

Political Violence and Home Bias in Consumption: Evidence from Postwar Italy

Abstract

This paper examines the effects of wartime violence on consumer preferences for semi-durable goods. We exploit cross-provincial variation in civilian casualties in Italy during 1943-1945, arising from Nazi occupation and the final phase of Fascist rule, to study the post-WWII purchase patterns of (imported) German vehicles. Using panel regressions with province and year fixed effects, we estimate how exposure to violence, interacted with local electoral shares of the main left-leaning party, affects the composition of vehicle purchases. Our results show that higher exposure to wartime violence reduces the share of German passenger cars among foreign cars, with substitution toward other source countries and no effect on the overall share of imported cars. In contrast, we do not find any effect on commercial trucks, consistent with persistent preference shifts that shape household consumption but leave business demand unaffected.

This paper is joint work with Luca De Benedictis.

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