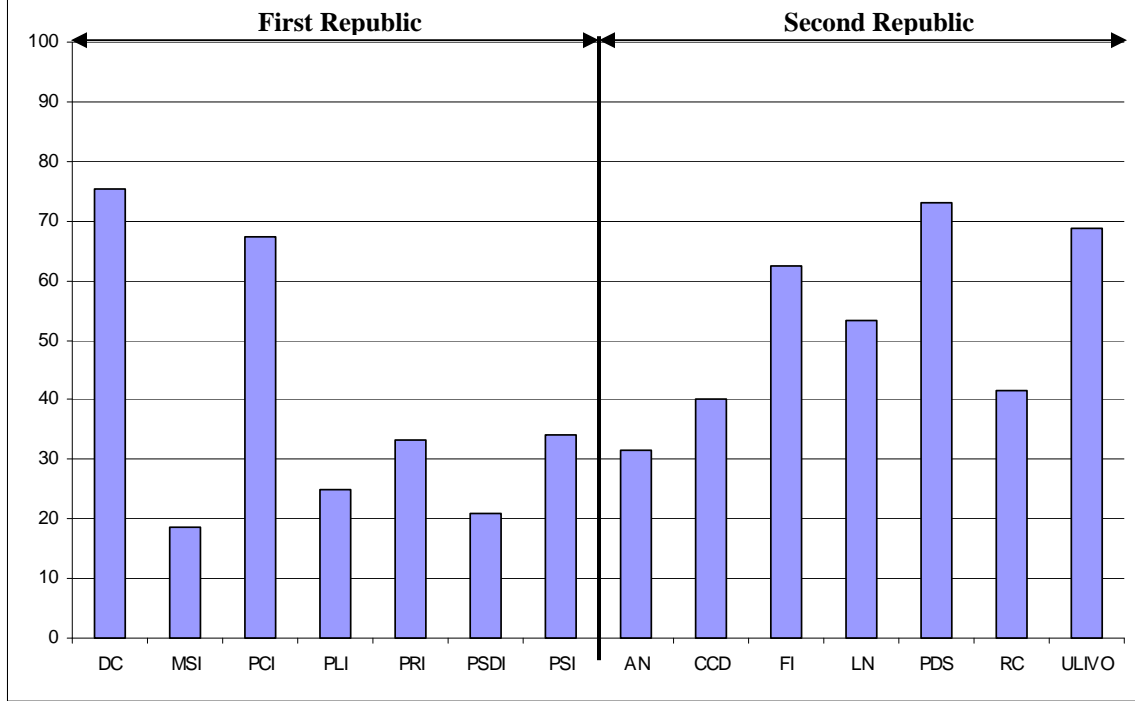


Figure 3: Percentage of above average politicians: "public spiritedness"



## APPENDIX

This study is based on a newly collected longitudinal data set which contains detailed information on careers of all the 4,465 individuals who have been elected to the House of the Italian Parliament from 1948 (the election of the first Legislature) to 2006 (the election of Legislature XV). Our data end in 2008 (the end of Legislature XV), so we have complete histories of 4,078 members who left the Italian Parliament on or before April 28, 2008 (the date the legislators elected to Legislature XVI were sworn in). But histories are right-censored for the remaining 387 MPs who were reelected to serve in Legislature XVI. To construct the dataset we used a variety of sources we now describe in detail.

For each individual in the sample, the dataset contains:

1. Biographical data (i.e., date and place of birth, gender, educational background, last occupation held prior to entering the Parliament, party affiliation, and region or district where elected), and the full record of parliamentary service (with the exact dates of entry and, if applicable, exit), of committee and parliamentary group membership, of leadership positions within the Parliament, and of all government posts held while in Parliament. We obtained this information from *Camera dei Deputati* (2007), the official website of the House, <http://www.camera.it>, and the official website of the government, <http://www.governo.it>.<sup>58</sup> To verify dubious entries we also consulted the transcripts of the relevant parliamentary sessions. As an additional source of information regarding the professional background of legislators we also consulted *La Navicella* (1949-2001) and *Pasquino* (1997).

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<sup>58</sup> At the beginning of our data collection effort we consulted the annals of the Italian Parliament better known as *La Navicella* (1949-2001). These annals have been the primary data source for previous works on Italian legislators (see, e.g., Anastasi, 2004). The annals are published once for each Legislature, typically during the first half of the term, and contain self-reported biographical information and parliamentary activities of all legislators. However, this source proved to be rather imprecise and unsuitable for our needs. First and foremost, since *La Navicella* prints information gathered at one point in time during a Legislature, it cannot account for all the changes (such as premature exits, new entries, switches of groups and of committee memberships) that occur during the subsequent years. Second, being based entirely on self-reported information, these annals have a further degree of incompleteness because not all legislators report all their activities.

2. Annual parliamentary wage since 1948. This information was provided by the Office of the Presidency of the House.
3. Attendance of parliamentary voting sessions for Legislatures VIII-XV. This information was provided by the office of the House that records the outcomes of all electronic voting sessions, which were introduced in 1979 at the beginning of Legislature VIII.
4. Mode of exit (i.e., voluntary exit, electoral defeat or death). This information was obtained from the official electoral lists and the electoral results provided by the Ministry of the Interior for each of the 16 general elections held between 1953 and 2008.
5. Annual before-tax declared income from 1981 to 2005. This information was obtained from the tax returns of each MP starting from their 1982 return (which contains information on the income in the previous calendar year), upon visiting the archive at the *Servizio Prerogative e Immunità* of the House, where these returns can be consulted in accordance with the Italian Law n.441, 5 July 1982, which established the publicity of the tax returns of all elected representatives.
6. Scandals from 1948 to 1994. To measure the involvement of a legislator in a scandal we used the dataset compiled by Golden (2007), which records all the instances where a request was put forward by the Italian judiciary to remove parliamentary immunity from a legislator in order to prosecute him or her. The data end in 1994 because of the constitutional change of November 1993 which eliminated the possibility of such requests and fully reinstated the notion of parliamentary immunity.
7. Post-Parliament employment. For a random sample of 860 MPs we were able to identify their main professional activity after exiting the Parliament. We focused on the first two-and-a-half years after the end of their last parliamentary term. The procedure we followed to construct a representative sample of former MPs is as follows. We first selected all individuals who were born in odd months (January, March, May, July, September, and November). For each of them we then gathered information from a variety of sources which include books, datasets, the internet, and phone interviews. Our starting point were two publications by the Associazione Ex-Parlamentari della Repubblica (2000, 2002) as well as the books by Martuscelli

(1985) and Provantini (1997) which contain some information on the post-Parliament occupation of several former MPs. We then searched newspapers archives, the web, and the House digital archives. In fact, by reading the transcripts of the House sessions, we found all the MPs who resigned from their seat in the Parliament to move into offices that, by law, are incompatible with a presence in the Italian Parliament (members of the CSM, European Parliaments, Constitutional Court, CNEL, and members of regional central administrations). The web was used to match the list of legislators with existing datasets on individuals who held the above mentioned offices. Last, we used phone interviews, through which we directly contacted ex legislators and asked information about their career paths.

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