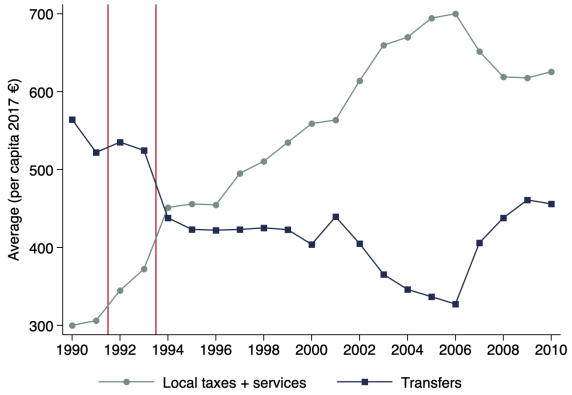
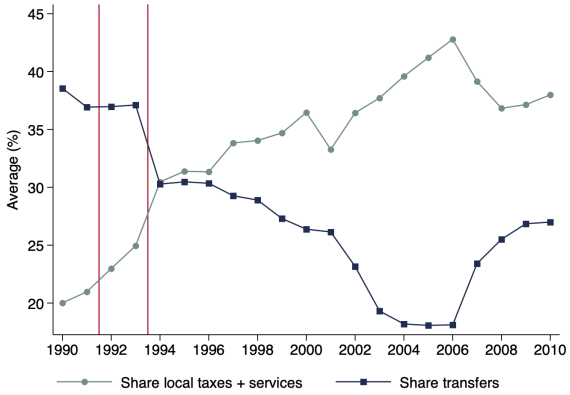
Online Appendix - Not For Publication

A Additional Figures and Tables

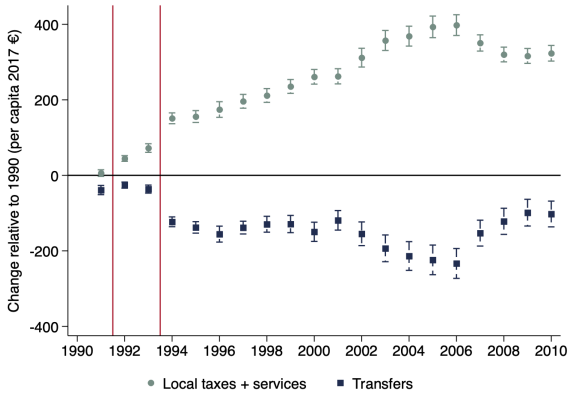
Figure A1: Share of Revenues from Local Taxes and Services



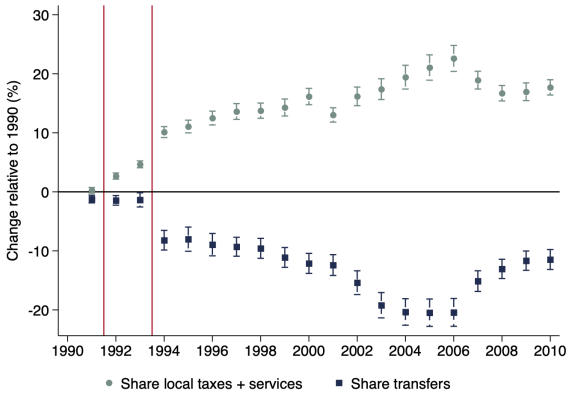
A. Revenues from local taxes and services (2017 € per capita)



B. Revenues from local taxes and services (share of total revenues)



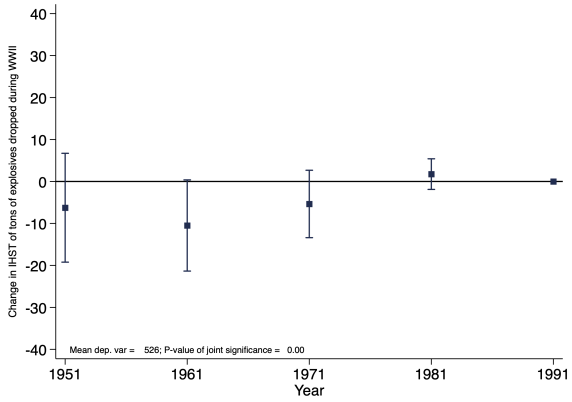
C. Revenues from local taxes and services (2017 € per capita)



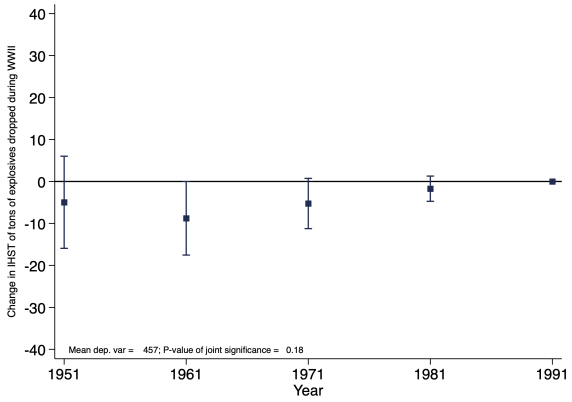
D. Revenues from local taxes and services (share of total revenues)

Notes: Panels A and B show the average revenues from local taxes and services and from transfers issued by higher levels of government (provinces, regions, central government), either as 2017 € per resident (panel A) or as a share of total revenues (panel B). Panels C and D show changes in the same variables with respect to 1990. These regressions include municipality fixed effects and cluster the standard errors at the level of provinces. Source: Balance sheets of Italian municipalities, Italian Minister of the Interior, available online at https://finanzalocale.interno.gov.it/apps/floc.php/in/cod/4.

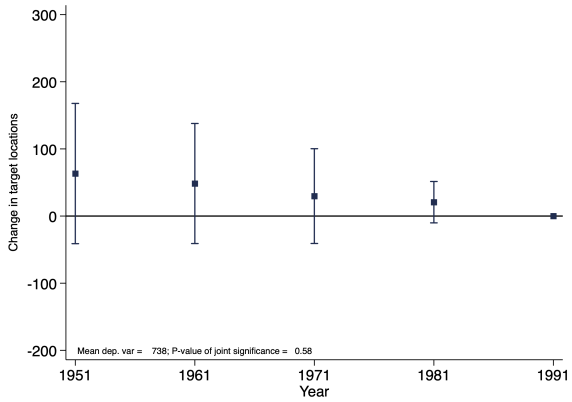
Figure A2: Pre-Reform Trends with Preliminary Specifications



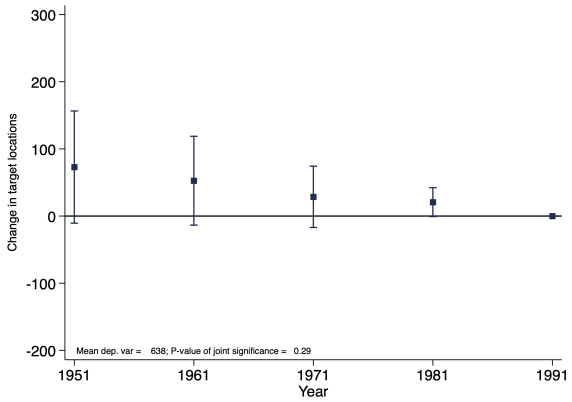
A. Dep. var.: women in labor force; Specification 1



B. Dep. var.: employed women; Specification 1



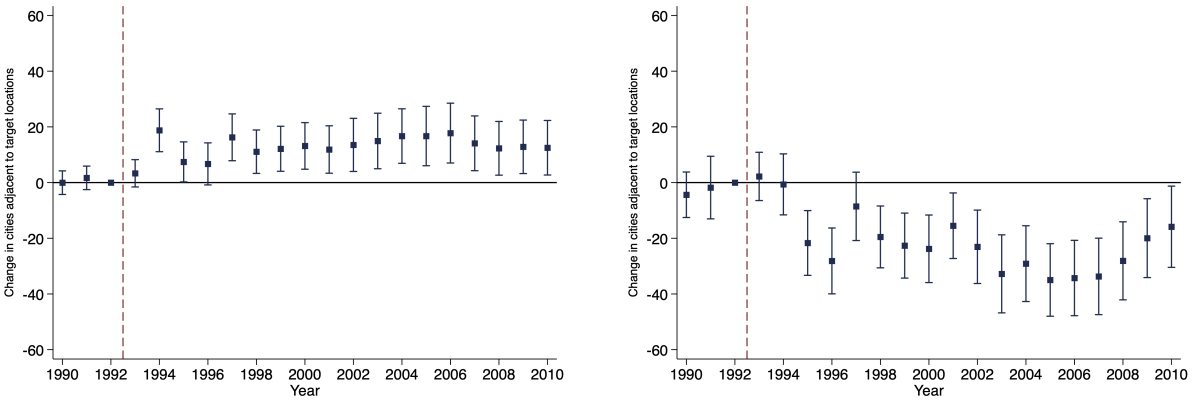
C. Dep. var.: women in labor force; Specification 2



D. Dep. var.: employed women; Specification 2

Notes: In panels A to B, the sample includes all Italian municipalities, while the treatment variable is the inverse hyperbolic sine transformation (IHST) of the tons of post-armistice Allied bombings (Specification 1). The number of women active in the labor market are regressed on the IHST of the tons of post-armistice Allied bombings. In panels C to D, the sample includes only locations targeted by Allied bombings and nontargeted locations matched to them based on observables, while the treatment variable is equal to 1 for targeted firms (Specification 2). The matching process uses several geographical and demographic characteristics measured in 1991 (population, area, population density, number of buildings, share of homeowners, share of residents under 3, and region fixed effects). All specifications include municipal fixed effects, region-year trends, as well as year dummies interacted with dummies for deciles of population in 1991, dummies for deciles of minimum altitude, and a dummy for rural municipalities. Standard errors are clustered at the city level. The vertical bars measure 90 percent CIs. Source: Italian Minister of the Interior, https://finanzalocale.interno.gov.it/apps/floc.php/in/cod/4; Atlante Statistico dei Comuni, http://asc.istat.it/asc_BL/; 8mila Census, ISTAT, http://ottomilacensus.istat.it/.

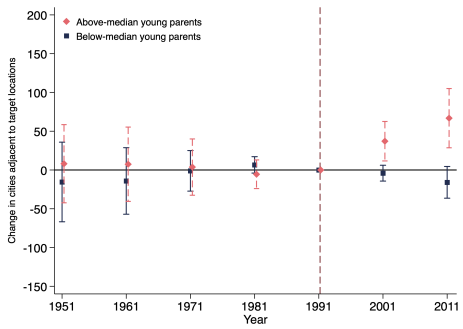
Figure A3: Event Studies, Municipal Balance Sheets



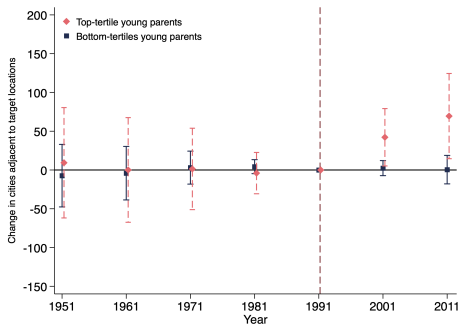
A. Revenues from local taxes B. Revenues from gov. transfers

Notes: These graphs show the post-LPT change in cities adjacent to municipalities targeted by Allied tactical air attacks during WWII. The control group is composed of municipalities adjacent to cities matched to target locations. The regressions also include city fixed effects, region-year trends, as well as year dummies interacted with dummies for deciles of population in 1991, dummies for deciles of minimum altitude, and a dummy for rural municipalities. Standard errors are clustered at the city level. The vertical bars measure 90 percent CIs. Source: Italian Minister of the Interior, https://finanzalocale.interno.gov.it/apps/floc.php/in/cod/4; Atlante Statistico dei Comuni, http://asc.istat.it/asc_BL/.

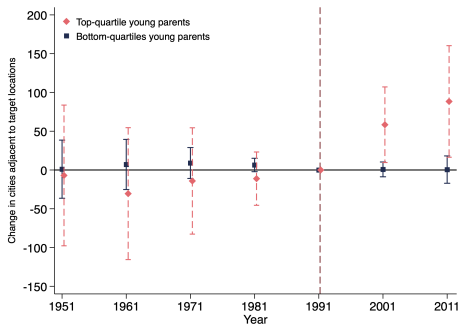
Figure A4: Women in the Workforce, Heterogeneity Based on Share of Young Parents



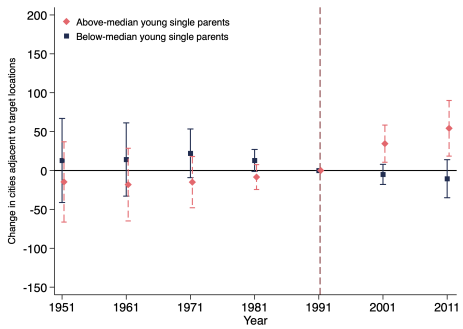
A. Above-median share of young parents



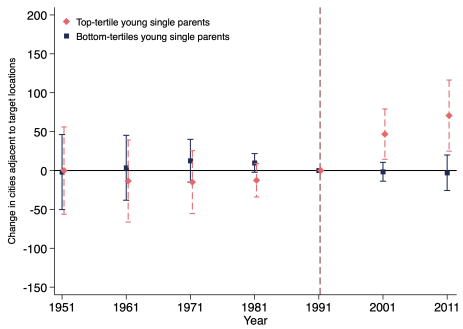
B. Top-tertile share of young parents



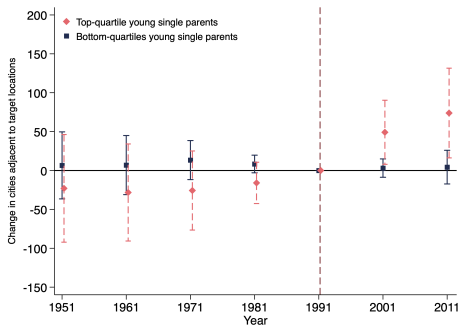
C. Top-quartile share of young parents



D. Above-median share of young single parents



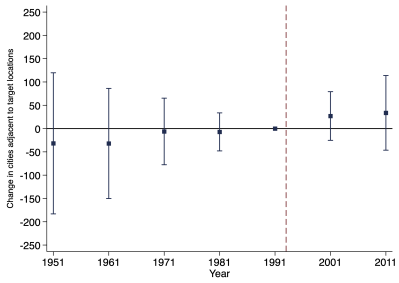
E. Top-tertile share of young single parents



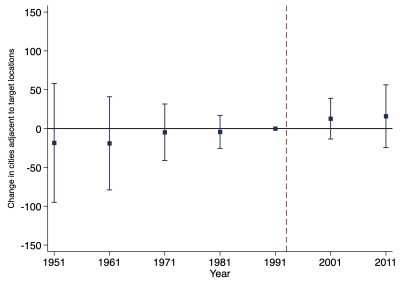
F. Top-quartile share of young single parents

Notes: These graphs show the post-LPT change in cities adjacent to municipalities targeted by Allied tactical air attacks during WWII, further distinguishing between cities with a high share of young parents (who therefore are more likely to have pre-kindergarten children) and cities with low share of young parents. Specifically, we use the share of residents who are below 35 years old and have children (Panels A to C) or the share of residents who are below 35 years old, are single, and have children (Panels D to F), computed relative to the total number of residents who are below 35 years old. The regressions also include city fixed effects, the dummy for a high share of young parents interacted with year fixed effects, region-year trends, as well as year dummies interacted with dummies for deciles of population in 1991, dummies for deciles of minimum altitude, and a dummy for rural municipalities. Standard errors are clustered at the city level. The vertical bars measure 90 percent CIs.

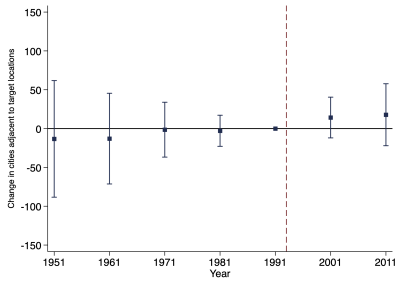
Figure A5: Effects of Fiscal Decentralization on Labor Markets, More Outcomes



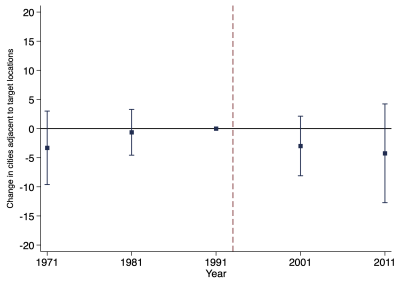
A. Population



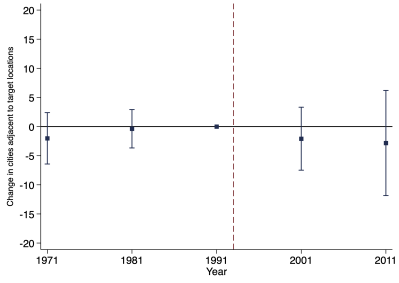
B. Population—women



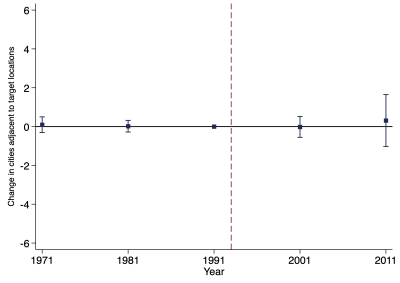
C. Population—men



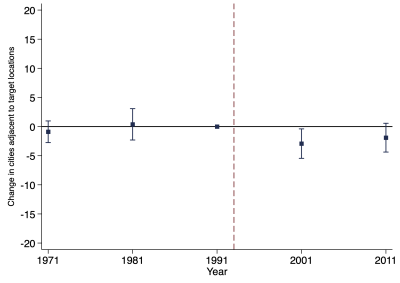
D. Firms



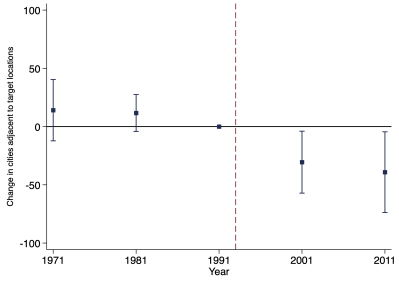
E. Firms with < 3 employees



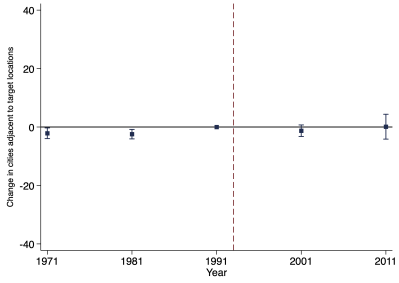
F. Public-owned firms



G. Agricultural workers



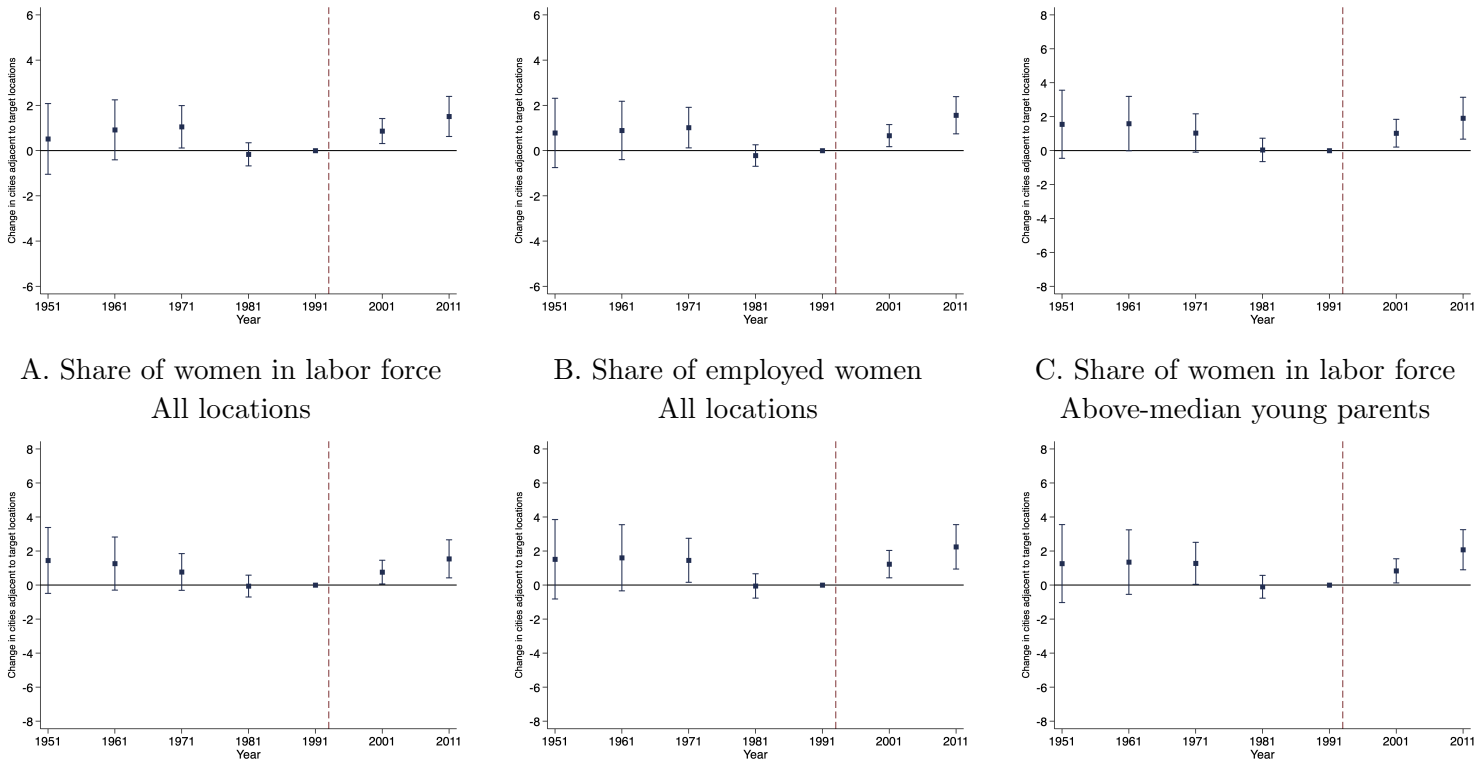
H. Manufacturing workers



I. Public employees

Notes: These graphs show the post-LPT change in cities adjacent to municipalities targeted by Allied tactical air attacks during WWII. The control group is composed of municipalities adjacent to cities matched to target locations. The omitted year is 1991. The regressions also include city fixed effects, region-year trends, as well as year dummies interacted with dummies for deciles of population in 1991, dummies for deciles of minimum altitude, and a dummy for rural municipalities. Standard errors are clustered at the city level. The vertical bars measure 90 percent CIs.

Figure A6: Share of Women Active in Labor Market



A. Share of women in labor force
All locations

B. Share of employed women
All locations

C. Share of women in labor force
Above-median young parents

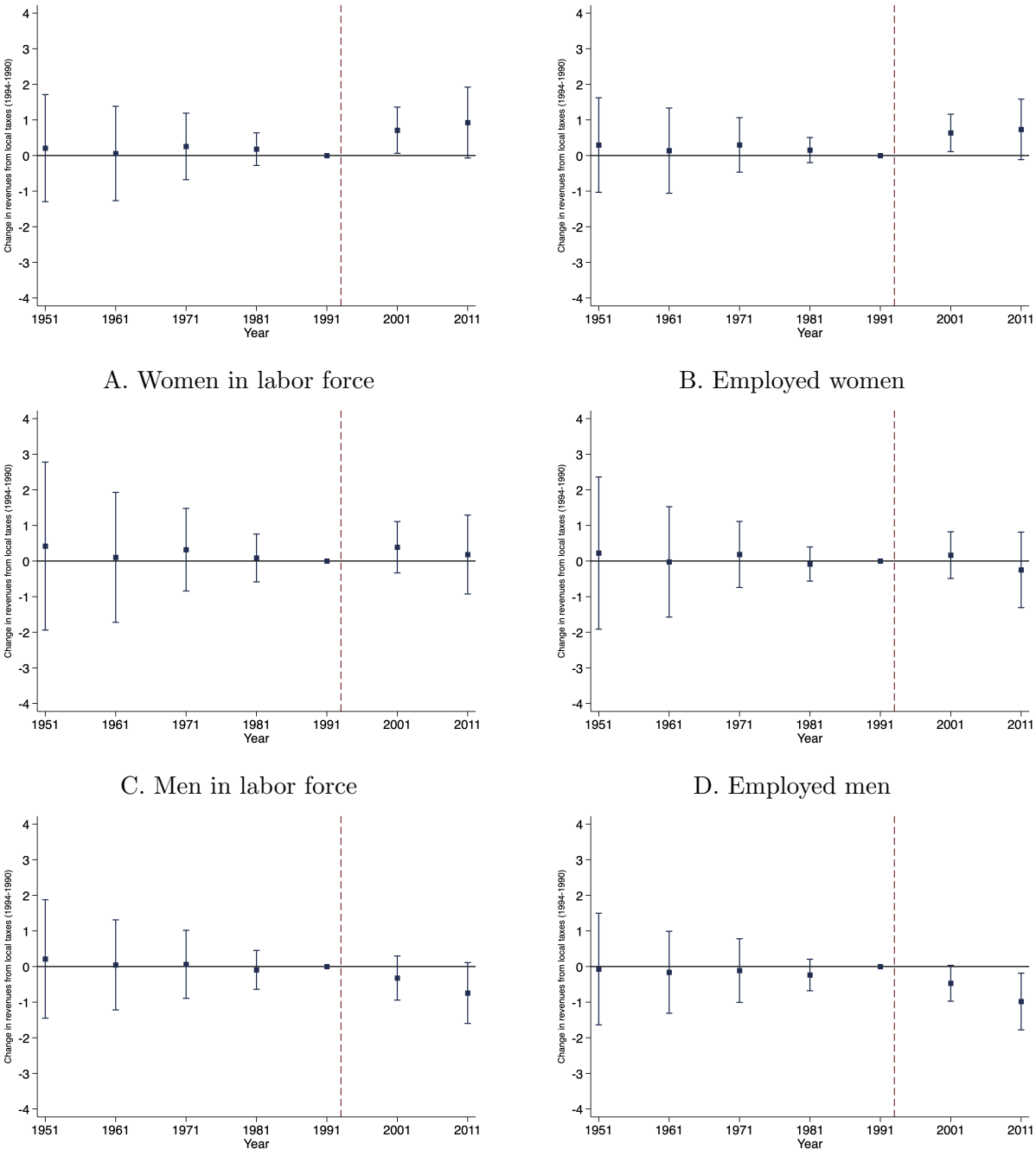
D. Share of employed women
Above-median young parents

E. Share of women in labor force
Above-median young single parents

F. Share of employed women
Above-median young single parents

Notes: The dependent variables are shares of women active in the labor market out of all women between 15 and 65 years old in a municipality. These graphs show the post-LPT change in cities adjacent to municipalities targeted by Allied tactical air attacks during WWII. The control group is composed of municipalities adjacent to cities matched to target locations. Panels A and B use all locations. Panels C and D focus on municipalities with above-median share of young parents (share of residents who are below 35 years old and have children), while panels E and F focus on municipalities with above-median share of young single parents (share of residents who are below 35 years old, single, and have children). The omitted year is 1991. The regressions also include city fixed effects, region-year trends, as well as year dummies interacted with dummies for deciles of population in 1991, dummies for deciles of minimum altitude, and a dummy for rural municipalities. Standard errors are clustered at the city level. The vertical bars measure 90 percent CIs. Source: 8mila Census, ISTAT, available online at http://ottomilacensus.istat.it/.

Figure A7: Yearly Effects of Fiscal Decentralization, Instrumental Variables



A. Women in labor force

B. Employed women

C. Men in labor force

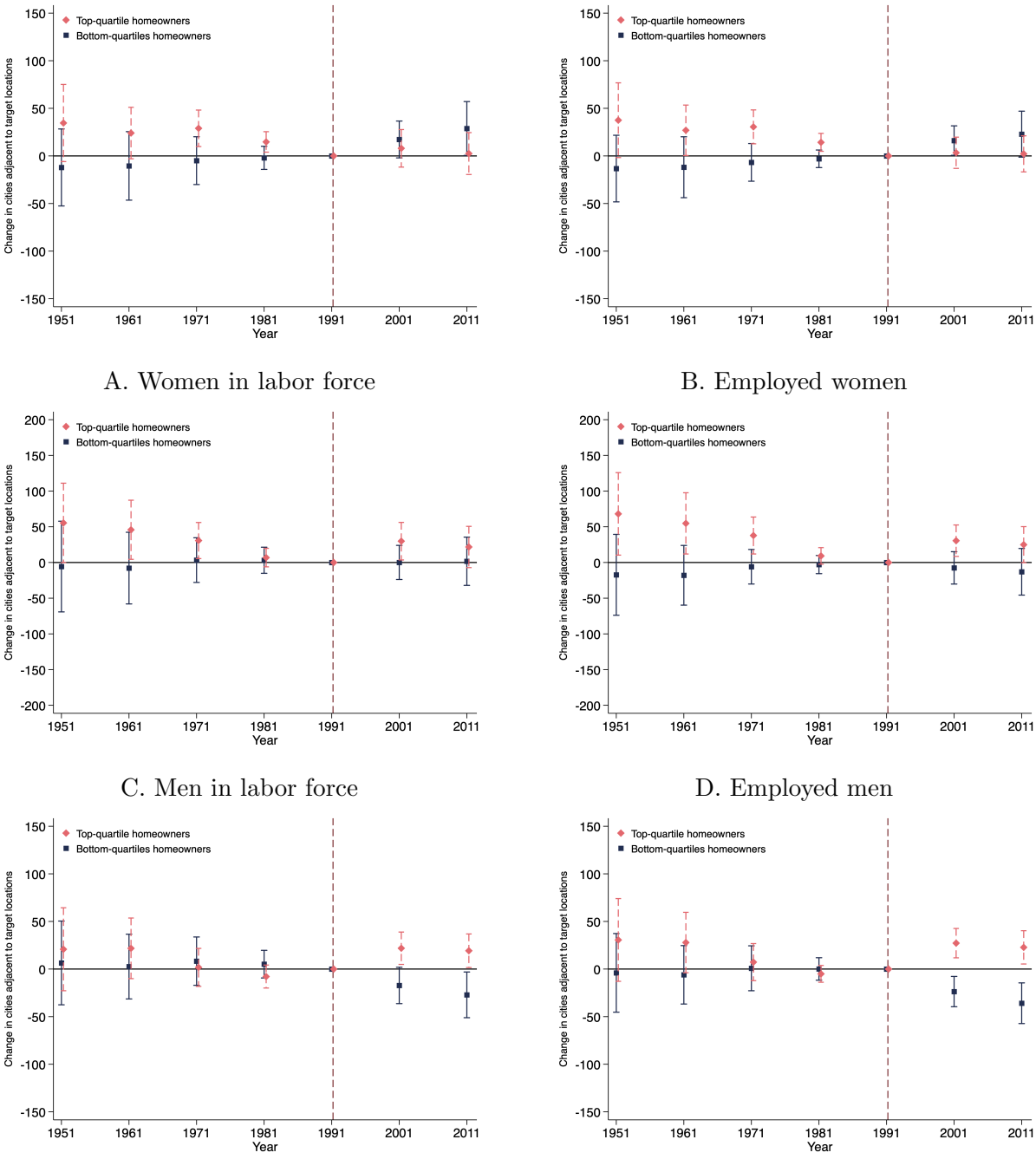
D. Employed men

E. Gender gap in labor force

F. Gender gap in employment

Notes: The coefficients show the effect of an increase (€1) in the per-capita revenues from local taxes. This variable is instrumented by a dummy that identifies cities adjacent to municipalities targeted by Allied tactical air attacks during WWII. The omitted year is 1991. The regressions also include city fixed effects, region-year trends, as well as year dummies interacted with dummies for deciles of population in 1991, dummies for deciles of minimum altitude, and a dummy for rural municipalities. Standard errors are clustered at the city level. The vertical bars measure 90 percent CIs.

Figure A8: Heterogeneity Based on Share of Owner-Occupied Buildings



A. Women in labor force

B. Employed women

C. Men in labor force

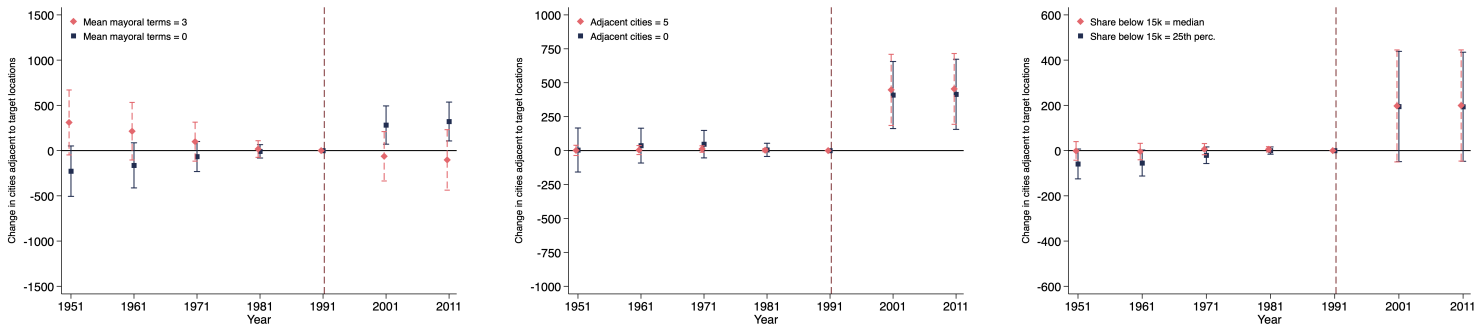
D. Employed men

E. Gender gap in labor force

F. Gender gap in employment

Notes: These graphs show the post-LPT change in cities adjacent to municipalities targeted by Allied tactical air attacks during WWII, further distinguishing between cities in the top quartile of the share of owner-occupied buildings in 1991 and cities in the bottom three quartiles. The omitted year is 1991. The regressions also include city fixed effects, top-quartile-year fixed effects, region-year trends, as well as year dummies interacted with dummies for deciles of population in 1991, dummies for deciles of minimum altitude, and a dummy for rural municipalities. Standard errors are clustered at the city level. The vertical bars measure 90 percent CIs. Source: 8mila Census, ISTAT, available online at http://ottomilacensus.istat.it/.

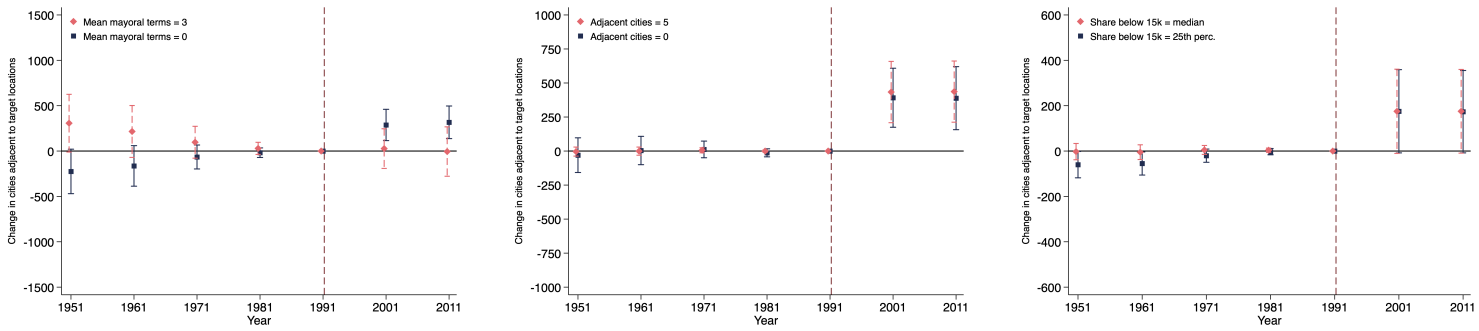
Figure A9: Women in the Workforce, Heterogeneity Based on Political and Municipal Competition



A. Women's participation—Political competition

B. Women's participation—Municipal competition

C. Women's participation—Local preferences



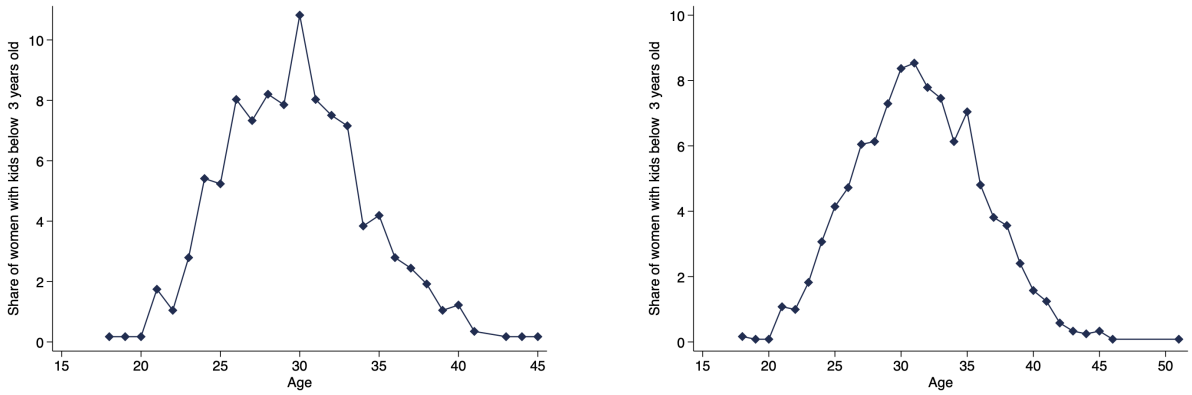
D. Women's employment—Political competition

E. Women's employment—Municipal competition

F. Women's employment—Local preferences

Notes: Panels A and D show heterogeneity effects in women's labor-force participation and employment based on the mean number of mayoral terms after 1993. Panels B and E show heterogeneity effects based on the number of adjacent municipalities. Panels C and F show heterogeneity effects based on the share of income earners with yearly taxable income below €15,000. Although shown in different panels for the sake of clarity, these three heterogeneity variables are simultaneously interacted with "Near targets" and year fixed effects in the same specification. The regressions also include city fixed effects, the new heterogeneity variables interacted with year fixed effects, region-year trends, as well as year dummies interacted with dummies for deciles of population in 1991, dummies for deciles of minimum altitude, and a dummy for rural municipalities. Standard errors are clustered at the city level. The vertical bars measure 90 percent CIs.

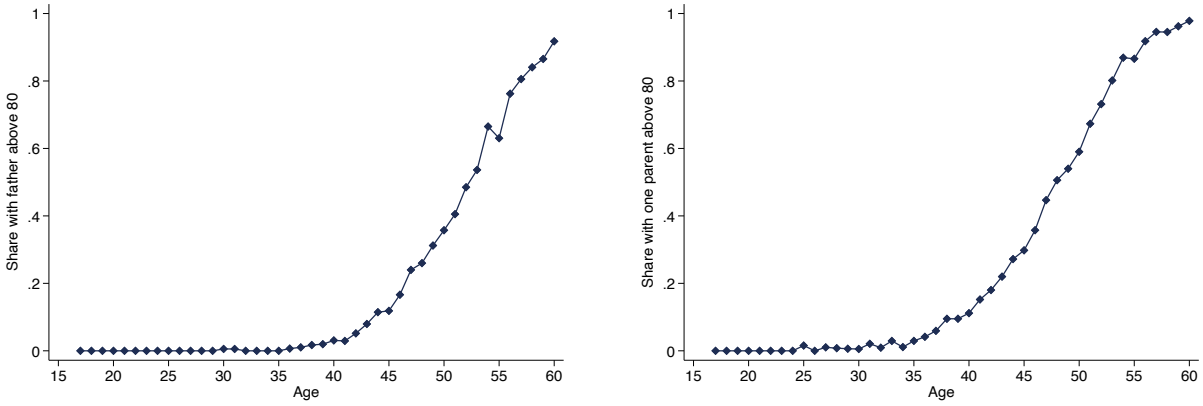
Figure A10: Probability of Having a Child Below Three Years Old, SHIW



A. 1977-1993 B. 1977-2010

Notes: These graphs show the probability of having a child below three years old for women working in the private sector (qualp3==1 and settp9!=8 in the SHIW data). The data comes from sequential waves of the Bank of Italy's Survey of Household and Income Wealth, a representative survey of the Italian population. Panel A stops before the full implementation of the LPT, while panel B shows data from all the waves until 2010. Source: Bank of Italy's Survey of Household and Income Wealth, available online at https://www.bancaditalia.it/statistiche/tematiche/indagini-famiglie-imprese/bilanci-famiglie/distribuzione-microdati/index.html.

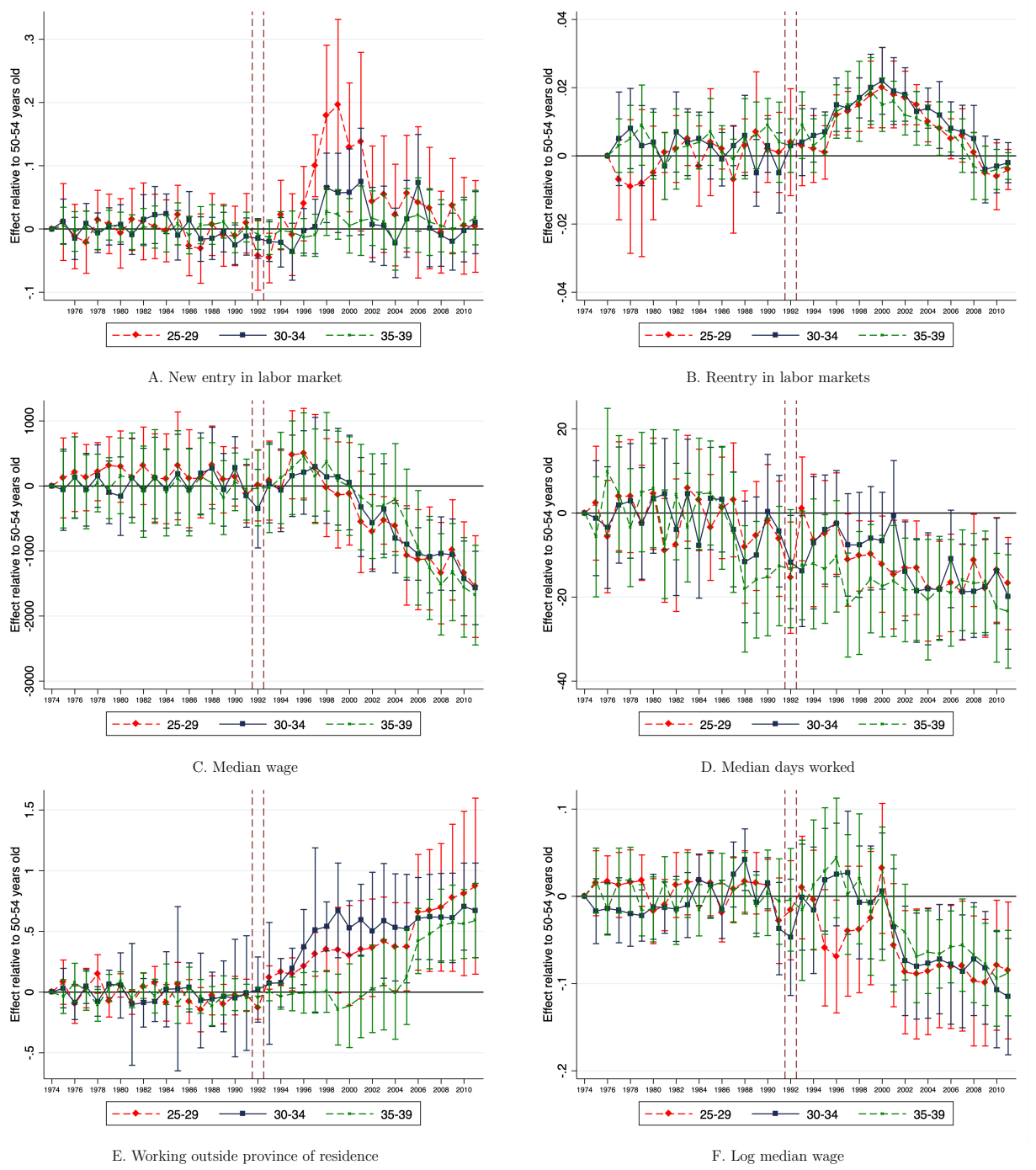
Figure A11: Probability of Having a Parent $\geq$ 80 Years Old



A. Father B. At Least One Parent

Notes: These graphs show the share of women with either the father or at least one parent above 80 years old. The data comes from sequential waves of the Bank of Italy's Survey of Household and Income Wealth, a representative survey of the Italian population. Data on parental age is available only for the waves in 1995, 1998, 2000, 2002, 2004, 2006, 2008, 2010, and 2012. Source: Bank of Italy's Survey of Household and Income Wealth, available online at https://www.bancaditalia.it/statistiche/tematiche/indagini-famiglie-imprese/bilanci-famiglie/distribuzione-microdati/index.html.

Figure A12: Yearly Effects, Employees of Privately Owned Firms



A. New entry in labor market

B. Reentry in labor markets

C. Median wage

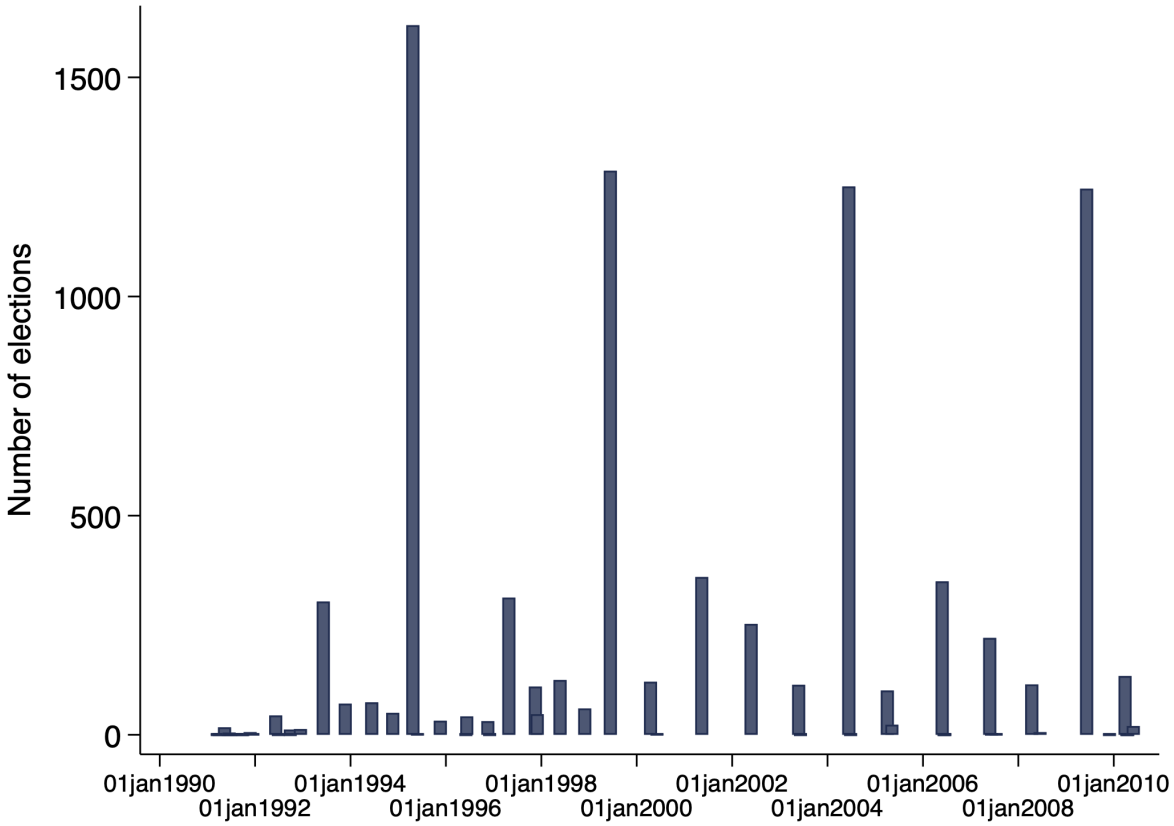
D. Median days worked

E. Working outside province of residence

F. Log median wage

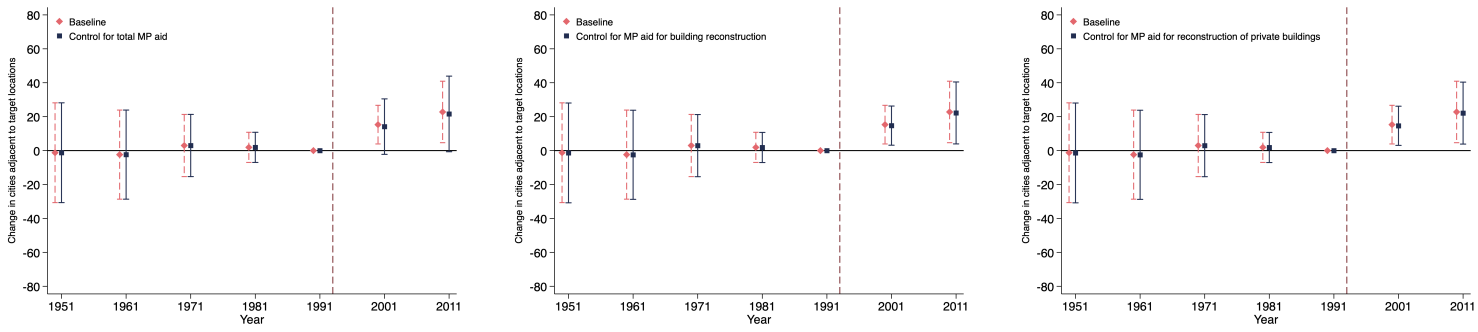
Notes: These graphs show triple interactions of age bins, a dummy equal to 1 for near-target locations, and year dummies. The sample includes only women. The control group is composed of municipalities adjacent to cities matched to target locations. For sake of clarity, the graphs shows the coefficients for only three age bins (25-29, 30-34, 35-39 years old). The omitted age group is composed by 50- to 54-year-olds. The regressions also include the pairwise interactions between the main variables, city fixed effects, age-year fixed effects, region-year fixed effects, as well as year dummies interacted with dummies for deciles of population in 1991, dummies for deciles of minimum altitude, and a dummy for rural municipalities. Standard errors are clustered at the city level. The vertical bars measure 95 percent CIs. Source: Istituto Nazionale della Previdenza Sociale (INPS).

Figure A13: Number of Municipal Elections by Date



Notes: This graph shows the number of municipal elections by date in the estimating sample (near-bombed and near-others municipalities). Data before 1993 is likely incomplete. Source: Italian Minister of the Interior, available online at https://finanzalocale.interno.gov.it/apps/floc.php/in/cod/4.

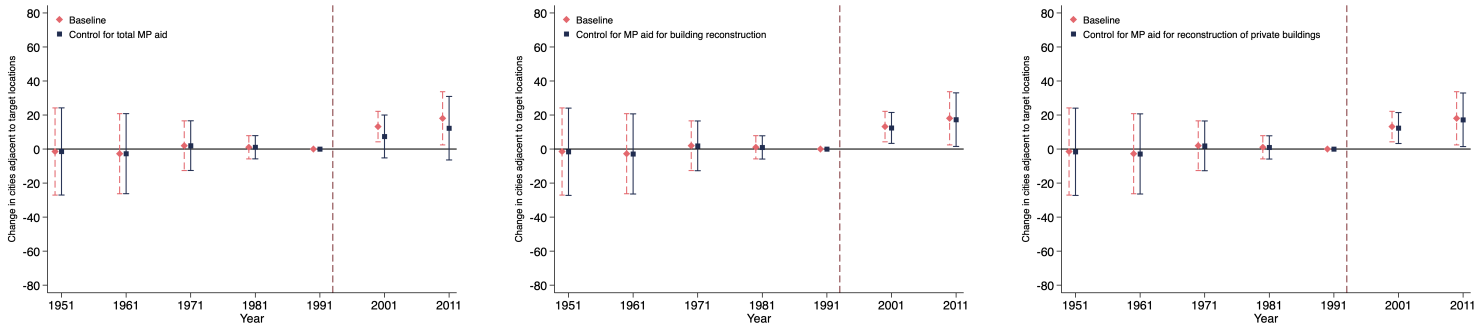
Figure A14: Women in the Workforce, Controlling for Marshall Plan



A. Women's participation—Total MP aid

B. Women's participation—Reconstruction of buildings

C. Women's participation—Reconstruction of private buildings



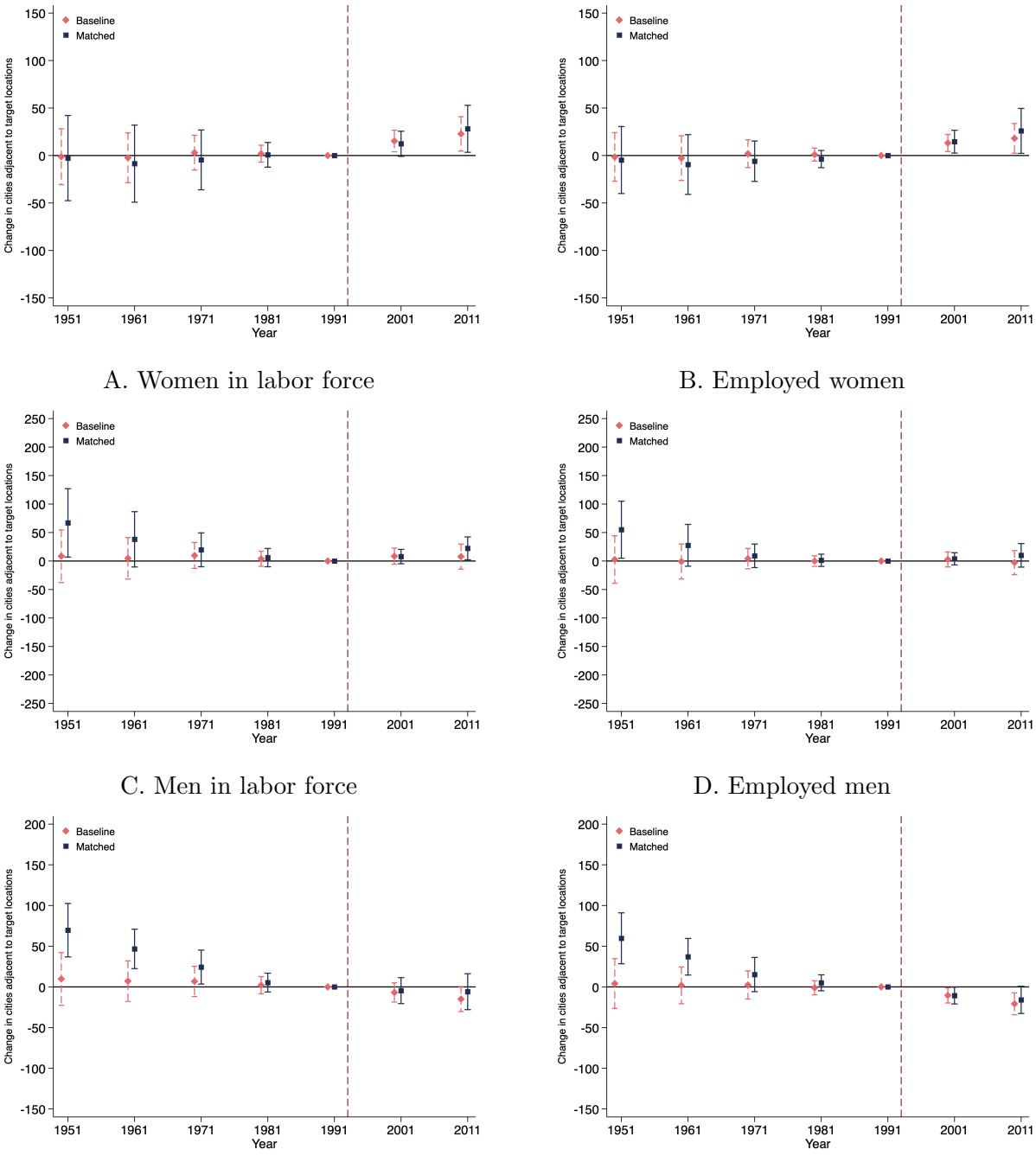
D. Women's employment—Total MP aid

E. Women's employment—Reconstruction of buildings

F. Women's employment—Reconstruction of private buildings

Notes: In Panels A and D, the regressions include the total amount of aid received by a province through the Marshall Plan. Aid is aggregated at the province level because none of the municipalities in the sample (near-target and near-others) directly received grants. In Panels B and E, the regressions include the amount of aid received by a province through the Marshall Plan to reconstruct public and private buildings. In Panels C and F, the regressions include the amount of aid received by a province through the Marshall Plan to reconstruct only private buildings. The regressions also include city fixed effects, region-year trends, as well as year dummies interacted with dummies for deciles of population in 1991, dummies for deciles of minimum altitude, and a dummy for rural municipalities. Standard errors are clustered at the city level. The vertical bars measure 90 percent CIs.

Figure A15: Matching Target-Adjacent and Target-Distant Municipalities



A. Women in labor force

B. Employed women

C. Men in labor force

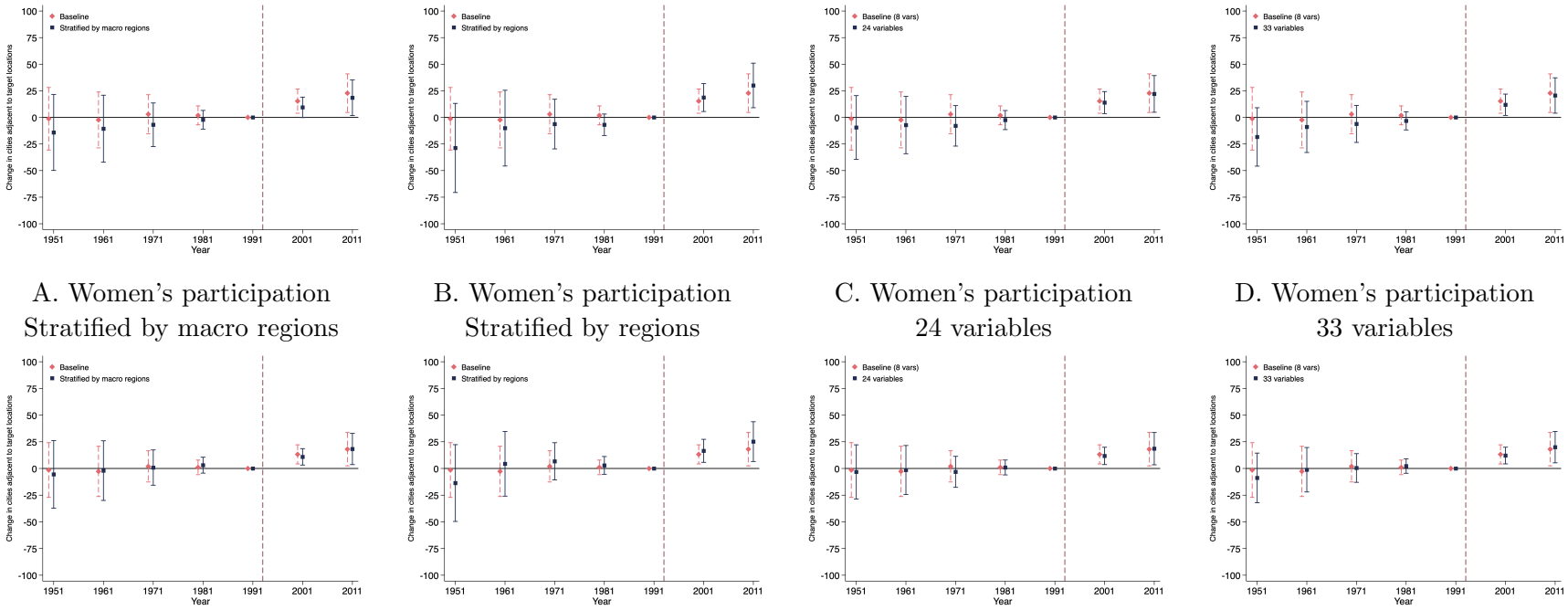
D. Employed men

E. Gender gap in labor force

F. Gender gap in employment

Notes: The control group is composed of target-distant municipalities matched to target-adjacent municipalities using population and area size in 1991. The regressions also include city fixed effects, region-year trends, as well as year dummies interacted with dummies for deciles of population in 1991, dummies for deciles of minimum altitude, and a dummy for rural municipalities. Standard errors are clustered at the city level. The vertical bars measure 90 percent CIs.

Figure A16: Robustness of Matching Algorithm



A. Women's participation
Stratified by macro regions

B. Women's participation
Stratified by regions

C. Women's participation
24 variables

D. Women's participation
33 variables

E. Women's employment
Stratified by macro regions

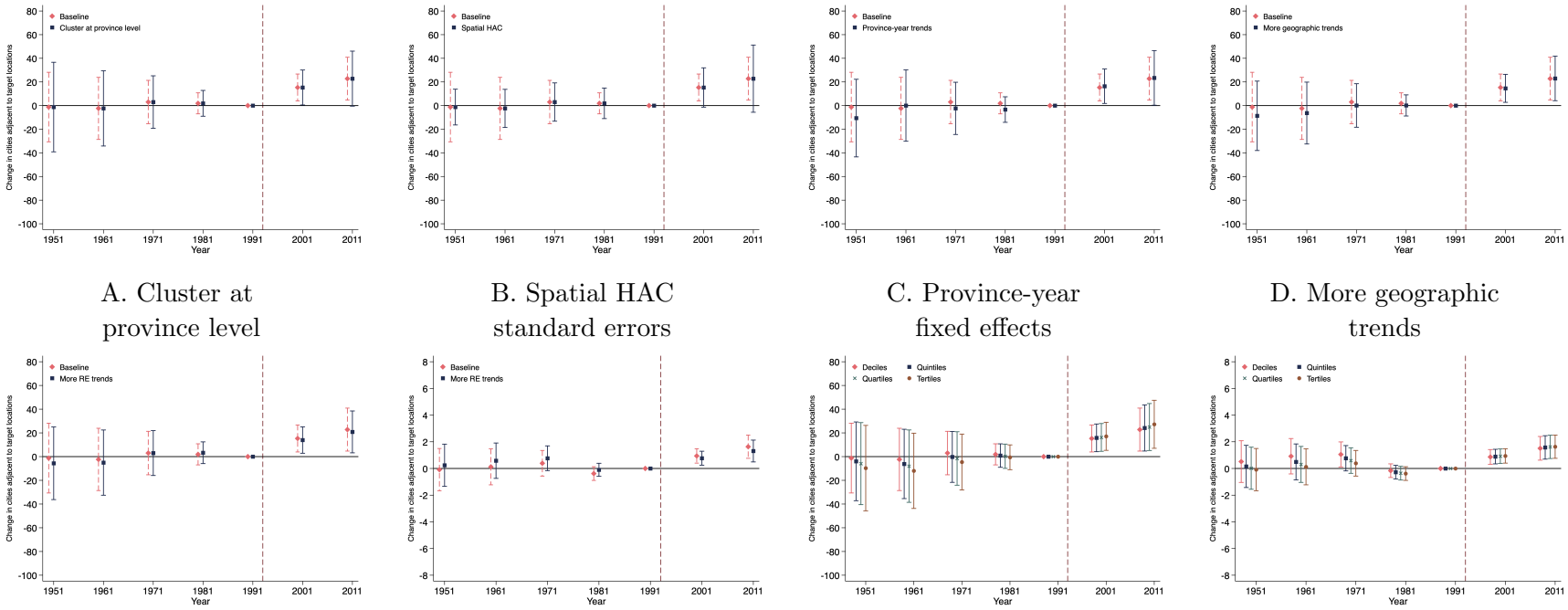
F. Women's employment
Stratified by regions

G. Women's employment
24 variables

H. Women's employment
33 variables

Notes: These graphs show the robustness of the initial matching algorithm between bombed and nonbombed locations. "Stratified by macro regions:" locations are first grouped by five macro regions and then matched on observables (same 8 vars used in baseline). "Stratified by regions:" locations are first grouped by twenty regions and then matched on observables (same 8 vars used in baseline). "24 variables:" 24 variables used for matching, instead of 8. "33 variables:" 33 variables used for matching, instead of 8. Full list of variables and propensity scores in Table A4. Standard errors are clustered at the city level. The vertical bars measure 90 percent CIs.

Figure A17: Women's Labor-Force Participation, Various Robustness Checks



A. Cluster at province level

B. Spatial HAC standard errors

C. Province-year fixed effects

D. More geographic trends

E. More RE trends

F. Share of women More RE trends

G. More population trends

H. Share of women More pop. trends

Notes: The dependent variable is women's labor-force participation. "Cluster at province level:" stand. errors clustered at the province level, rather than at the city level. "Spatial HAC:" standard errors corrected for spatial correlation among municipalities that are within 1,000km of each other and for autocorrelation for up to 20 years. "Province-year FE:" region-year trends are replaced with province-year trends. "More geographic trends:" regressions include geographical variables (a dummy for mountain municipalities and a dummy for coastal cities) interacted with year fixed effects. "More RE trends:" regressions include variables describing the real-estate market (average size of residential buildings, share of high-quality buildings as defined in Table A2) interacted with year fixed effects. "More population trends" replaces deciles of the 1991 population (interacted with year dummies) with either tertiles, quartiles, or quintiles. The vertical bars measure 90 percent CIs.

Table A1: Additional Summary Statistics from Balance Sheets

	All years			
	Mean	Std. Dev.	Obs.	Availability
	(1)	(2)	(3)	(4)
Panel A: Share of total spending on local services				
Administrative tasks	40.29	11.25	95633	1998-2010
Judicial system	0.09	0.33	95642	1998-2010
Police	4.34	2.81	95641	1998-2010
Education	10.09	4.98	95638	1998-2010
Culture	2.05	1.99	95642	1998-2010
Sports	1.56	1.43	95642	1998-2010
Tourism	0.66	1.27	95642	1998-2010
Transport system	9.15	4.52	95639	1998-2010
Public health	18.83	7.71	95637	1998-2010
Welfare	9.88	7.67	95639	1998-2010
Local econ. dev.	0.53	0.92	95642	1998-2010
Panel B: Share of total revenues from local services				
Administrative tasks	13.11	16.28	96001	1998-2010
Judicial system	0.00	0.01	92157	1998-2010
Police	9.37	15.18	95999	1998-2010
Education	16.42	18.20	96022	1998-2010
Culture	0.42	1.56	96025	1998-2010
Sports	1.07	2.86	96026	1998-2010
Tourism	0.25	1.60	96025	1998-2010
Transport system	0.43	2.32	96026	1998-2010
Public health	27.14	30.37	96024	1998-2010
Welfare	12.75	18.16	95282	1998-2010
Panel C: Other variables				
Spend. on nursery schools (%)	1.15	2.10	95642	1998-2010
Rev. from nursery schools (%)	1.55	4.50	92504	1998-2010

Notes: This table shows additional summary statistics from the balance sheets of Italian municipalities. Monetary values are in expressed in 2017 €. Source: Italian Minister of the Interior, available online at https://finanzalocale.interno.gov.it/apps/floc.php/in/cod/4.

Table A2: Correlation between Age of Buildings and Effect of the Policy

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A: Dependent variable is average cadastral value in 2013 (first available year)							
Share of pre-WWII buildings	-3.631***	-3.522***	-3.116***	-2.934***	-1.638***	-0.800***	-0.546***
	(0.269)	(0.234)	(0.223)	(0.202)	(0.193)	(0.171)	(0.155)
Controls	Region FE	Province FE	(2) + building size	(3) + building qual.	(4) + geography	(5) + demography	(6) + economy
Observations	7,990	7,990	7,990	7,990	7,990	7,987	7,987
R^2	0.412	0.555	0.604	0.615	0.684	0.718	0.767
Dep. var.—mean	351.2	351.2	351.2	351.2	351.2	351.2	351.2
Dep. var.—std. dev.	149.95	149.95	149.95	149.95	149.95	149.98	149.98
Pre-WWII buildings—mean	40.24	40.24	40.24	40.24	40.24	40.24	40.24
Pre-WWII buildings—std. dev.	19.04	19.04	19.04	19.04	19.04	19.04	19.04
Panel B: Dependent variable is change in per-capita revenues from local taxes between 1990 and 1994							
Share of pre-WWII buildings	-1.067***	-1.094***	-1.371***	-1.242***	-0.991***	-1.065***	-0.865***
	(0.157)	(0.155)	(0.173)	(0.171)	(0.155)	(0.160)	(0.150)
Controls	Region FE	Province FE	(2) + building size	(3) + building qual.	(4) + geography	(5) + demography	(6) + economy
Observations	7,400	7,400	7,393	7,393	7,393	7,390	7,390
R^2	0.167	0.228	0.266	0.275	0.315	0.327	0.354
Dep. var.—mean	129.71	129.71	129.75	129.75	129.75	129.69	129.69
Dep. var.—std. dev.	123.29	123.29	123.29	123.29	123.29	123.22	123.22
Pre-WWII buildings—mean	39.97	39.97	39.99	39.99	39.99	39.99	39.99
Pre-WWII buildings—std. dev.	19.03	19.03	19.02	19.02	19.02	19.02	19.02
Panel C: Dependent variable is median rental value per m^2 between 2002 and 2010							
Share of pre-WWII buildings	0.054***	0.030***	0.022**	0.020**	0.035***	-0.013	-0.003
	(0.008)	(0.009)	(0.010)	(0.010)	(0.009)	(0.009)	(0.009)
Controls	Year FE	(1) + region FE	(2) + building size	(3) + building qual.	(4) + geography	(5) + demography	(6) + economy
Observations	935	935	935	935	935	935	935
R^2	0.128	0.421	0.435	0.443	0.540	0.618	0.636
Dep. var.—mean	4.43	4.43	4.43	4.43	4.43	4.43	4.43
Dep. var.—std. dev.	2.01	2.01	2.01	2.01	2.01	2.01	2.01
Pre-WWII buildings—mean	21.09	21.09	21.09	21.09	21.09	21.09	21.09
Pre-WWII buildings—std. dev.	9.63	9.63	9.63	9.63	9.63	9.63	9.63

Notes: In panel A, the dependent variable is the average cadastral value in 2013, the first year in which this information is available. Source: Agenzia del Territorio, Statistiche Catastali. In panel B, the dependent variable is the policy-induced change in fiscal federalism, measured as the change in the per-capita revenues coming from local taxes between 1990 and 1994. Source: Italian Minister of the Interior, available online at https://finanzalocale.interno.gov.it/apps/floc.php/in/cod/4. In panel C, the dependent variable is the median rental value for a m^2 of residential real estate between 2002 and 2010. The database measures market values in multiple areas within a municipality, but only larger cities are included in the sample. Source: Osservatorio del Mercato Immobiliare. Building size is the average number of rooms of residential buildings. Building quality is the share of high-quality residential buildings in the municipality (cadastral classes A1, A7, A8, A9). Geography: size of municipality, dummy for coastal cities, dummy for mountain cities, altitude. Demography: population, share of residents above 65 years old, share of household with 2 or fewer members, share of foreign-born residents, share of women. Economy: share of residents with university degree, share of unemployed. share working in the industrial sector, share working in the service sector. Standard errors clustered at the province level in parentheses, *** p<0.01, ** p<0.05, * p<0.1.

Table A3: Correlation between Allied Bombings and Effect of the Policy

	(1)	(2)	(3)
Panel A: Dependent variable is share of prewar buildings			
IHST post-armistice bombs	-1.540***	-1.449***	-1.312***
	(0.260)	(0.203)	(0.187)
Controls	No	Region FE	Province FE
Observations	7,960	7,960	7,960
Dep. var.—mean	40.53	40.53	40.53
Dep. var.—std. dev.	19.03	19.03	19.03
Panel B: Dependent variable is change in per-capita revenues from local taxes			
IHST post-armistice bombs	6.694***	4.252***	3.747***
	(1.557)	(1.121)	(1.124)
Controls	No	Region FE	Province FE
Observations	7,355	7,355	7,355
Dep. var.—mean	129.19	129.19	129.19
Dep. var.—std. dev.	123.61	123.61	123.61

Notes: In panel A, the share of prewar buildings in 1991 is regressed on the inverse hyperbolic sine transformation (IHST) of post-armistice Allied bombings. In panel B, the change in per-capita revenues from local taxes between 1990 and 1994 is regressed on the IHST of post-armistice Allied bombings. Among municipalities with bombings, the 25^{th} percentile of the tons of bombings is equal to 39 tons, while the median is equal to 114 tons. Standard errors clustered at the province level, *** p<0.01, ** p<0.05, * p<0.1.

Table A4: Propensity Score Matching

	Targeted after armistice	Targeted after armistice	Targeted after armistice	Targeted after armistice	Targeted after armistice	Targeted after armistice	Targeted after armistice	Targeted after armistice
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Population (per 1000 residents)	0.01337	0.41490	0.10086	-0.05590	-0.19711	0.34122**	0.06332	-0.00050
	(0.04016)	(0.57610)	(0.12695)	(0.20323)	(0.14614)	(0.15183)	(0.05699)	(0.06090)
Population^2 (per 1000 residents)	-0.00073***	-0.00198	-0.00002	-0.00083	-0.00096***	-0.00112***	-0.00048**	-0.00040**
	(0.00015)	(0.00223)	(0.00072)	(0.00087)	(0.00034)	(0.00033)	(0.00019)	(0.00019)
Area (km^2)	0.01867***	0.02341	0.01635	0.01731***	0.03063***	0.02348***	0.01878***	0.02176***
	(0.00249)	(0.02418)	(0.01173)	(0.00638)	(0.00853)	(0.00748)	(0.00271)	(0.00282)
Area^2	-0.00007***	-0.00002	-0.00009	-0.00004	-0.00017**	-0.00014***	-0.00007***	-0.00008***
	(0.00001)	(0.00016)	(0.00006)	(0.00003)	(0.00007)	(0.00004)	(0.00001)	(0.00001)
Population density	-0.00021**	-0.00048	0.00038	0.00040	-0.00048**	-0.00046***	-0.00024***	-0.00013
	(0.00009)	(0.00128)	(0.00067)	(0.00071)	(0.00024)	(0.00017)	(0.00009)	(0.00009)
Number of buildings	0.00020*	-0.00072	-0.00024	0.00025	0.00089**	-0.00077*	0.00001	0.00018
	(0.00011)	(0.00176)	(0.00042)	(0.00059)	(0.00040)	(0.00046)	(0.00018)	(0.00019)
Share owner-occupied properties	-0.03673***	-0.10702**	-0.02510*	-0.07667***	-0.02279***	-0.03623***	-0.03472***	-0.03416***
	(0.00452)	(0.04290)	(0.01463)	(0.01514)	(0.00650)	(0.01115)	(0.00504)	(0.00532)
Share of population < 3 years old	-0.14224**	0.08819	-0.29518	-0.13009	-0.31578***	0.14879	-0.09830	-0.11385
	(0.05818)	(0.29196)	(0.19384)	(0.14495)	(0.09216)	(0.12324)	(0.07244)	(0.07607)
Coastal city							-0.04223	-0.02966
							(0.15765)	(0.16010)
Rural city							0.00511	0.01615
							(0.11460)	(0.11798)
Share women							0.04242	0.04230
							(0.02604)	(0.02767)
Foreign residents							-0.00200*	-0.00207*
							(0.00113)	(0.00115)
Share over 65							0.00046	0.02216
							(0.01036)	(0.01399)
Births							-0.01200*	-0.00816
							(0.00615)	(0.00637)
Pupils in nursery school							-0.00324	-0.00429
							(0.00318)	(0.00326)
Residents in labor force							0.00007	0.00006
							(0.00010)	(0.00010)
Firms							0.00031	0.00011
							(0.00036)	(0.00036)
Employees							-0.00002	0.00003
							(0.00006)	(0.00007)
Share of agricultural firms							0.01697	0.00457
							(0.02247)	(0.02296)
Share of manufacturing firms							-0.02346***	-0.02398***
							(0.00787)	(0.00816)
Share of retail firms							0.00805	0.00822
							(0.00775)	(0.00805)
Share of agricultural workers							-0.02321	-0.02248
							(0.02132)	(0.02129)
Share of manufacturing workers							0.01154***	0.00725*
							(0.00407)	(0.00423)
Share of retail workers							0.00263	-0.00080
							(0.00756)	(0.00791)
Vote share for DC								-0.79047
								(0.52371)
Vote share for extreme left								1.41139
								(1.52504)
Vote share for extreme right								1.74578
								(1.50919)
Winner DC (dummy)								0.16362
								(0.29661)
Winner center-left (dummy)								0.19859
								(0.30175)
Winner Lega Nord (dummy)								-0.09863
								(0.30146)
Youth outside labor force								0.01079
								(0.01116)
m^2 per resident								-0.03108
								(0.01978)
Avg. size of buildings								0.03420***
								(0.00698)
Specification	Baseline	Stratified by macro regions	Stratified by macro regions	Stratified by macro regions	Stratified by macro regions	Stratified by macro regions	More controls	More controls
Municipalities	All	Center	Islands	Northeast	Northwest	South	All	All
Region FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	2,926	236	550	299	1,095	746	2,902	2,843
Mean	0.23	0.80	0.03	0.70	0.13	0.14	0.23	0.23
Std. dev.	0.42	0.40	0.16	0.46	0.34	0.35	0.42	0.42

Notes: This table shows the coefficients used to match targeted and nontargeted municipalities. Specifically, we match targeted municipalities to other cities using propensity-score matching and a nearest-neighbor algorithm. We also impose a common support between treated and control locations. The caliper is 0.15 and matching is performed without replacement. We used the Stata command `psmatch2` with options "common ties noreplacement descending caliper(0.15)." One matching algorithm is not reported in this table due to lack of space. In addition to stratifying the observations by five macro regions (columns 2 to 6), we stratify them by twenty regions (coefficients not reported for sake of space). Standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1.

Table A5: Trends Before the LPT Introduction, More Variables from Census

	Population density	Gender gap in education	Population in urban areas	Illiterate residents	Residents with univ. degree	Residents per building	Population	Log population	Youth outside labor force	Agricultural workers	Manufacturing workers
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
					Panel A: Linear pre-LPT trends						
Near targets x Trend	-0.126	0.229*	0.005	0.161	0.843	0.045	0.886	0.000	0.012	0.046	-0.686
	(0.291)	(0.136)	(0.017)	(0.538)	(0.532)	(0.037)	(2.406)	(0.000)	(0.013)	(0.057)	(0.797)
Observations	11,874	11,773	11,874	11,874	11,874	11,872	11,874	11,874	7,176	7,176	7,176
Dep. var.—mean	204.80	150.88	26.01	245.68	261.60	92.47	3737.20	7.67	15.53	7.69	394.08
Dep. var.—std. dev.	486.01	89.55	23.43	611.75	645.10	46.03	5394.41	1.05	7.23	37.32	915.43
					Panel B: Nonlinear pre-LPT trends						
Near targets x 1951	6.510	-10.844*	-0.177	-6.118	-34.627	-1.574	-32.216	0.007			
	(10.903)	(6.040)	(0.640)	(21.511)	(21.454)	(0.988)	(91.636)	(0.013)			
Near targets x 1961	2.255	-2.858	-0.187	-4.965	-33.750	-1.522	-32.577	0.000			
	(9.924)	(4.059)	(0.578)	(13.699)	(20.518)	(2.708)	(71.698)	(0.011)			
Near targets x 1971	5.501	-0.085	-0.238	-2.721	-29.334*	-0.705*	-7.267	-0.009	-0.247	-0.926	13.723
	(5.547)	(2.905)	(0.485)	(8.672)	(17.434)	(0.405)	(43.527)	(0.008)	(0.268)	(1.138)	(15.939)
Near targets x 1981	2.627	-1.299	-0.042	-1.137	-19.105	-0.199	-8.484	-0.009**	-0.083	0.341	10.270
	(3.594)	(1.739)	(0.420)	(3.192)	(11.614)	(0.215)	(24.961)	(0.004)	(0.204)	(1.654)	(9.545)
Observations	11,874	11,773	11,874	11,874	11,874	11,872	11,874	11,874	7,176	7,176	7,176
Dep. var.—mean	204.80	150.88	26.01	245.68	261.60	92.47	3737.20	7.67	15.53	7.69	394.08
Dep. var.—std. dev.	486.01	89.55	23.43	611.75	645.10	46.03	5394.41	1.05	7.23	37.32	915.43
F statistic	1.45	0.93	0.07	0.05	0.74	0.89	0.21	2.38	0.43	1.15	0.60
P value	0.22	0.45	0.99	0.99	0.56	0.47	0.93	0.05	0.65	0.32	0.55

Notes: "Near targets" is 1 for municipalities adjacent to cities targeted by Allied tactical air attacks during WWII. The control group is composed of municipalities adjacent to cities matched to targeted locations. Panel A estimates linear pre-reform trends between 1951 and 1991 using data from the population censuses. Panel B estimates nonlinear pre-reform trends. The F-statistic at the bottom tests for the joint significance of the nonlinear trends. The omitted year is 1991. The gender gap in education is the ratio of men with HS diploma over women with HS diploma, multiplied by 100. Youth outside labor force is the share of the population between 15 years old and 29 years old who is not working nor studying. The regressions also include city fixed effects, region-year fixed effects, as well as year dummies interacted with dummies for deciles of population in 1991, dummies for deciles of minimum altitude, and a dummy for rural municipalities. Standard errors clustered at the city level in parentheses, *** p<0.01, ** p<0.05, * p<0.1.

Table A6: Trends Before the LPT Introduction, Variables from Social Security Data

	New entry in labor market		Reentry in labor market		Median wage		Median days worked	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Near targets x 20-24 x Trend	-0.004		0.001		-54.335		0.055	
	(0.012)		(0.006)		(60.010)		(0.091)	
Near targets x 25-29 x Trend	0.005		0.017		-78.372		0.057	
	(0.005)		(0.016)		(66.623)		(0.084)	
Near targets x 30-34 x Trend	0.004		0.012		-66.336		0.027	
	(0.003)		(0.015)		(74.253)		(0.051)	
Near targets x 35-39 x Trend	-0.002		0.004		-37.662		0.193	
	(0.003)		(0.005)		(69.301)		(0.213)	
Near targets x 40-44 x Trend	0.001		0.003		-120.064		0.276	
	(0.003)		(0.004)		(73.640)		(0.293)	
Near targets x 45-49 x Trend	-0.005		0.006		-9.620		0.148	
	(0.003)		(0.009)		(77.999)		(0.084)	
Nonlinear trends—Partial F-test		0.70		0.70		0.87		0.96
Observations	765,872	765,872	723,678	723,678	765,872	765,872	765,872	765,872
R^2	0.428	0.428	0.321	0.321	0.269	0.269	0.219	0.219
Dep. var.—mean	0.45	0.45	0.35	0.35	14,198.22	14,198.22	3.457	3.457
Dep. var.—std. dev.	1.89	1.89	0.93	0.93	6,826.85	6,826.85	1.234	1.234

Notes: "Near targets" is 1 for municipalities adjacent to cities targeted by Allied tactical air attacks during WWII. The control group is composed of municipalities adjacent to cities matched to targeted locations. The table shows estimates of pre-reform linear ("Trend") and nonlinear trends using Social Security data on female employees of privately owned firms. The pre-reform years span from 1974 to 1992 for all variables, but "Reentry in labor market" (1976-1992). In the case of nonlinear trends, the table reports the p-values from the partial f-tests on the triple interactions between the age bins, a dummy equal to 1 for near-target locations, and individual pre-reform year dummies. The regressions also include the pairwise interactions between the main variables, city fixed effects, age-year fixed effects, region-year fixed effects, as well as year dummies interacted with dummies for deciles of population in 1991, dummies for deciles of minimum altitude, and a dummy for rural municipalities. Standard errors clustered at the city level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Source: Istituto Nazionale della Previdenza Sociale (INPS).

Table A7: Effects on Municipal Spending, Additional Results

	Region-year fixed effects			Province-year fixed effects				
	Near targets	Obs.	R^2	Near targets	Obs.	R^2	Mean outcome	Std. Dev.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Share of total spending for local services							
Administrative tasks	-1.210***	28,244	0.318	-1.539***	28,161	0.382	41.28	11.02
	(0.351)			(0.396)				
Judicial system	-0.003	28,248	0.080	-0.009	28,165	0.129	0.06	0.25
	(0.010)			(0.011)				
Police	0.355***	28,248	0.209	0.432***	28,165	0.271	4.26	2.91
	(0.099)			(0.109)				
Education	0.342*	28,246	0.198	0.563***	28,163	0.312	10.23	5.06
	(0.178)			(0.194)				
Culture	0.119*	28,248	0.219	0.135**	28,165	0.286	1.89	1.93
	(0.062)			(0.067)				
Sports	0.196***	28,248	0.150	0.188***	28,165	0.218	1.54	1.45
	(0.049)			(0.056)				
Tourism	-0.062	28,248	0.096	-0.100*	28,165	0.153	0.66	1.27
	(0.045)			(0.052)				
Transport system	-0.534***	28,247	0.212	-0.563***	28,164	0.303	9.54	4.58
	(0.160)			(0.177)				
Public health	0.063	28,246	0.250	0.487**	28,163	0.395	18.75	7.4
	(0.225)			(0.237)				
Welfare	0.922***	28,248	0.321	0.809***	28,165	0.386	9.19	7.37
	(0.236)			(0.260)				
Local econ. development	0.094***	28,248	0.098	0.045	28,165	0.169	0.45	0.86
	(0.028)			(0.032)				

Notes: This table shows differences in spending for publicly provided services, using variables from balance sheets that are available between 1998 and 2010. "Near targets" is 1 for municipalities adjacent to cities targeted by Allied tactical air attacks during WWII. The control group is composed of municipalities adjacent to cities matched to targeted locations. The regressions also include region-year (column 1) or province-year (column 4) fixed effects, as well as controls for population, area of the municipality, a dummy for coastal cities, and a dummy for urban cities. Standard errors clustered at the city level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Source: Italian Minister of the Interior, available online at https://finanzalocale.interno.gov.it/apps/floc.php/in/cod/4.

Table A8: Multiple Hypothesis Testing

	Region-year fixed effects			Province-year fixed effects				
	Near targets x Post	P-value (W-Y)	P-value (B-H)	Near targets x Post	P-value (W-Y)	P-value (B-H)	Mean outcome	Std. Dev.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Dependent variables from municipal balance sheets before and after LPT								
Rev. from local taxes	12.321***	0.035	0.024	14.122***	<0.001	<0.001	158.54	108.92
	(4.481)			(4.745)				
Rev. from gov. transfers	-19.357***	0.005	0.003	-16.759***	<0.001	<0.001	528.31	218.83
	(5.655)			(5.966)				
Revenues per capita	-64.355**	0.115	0.132	-26.235	0.915	0.999	1677.24	1197.95
	(31.944)			(35.098)				
Spending per capita	-60.612*	0.155	0.132	-24.035	0.975	0.999	1674.14	1203.15
	(32.496)			(35.998)				
Deficit per capita	1.994	0.650	0.665	4.160	0.975	0.999	-4.24	148.30
	(4.601)			(6.155)				
Panel B: Dependent variables from censuses before and after LPT								
Pupils in nursery schools	2.475***	<0.001	<0.001	2.774***	0.005	0.002	10.43	21.23
	(0.746)			(0.775)				
IHST pupils in nursery schools	0.135***	<0.001	<0.001	0.149***	<0.001	<0.001	2.28	1.05
	(0.029)			(0.033)				
Share below 3 in nursery schools	1.122**	0.040	0.076	1.376**	0.025	0.031	10.25	11.48
	(0.479)			(0.568)				
Share of population in nursery schools	0.039***	<0.001	<0.001	0.039***	0.005	<0.001	0.30	0.26
	(0.008)			(0.010)				
Share below 3	0.057**	0.055	0.091	0.067**	0.025	0.031	2.84	1.03
	(0.026)			(0.030)				
Share between 4 and 5	-0.023	0.270	0.414	-0.061***	0.020	0.030	2.14	0.78
	(0.021)			(0.024)				
Share between 4 and 9	-0.064	0.265	0.414	-0.168***	0.010	0.009	7.81	2.50
	(0.051)			(0.055)				
Foreign residents	49.582***	<0.001	<0.001	50.568***	<0.001	<0.001	18.64	40.89
	(10.176)			(9.868)				
Panel C: Dependent variables are available only after LPT								
Has fiscal infraction	-0.006	0.610	0.587	-0.011	0.76	0.999	0.51	0.5
	(0.012)			(0.013)				
Spending for local services (%)	1.195***	<0.001	0.002	0.835**	0.065	0.112	54.8	16.25
	(0.337)			(0.365)				
Rev. for admin. tasks per employee	257.568**	0.100	0.068	292.717**	0.090	0.126	2244.73	3756.45
	(121.449)			(136.087)				
Has program for local develop.	0.074***	<0.001	<0.001	0.050***	0.035	0.037	0.61	0.49
	(0.016)			(0.018)				
Has nursery schools	0.054***	<0.001	0.001	0.042***	0.040	0.045	0.63	0.48
	(0.014)			(0.016)				
Spending for nursery schools (%)	0.178***	0.020	0.019	0.045	0.076	0.999	1.01	2.03
	(0.065)			(0.065)				
Public nursery schools	0.052***	<0.001	0.003	0.005	0.076	0.999	0.26	0.61
	(0.015)			(0.016)				
Pupils in private nursery schools	0.015	0.965	0.970	0.159	0.670	0.701	11.88	21.18
	(0.403)			(0.414)				

Notes: This table computes p-values adjusted for multiple hypothesis testing using two different methodologies: Westfall-Young and Bonferroni-Holm. "Near targets" is 1 for municipalities adjacent to cities targeted by Allied tactical air attacks during WWII. The control group is composed of municipalities adjacent to cities matched to target locations. Panel A uses dependent variables from municipal balance sheets that are available every year between 1990 and 2010. Panel B uses dependent variables from the census that are available in 1991, 2001, and 2011 (pupils in nursery schools) or in 1981, 1991, 2001, and 2011. Panel C uses dependent variables from balance sheets that are available only between 1998 and 2010 (the number of pupils in private nursery schools is available from the census only in 2011). In this case, the treatment variable is just "Near targets," not its interaction with "Post." These regressions also include all controls described in Section 3. Standard errors clustered at the city level in parentheses, *** p<0.01, ** p<0.05, * p<0.1.

Table A9: Did Mayors Respond to the LPT Introduction?

	Region-year fixed effects			Province-year fixed effects				
	Near targets	Obs.	R^2	Near targets	Obs.	R^2	Mean outcome	Std. Dev.
	(1)	(2)	(3)	(6)	(7)	(8)	(9)	(10)
LPT rate (‰)	-0.049*	28,536	0.320	-0.056**	28,454	0.387	5.62	0.88
	(0.026)			(0.028)				
LPT rate for homeowners (‰)	-0.062**	28,526	0.200	-0.097***	28,444	0.273	5.15	0.74
	(0.024)			(0.026)				
Max LPT rate (dummy)	-0.026**	28,536	0.137	-0.028**	28,454	0.202	0.13	0.33
	(0.012)			(0.014)				
Max LPT rate for homeowners (dummy)	-0.006	28,526	0.013	-0.009	28,444	0.048	0.02	0.12
	(0.005)			(0.005)				
Tax benefits for homeowners	-0.001	28,579	0.174	0.030*	28,497	0.244	0.31	0.46
	(0.016)			(0.018)				
Share of issued building permits	-1.369**	16,159	0.094	-1.879***	16,098	0.148	82.75	19.89
	(0.550)			(0.615)				

Notes: This table shows differences in LPT tax rates and rate of construction of new buildings, using variables from balance sheets that are available between 1998 and 2010. "Near targets" is 1 for municipalities adjacent to cities targeted by Allied tactical air attacks during WWII. The control group is composed of municipalities adjacent to cities matched to targeted locations. The regressions also include region-year (column 1) or province-year (column 4) fixed effects, as well as controls for population, area of the municipality, a dummy for coastal cities, and a dummy for urban cities. Standard errors clustered at the city level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Source: Italian Minister of the Interior, available online at https://finanzalocale.interno.gov.it/apps/floc.php/in/cod/4.

Table A10: Public Services, Heterogeneity Based on Political Competition, Municipal Competition, and Local Preferences

	Has fiscal infraction		Spending for welfare (%)		Foreign residents		Pupils in nursery schools		Share below 3	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Near targets x Post	-0.077	-0.093	4.018***	4.555***	108.661*	283.091***	-0.036	4.873	0.332**	0.601**
	(0.077)	(0.080)	(1.447)	(1.478)	(58.317)	(109.548)	(5.061)	(5.318)	(0.168)	(0.235)
Near targets x Post x Runoff	-0.121**		1.939**		50.963		3.747*		0.002	
	(0.049)		(0.983)		(34.615)		(2.195)		(0.019)	
Near targets x Post x Mayoral term		0.009		-0.341		-110.205**		-2.633		-0.216*
		(0.019)		(0.276)		(48.572)		(3.047)		(0.131)
Near targets x Post x Adjacent cities	-0.005	-0.006	-0.254**	-0.232**	14.053**	22.447***	0.959	1.272	-0.014	-0.015
	(0.006)	(0.006)	(0.112)	(0.112)	(5.729)	(7.136)	(0.747)	(0.784)	(0.012)	(0.012)
Near targets x Post x Below €15,000	0.001	0.002*	-0.024	-0.026	-2.299***	-3.358***	-0.074	-0.112**	-0.003	-0.002
	(0.001)	(0.001)	(0.017)	(0.017)	(0.661)	(0.910)	(0.047)	(0.052)	(0.002)	(0.002)
Available only after LPT	✓	✓	✓	✓						
Observations	17,128	17,137	26,854	26,868	6,848	6,848	6,848	6,848	9,123	9,123
R^2	0.194	0.193	0.325	0.325	0.715	0.684	0.891	0.889	0.726	0.726
Dep. var.—mean	0.51	0.51	9.39	9.40	18.90	18.90	10.80	10.80	2.80	2.80
Dep. var.—std. dev.	0.50	0.50	7.37	7.37	41.81	41.81	21.72	21.72	1.01	1.01

Notes: This table shows heterogeneous effects with respect to the level of political competition. "Near targets" is 1 for municipalities adjacent to cities targeted by Allied tactical air attacks during WWII. The control group is composed of municipalities adjacent to cities matched to targeted locations. "Runoff" is a dummy equal to 1 when the closest election had a runoff. "Mayoral term" is the number of terms served by the current mayor. When the dependent variables come from the decennial censuses, "Runoff" is the total number of runoff elections after 1993 and "Mayoral term" is the average number of terms served by mayors after 1993. In addition, this table controls for other possible mechanisms through which fiscal federalism could have operated: competition across municipalities and better knowledge of local politicians about local preferences towards local services. "Adjacent cities" is the number of adjacent municipalities. "Below €15,000" is the share of income earners with yearly taxable income below €15,000. Some variables are available only after LPT. In this case, the main regressors do not include the variable "Post" in the interactions. When the dependent variable is available only after LPT, the regressions include region-year fixed effects, the heterogeneity variables in isolation, population, area of the municipality, a dummy for coastal cities, and a dummy for urban cities. Otherwise, the regressions include city fixed effects, the new heterogeneity variables interacted with year fixed effects, region-year trends, as well as year dummies interacted with dummies for deciles of population in 1991, dummies for deciles of minimum altitude, and a dummy for rural municipalities. Standard errors clustered at the city level in parentheses, *** p<0.01, ** p<0.05, * p<0.1.

Table A11: Effects on Political Participation

	Effects of €1 increase in Δ Rev. local tax (94-90)				
	Mean	Median	Obs.	Mean dep. var.	Std. dev. dep. var.
	(1)	(2)	(3)	(4)	(5)
High interest in politics	0.0005***	0.0006**	6,058	0.34	0.47
	(0.0002)	(0.0002)			
Voted	0.0004***	0.0004***	6,058	0.75	0.43
	(0.0001)	(0.0001)			
Shown badges	0.0002*	0.0002*	6,058	0.08	0.26
	(0.0001)	(0.0001)			
Signed petition	0.0003**	0.0004***	6,058	0.16	0.37
	(0.0001)	(0.0001)			
Local preference	0.0007	0.0010**	1,162	0.28	0.45
	(0.0005)	(0.0004)			
Discuss politics often	0.0011***	0.0013***	1,162	0.50	0.50
	(0.0003)	(0.0004)			
Voting important	0.0006***	0.0007**	1,162	0.81	0.39
	(0.0002)	(0.0002)			
Participation important	0.0001	0.0001	1,162	0.32	0.47
	(0.0002)	(0.0002)			
Mean Δ Rev. local tax (94-90)	128.09	116.85			
Std. dev. Δ Rev. local tax (94-90)	52.47	49.54			

Notes: Data on political participation come from the European Social Survey (ESS), available online at https://www.europeansocialsurvey.org/data/country.html?c=italy. Out of all waves with Italian data (2002, 2004, 2012, 2016, 2018), we drop the 2018 wave because it does not contain information about the respondents' region of residence. The resulting dataset has 6,058 observations. Each cell in columns 1 and 2 shows the main coefficient from a separate regression. Specifically, we regress several measures of political participation (on the left) on either the mean (column 1) or median (column 2) difference in per-capita municipal revenues from local taxes between 1990 and 1994 in the respondents' region of residence, a measure of short-term exposure to fiscal decentralization. We need to aggregate the effect of the policy at the regional level because the ESS dataset does not have information on the municipality or province of residence. The regressions also include fixed effects for gender, years of completed education, survey year, citizenship status, and paternal country of birth. *High interest in politics* is 1 for respondents who are very or quite interested in politics (var. *polintr*). *Voted* is 1 for respondents who voted in the last national election (var. *vote*). *Shown badges* is 1 for respondents who worn or displayed a campaign badge/stick in the last 12 months (var. *badge*). *Signed petition* is 1 for respondents who signed a petition in the last 12 months (var. *sgnptit*). *Local preference* is 1 for respondents whose preferred decision level of social welfare policies is regional or local (var. *dclwlfr*). *Discuss politics often* is 1 for respondents who discuss politics/current affairs at least several times a month (var. *discpol*). *Voting important* is 1 for respondents who think that voting in an election has an importance level of at least 6 on a scale from 0 (extremely unimportant) to 10 (extremely important) to be considered a good citizen (var. *impvote*). *Participation important* is 1 for respondents who think that actively participating to politics has an importance level of at least 6 on a scale from 0 (extremely unimportant) to 10 (extremely important) to be considered a good citizen (var. *impapol*). The last four dependent variables are only available in the first ESS wave (2002). The 25th percentile of the change in revenues is equal to €70, while the median is equal to €124. Standard errors clustered at the region level in parentheses, *** p<0.01, ** p<0.05, * p<0.1.

Table A12: Effects of Fiscal Decentralization, Employees of Privately Owned Firms

	Near targets x Post x 20-24	Near targets x Post x 25-29	Near targets x Post x 30-34	Near targets x Post x 35-39	Near targets x Post x 40-44	Near targets x Post x 45-49	Mean outcome	Std. Dev.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Entry and reentry into the labor market								
New entry into the labor market	-0.095	0.060***	0.040***	0.003	-0.008	0.007	0.45	1.89
	(0.087)	(0.019)	(0.012)	(0.012)	(0.015)	(0.009)		
Reentry into the labor market	-0.073**	0.026	0.093***	0.082***	0.042*	0.022	0.39	0.98
	(0.028)	(0.026)	(0.032)	(0.029)	(0.022)	(0.014)		
Entry into a new firm	-0.314*	0.299***	0.367***	0.262***	0.115**	0.096**	2.39	5.78
	(0.174)	(0.104)	(0.106)	(0.082)	(0.056)	(0.041)		
Reentry into the same firm	-0.002	-0.001	0.019***	0.021***	-0.003	-0.003	0.13	0.43
	(0.002)	(0.002)	(0.006)	(0.007)	(0.002)	(0.002)		
Panel B: Characteristics of labor contracts								
Median wage	-647.523***	-555.762**	-549.956**	-315.301	82.953	165.886	14,109.20	7,175.81
	(240.946)	(225.370)	(222.869)	(251.048)	(235.214)	(204.297)		
Log median wage	-0.060***	-0.047**	-0.044**	-0.027	0.016	0.025	9.36	0.73
	(0.023)	(0.020)	(0.021)	(0.025)	(0.020)	(0.018)		
Median hourly wage	-0.141***	-0.090	-0.125*	-0.070	-0.032	-0.054	8.47	2.21
	(0.038)	(0.066)	(0.068)	(0.073)	(0.067)	(0.058)		
Median days worked	-7.698***	-6.209***	-4.234***	-1.689***	1.731	3.804*	230.28	89.29
	(2.342)	(2.198)	(1.298)	(0.538)	(2.147)	(1.961)		
Working outside province of res.	0.199	0.405***	0.373***	0.224**	0.151**	0.097*	1.95	4.69
	(0.293)	(0.139)	(0.126)	(0.104)	(0.069)	(0.050)		
Panel C: Characteristics of labor contracts for entrants or reentrants								
Median wage	-415.907**	-447.323**	-260.712	-459.764**	-112.014	192.761	7,028.32	5,808.04
	(182.300)	(173.111)	(188.708)	(184.682)	(213.472)	(208.595)		
Log median wage	-0.080***	-0.084***	-0.033	-0.072**	-0.029	0.047	8.48	1
	(0.030)	(0.029)	(0.030)	(0.033)	(0.031)	(0.032)		
Median hourly wage	-0.107	-0.121	-0.084	-0.101	-0.025	-0.037	8.12	2.96
	(0.094)	(0.095)	(0.104)	(0.106)	(0.109)	(0.115)		
Median days worked	-5.246**	-6.102***	-3.045	-6.014**	-2.543	2.622	119.82	80.26
	(2.397)	(2.320)	(2.434)	(2.363)	(2.484)	(2.537)		
Working outside province of res.	0.082	0.112***	0.222***	0.229***	0.158***	0.026	0.88	1.84
	(0.113)	(0.036)	(0.041)	(0.052)	(0.039)	(0.040)		
Panel D: Highest completed education (1987-2011)								
High school	0.281**	0.539***	0.574***	0.422***	0.232**	0.117**	0.84	2.33
	(0.133)	(0.184)	(0.190)	(0.145)	(0.093)	(0.049)		
University degree	0.123***	0.191***	0.142**	0.068*	0.025	0.011	0.11	0.46
	(0.033)	(0.064)	(0.059)	(0.036)	(0.017)	(0.008)		
Post-university degree	0.021***	0.015*	0.018**	0.014**	0.010**	0.007**	0.03	0.21
	(0.007)	(0.008)	(0.008)	(0.007)	(0.005)	(0.003)		

Notes: Monetary values are expressed in 2017 €. The sample includes only women. "Near targets" is 1 for municipalities adjacent to cities targeted by Allied tactical air attacks during WWII. The control group is composed of municipalities adjacent to cities matched to targeted locations. "Post" is 1 starting in 1993, when the LPT was introduced. The excluded age category is composed by 50- to 54-year-olds. The regressions also include the pairwise interactions between the main variables, city fixed effects, age-year fixed effects, region-year fixed effects, as well as year dummies interacted with dummies for deciles of population in 1991, dummies for deciles of minimum altitude, and a dummy for rural municipalities. Standard errors clustered at the city level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Source: Istituto Nazionale della Previdenza Sociale (INPS).

Table A13: Robustness checks, Employees of Privately Owned Firms

	New entry in labor market (1)	Reentry in labor market (2)	Median wage (3)	Median days worked (4)	Working outside prov. (5)	Log median wage (6)
			Panel A: Standard errors clustered at the province level			
Near targets x Post x 20-24	-0.095	-0.073**	-647.523**	-7.532**	0.199	-0.060**
	(0.088)	(0.032)	(262.109)	(3.159)	(0.416)	(0.026)
Near targets x Post x 25-29	0.060***	0.026	-555.762**	-6.191**	0.405**	-0.047**
	(0.015)	(0.023)	(222.210)	(2.685)	(0.169)	(0.022)
Near targets x Post x 30-34	0.040***	0.093***	-549.956**	-4.622*	0.373**	-0.044**
	(0.010)	(0.033)	(232.850)	(2.503)	(0.152)	(0.022)
Near targets x Post x 35-39	0.003	0.082**	-315.301	-1.368	0.224*	-0.027
	(0.011)	(0.031)	(250.072)	(2.977)	(0.134)	(0.026)
Near targets x Post x 40-44	-0.008	0.042	82.953	1.731	0.151*	0.016
	(0.02)	(0.026)	(223.908)	(2.774)	(0.080)	(0.022)
Near targets x Post x 45-49	0.007	0.022	165.886	3.804	0.071	0.025
	(0.010)	(0.014)	(230.417)	(2.613)	(0.045)	(0.021)
Observations	2,398,512	2,356,318	2,398,512	2,398,512	2,398,512	2,398,512
Mean	0.45	0.39	14,109.20	230.28	1.95	9.36
Std. dev.	1.89	0.98	7,175.81	89.29	4.69	0.73
			Panel B: Controls for city-year fixed effects			
Near targets x Post x 20-24	-0.096	-0.067***	-599.304**	-7.897***	0.180	-0.053**
	(0.073)	(0.025)	(243.029)	(2.176)	(0.256)	(0.023)
Near targets x Post x 25-29	0.063***	0.032	-507.602**	-5.218***	0.379***	-0.039*
	(0.013)	(0.029)	(226.134)	(1.509)	(0.141)	(0.020)
Near targets x Post x 30-34	0.039***	0.100***	-504.257**	-4.589***	0.350**	-0.037*
	(0.017)	(0.037)	(222.406)	(1.298)	(0.164)	(0.021)
Near targets x Post x 35-39	0.002	0.088***	-266.296	-1.543***	0.205	-0.021
	(0.016)	(0.033)	(250.235)	(1.340)	(0.137)	(0.024)
Near targets x Post x 40-44	0.001	0.047*	114.472	2.319	0.139	0.021
	(0.010)	(0.024)	(234.327)	(2.128)	(0.085)	(0.020)
Near targets x Post x 45-49	0.002	0.023	200.146	4.325**	0.080	0.029
	(0.009)	(0.015)	(201.271)	(1.943)	(0.060)	(0.018)
Observations	2,398,512	2,356,318	2,398,512	2,398,512	2,398,512	2,398,512
Mean	0.45	0.39	14,109.20	230.28	1.95	9.36
Std. dev.	1.89	0.98	7,175.81	89.29	4.69	0.73
			Panel C: Placebo effects			
Near targets x Post x 45-49	0.004	0.007	-18.761	-5.028	0.218	-0.037
	(0.008)	(0.023)	(395.865)	(4.333)	(0.135)	(0.039)
Near targets x Post x 50-54	0.002	-0.015	-176.973	-7.925*	0.144	-0.062
	(0.007)	(0.017)	(388.864)	(4.317)	(0.123)	(0.039)
Near targets x Post x 55-59	0.003	-0.019	-120.489	-4.145	0.064	-0.032
	(0.007)	(0.014)	(331.457)	(4.201)	(0.081)	(0.037)
Observations	958,947	916.974	958,947	958,947	958,947	958,947
Mean	0.45	0.39	14,109.20	230.28	1.95	9.36
Std. dev.	1.89	0.98	7,175.81	89.29	4.69	0.73

Notes: Monetary values are expressed in 2017 €. All panels include only women. In panel A, regressions cluster standard errors at the province level. In panel B, regressions replace the region-year fixed effects with city-year fixed effects. In panel C, regressions estimate placebo treatment effects including only women over 45. In this case, the excluded age category is composed by 60year-olds. *** p<0.01, ** p<0.05, * p<0.1. Source: Istituto Nazionale della Previdenza Sociale (INPS).

Table A14: Quadruple Interactions, Employees of Privately Owned Firms

	Near targets x Post x 20-24 x Female	Near targets x Post x 25-29 x Female	Near targets x Post x 30-34 x Female	Near targets x Post x 35-39 x Female	Near targets x Post x 40-44 x Female	Near targets x Post x 45-49 x Female	Mean outcome	Std. Dev.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Entry and reentry into the labor market								
New entry into the labor market	-0.023	-0.025	-0.045***	-0.041***	-0.035***	-0.010	0.45	1.89
	(0.047)	(0.028)	(0.015)	(0.010)	(0.012)	(0.008)		
Reentry into the labor market	0.777***	0.343***	0.297***	0.253***	0.248***	0.275***	0.55	1.89
	(0.066)	(0.077)	(0.078)	(0.071)	(0.060)	(0.052)		
Entry into a new firm	1.949***	2.048***	1.447***	1.090***	1.112***	1.190***	2.39	5.78
	(0.238)	(0.235)	(0.226)	(0.217)	(0.213)	(0.181)		
Reentry into the same firm	0.222***	0.108***	0.117***	0.097***	0.104***	0.112***	0.22	0.55
	(0.016)	(0.017)	(0.020)	(0.019)	(0.019)	(0.019)		
Panel B: Characteristics of labor contracts								
Median wage	-126.790	-100.240	-268.722	-62.175	124.081	72.747	14,198.22	6,826.85
	(251.578)	(243.661)	(266.358)	(309.529)	(294.435)	(245.725)		
Log median wage	-0.030	-0.037*	-0.042*	-0.035	0.001	0.012	9.78	0.89
	(0.023)	(0.021)	(0.024)	(0.028)	(0.023)	(0.021)		
Median hourly wage	0.005	0.040	-0.039	0.063	0.006	-0.028	9.51	2.48
	(0.075)	(0.075)	(0.080)	(0.086)	(0.087)	(0.072)		
Median days worked	-4.647	-4.152	-3.979	-2.476	0.465	2.863	236.89	86.71
	(3.057)	(2.684)	(2.979)	(3.191)	(2.765)	(2.478)		
Working outside province of res.	0.213	0.094	-0.211	-0.253***	-0.229***	-0.139***	1.93	4.67
	(0.170)	(0.126)	(0.129)	(0.054)	(0.033)	(0.037)		
Panel C: Characteristics of labor contracts for entrants or reentrants								
Median wage	-480.048**	-419.443**	-302.314	-431.331*	18.451	8.995	8,777.98	7,034.56
	(204.763)	(206.904)	(220.151)	(236.553)	(251.211)	(248.928)		
Log median wage	-0.097***	-0.095***	-0.062*	-0.107***	-0.056	0.004	9.09	1.02
	(0.032)	(0.032)	(0.033)	(0.037)	(0.037)	(0.037)		
Median hourly wage	-0.087***	0.059	0.083	0.195	0.222	0.119	9.31	3.5
	(0.031)	(0.123)	(0.130)	(0.134)	(0.140)	(0.037)		
Median days worked	-7.136***	-7.858***	-4.990*	-8.638***	-4.664*	-0.503	121.6	79.07
	(2.484)	(2.447)	(2.628)	(2.722)	(2.553)	(2.751)		
Working outside province of res.	0.046	-0.067	-0.155*	-0.164**	-0.149**	-0.031	1.29	2.55
	(0.099)	(0.086)	(0.085)	(0.082)	(0.068)	(0.060)		
Panel D: Highest completed education (1987-2011)								
High school	0.151*	0.214***	0.167**	0.121**	0.049	0.002	0.94	2.45
	(0.084)	(0.079)	(0.076)	(0.061)	(0.050)	(0.034)		
University degree	0.067***	0.083**	0.024	0.000	0.004	-0.001	0.12	0.48
	(0.025)	(0.037)	(0.029)	(0.018)	(0.013)	(0.007)		
Post-university degree	0.000	-0.002	0.005	0.003	0.006	0.004	0.03	0.21
	(0.009)	(0.008)	(0.007)	(0.006)	(0.005)	(0.003)		

Notes: Monetary values are expressed in 2017 €. The sample includes both men and women. "Near targets" is 1 for municipalities adjacent to cities targeted by Allied tactical air attacks during WWII. The control group is composed of municipalities adjacent to cities matched to targeted locations. "Post" is 1 starting in 1993, when the LPT was introduced. The excluded age category is composed by 50- to 54-year-olds. The regressions also include the triple and pairwise interactions between the main variables, city fixed effects, age-year fixed effects, gender-age fixed effects, gender-year fixed effects, region-year fixed effects, as well as year dummies interacted with dummies for deciles of population in 1991, dummies for deciles of minimum altitude, and a dummy for rural municipalities. Standard errors clustered at the city level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Source: Istituto Nazionale della Previdenza Sociale (INPS).

B Fiscal Decentralization, Public Services, and Labor Markets

The literature on fiscal decentralization is vast and dates back several decades (Musgrave, 1959; Oates, 1972).[54]

One group of theoretical and empirical papers concludes that fiscal decentralization can improve local services. Local taxes, for example, can raise the accountability of local administrators because they make it easier for residents to monitor their elected officials (Fisman and Gatti, 2002). This increased monitoring can happen through different channels. First, decentralization can increase the saliency of local taxes, allowing residents to more accurately assess how much they pay for local services. Second, in the case of a fiscal deficit, a decentralized system would force administrators to raise more funds directly from their residents, instead of asking higher levels of government for more resources. Raising local tax rates without improving the quality of services could be a clear signal of bad management. In addition to increased accountability, fiscal decentralization can raise the level of competition for new residents between municipalities, leading to a more efficient provision of publicly provided services (Hatfield and Kosec, 2013).[55] Finally, local politicians are likely to have better information regarding local preferences towards public services than the central government does (Hayek, 1945).

Several papers, however, question the effectiveness of these positive mechanisms. Local taxes, for example, might not be able to increase the accountability of local politicians if existing political competition is not sufficiently high (Albornoz and Cabrales, 2013). Similarly, compared with central policy makers, local administrators might be more easily influenced by local elites (Bardhan and Mookherjee, 2000). Decentralization could therefore increase the level of corruption. Other papers question whether increased competition between municipalities can positively affect local services. For example, in order to be able to "vote with their feet," individuals need to observe the quantity and quality of publicly provided services in other municipalities (Besley and Case, 1995). Moreover, the cost of moving would have to be smaller than its benefits. Therefore, sparsely populated areas might not benefit from decentralization. Furthermore, competition between municipalities can become a race to the bottom, in which administrators decrease the local tax rates and the level of residential services in order to attract mobile capital (Zodrow and Mieszkowski, 1986). Finally, in line with the original decentralization theorem by Oates (1972), decentralized autonomy is not recommended for services with significant spillovers across localities and economies of scale (Calabrese, Epple, and Romano, 2012). In these instances, fiscal decentralization might decrease efficiency and raise inequality between geographical areas (Fernández and Rogerson, 1998).

This paper does not intend to test the validity of individual theories. Instead, it contributes to the literature by analyzing a reform that has advantageous features for the identification strategy. Moreover, it is one of the first papers to follow the effect of fiscal decentralization on local labor markets.

[54] Ahmad and Brosio (2006) provide a comprehensive description of relevant contributions and recent developments in this field.

[55] This idea is incorporated into the Tiebout model, in which individuals can "vote with their feet" (Tiebout, 1956).