Close Elections, Campaign Contributions, and Financial Deregulation

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Introduction

Are legislators in close elections more susceptible to special interests?

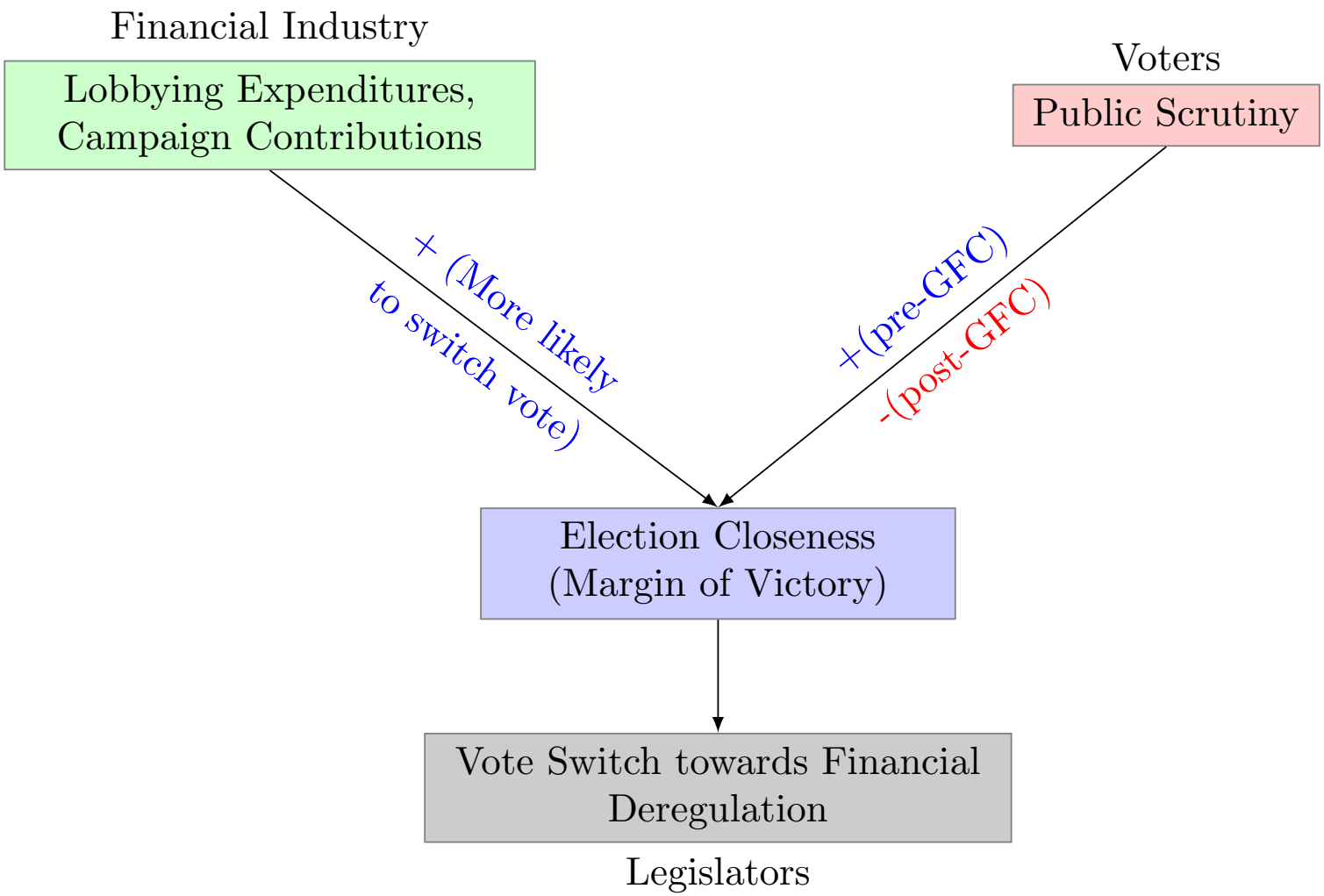
- Answers within the context of financial deregulation
- Igan and Mishra (2014): Looks at legislators being susceptible to special interests of financial industry concerning deregulation of lending practices
- New contribution of this paper: Legislators in **close elections**

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

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

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

Dep. Variable:	sw_p	**R-squared:**	0.038
Model:	OLS	**Adj. R-squared:**	0.038
Method:	Least Squares	**F-statistic:**	42.84
Date:	Sat, 20 Nov 2021	**Prob (F-statistic):**	3.86e-27
Time:	11:15:12	**Log-Likelihood:**	-1862.0
No. Observations:	3220	**AIC:**	3732.
Df Residuals:	3216	**BIC:**	3756.
Df Model:	3		
Covariance Type:	nonrobust		

	coef	**std err**	**t**	**P> |t|**	**[0.025**	**0.**
Intercept	0.0876	0.096	0.912	0.362	-0.101	0
log_contributions_FIRE	0.0330	0.008	4.269	0.000	0.018	0

Results - Regression A2 (Election Closeness)

Dep. Variable:	sw_p	**R-squared:**	0.040
Model:	OLS	**Adj. R-squared:**	0.039
Method:	Least Squares	**F-statistic:**	26.96
Date:	Sat, 20 Nov 2021	**Prob (F-statistic):**	8.41e-27
Time:	11:15:12	**Log-Likelihood:**	-1858.9
No. Observations:	3220	**AIC:**	3730.
Df Residuals:	3214	**BIC:**	3766.
Df Model:	5		
Covariance Type:	nonrobust		

	coef	**std err**	**t**	**P> |t|**	**[0.025**	**0.**
Intercept	-0.2308	0.181	-1.273	0.203	-0.586	0
log_contributions_FIRE	0.0612	0.015	4.064	0.000	0.032	0
mov_past	0.0082	0.004	2.278	0.023	0.001	0

Results - Regression C2 (Media Congruence)

Dep. Variable:	sw_p	**R-squared:**	0.022
Model:	OLS	**Adj. R-squared:**	0.019
Method:	Least Squares	**F-statistic:**	8.406
Date:	Sat, 20 Nov 2021	**Prob (F-statistic):**	7.07e-08
Time:	11:15:12	**Log-Likelihood:**	-1048.4
No. Observations:	1913	**AIC:**	2109.
Df Residuals:	1907	**BIC:**	2142.
Df Model:	5		
Covariance Type:	nonrobust		

	coef	**std err**	**t**	**P> |t|**	**[0.025**	**0.**
Intercept	0.5296	0.252	2.105	0.035	0.036	1
log_contributions_FIRE	-0.0143	0.022	-0.662	0.508	-0.057	0
congruence_dc	-0.4166	0.520	-0.801	0.423	-1.436	0