# Can We Limit Money in Politics By Enforcing Stricter Campaign Finance Laws?

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**Abstract**

ABSTRACT COMES HERE.

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# 1 Introduction

The US's political system is infused with private money. Starting from 1990 to 2018, the total amount of campaign contributions to state house and senate candidates has increased from $2.89 billion to $135.13 billion. This is not surprising since higher campaign spending by a candidate in a legislative race increases her likelihood of winning (Gerber, 1998; Meirowitz, 2008; Hamm and Hogan, 2008).

A significant body of literature suggests that campaign contributions enable the interest groups – corporations, labor unions, political action committees (PACS), etc. – to exercise policy bargaining power over political candidates resulting in policies that may favor the interest groups at the cost of voters' welfare (Kau and Rubin, 1981; Kau, Keenan, and Rubin, 1982; Romer and Snyder Jr, 1994; Baron, 1994; Grossman and Helpman, 1994, 1996; Stratmann, 1995, 2002; Ansolabehere, Snyder Jr, and Tripathi, 2002; Prat, 2002; Chamon and Kaplan, 2013; Fouirnaies and Hall, 2018). Imposing legal limits on campaign contributions may subside the influence of interest groups over policy platforms of political candidates.

However, it may not be true that enforcement stricter campaign finance laws at the state level reduces the sum total of contribution money. Many different donating channels are available for the interest groups to increase their campaign contributions, such as forming new PACs.

This paper investigates if stricter campaign finance laws can reduce the amount of money in politics

- Write about channels that can increase campaign contributions even after stricter campaign contribution laws are imposed
- Highlight relevant research on this issue and identify a knowledge gap if any

- Conclude the introduction by mentioning the results and arrangement of the paper

## 2 Literature Review

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## 3 Data

The entirety of the dataset consists of 50 US states starting from the year 1990 to 2018. The data for various campaign finance laws is taken from Campaign Finance Institute (CFI) [1] of National Institute of Money in Politics. There are many different types of campaign finance laws, however, for this paper I focus on various forms of campaign contribution laws only. Each contribution law is characterized by a donor and a recipient. The donors include individuals, corporation, labor unions, and PACs, while the recipients are candidates, political parties and and PACs [2]. Separate laws exist to either outrightly ban, allow some limited amount, or allow unlimited contributions from each donor to each recipient (Table 1) [3]. Thus, states are heterogeneous with respect to different combinations and intensities of laws that are enforced in each time period.

Given that various forms and combinations of campaign contribution laws exist heterogeneously across the US states, there is no straightforward way to observe an aggregated effect of all the laws. Consistent with the extant literature Hamm and Hogan (2008); Flavin (2014, 2015), I sum up all the laws to make an index to measure the strictness of campaign contribution laws

[1] Source: http://cfinst.org/State/LawsDatabase$_{D}ownload.aspx(accessedAug28,2020)$

[2] The laws in which political parties are acting as donors are considered for the analysis.

[3] Each law is coded as 0 if a state allows unlimited contribution in a particular year t. A value of 1 is given if a state limits the contribution amount

for each state in year t. In a similar fashion, I make some additional indices observe the effect of laws when contributions are coming from a particular donor and or going to a particular recipient (INSERT TABLE HERE).

- Explain other indices
- Data Source for contribution amounts
- Describe the control variables and their data sources

# 4 Empirical Methods

I use panel fixed-effects model to estimate the effect of campaign finance laws on contribution amounts. Contribution amounts are measured as a percentage of state gdp to take into account the state size and local economic conditions. The identifying assumption is that campaign finance laws are independent of the error-term. I estimate the following regression equation:

$$y_{st} = \beta_0 + \beta_1 law + \beta_2 X_{st} + \beta_3 \delta_s + \beta_4 \gamma_t + \varepsilon_{st} \tag{1}$$

where $y$ is the total amount of campaign contributions in state $s$ in year $t$ measured as a % of state gdp, $law$ represents various campaign finance indices, $\delta_s$ are state fixed-effects, $\gamma_t$ are year fixed-effects, and $\varepsilon$ represents the error-term.

# 5 Research Findings

Preliminary results indicate that stricter campaign finance laws reduce the amount of contributions (measured as % of state gdp). The results are robust and hold qualitatively when different indices of campaign finance laws are used.

# 6 Conclusion

WRITE CONCLUSION

# References


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# Figures and Tables

Table 1: Specific Laws

| *Donor* | *Recipient* | *Range* |
|---|---|---|
| Individual | Candidate | Unlimited = 0<br>Limited = 1<br>Prohibited = 2 |
| | Party | Unlimited = 0<br>Limited = 1<br>Prohibited = 2 |
| | PAC | Unlimited = 0<br>Limited = 1<br>Prohibited = 2 |
| Corporation | Candidate | Unlimited = 0<br>Limited = 1<br>Prohibited = 2 |
| | Party | Unlimited = 0<br>Limited = 1<br>Prohibited = 2 |
| | PAC | Unlimited = 0<br>Limited = 1<br>Prohibited = 2 |
| Labor Union | Candidate | Unlimited = 0<br>Limited = 1<br>Prohibited = 2 |
| | Party | Unlimited = 0<br>Limited = 1<br>Prohibited = 2 |
| | PAC | Unlimited = 0<br>Limited = 1<br>Prohibited = 2 |
| PAC | Candidate | Unlimited = 0<br>Limited = 1<br>Prohibited = 2 |
| | Party | Unlimited = 0<br>Limited = 1<br>Prohibited = 2 |
| | PAC | Unlimited = 0<br>Limited = 1<br>Prohibited = 2 |