

# **Extractive Bureaucracies: a Counterfactual Analysis using a Regional Dynamic General Equilibrium Model with Historical Calibration**

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## **Abstract**

This paper investigates the hypothesis of an extractive bureaucracy as growth hindering mechanism for Valle d'Aosta region in Italy. Valle d'Aosta is the Italian region with the highest proportion of administrative personnel per inhabitant. In the years from 1963 to 2002 the industry to public administration ratio passed from 10 to 1 to 1 to 10.

We develop a regional dynamic general equilibrium model calibrated using two regional SAMs for the Italian region Valle D'Aosta for the observed 40 years period. A historical calibration exercise ensures that the modeled tendencies closely approximate the actual observed growth patterns of the main regional macroeconomic variables. We simulate different counterfactual scenarios intended to rank the social desirability of alternative behaviors of the regional administration.

Results shows that a less obese bureaucracy would have significantly spurred the growth of the regional economy. This work contributes to the extractive elites strand of literature.