

Il Dipartimento di Economia Organizza il Seminario

MUNICIPAL SOCIALISM OR MUNICIPAL CAPITALISM? PERFORMANCES OF LOCAL PUBLIC ENTERPRISES IN ITALY

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Abstract:

This paper evaluates the performance of Italian local public enterprises (LPEs) with respect to their private sector counterparts. We address the following questions: i) are LPEs' performances worse than (comparable) private firms?; ii) does the performance gap depend on ownership structure or on market structure?; iii) which are the main drivers of LPEs performances?

In evaluating LPEs performances, we provide adequate solutions to two problems (selection of private sector counterparts and possible endogeneity of the ownership structure) which are pervasive in the existing research on this issue.

The main results are: i) LPEs are less performing than private companies by about 8 percent in terms of TFP (and by about 2 percentage points in terms of profitability); ii) although both the ownership structure (the share held by the public) and the market structure (competitive vs non-competitive sectors) matter, our results suggest that ownership structure dominates the market structure; iii) the performance gap seems to be driven by an over capitalization rather than over employment of LPEs.

The results suggest that policy measures aimed at improving the performances of LPEs should be designed as to encourage the entry of private investors in LPEs' capital.

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La partecipazione è aperta a tutti gli interessati