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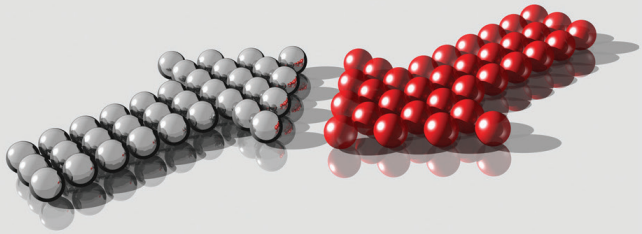

Does a Double-Ballot Electoral System Make the Difference in Shaping Fiscal Policy Choices?

Many electoral systems in the world, including that one recently approved in Italy for the election of the national parliament (the so-called Italicum), are based on the double-ballot mechanism. The expected gain of the double-ballot system compared to the single-ballot system is that the former should allow more stable governments implying less volatility of public policies. This column discusses the results of a recent research on the electoral system for Italian municipalities, showing that taxes and expenditure are lower under the double-ballot system than under the single-ballot case only if the number of lists supporting the major are not too many. Otherwise, the use of a single or double ballot rule does not make any difference in terms of taxes and public expenditure choices.

The double-ballot voting system

The double-ballot voting system is the dominant model for presidential elections: in 20 out of 28 democratic countries, including Brazil, Finland, France and Portugal, the president is elected by a double-ballot electoral system. Such system is also used in France for the election of the national parliament and it will be applied for the same purpose in Italy too from July 2016 when the new electoral system, the so-called *Italicum*, will be applied.

Double and single-ballot system and the role of the electoral polarization

The economic literature shows that the single-ballot regime induces parties to merge in coalitions whereas the double-ballot system induces coalitions only if polarization is very high, namely if the electorate is extremely ideological. In fact, under the double-ballot regime what matters is not to win the first round but to pass it and win the final election: a centrist party that manages to pass the first round has a larger probability to win the final election as it can then collect the voters of the excluded extremist party, if it is not extremely ideological. In this case policy volatility results to be lower under a double ballot than under the single ballot electoral system (Bordignon et al., 2013). Hence, the difference in the outcome policies between the single and double-ballot in the low polarization case is related to the possibility that in the double-ballot case there is no need of coalitions to win the election. We try to explore the impact of this hypothesis in the specific field of fiscal policy by resorting to the case of the Italian Municipalities.

Moving from single to double ballot system: evidence from local elections

In Italy, the municipal election mechanism is differentiated according to the demographic size of the municipality that is going to the pools. Voters of municipalities with more than 15,000 inhabitants elect mayors according to a double-ballot plurality rule where multiple lists can support them. On the contrary, municipalities with fewer than 15,000 inhabitants elect their mayor through a single-ballot plurality rule, whereby only one list can support the candidate who is eventually elected mayor, and very often this list represents a coalition of parties converging in a single list. This feature of the Italian municipality electoral system can allow to test the impact of the double-ballot system on fiscal policies.

In a recent work (Ferraresi, Rizzo, Zanardi, 2015) we use a 2001-2007 panel dataset of all Italian municipalities to test, through a regression discontinuity analysis at the 15,000 population cutoff, the impact of the double-ballot electoral system on budget decisions (revenue and expenditure) and evaluate it for a given polarization of the electorate supporting the mayor (*proxied* by the number of lists supporting the mayor). We find that municipalities under the double-ballot system have lower per capita total revenue and current expenditure than those municipalities where a single-ballot system holds. However, the difference in policy outcomes between the double-ballot electoral system and the single-ballot electoral system becomes increasingly less robust, the greater the polarization of the electorate, that is the greater the number of lists supporting the successful mayoral candidate in the first round of municipalities with a double-ballot electoral system.

> "The total own revenue of a municipality where a double-ballot electoral system with only one list supporting the mayor holds is 68,67 per-capita euro lower than that of a municipality with a single-ballot system"

In particular, total own revenue (taxes and fees) of a municipality where a double-ballot electoral system with only one

> "But if fragmentation of the electorate is high, a double-ballot system cannot make any difference with the single-ballot scenario in terms of public expenditure"

list supporting the mayor holds is 68.67 per-capita euro lower than that of a municipality where the single-ballot system holds, and this amount corresponds to a 13% decrease with respect to the average value of the total own revenue (513.72 per-capita euro). However, this effect becomes smoother the greater the number of lists supporting the successful mayoral candidate in a double-ballot and it vanishes with a number of lists greater than five (Panel A, Table 1). Furthermore, current expenditure in the double-ballot electoral system with only one list supporting the mayor is 44.41 per-capita euro lower than that of a municipality where the single-ballot system holds, and this amount corresponds to a 7% decrease with respect to the average value of the current expenditure (678.68 per-capita euro). Such difference decreases as the number of lists increase; if the number of lists is greater than two the use of a single- or double-ballot rule does not make any difference (Panel B, Table 1).

Our result confirms previous findings (Roubini and Sachs, 1989; Kontopoulos and Perotti, 1999) where coalitions can generate free-riding, which, in the Italian municipalities, leads to high level of expenditure and, given the tight financial constraints imposed to local finances, also high level of taxes.

Conclusions

This result says that an electoral system with a double-ballot plurality rule can imply lower taxes and public expenditure with respect to the single ballot case. But if fragmentation of the electorate is high, and so, the number of lists supporting the candidate prime minister, governor or mayor are too many, a double-ballot system cannot make any difference with the single-ballot scenario in terms of taxes and public expenditure choices.

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Table 1: Impact of the double-ballot electoral system with the number of lists on fiscal policy outcomes

	Panel A: total own revenue (taxes and fees)		Panel B: current expenditure	
Number of lists	Difference between double and single ballot	% on the sample average value	Difference between double and single ballot	% on the sample average value
1 list	-68.67***	-13	-44.41*	-7
2 lists	-56.32**	-11	-36.30*	-5
3 lists	-50.15**	-10	-32.25	-5
4 lists	-43.97**	-9	-28.19	-4
5 lists	-37.79*	-7	-24.14	-4
6 lists	-31.62	-6	-20.08	-3
more than 7 lists	-25.44	-5	-16.03	-2
sample average value	513.72		676.68	

Notes: Significance at the 10 % level is represented by *, at the 5 % level by **, and at the 1 % level by ***.

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