Close Elections, Campaign Contributions, and Financial Deregulation

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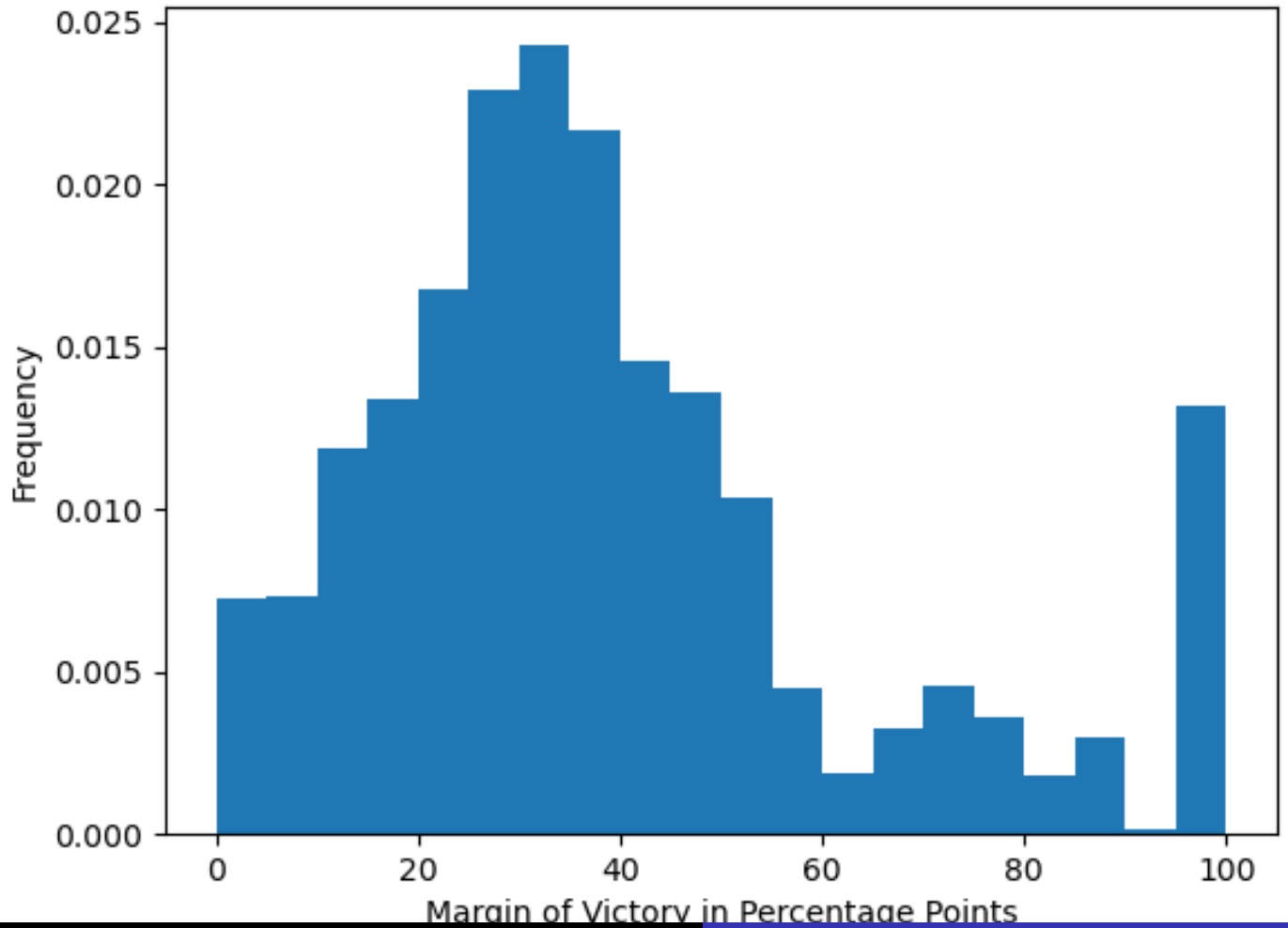
Introduction

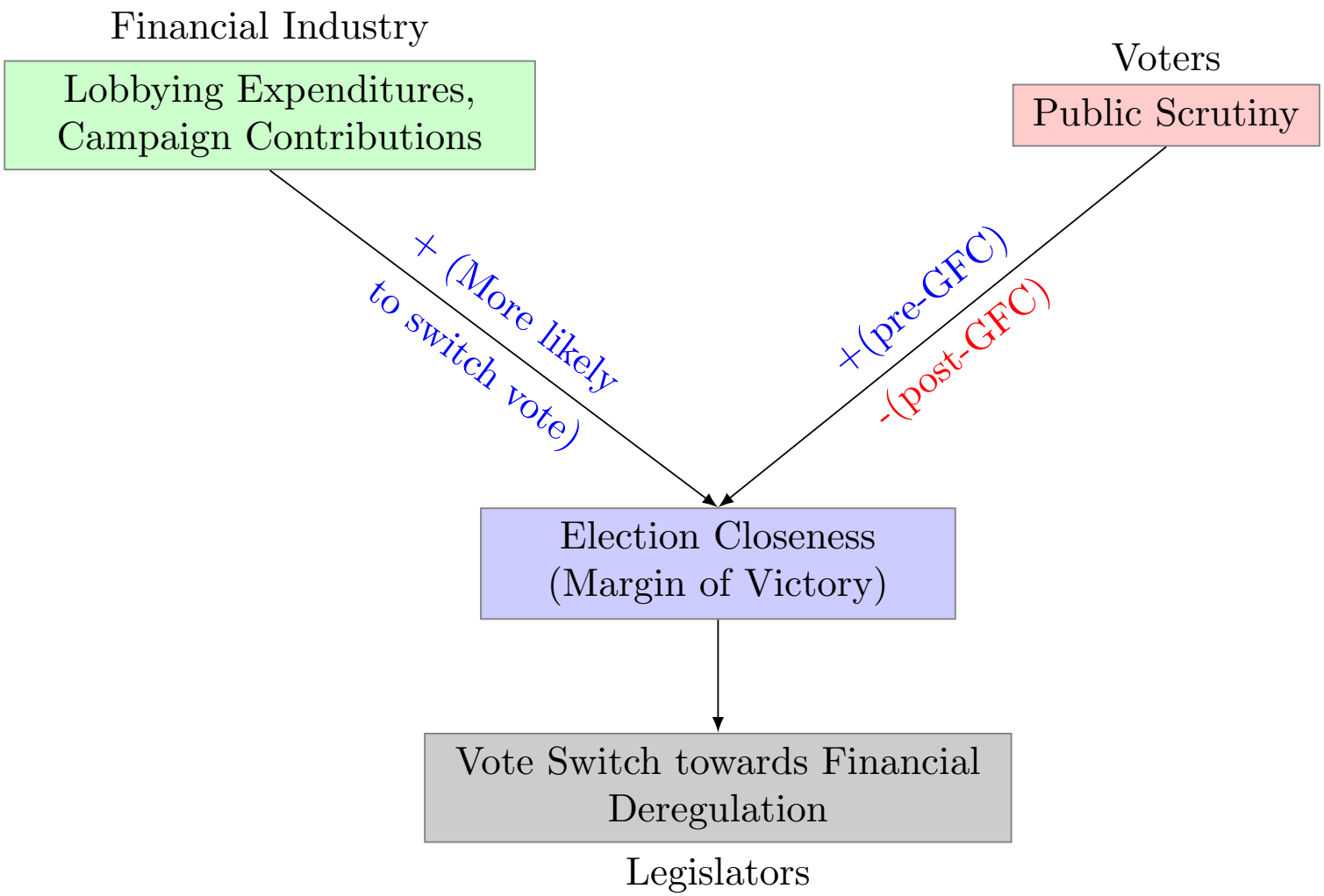
Are legislators in close elections more susceptible to special interests?

- 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


0.025
0.020
0.015
0.010
0.005
0.000
Frequency
0
20
40
60
80
100
Margin of Victory in Percentage Points

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:**	0.041
Model:	OLS	**Adj. R-squared:**	0.040
Method:	Least Squares	**F-statistic:**	36.02
Date:	Tue, 07 Dec 2021	**Prob (F-statistic):**	8.69e-23
Time:	11:25:53	**Log-Likelihood:**	-1571.9
No. Observations:	2517	**AIC:**	3152.
Df Residuals:	2513	**BIC:**	3175.
Df Model:	3		

	coef	**std err**	**t**	**P> |t|**	**[0.025**	**0.**
Intercept	0.1605	0.112	1.433	0.152	-0.059	0
log_contributions_FIRE	0.0003	0.009	0.038	0.970	-0.018	0
bill_complexity	0.0366	0.007	4.914	0.000	0.022	0

Results - Regression A2 (Election Closeness)

Dep. Variable:	sw_p	**R-squared:**	0.044
Model:	OLS	**Adj. R-squared:**	0.042
Method:	Least Squares	**F-statistic:**	23.22
Date:	Tue, 07 Dec 2021	**Prob (F-statistic):**	7.18e-23
Time:	11:25:53	**Log-Likelihood:**	-1568.0
No. Observations:	2517	**AIC:**	3148.
Df Residuals:	2511	**BIC:**	3183.
Df Model:	5		

	coef	**std err**	**t**	**P> |t|**	**[0.025**	**0**
Intercept	-0.2626	0.218	-1.203	0.229	-0.691	0
log_contributions_FIRE	0.0375	0.018	2.073	0.038	0.002	0
mov_past	0.0112	0.004	2.502	0.012	0.002	0
mov_contr_int	-0.0010	0.000	-2.602	0.009	-0.002	-0

Results - Regression C2 (Media Congruence)

Dep. Variable:	sw_p	**R-squared:**	0.050
Model:	OLS	**Adj. R-squared:**	0.049
Method:	Least Squares	**F-statistic:**	33.53
Date:	Tue, 07 Dec 2021	**Prob (F-statistic):**	4.13e-21
Time:	11:25:53	**Log-Likelihood:**	-1256.1
No. Observations:	1899	**AIC:**	2520.
Df Residuals:	1895	**BIC:**	2542.
Df Model:	3		

	coef	**std err**	**t**	**P> |t|**	**[0.025**	**0.975]**
Intercept	0.2906	0.040	7.324	0.000	0.213	0.368
congruence_dc	-0.1156	0.048	-2.396	0.017	-0.210	-0.021
bill_complexity	0.0334	0.009	3.822	0.000	0.016	0.051
tight	-0.3824	0.044	-8.779	0.000	-0.468	-0.297

Igan, Deniz, and Prachi Mishra (2014): "Wall Street, Capitol Hill, and K Street: Political Influence and Financial Regulation," *Journal of Law and Economics*, 57, 1063–1084.