Close Elections, Campaign Contributions, and Financial Deregulation

Kyung Woong Koh

Johns Hopkins University

November 30, 2021

Introduction

Are legislators in close elections more susceptible to special interests?

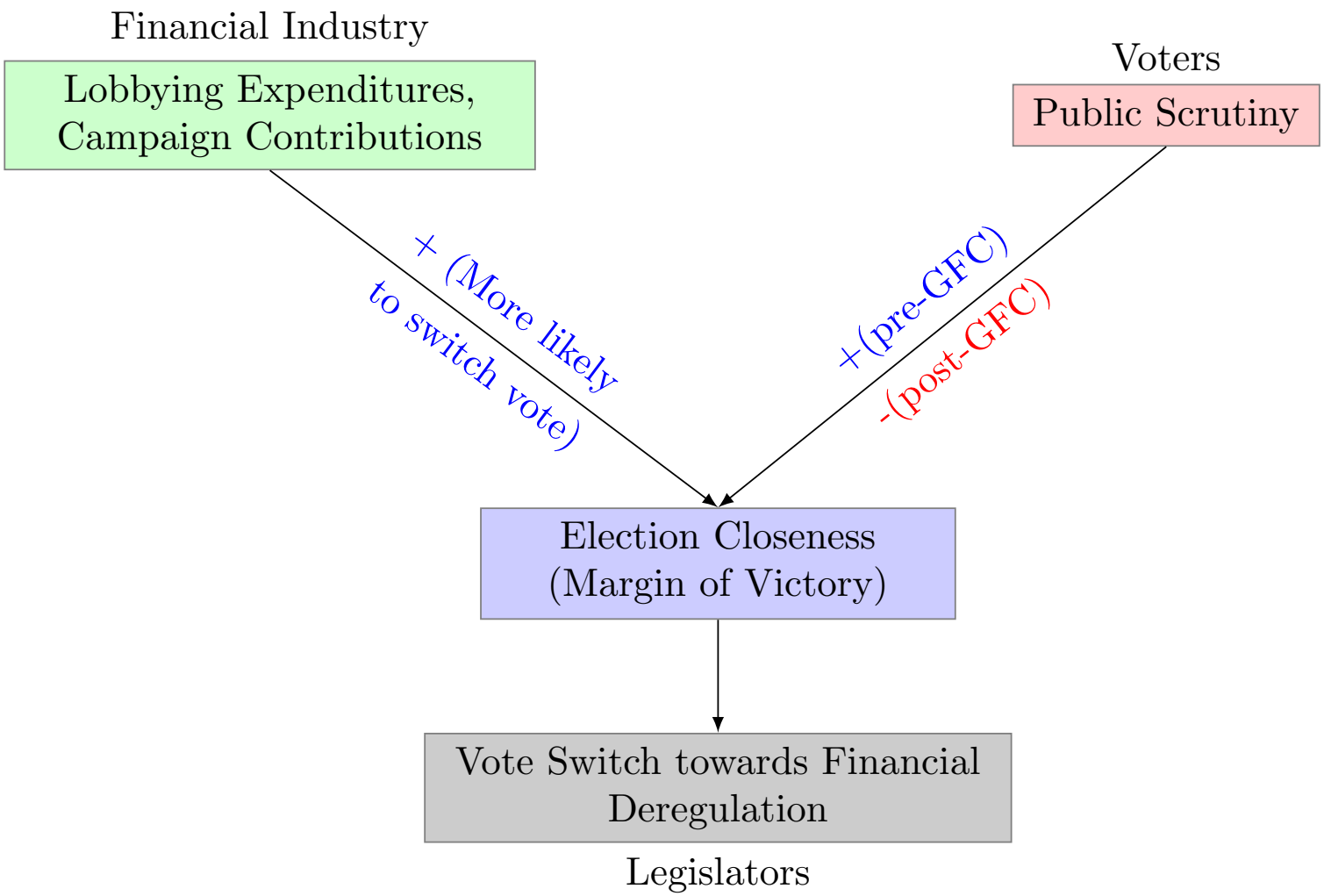
- Answers within the context of financial deregulation
- Igan and Mishra (2014): Looks at legislators being susceptible to special interests of financial industry concerning deregulation of lending practices
- New contribution of this paper: Legislators in **close elections**

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

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

Results - Igan and Mishra (2014) Original Specification, OLS

Dep. Variable:	sw_p	**R-squared:**	0.039
Model:	OLS	**Adj. R-squared:**	0.038
Method:	Least Squares	**F-statistic:**	34.19
Date:	Tue, 30 Nov 2021	**Prob (F-statistic):**	1.19e-21
Time:	14:37:09	**Log-Likelihood:**	-1632.7
No. Observations:	2517	**AIC:**	3273.
Df Residuals:	2513	**BIC:**	3297.
Df Model:	3		

	coef	**std err**	**t**	**P> |t|**	**[0.025**	**0.**
Intercept	0.2290	0.115	1.995	0.046	0.004	0
log_contributions_FIRE	0.0033	0.010	0.350	0.726	-0.015	0
bill_complexity	0.0204	0.008	2.670	0.008	0.005	0

Results - Regression A2 (Election Closeness)

Dep. Variable:	sw_p	**R-squared:**	0.043
Model:	OLS	**Adj. R-squared:**	0.041
Method:	Least Squares	**F-statistic:**	22.51
Date:	Tue, 30 Nov 2021	**Prob (F-statistic):**	3.82e-22
Time:	14:37:09	**Log-Likelihood:**	-1627.9
No. Observations:	2517	**AIC:**	3268.
Df Residuals:	2511	**BIC:**	3303.
Df Model:	5		

	coef	**std err**	**t**	**P> |t|**	**[0.025**	**0**
Intercept	-0.2967	0.224	-1.327	0.185	-0.735	0
log_contributions_FIRE	0.0488	0.019	2.632	0.009	0.012	0
mov_past	0.0135	0.005	2.946	0.003	0.005	0
mov_contr_int	-0.0012	0.000	-3.023	0.003	-0.002	-0

Results - Regression C2 (Media Congruence)

Dep. Variable:	sw_p	**R-squared:**	0.046
Model:	OLS	**Adj. R-squared:**	0.044
Method:	Least Squares	**F-statistic:**	28.44
Date:	Tue, 30 Nov 2021	**Prob (F-statistic):**	5.85e-18
Time:	14:37:09	**Log-Likelihood:**	-1169.9
No. Observations:	1774	**AIC:**	2348.
Df Residuals:	1770	**BIC:**	2370.
Df Model:	3		

	coef	**std err**	**t**	**P> |t|**	**[0.025**	**0.975]**
Intercept	0.2349	0.046	5.056	0.000	0.144	0.326
congruence_dc	-0.0031	0.049	-0.063	0.950	-0.099	0.093
bill_complexity	0.0332	0.009	3.646	0.000	0.015	0.051
tight	-0.3527	0.046	-7.673	0.000	-0.443	-0.263