Close Elections, Campaign Contributions, and Financial Deregulation

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Introduction

Are legislators in close elections more susceptible to special interests?

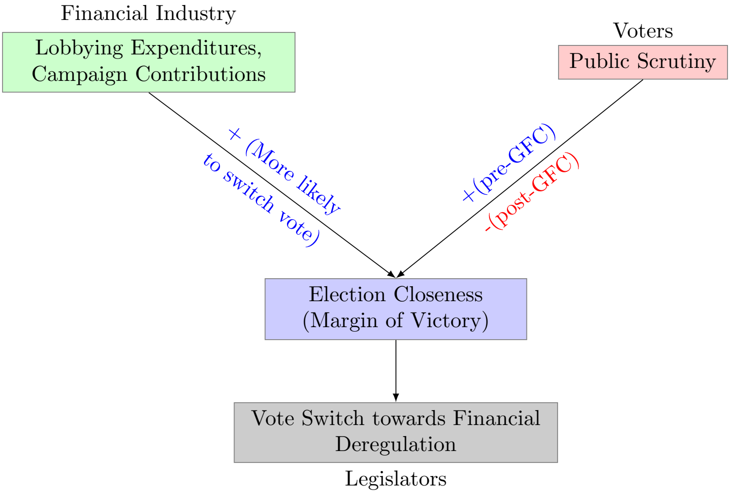
- Answers within the context of financial deregulation
- Igan and Mishra (2014): Looks at legislators being susceptible to special interests of financial industry concerning deregulation of lending practices
- New contribution of this paper: Legislators in **close elections**

Key Result

Not here yet

- But will come up soon

Mechanism of Legislators' Vote Switching



Dependent Variable

Table: Definition of the Main Dependent Variable, Vote Switch towards Deregulation

Value of S_iBR	Voted for deregulation in Bill B, R	Voted against deregulation in Bill B, R
Voted for deregulation in Bill $B, R-1$	0	0
Voted for deregulation in Bill $B, R-1$	1	0

Regression A-1

Regression A1: Regression with only close election and relevant interaction terms

$$\begin{aligned} S_{iBR} &= \beta_1 L_{BR} + \beta_2 X^P_{iBR} + \beta_3 (L_{BR} \times X^P_{iBR}) \\ &+ \alpha F_{BR} + \gamma T_{BR} + s_i \times t_c + v_B \times t_c + \mu_R \times t_c + \varepsilon_{iBR} \end{aligned} \tag{1}$$