

## **Abstract for “Political Cycle and Declared Labour Incomes in Italy: A Quasi-experimental Evidence”**

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Since the seminal contribution of Meltzer and Richard (1981), the political economy literature has focused on the relationship between voters, income, politicians and redistribution. In bipartisan models, the main attention is devoted to preferences towards redistribution expressed by left and right wing parties, while no emphasis is placed on parties' attitudes towards contrasting tax evasion.

However, different claims about the acceptability of tax evasion between centre-right and centre-left coalitions clearly emerged in Italy in the last decades. Furthermore, different policies (e.g. new measures and different enforcement effort by the tax administration authorities) have been implemented by these coalitions when they took charge of the Government, hence affecting the convenience or the aptitude of citizens to under-declare their incomes.

As regards declaring labour incomes, employees and self-employed are characterised by different conditions: the former usually get taxes paid on their behalf by the employer, whereas the latter have much more room for manoeuvre to choose strategies for underreporting labour incomes. Hence, it could be argued that, *ceteris paribus*, the political cycle could affect self-employed attitude towards declaring incomes. In particular, the different attitudes towards tax evasion of the two coalitions that were alternatively in charge of the Government in Italy in the decade 1996-2006 could have led to a relative increase of self-employed declared incomes when the centre-left coalitions governed (since 1996 to 2000) and a relative decrease when the centre-right coalition governed (in the period 2001-2006).

In this paper, we test this assumption by using a new panel dataset called AD-SILC that is built merging the IT-SILC 2005 sample with longitudinal information about the entire working life up to 2009 of this sample taken from the administrative archives managed by the Italian Social Security Institute (INPS). Following a difference-in-difference approach, where the employees are the control group and craftsmen and dealers (the typologies of self-employed tracked in INPS archives) are the treatment group, and controlling for several individual characteristics and macro trends, we focus on the period 1990-2009 and estimate whether self-employed declared incomes significantly modified when the coalition in charge of Government changed.