

Municipal procurement, productivity and dynastic management: Evidence from Italian firms

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In this paper, we analyze the impact of public procurement contracts tendered by municipalities on the productivity of the firms located there. To this end, we combine firm-level information on a representative sample of Italian limited liability companies with administrative records on the universe of public procurement contracts in the period 2010-2018. We strengthen our analysis by using an instrumental variable approach that exploits the unexpected exemption of households from paying municipal property tax on their first home, which occurred in Italy in 2008 and heterogeneously affected the ability of municipalities to tender procurement contracts in the subsequent years. We find that, *ceteris paribus*, a higher per capita value of public procurement contracts at the municipal level leads to higher productivity of the typical firm located there. In addition, the positive relationship between procurement and productivity is significantly weakened for firms with dynastic top management (i.e. belonging to the owner's family), suggesting a potential misallocation of public resources and a consequent lower impact on overall productivity.