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# Can Interest Groups Influence Elections? Evidence from Unions in Great Britain 1900-2019

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## **Abstract**

Unions sponsor electoral candidates around the world, yet little is known about the consequences of these arrangements. I study how union sponsorship affected the electoral prospect of British parliamentary candidates throughout the 20th century. I collect new data on the universe of union-sponsored candidates. Employing a difference-in-differences design based on within-candidate variation induced by the sponsorship institution and its abolishment, I document that sponsorship caused a six percentage-point increase in candidate vote shares. I outline theoretical mechanisms and examine whether sponsees improved their electoral fortune because of changes in constituencies, opponents, resources, mobilization, or information. The evidence supports the constituency and resource mechanisms: Sponsorship helped candidates get nominated in attractive constituencies, accounting for two-thirds of the effect, and caused an inflow of resources into constituency-party organizations. Overall, sponsorship promoted the representation of union-friendly candidates in parliament, but it only led to moderate shifts in the balance of power between parties.

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The political influence of special interests has been debated since the founding of modern democracies. Businesses, landowners, labor, consumers, and other organized groups with vested interests in public policy engage in a range of political activities (Eggers and Hainmueller, 2009; Gordon, Hafer, and Landa, 2007; Grimmer and Powell, 2013; Palmer and Schneer, 2019; Shepherd and You, 2020; Weschle, 2021), and in many parts of the world one of their most common political strategies is to promote the election of particular candidates running for office. If special interests can advance the election of like-minded candidates, this could distort policy making to their advantage unduly (Abdul-Razzak, Prato, and Wolton, 2020; Anzia, 2011; Baron, 1994; Grossman and Helpman, 1996).

Organized labor is an archetypal example of a politically active special interest group, exerting influence at the bargaining table as well as the ballot box (Acemoglu and Robinson, 2013; Duverger, 1972). A well-established political strategy of the labor movement in many countries has been to sponsor union-friendly candidates running for office (Ebbinghaus, 1995; Taylor, 1989). In addition to publicly endorsing a sponsee, unions typically fund their political campaigns, hire party employees in their constituencies, and sometimes supplement their salaries (Minkin, 1991; Müller, 1977). Throughout the 20th century, unions sponsored the electoral campaigns of thousands of candidates running for national office, especially in western and northern Europe, and in many countries union funding was the most important source of campaign finance for most left-leaning candidates (Streeck and Hassel, 2003).<sup>1</sup>

Despite widespread use of union sponsorship, little is known about the electoral consequences of these sponsorship arrangements.<sup>2</sup> Historians and social scientists have long documented the existence of financial links between unions and political parties in many contexts, but empirical challenges concerning data availability and identification have hindered comprehensive empirical work that studies how union sponsorship has shaped the electoral prospects of individual parliamentary candidates in modern democracies.

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<sup>1</sup>For a comparative overview of the development of Labour parties in the 20th century, see Benedetto, Hix, and Mastroiocco (2020)

<sup>2</sup>See Potters and Sloof (1996) and Van Winden (2004) for reviews of the literature on the electoral influence of interest groups.

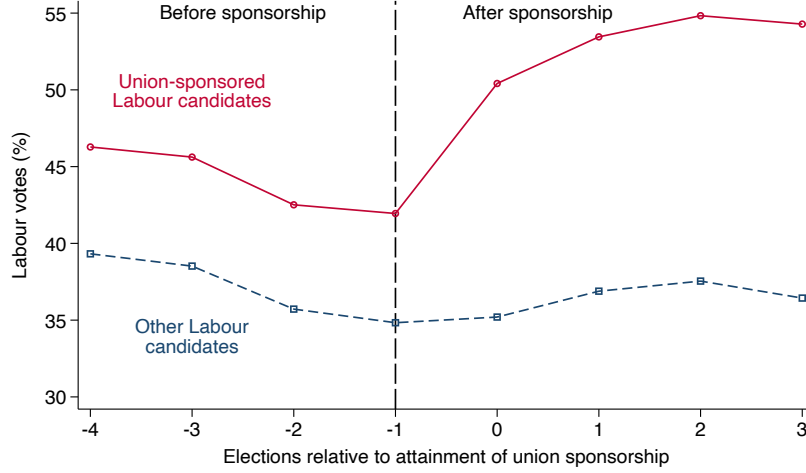
In this paper, I study how union sponsorship affected the electoral prospect of parliamentary candidates in Great Britain over the course of the 20th century. The sponsorship institution in the British Labour Party provides a unique opportunity to study the electoral consequences of financial ties between interest groups and legislative candidates. Compared to most other electoral contexts, in which a myriad of interest groups support electoral candidates through complex financial transactions, the sponsorship treatment in the British Labour Party was incredibly simple, clean, and strong: Either a candidate was completely beholden to a single union, or not financially tied to any interest group at all.

On the basis of material from archives of the Labour Party and British unions, I collect new data on the universe of sponsorship agreements from the founding of the party in 1900 up until the sponsorship institution was abolished in 1996, producing the longest-spanning dataset on financial links between electoral candidates and interest groups ever collected. To shed light on how sponsorship shaped the different stages of electoral campaigns, I also collect new data on the organization of local parties and individual candidate campaigns throughout the 20th century, and I match this information to published data on candidates and constituencies.

Using the new data, I document how union sponsorship affected the electoral fortune of parliamentary candidates. The sponsorship institution and its abolishment gave rise to within-candidate and within-constituency variation in union support, and my empirical design taps into this variation. To address various selection concerns, I implement a series of difference-in-differences designs in which I compare how the electoral prospect of candidates changed when they attained a union sponsorship relative to changes in other Labour candidates in the same election.

Figure 1 illustrates the empirical design and foreshadows the main finding. The figure shows how the average vote share of union sponsees developed relative to other Labour candidates. In the pretreatment period, sponsees and other Labour candidates more or less followed the same trend, but once they attain a union sponsorship, sponsees systematically improved their electoral fortune relative to other Labour candidates. On average, union sponsorship caused a six percentage-point increase in candidate vote shares.

Figure 1: **Development in the vote shares of union-sponsored Labour candidates before and after sponsorship relative to the vote shares of other Labour candidates**



NOTE: The solid line pertaining to the Union-sponsored candidates reports the average vote share of Labour candidates that switched status from non-sponsored to sponsored at some point in their careers, and the first sponsored election is centered on zero on the x-axis. The dashed line pertaining to the Other Labour candidates is constructed by calculating the average vote share of all never-treated Labour candidates in a particular year, and then matching these averages to relevant years for the candidates in the treatment group.

The effect of sponsorship is identified under a standard parallel-trends assumption. In this context, one might reasonably worry about reversed causation: Did sponsorship improve a candidate's electoral fortune, or did improved electoral prospects affect the probability that a candidate attained sponsorship? To support the identifying assumption and alleviate concerns about reversed causality, I show that there are no pretreatment trends, i.e. improved electoral performance does not precede sponsorship attainment, and that the findings are robust when I relax the parallel-trends assumption in various ways. To rule out further selection concerns, I show that the findings are robust when estimated exclusively based on variation in the sponsorship treatment induced by the ban of sponsorship in 1996 – in this subsample *all* sponsees lost their sponsorships deals, but for reasons that were unrelated to the individual candidates or their constituencies.

To understand the mechanisms of electoral influence, I examine whether union sponsorship affected the electoral fortune of Labour candidates through changes in constituencies or opponents (nomination-stage mechanisms), or through changes in resources, mobilization, or information (campaign-stage mechanisms). Examining intermediate outcomes and treatment-effect

heterogeneity, I show that the electoral effects were primarily driven by better constituencies and more resources. Consistent with the constituency mechanism, I show that sponsorship helped candidates get nominated in electorally attractive constituencies, and I document that this can account for approximately two-thirds of the main effect. Consistent with the resource mechanism, I find that sponsorship caused an inflow of financial and human resources into constituencies, engendering a professionalization of political campaigns. I do not find evidence in support of the opponent, mobilization, or information mechanisms. Taken together, the results suggest that union sponsorship promoted the representation of union-friendly candidates in parliament. However, while this may have shifted the balance of power between factions within the Labour Party, it only had a moderate impact on the balance of power between political parties.

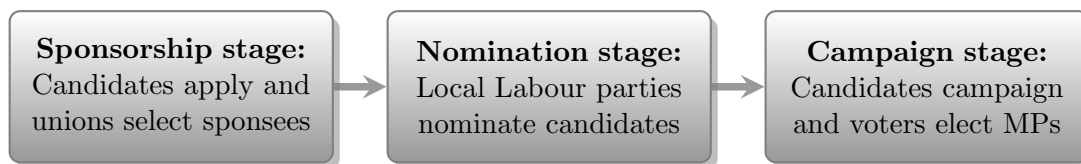
These findings first and foremost shed new light on the way unions influenced British electoral politics over the course of the 20th century, but they may have broader implications for our understanding of how interest groups shape elections. First, one may conjecture that the main effect documented in this paper constitutes an upper bound on the electoral influence of interest groups more generally. Although similar sponsorship arrangements exist in other political contexts, the institutional environment in the British case – limited competition in the Labour Party from other interest groups, no residency requirement for parliamentary candidates, and limited donation-side restrictions on campaign finance – gave unions a unique and advantageous opportunity to influence multiple stages of the electoral process. Second, the results may inform us about the fundamental mechanisms of electoral influence more generally. Clearly, one should be careful about extrapolating to other political contexts, but even though institutional details vary, the underlying mechanisms through which interest groups affect elections, may be similar.

The paper proceeds as follows. First, I present a brief overview the historical and institutional context. After that I introduce the new data that I collected. Then I outline potential theoretical mechanisms through which union sponsorship may shape the electoral process. Next, I describe the empirical design. In the subsequent section, I present the findings. Finally, I discuss the generalizability of the findings and conclude.

# Brief Institutional and Historical Background

In 1900, the Labour Representation Committee, the precursor of the Labour Party, was founded by the Trades Union Congress and a group of socialist societies. The founding documents gave unions a range of privileges, among these the exclusive right to sponsor individual parliamentary candidates.

Figure 2: **The stages of the electoral process in the Labour Party**



The different stages of the electoral process in the Labour Party are summarized in Figure 2, and in the three subsections below I briefly describe what happened at each stage.

## Stage I: Unions Select their Sponsees

Before an upcoming parliamentary election, each union prepared a panel of possible union sponsees. Interested individuals would indicate their interest to the relevant unions, and based on this list the sponsees would get appointed by union leaders, elected by union members, or selected by external examiners,<sup>3</sup> depending on the selection procedures of the sponsoring union. Sponsees would typically be supported by a single union in a particular election, but the sponsoring union could change from one election to the next.

When an individual had been chosen as a sponsee, local branches of the sponsoring union would put forward the sponsee for parliamentary candidacies in vacant Labour constituencies. The next step for the sponsee would be to get nominated by one of the Constituency Labour Parties.

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<sup>3</sup>Some unions delegated the selection to a group of people outside the union who would search for the most qualified sponsees among the interested candidates using a series of written and oral examinations. For more details on these procedures, see Müller (1977).



## Stage II: Local Labour Organizations Nominate Candidates

To run for a parliamentary seat for the Labour Party, an individual had to be officially nominated by a Constituency Labour Party Organization. Historically, the nomination process in the Labour Party was highly decentralized, especially compared to the Conservative party, and local Labour members had significant influence over candidate selection. Candidates were nominated using multi-round runoff voting at selection conferences organized by constituency-party organizations.<sup>4</sup>

Importantly, there are no legal residency requirements to represent a constituency in the House of Commons, and hence Labour candidates from all over the country would often compete in these intra-party primary elections. Selection conferences were always contested and highly competitive, especially in safe Labour constituencies (Rush, 1969). Typically, candidates sponsored by different unions competed against each other and against candidates put forward by the local branches of the Labour Party.

## Stage III: Candidates Campaign and Voters Elect MPs

The seats in the House of Commons are up for election at least every five years. The candidates nominated by the different political parties compete in single-member constituencies, and the outcome is determined using simple plurality rule.<sup>5</sup> Campaign finance is primarily regulated on the expenditure side through limits on how much electoral candidates are legally permitted to

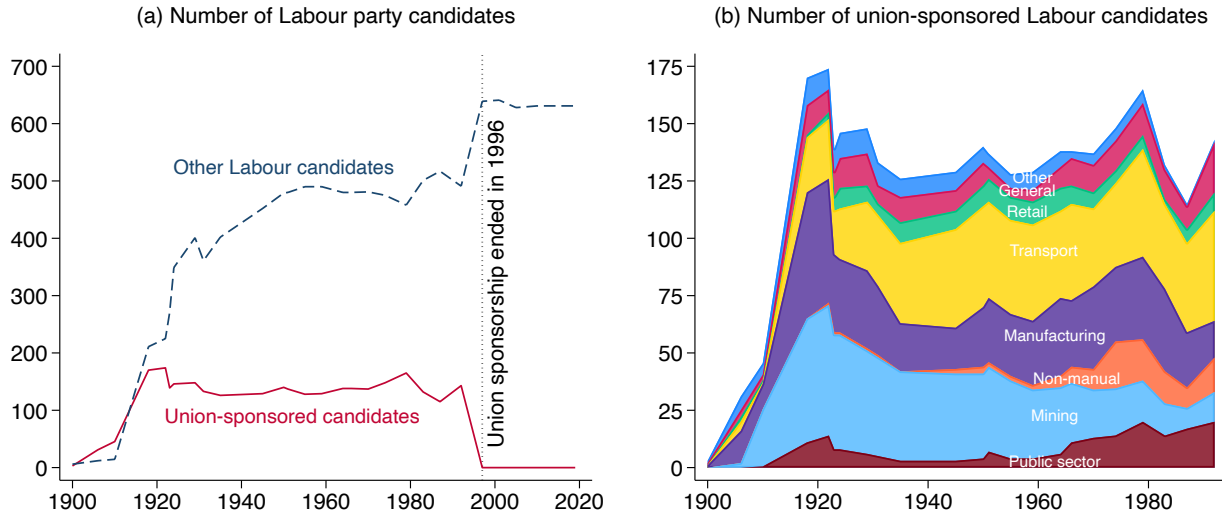
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<sup>4</sup>The candidate selection process followed the party's candidate-nomination procedures. First, the Constituency Labour Party would create a long list of potential candidates based on nominations from Local Labour Parties and affiliated local unions. Second, the Constituency Labour Party's Executive Committee would shortlist the most competitive candidates among the nominees. Third, the shortlisted nominees would participate in a selection conference. Local Labour Parties could send delegates in proportion to their local membership, and local unions and other Labour-affiliated organizations were allowed to send delegates as well, typically one delegate per 50-100 members. At the selection conference, each shortlisted nominee would give a speech and answer questions. Then the delegates would proceed to select the final candidate using multi-round runoff voting. Each delegate would cast one vote in each round, and the candidate with least support would be eliminated while the remaining candidates would proceed to the next round of voting – this process was repeated until one candidate was supported by a majority of the delegates. Finally, Labour's National Executive Committee would approve or veto the parliamentary candidacy. For additional information on the nomination procedure in the Labour Party see Rush (1969) and Ashe (2019).

<sup>5</sup>Prior to 1945, a few constituencies returned two members to the House of Commons, and a single constituency returned three members. For a discussion of the multimember constituencies see Eggers and Fourinaies (2014).

spend.

Figure 3: **Development in union-sponsored parliamentary candidates**



NOTE: The figure on the left plots the development in the number of union-sponsored candidates and other Labour candidates from 1900 to 2019. The figure on the right illustrates the development in the sectoral composition of union-sponsored Labour candidates.

Figure 3 illustrates the development in the number of union-sponsored general-election candidates from the founding of the Labour Party to the present day. From 1900 to the early 1920s, the number of parliamentary candidates grew dramatically. The number of sponsored candidates was more or less constant from the 1920s and onwards. The mining, manufacturing, and transport sectors accounted for the majority of sponsorship agreements over the studied period.

## Labour Abolished the Sponsorship Institution in 1996

Following a political corruption scandal in 1994, in which journalists from *The Guardian* documented that two Conservative MPs had performed various parliamentary tasks in exchange for cash from a lobbyist, a committee chaired by Lord Nolan published a report on the financial interests of British MPs. Among other things, the report criticized the union-sponsoring practices in the Labour Party. Tony Blair, who had recently won the leadership election in the Labour Party, was a trade-union sponsee himself, receiving financial support from the Transport

and General Workers' Union, and in the wake of the public debate brought about by the Nolan report, the Labour Party abolished the sponsorship institution in 1996 (Labour, 1996). Under the new party rules, unions were no longer allowed to directly sponsor individual parliamentary candidates, but could contribute to the party organization. While unions still helped out with campaigns in some constituencies, the direct and personal financial ties between unions and individual parliamentary candidates had been significantly weakened.<sup>6</sup>

Table 1: **Summary statistics of the key outcomes variables for sponsored Labour candidates and other Labour candidates**

	Union-sponsored Labour candidates					Other Labour candidates				
	Mean	Standard Deviation	Minimum	Maximum	Observations	Mean	Standard Deviation	Minimum	Maximum	Observations
<b>Main electoral outcome</b>										
Labour votes (%)	52.74	14.94	5.08	100.00	3,088	37.69	16.32	1.76	100.00	13,448
<b>Nomination-stage outcomes</b>										
Safe Labour constituency	0.45	0.50	0.00	1.00	3,088	0.21	0.41	0.00	1.00	13,448
Borough constituency	0.59	0.49	0.00	1.00	3,088	0.49	0.50	0.00	1.00	13,438
Politically experienced opponent	0.30	0.46	0.00	1.00	971	0.36	0.48	0.00	1.00	6,761
<b>Campaign-stage outcomes</b>										
Log total spending	9.42	2.37	0.00	12.36	3,088	9.20	1.51	0.00	11.95	13,448
Log ads spending	8.89	2.24	0.00	11.80	3,088	8.44	2.36	0.00	11.33	13,448
Log managers spending	6.09	3.02	0.00	10.67	3,088	3.55	3.53	0.00	10.06	13,448
Log staff spending	5.56	3.39	0.00	10.77	3,088	2.57	3.26	0.00	9.99	13,448
Log facilities spending	6.26	2.10	0.00	9.35	3,088	5.18	2.52	0.00	9.17	13,448
Log public meetings spending	5.57	2.63	0.00	9.72	3,088	4.01	3.05	0.00	9.89	13,448
Log miscellaneous spending	7.01	1.99	0.00	10.32	3,088	5.37	3.04	0.00	9.90	13,448
Log personal spending	5.81	2.91	0.00	10.02	3,088	4.05	3.26	0.00	9.35	13,448
Campaign spending (%)	44.05	12.78	3.11	100.00	2,927	32.50	13.71	0.00	100.00	13,210
Full-time party staff	0.51	0.49	0.00	1.50	1,400	0.23	0.41	0.00	1.33	3,910
Turnout (%)	75.61	9.09	29.73	100.00	3,088	72.06	8.64	26.23	100.00	13,448

NOTE: Each observation pertains to a Labour candidate in a given election. The table summarizes how the key outcome variables are distributed for the sponsored and non-sponsored subsamples, respectively. For each outcome variable, the table reports the mean, standard deviation, minimum, maximum, and number of observations.

<sup>6</sup>While the direct financial ties between unions and individual candidates were formally cut by the ban on sponsorship, some candidates may still have had informal arrangements with their previous sponsors. To the extent that formal sponsorship was replaced by informal sponsorship, this should bias against the findings presented later in the paper because some observations in the control group actually received a sponsorship treatment.

# New Digitized Data from Archival Material

To study how union sponsorship shaped the electoral process, I collect new information from archival sources, and I contribute the longest-spanning dataset ever collected on financial links between interest groups and parliamentary candidates.

## New Data on Union Sponsorship

On the basis of material from the Labour Party’s historical archives and the reports from the party’s annual conferences, I construct a list of union-sponsored candidates in every general election from 1900 to the present day. Throughout the studied period, I observe 126 different unions entering more than 3,000 sponsorship agreements with parliamentary candidates. Unfortunately, information about the specific terms of each agreement is relatively scarce. In most cases, I only observe the name of the union, the constituency and candidate name, and the year in which the candidate became a sponsee. Using this information, I create a dummy variable indicating a sponsorship link between a union and a parliamentary candidate in a given electoral cycle.

As indicated by figure 3, approximately 25% of the candidate-election observations from 1900 to 1996 received the union-sponsorship treatment. In terms of individuals, approximately 6,000 individual candidates were never sponsored by unions, and approximately 1000 candidates were sponsored at some point in their electoral careers. Among the sponsored candidates approximately half were sponsored in all their electoral campaigns. Approximately half of the switching candidates switch into the treatment (unsponsored  $\rightarrow$  sponsored), a quarter switch out of the treatment (sponsored  $\rightarrow$  unsponsored), and the last quarter switch both in and out of the treatment (unsponsored  $\rightarrow$  sponsored  $\rightarrow$  unsponsored).<sup>7</sup>

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<sup>7</sup>See Table A.5 on page 7 in the appendix for additional descriptive information on variation in the sponsorship treatment.

## **New Data on the Professionalization of Local Party Organizations**

I also collect new data on the professionalization of local party organizations. Based on archival resources, I record the number of local party employees. I have complete information for all constituency-party organizations, but unfortunately only for the period 1922 to 1955. In some cases, local parties in adjacent constituencies jointly hired and shared full-time employees. When  $n$  constituencies share a full-time employee, I code it up as if each of the participating constituencies hired  $1/n$  full-time employees.

## **Existing Data Sources**

I match the new datasets to previously published information on candidates, constituencies, and campaign spending used in Fourinaies (2021). The electoral information used in the paper (e.g. vote shares, turnout, constituency type, and MP status) as well as campaign spending information (e.g. spending level, composition, and legal limits) come from this dataset. In log transformations of campaign spending outcomes, I take the log of spending amount + 1.

I link all these data source together and keep all the Labour Party candidates in the final the dataset. In other words, each row in the dataset pertains to a Labour candidate in a particular general election.

## **Theoretical Mechanisms of Electoral Influence**

Union sponsorship could affect the electoral fortune of candidates through many different mechanisms, and the empirical findings can shed light on some of these. In this section, I briefly discuss how union sponsorship could influence the nomination stage through constituency and opponent mechanisms, and the campaign stage via resource, mobilization, and information mechanisms. The five mechanisms are summarized in table 2.

## Nomination-Stage Mechanisms: Constituencies and Opponents

Sponsorship could potentially influence *where* candidates secure their parliamentary nominations and *whom* they compete against in the general election.

To get nominated in an electorally attractive constituency, an individual would have to win the nomination contest held by the relevant constituency-Labour Party. By covering transportation and accommodation expenses for their sponsees, unions may help financially constrained candidates participate in more nomination contests than they otherwise would have (Norris and Lovenduski, 1993). Further, union funding is potentially appealing to constituency-party selectors because it reduces the financial burden on constituency-party organizations. Some party selectors may even personally extract financial resources from unions via employment on the sponsee's campaign.

The opponent party may strategically respond to the nomination of a union sponsored candidate in a constituency. The resource advantages enjoyed by union sponsees may deter strong opponents from running against the Labour candidate. A high quality Conservative candidate might be scared off and attempt to run in a more attractive constituency when the Labour candidate is backed by a national union with deep pockets and armies of volunteers.

Table 2: **Summary of potential mechanisms of electoral influence**

Electoral Stage	Mechanism	Candidates improve their electoral fortune as sponsees because union sponsorship...	Who is influenced?
Nomination	Constituency Opponent	Helps candidates get nominated in better constituencies Scares off high quality opponents	Own party Opponent party
Campaign	Resource Mobilization Information	Supplies candidates with more campaign resources Boosts turnout among Labour voters Signals candidate type to voters	Electors Electors Electors

NOTE: The table summarizes potential theoretical mechanisms of electoral influence that will guide the empirical analyses.

## **Campaign-Stage Mechanisms: Resources, Mobilization, and Information**

Sponsorship could potentially influence the intensity and organization of candidates' electoral campaigns.

Union sponsorship could affect general election outcomes by relaxing the resource constraints faced by Labour candidates. An extensive literature documents that campaign spending positively correlates with the performance of candidates in the general election (Cagé and Dewitte, 2020; Pattie, Johnston, and Fieldhouse, 1995; Johnston and Pattie, 2014). If costly campaign activities effectively mobilize or persuade voters, financial support from unions that facilitates such activities may improve the performance in the general election.

Unions also could improve the electoral fortune of their sponsees by organizing get-out-the-vote campaigns and other efforts to increase general-election turnout among union members. According to Flavin and Radcliff (2011, p. 634), unions “notoriously encourage their members to turn out and vote for union supported candidates”, and since many unions have local branches they could potentially use these tight-knit networks to boost turnout by increasing the social pressure to vote or by reducing the cost of voting.

Finally, union sponsorship may also influence general election outcomes by sending credible information to voters about endorsed candidates. Sponsorship is a public and costly signal to voters about candidate quality or ideology, and voters may update their beliefs about the type of Labour candidate based on this information (Prat, 2002).

## **Difference-in-Differences Design**

Union sponsees may differ systematically from other Labour candidates on many important dimensions. Unions carefully select their sponsees, and these selection effects will likely induce bias in cross-sectional studies of the impact of sponsorship on the electoral prospect of candidates. If the average sponsee electorally outperforms other Labour candidates because of preexisting differences between the two groups, this would likely induce an upward bias in the estimated

effect.

To address selection problems of this nature, I implement a series of difference-in-differences designs at the level of the individual candidate and at the level of the Constituency Labour Party. The basic idea is to compare how the electoral prospect of candidates changes when they attain a union sponsorship relative to changes in the electoral prospect of other Labour candidates. The difference-in-differences estimator compares changes in the electoral prospect of sponsees to changes in other Labour candidates in the same election. This approach will estimate the net effect of sponsorship on the electoral fortune of the average nominated Labour candidate.

I implement the baseline difference-in-differences design by estimating twoway fixed-effects models of the following form using OLS:

$$Y_{ict} = \alpha_i + \delta_t + \beta_1 \textit{Union sponsored}_{ict} + \varepsilon_{ict} , \quad (1)$$

where  $Y_{ict}$  is an outcome pertaining to Labour candidate  $i$  running in constituency  $c$  at time  $t$ ;  $\alpha_i$  represents candidate-fixed effects that wash out time-invariant candidate characteristics;  $\delta_t$  represents time-fixed effects that absorb common shocks that hit all Labour candidates in a particular general election;  $\textit{Union sponsored}_{ict}$  is a dummy variable that takes on the value one if candidate  $i$  in constituency  $c$  was sponsored by a union at time  $t$ ;  $\varepsilon_{ict}$  is the disturbance term. The key coefficient of interest is  $\beta_1$ .

In some analyses, where the unit of interest is a Constituency-Labour Party or a candidate in a particular constituency, I substitute the candidate-fixed effects with either constituency-fixed effects or constituency-by-candidate-fixed effects.

## Parallel Trends

The key identifying assumption underpinning the difference-in-differences design is parallel trends between treated and untreated units: In the absence of attaining a union sponsorship, the sponsees would have trended in the same way as other Labour candidates. While one can-



not test the parallel-trends assumption directly, I can provide three types of indirect empirical evidence that lend support to the parallel-trends assumption.

First, I implement event-study designs in which the effects of union sponsorship are allowed to vary non-parametrically over time. If treated and untreated candidates followed the same trends in the pretreatment period, it is more plausible that they would continue to do so once the sponsorship treatment kicks in. However, if the effect is driven by unions who are able to select positively trending candidates (e.g. candidates who already secured nomination in a good constituency), one should be able to detect this in the pretreatment trends. To implement these analyses, I restrict the sample to units that do not change treatment status more than once, and I estimate dynamic specifications of the following form using OLS

$$Y_{ict} = \alpha_i + \delta_t + \sum_{\substack{\ell=T_0 \\ \ell \neq -1}}^{T_1} \lambda_\ell D_{ict}^\ell + \varepsilon_{ict} , \quad (2)$$

where  $T_0$  is the largest number of pretreatment periods observed in the data, and  $T_1$  is the largest number of posttreatment periods observed in the data. Each of the variables  $D_{ict}^\ell$  reflect both the temporal distance to a change in sponsorship status ( $\ell < 0$  indicates periods before a change in sponsorship status,  $\ell \geq 0$  indicates periods after a change in sponsorship) and the direction of the change sponsorship ( $D_{ict}^\ell = 1$  means that at time  $t$  it is  $\ell$  periods since  $i$  switched in to sponsorship, and  $D_{ict}^\ell = -1$  means that at time  $t$  it is  $\ell$  periods since  $i$  switched out of sponsorship):

$$D_{ict}^\ell = \begin{cases} 1 & \text{if at time } t \text{ it is } \ell \text{ elections since } i \text{ gained sponsorship} \\ -1 & \text{if at time } t \text{ it is } \ell \text{ elections since } i \text{ lost sponsorship} \\ 0 & \text{otherwise .} \end{cases} \quad (3)$$

$\lambda_\ell$  are the coefficients of interest, indicating the pretreatment effects for  $\ell < 0$  and posttreatment effects for  $\ell \geq 0$ .<sup>8</sup>

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<sup>8</sup>Note that the variable  $D_{ict}^{-1}$  is excluded from the regression such that all estimates are reported relative to  $\ell = -1$ . All other  $D_{ict}^\ell$  are included in the regressions, but for presentational purposes I only report the estimates of  $\lambda_\ell$  for  $-4 < \ell < 3$  because there are relatively few observations outside this window.

Second, I show that the estimated effects are robust when I relax the parallel-trends assumption in various ways. In particular, I augment the econometric specification with candidate-specific linear trends, control for whether a candidate is already an MP, and substitute time-fixed effects with region-by-time-fixed effects to ensure all comparisons are made between geographically proximate areas. I show that the estimated effects are qualitatively unaffected by these robustness checks.

As a third robustness check, I show that the findings are robust when the effect is estimated exclusively based on variation in sponsorship induced by the abolishment of the sponsorship institution in 1996. I show that the results are similar in magnitude when the effects are estimated on this subsample where unions do not control selection in and out of the treatment.

## **Concerns about Selection into the Sample via Candidate Nominations**

As described above, the data consists of the universe of parliamentary candidates for the Labour Party in every general elections from 1900 to 2019. This means that only individuals who secured party nominations appear in the sample. Selection into the sample via nominations is not a concern for the constituency-level estimates (since all constituencies are always observed), but it could potentially be an issue for the individual-level estimates if the observable sponsorship effect for nominated individuals (who are selected into the sample) systematically differs from the unobservable sponsorship effect for not-nominated individuals (who do not appear in the sample). If the effect of sponsorship would have been large (small) for not-nominated individuals relative to nominated individuals, selection into the sample via nominations would induce a downward bias (upward bias) in the estimated effect.

Whether sponsorship effects vary across nominated and not-nominated individuals depends on how sponsorship is associated with candidate nominations. A common argument in the literature, which is consistent with this paper’s empirical finding that sponsorship helps nominated candidates secure nominations in more attractive Labour constituencies, is that sponsorship positively affects an individual’s nomination chances because sponsorship brings along resources, resources may be converted into improved expected performance in the general election, and

better expected performance make a candidate more attractive to local party organizations (see for example Rush, 1969). If the conversion of campaign resources to general election votes varies across individuals, the effect of sponsorship may vary across individuals as well, and this could induce bias if better performing individuals are more likely to appear in the sample. Under the assumption of diminishing marginal campaign effects, the difference-in-differences estimate represents a lower bound on the true average effect because sponsorship effects would be larger for inadequately performing individuals (who drop out of the sample) and smaller for the adequately performing individuals (who appear in the sample).

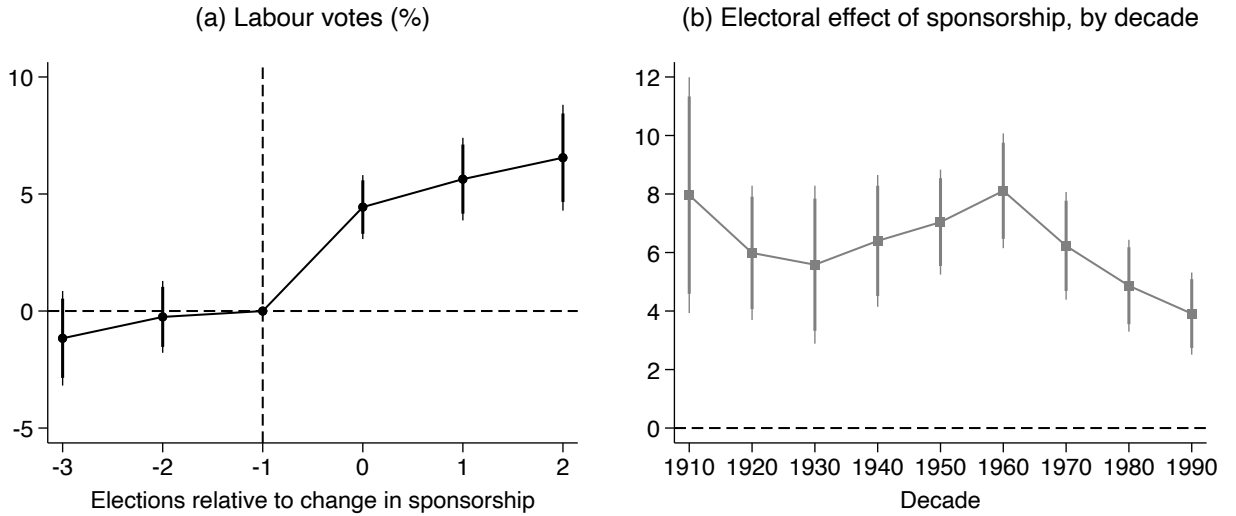
In section H on page 26 of the the appendix, I present in greater detail a theoretical framework for assessing how selection into the sample via nominations might affect the difference-in-differences estimates. Further, I present empirical evidence that the assumption of diminishing marginal campaign effects appears to be met in this setting, suggesting that selection into the sample via nominations would bias against the findings in the paper.

Finally, I put bounds on the potential magnitude of the bias by analyzing heterogeneity in the treatment effects. In particular, I can conduct the analyses using a subset of candidates who plausibly enter and exit the sample for reasons unrelated to sponsorship, and I can then compare these estimates to estimated based on subsets where sponsorship is more likely to influence entry and exit from the sample. It is reasonable to think that changes in sponsorship status only had a limited impact on the entry and exit of individuals who appeared in the sample both before and after their sponsored period, while this seems less reasonable for those individuals who initially appear in the sample when they first get sponsored, and those who immediately disappear when they lose their sponsorship. In table A.11 on page 20 of the appendix, I show that the estimated effects in these different subsets are very similar in magnitude and statistically indistinguishable, suggesting that selection into the sample via nominations only has a limited impact on the estimated effects.

# Main Results: Union Sponsees Get an Electoral Boost

In this section, I document how union sponsorship affected the electoral fortune of Labour candidates. First, I present the event-study design in the left panel of figure 4. Consistent with the simple averages plotted above in figure 1, this figure shows that the estimated coefficients for the pretreatment period are relatively small in magnitude and in most cases statistically indistinguishable from zero, lending credibility to the parallel-trends assumption. Once sponsorship kicks in at time 0, the average candidate experiences a substantial vote-share increase. On average, sponsorship caused a six percentage-point boost in candidate vote shares. In the post-treatment period, the estimated effects are relatively stable.

Figure 4: Effect of sponsorship on Labour candidate votes (%)



NOTE: The figure in the left panel is constructed by estimating the following model using OLS:  $Labour\ votes_{ict} = \alpha_i + \delta_t + \sum_{\ell=T_0, \ell \neq -1}^{T_1} \lambda_\ell D_{ict}^\ell + \varepsilon_{ict}$ . The x-axis corresponds to  $\ell$  (i.e. the time relative to change in union sponsorship status), and the y-axis reports to the estimates of  $\lambda_\ell$ . Each black circle pertains to a point estimate of  $\lambda_\ell$ . The figure on the right is constructed by by interacting the sponsorship treatment with decade dummies and including these variables in an OLS regression with candidate- and time-fixed effects:  $Labour\ votes_{ict} = \beta_{1,1910} Union\ sponsored_{ict} \times 1910_t + \beta_{1,1920} Union\ sponsored_{ict} \times 1920_t + \dots + \beta_{1,1990} Union\ sponsored_{ict} \times 1990_t + \alpha_i + \delta_t + \varepsilon_{ict}$ . The grey squares report point estimates. In both figures, the fat lines report the 90% confidence interval, the thin lines correspond to the 95% confidence intervals, and the confidence intervals are constructed based on robust standard errors that are two-way clustered on candidates and constituencies.

These findings are also reflected in the results presented in table 3. In the first column, I present the results from the baseline difference-in-differences analysis. Consistent with the graphical evidence, the estimated effect suggests that union sponsorship almost leads to a six-

Table 3: **Effect of sponsorship on Labour candidate vote percentage**

	(1)	(2)	(3)	(4)	(5)
Union sponsored	5.94 (0.55)	5.05 (0.53)	4.43 (0.48)	2.94 (0.63)	7.78 (1.03)
Observations	16,536	16,536	16,533	16,533	1,659
Constituencies	3,017	3,017	3,016	3,016	689
Candidates	7,012	7,012	7,010	7,010	315
Outcome mean	40.50	40.50	40.51	40.51	49.41
Sample	Full	Full	Full	Full	Ban
Candidate fixed effects	✓	✓	✓	✓	✓
Time fixed effects	✓	✓			✓
Member of Parliament		✓	✓	✓	
Region×Time fixed effects			✓	✓	
Candidate-specific linear trends				✓	

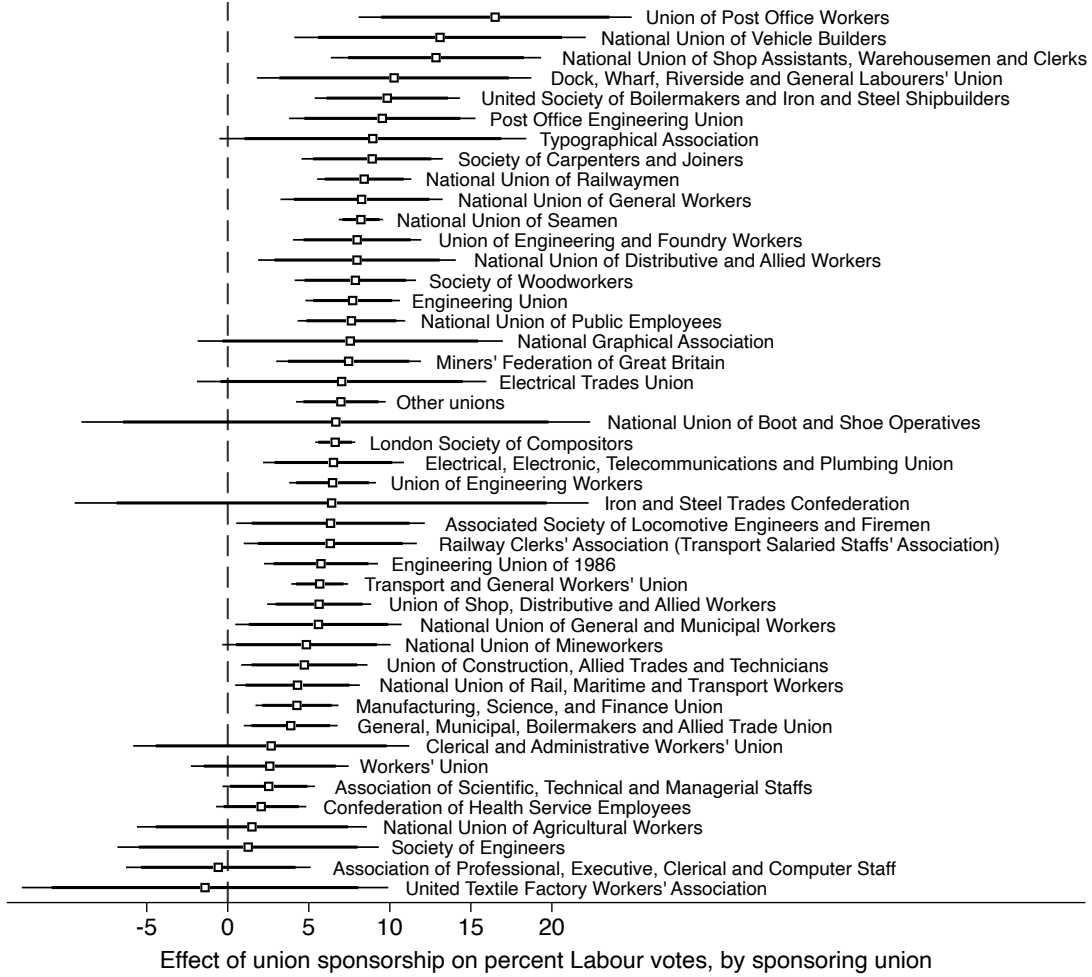
NOTE: All models are estimated using OLS. Robust standard errors are two-way clustered on candidates and constituencies, and they are reported in parentheses.

percentage-point increase in a candidate’s share of the votes. In the next three columns, I relax the parallel-trends assumption in various ways. First, I control for MP status, next I substitute the time-fixed effects with region-by-time fixed effects, and finally I include candidate-specific linear trends. Across these specifications, the estimated effect is positive and statistically significant, but the magnitude is slightly smaller than the baseline estimate. Finally, in the last column, I limit data to the subsample where the only variation in sponsorship status comes from the ban on union sponsorship introduced in 1996. In other words, unions do not influence the selection into or out of sponsorship in this subset of the data. When estimated on this subset, the effect is a bit less than 8 percentage points.

In the right panel in figure 4, I show how the main effect varies over time. Overall, the electoral effect of sponsorship was fairly constant over the course of the 20th century: All decade-specific vote-share estimates are in the interval from four to eight percentage points. The electoral influence of union sponsorship appears to diminish from the 1970s and onwards.

Finally, I document how the electoral effects of sponsorship vary across unions. I include union-specific dummies in the baseline difference-in-differences specification and plot the coefficients on in figure 5. The figure illustrates that the positive electoral effect of sponsorship is a

Figure 5: Electoral effect of sponsorship, by sponsoring union



NOTE: The figure is constructed by estimating the following model using OLS:  $Labour\ votes_{ict} = \sum_{\omega \in \Omega} \beta_{1,\omega} Union\ sponsor_{ict} + \alpha_i + \delta_t + \varepsilon_{ict}$ , where  $\omega$  pertains to a particular union in the set of unions  $\Omega$ . I include separate union-specific dummies for every union that sponsored candidates in more than ten elections. The remaining unions are grouped in the dummy variable “Other unions”. The x-axis corresponds to the estimated effect of union sponsorship on Labour vote percent. Each hollow square reports a point estimate of  $\beta_{1,\omega}$ . The fat lines report the 90% confidence interval, and the thin lines correspond to the 95% confidence intervals. The confidence intervals are constructed based on robust standard errors that are two-way clustered on candidates and constituencies.

common phenomenon across unions and that the main effect does not appear to be driven by a single union. Unions that organize workers in industries such as postal service, mining, and railways, appear to be among the most electorally influential unions whereas unions organizing workers in agriculture and non-manual industries are among the least electorally influential. The electoral influence seems to be concentrated around unions who organize workers in industries that were nationalized or subject to intense government regulation over the course of the 20th century. While this type of heterogeneity is interesting, it is important to acknowledge that these effects are estimated on the basis of a relatively small number of individuals, and consequently one should refrain from making very strong statements about the differences between specific unions.

## **Robustness to Alternative Outcomes, Sources of Identifying Variation, Time-Varying Covariates, and Estimation Techniques**

In the appendix, I implement a number of robustness checks. First, in section C on page 12 of the appendix, I show that the findings do not depend on the way electoral fortune is measured. I show that the findings are similar if one uses the probability of winning as the outcome instead of vote shares.

Second, in section D on page 13 of the appendix, I show that the results are robust to alternative sources of identifying variation. More specifically, I exploit variation from sponsorship agreements that were terminated because of union amalgamations. The dissolution of a sponsoring union as part of the amalgamation process induces a negative shock to the probability that previously sponsored candidates would be sponsored in future elections, and the shock is driven by factors that are plausibly unrelated to trending patterns among sponsees. I instrument union sponsorship using the amalgamation shock, and I show that the results are similar, if anything only stronger, when estimated based on this variation.

Third, in section E on page 15 of the appendix I show that the results are robust when I control for candidates' time-varying policy agendas. The theoretical work of Grossman and

Helpman (2001) discusses how interest-group behavior may be driven by either an electoral motive or an influence motive, and that the influence motive may induce electoral candidates to modify their policy positions to attract interest-group support. In this context, influence motive is a potential confounder because the empirical design does not address all types of time-varying candidate characteristics. In particular, one might worry that some candidates strategically shift to more pro-union policy positions prior to an election, and that this policy shift subsequently makes them more attractive to both unions and voters in certain constituencies, producing a positive but spurious relationship between sponsorship and electoral performance. To address this concern, I focus on the subsample of MPs, and I examine whether the estimated effect of sponsorship is sensitive to controlling for the share of parliamentary speeches with union-related content in the previous period. As one would expect, union-related content in parliamentary speeches is strongly correlated with union sponsorship, but the estimated effect of sponsorship on electoral performance is not sensitive to controlling for this variable. In other words, the results for do not appear to be driven by a shift toward union-specific policy agendas as measured by union-related content in the parliamentary speeches.

Fourth, in section F on page 18 of the appendix, I show that the results are robust to the recently developed estimators in the difference-in-differences literature. Scholars have recently shown that two-way fixed-effects models may in certain contexts be subject to bias when previously treated units enter as controls (Callaway and Sant’Anna, 2020; De Chaisemartin and d’Haultfoeuille, 2020). In particular, in the presence of within-unit temporal heterogeneity in the treatment effect, the trend among early treated units may constitute a poor counterfactual for the trend among late treated units. For example, this could potentially happen if unions gradually increase the financial support to sponsored candidates over the course of their parliamentary careers. To address issues of this nature, I show that the results are robust to the estimators proposed by De Chaisemartin and d’Haultfoeuille (2020) and Callaway and Sant’Anna (2020).



## Mechanisms: Electoral Effects are Driven by Better Constituencies and More Resources

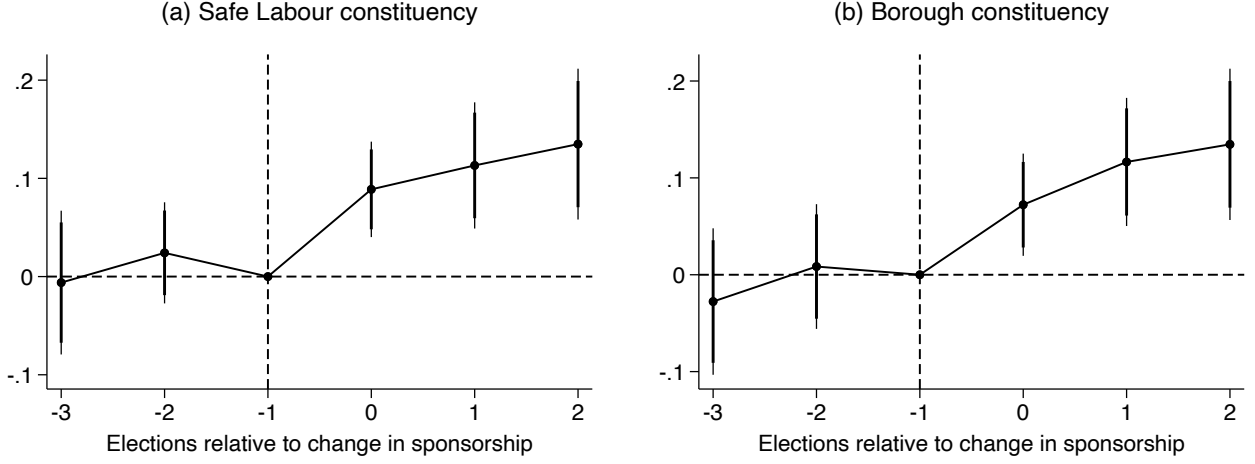
In this section, I provide evidence on the mechanisms that produced the main electoral effects. To shed light on the plausibility of the different mechanisms, I estimate effects on intermediate outcomes and examine heterogeneity in the treatment effects. First, I examine two nomination-stage mechanisms: better constituencies and weaker opponents; then I discuss three campaign-stage mechanisms: more resources, more mobilization, and better information.

### Nomination-Stage Mechanisms: Sponsorship Helps Candidates into Better Constituencies, but Does not Scare Off Opponents

First, I examine whether sponsorship status affected a candidate’s probability of winning the local nomination in an electorally attractive constituency. The two key outcomes are *Safe Constituency<sub>ict</sub>* and *Borough Constituency<sub>ict</sub>*. The former is a dummy variable indicating whether candidate  $i$  at time  $t$  won the nomination contest in a constituency,  $c$ , where the Labour Party *always* wins the general election, and the latter is a dummy variable indicating whether candidate  $i$  at time  $t$  was nominated in a constituency officially classified as a borough by the electoral authorities – borough constituencies are more urban, densely populated and tend to have more working-class residents, whereas county constituencies are more rural, thinly populated and tend to have more middle- and upper-class residents.

In figure 6, I show the results from the event-study designs. In both panels, the estimated pretreatment coefficients are small in magnitude and statistically indistinguishable from zero. This suggests that sponsees did not move from electorally unsafe to safe Labour constituencies or from county to borough constituencies *before* attaining sponsorship, but rather that changes in constituencies occurred downstream from the sponsorship treatment. Once sponsorship kicks in, sponsees experienced a systematic increase in their probability of securing a nomination in safe Labour constituencies and borough constituencies. These results are confirmed by statistical

Figure 6: **Effect of sponsorship on constituency nominations**



NOTE: The figures are constructed by estimating the following model using OLS:  $Y_{ict} = \alpha_i + \delta_t + \sum_{\ell=T_0, \ell \neq -1}^{T_1} \lambda_\ell D_{ict}^\ell + \varepsilon_{ict}$ . The x-axis corresponds to  $\ell$  (i.e. the time relative to change in union sponsorship status), and the y-axis reports to the estimates of  $\lambda_\ell$ . Each black circle pertains to a point estimate of  $\lambda_\ell$ . The fat lines report the 90% confidence interval, and the thin lines correspond to the 95% confidence intervals. The confidence intervals are constructed based on robust standard errors that are two-way clustered on candidates and constituencies.

analysis presented in table 4.

To speak to the opponent mechanism, I examine whether sponsorship affected the probability that the Conservative party fielded a candidate with political experience from local government. Candidates who have previously held elected office must possess some quality that voters value, and perhaps those high quality candidates are strategically deterred by union sponsorship. These results are presented in figure 7. Overall, there does not appear to be much of an effect.

In table 5, I disentangle how much constituencies, opponents, and campaigns contribute to the aggregate effect of union sponsorship. To the extent that the effects are additively separable and homogenous across candidates and constituencies, one can separate these mechanisms by modifying the fixed-effects structure. By substituting candidate-fixed effects with candidate $\times$ constituency-fixed effects, one can wash out the effects that are produced by the constituency mechanism, and by substituting with candidate $\times$ constituency $\times$ opponent-fixed effects, one can further wash out effects that are driven by the opponent mechanism.

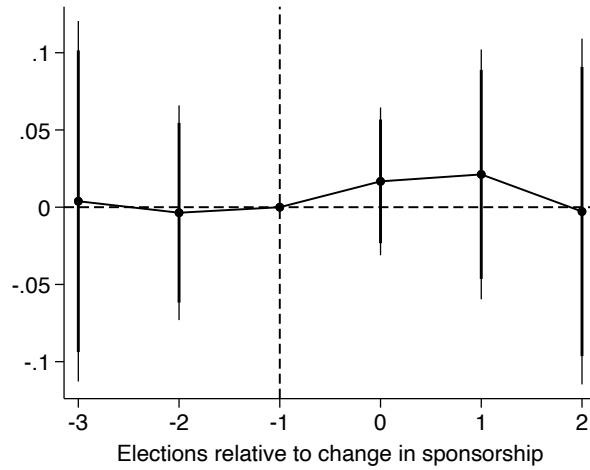
I present these results in table 5. In the first column, I present the baseline within-candidate difference-in-differences estimate (this is the same estimate as the estimate in the first column of

Table 4: **Effect of sponsorship on nomination-stage outcomes**

	Safe Labour constituency		Borough constituency		Experienced opponent	
	(1)	(2)	(3)	(4)	(5)	(6)
Union sponsored	0.13 (0.02)	0.21 (0.05)	0.08 (0.02)	0.06 (0.03)	0.06 (0.05)	0.14 (0.31)
Observations	16,536	1,659	16,526	1,659	7,732	500
Constituencies	3,017	689	3,015	689	2,159	344
Candidates	7,012	315	7,006	315	4,798	232
Outcome mean	0.26	0.57	0.51	0.62	0.35	0.44
Sample	Full	Ban	Full	Ban	Full	Ban
Time fixed effects	✓	✓	✓	✓	✓	✓
Candidate fixed effects	✓	✓	✓	✓		
Candidate×Constituency fixed effects					✓	✓

NOTE: All models are estimated using OLS. Robust standard errors are two-way clustered on candidates and constituencies, and they are reported in parentheses.

Figure 7: **Effect of sponsorship on nomination of a politically experienced opponent**



NOTE: The figure is constructed by estimating the following model using OLS:  $Politically\ experienced\ opponent_{ict} = \gamma_c + \theta_t + \sum_{\ell=T_0, \ell \neq -1}^{T_1} \lambda_\ell D_{ict}^\ell + \varepsilon_{ict}$ . The x-axis corresponds to  $\ell$  (i.e. the time relative to change in union sponsorship status), and the y-axis reports to the estimates of  $\lambda_\ell$ . Each black circle pertains to a point estimate of  $\lambda_\ell$ . The fat lines report the 90% confidence interval, and the thin lines correspond to the 95% confidence intervals. The confidence intervals are constructed based on robust standard errors that are two-way clustered on candidates and constituencies.

table 3). This estimate constitutes the effect of sponsorship jointly produced by constituencies, opponents, and campaigns. In the second column, the estimates are based on variation from the same candidate running in the same constituency. In this specification, the estimated effect roughly drops from six to a bit less than two percentage points, suggesting that selection into better constituencies can account for approximately two-thirds of the boost in electoral fortune of candidates. In the third column, the estimates are based on variation from the same candidate running in the same constituency against the same opponent. In this specification, the estimated effect is still a bit less than two percentage points. This suggests that the opponent-selection mechanisms does not really account for any part of the effect. In other words, better constituencies account for two thirds of the main effect, and better campaigns accounts for the remaining third. In the next section, I examine exactly how sponsorship affects the organization of electoral campaigns.

Table 5: **Decomposing how much of the effect of union sponsorship on Labour vote percent that is driven by constituencies, opponents, and campaigns**

	Constituency effects+ opponent effects+ campaign effects	Opponent effects+ campaign effects	Campaign effects
	(1)	(2)	(3)
Union sponsored	5.94 (0.55)	1.88 (0.42)	1.79 (0.90)
Observations	16,536	16,536	16,536
Constituencies	3,017	3,017	3,017
Candidates	7,012	7,012	7,012
Outcome mean	40.50	40.50	40.50
Time fixed effects	✓	✓	✓
Candidate fixed effects	✓		
Candidate×Constituency fixed effects		✓	
Candidate×Constituency×Opponent fixed effects			✓

NOTE: All models are estimated using OLS. Robust standard errors are two-way clustered on candidates and constituencies, and they are reported in parentheses.

## **Campaign-stage Mechanisms: Sponsorship Boosts Campaign Resources, but Does Not Affect Mobilization or Information**

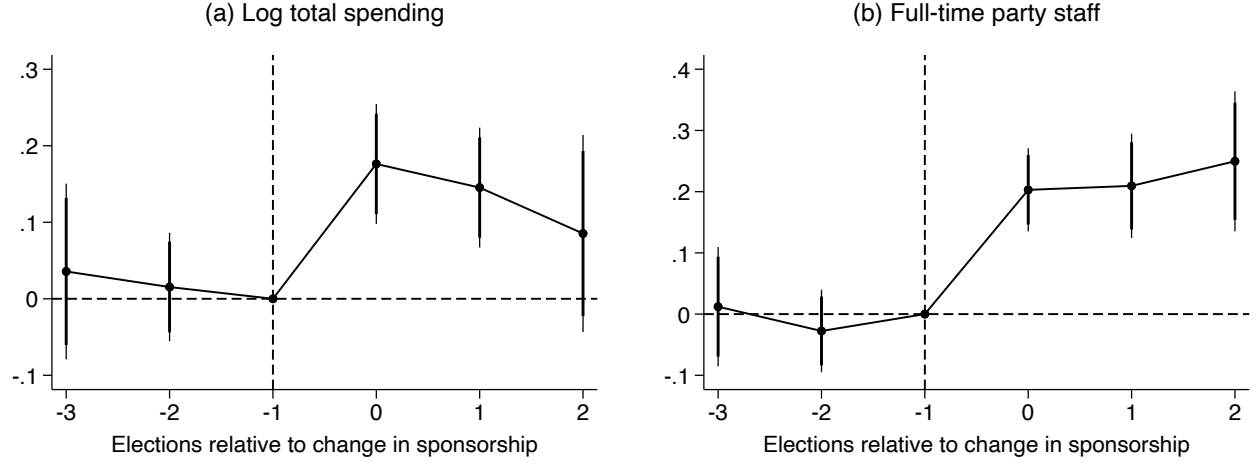
In this section, I study how sponsorship influenced electoral campaigns, and to disentangle campaign effects from the nomination effects discussed above, all estimates in this section are based on within-constituency variation.

First, I study how sponsorship affected campaign resources. The two key outcomes are (log of) campaign spending and number of full-time constituency-party staffers. The results from the event-study designs are presented in figure 8. In both panels, the estimated pretreatment coefficients are close to and statistically indistinguishable from zero, suggesting that constituencies with sponsees and constituencies with other Labour candidates did not follow different trends in the pretreatment period. When sponsorship comes into effect, constituencies with sponsees experienced a systematic increase in financial and human resources. The results are confirmed by the statistical analyses presented in table 6.

To further examine how sponsorship affected the organization of electoral campaigns, I study the allocation of campaign finance across various campaign activities in figure 9. In this figure, I present the estimated effect of sponsorship on (log) spending on various types of campaign expenditures. The results reveal that the effects of sponsorship varied considerably across different types of expenditure. Spending on paid staff increased dramatically by almost 0.7 log points, and spending on campaign managers also increased substantially. This could indicate that union-sponsored campaigns became more professionalized and relied less on people helping out on a voluntary basis. Spending on advertisement only increased moderately and expenses related to public meetings appear to be completely unaffected by union sponsorship. Taken together, it seems that the resources allocated to internal activities aimed at building a more professional party organization were boosted substantially, while those allocated to external activities aimed at attracting new voters only increased moderately.

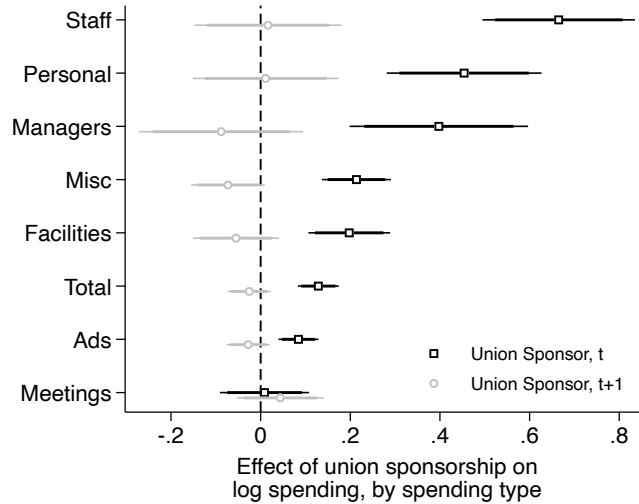
Next, I examine whether the empirical evidence is consistent with the mobilization mechanism. If union-sponsored candidates improved their electoral fortune because the sponsoring

Figure 8: Effect of sponsorship on campaign resources



NOTE: The figures are constructed by estimating the following model using OLS:  $Y_{ict} = \gamma_c + \theta_t + \sum_{\ell=T_0, \ell \neq -1}^{T_1} \lambda_\ell D_{ict}^\ell + \varepsilon_{ict}$ . The x-axis corresponds to  $\ell$  (i.e. the time relative to change in union sponsorship status), and the y-axis reports to the estimates of  $\lambda_\ell$ . Each black circle pertains to a point estimate of  $\lambda_\ell$ . The fat lines report the 90% confidence interval, and the thin lines correspond to the 95% confidence intervals. The confidence intervals are constructed based on robust standard errors that are two-way clustered on candidates and constituencies. The figure on the right is based on data from 1922 to 1955.

Figure 9: Effect of sponsorship on campaign spending, by expenditure types



NOTE: The figure is constructed by estimating the following model using OLS for each of the spending outcomes:  $\text{Log Campaign Spending}_{ict} = \sum_{m=0}^1 \beta_m \text{Union Sponsored}_{ic,t+m} + \gamma_c + \theta_t + \varepsilon_{ict}$ . The x-axis corresponds to the estimated effect of union sponsorship on (log of) spending on a particular type of campaign expenditure, and the y-axis corresponds to the particular type of expenditure. Each hollow square reports a point estimate of  $\beta_{m=0}$ , and each hollow circle reports the point estimate of  $\beta_{m=1}$ . The fat lines report the 90% confidence interval, and the thin lines correspond to the 95% confidence intervals. The confidence intervals are constructed based on robust standard errors that are two-way clustered on candidates and constituencies.

Table 6: **Effect of sponsorship on campaign-stage outcomes**

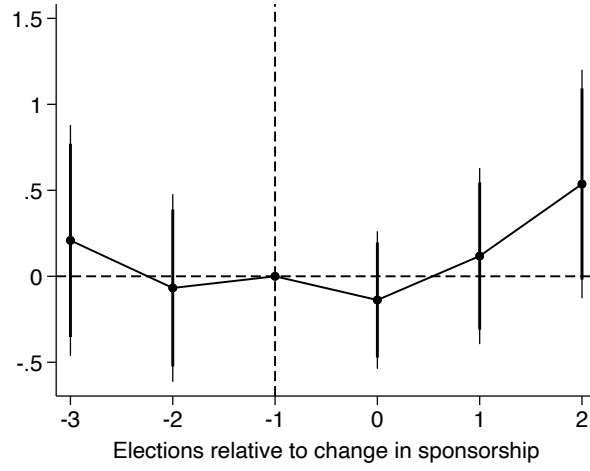
	Log spending		Party staff	Turnout (%)	
	(1)	(2)	(3)	(4)	(5)
Union sponsored	0.09 (0.05)	0.07 (0.05)	0.10 (0.05)	0.22 (0.23)	0.50 (0.72)
Observations	16,536	1,659	5,310	16,536	1,659
Constituencies	9,931	689	1,202	3,017	689
Candidates	7,012	315	2,208	7,012	315
Outcome mean	9.24	9.34	0.31	72.72	67.49
Sample	Full	Ban	1922-1955	Full	Ban
Time fixed effects	✓	✓	✓	✓	✓
Candidate×Constituency fixed effects	✓	✓	✓	✓	✓

NOTE: All models are estimated using OLS. Robust standard errors are two-way clustered on candidates and constituencies, and they are reported in parentheses.

unions mobilized groups that otherwise would not have voted, one would expect to see a net increase in turnout. I explore this question in figure 10. There is no evidence of any pretreatment trends in this figure, but there is not any clear evidence of any post-treatment effects either. Maybe there is small increase in turnout beginning a few elections downstream from the sponsorship, but the effects are statistically insignificant, and all estimates are small in magnitude. These findings are confirmed in the results presented in table 6. It is important to note that both the spending estimates and the turnout are somewhat noisy.

Since sponsorship caused an increase in the Labour vote share, but does not appear to affect net turnout, it could mean that sponsored campaigns successfully persuaded certain swing voters to vote for the Labour candidate. An alternative interpretation is that is consistent with the empirical finding is that sponsorship had opposing turnout effects among Labour and Conservative voters. If sponsorship increased turnout among Labour voters, but decreased turnout among Conservative voters, the net effect could be zero. Of course, the fact that sponsorship did not affect turnout, does not mean that unions did not affect turnout overall: Perhaps unions were always good at getting their members out to vote – even when the Labour candidate was not sponsored by a trade union.

Figure 10: **Effect of sponsorship on turnout (%)**



NOTE: The figure is constructed by estimating the following model using OLS:  $Y_{ict} = \gamma_c + \theta_t + \sum_{\ell=T_0, \ell \neq -1}^{T_1} \lambda_\ell D_{ict}^\ell + \varepsilon_{ict}$ . The x-axis corresponds to  $\ell$  (i.e. the time relative to change in union sponsorship status), and the y-axis reports to the estimates of  $\lambda_\ell$ . Each black circle pertains to a point estimate of  $\lambda_\ell$ . The fat lines report the 90% confidence interval, and the thin lines correspond to the 95% confidence intervals. The confidence intervals are constructed based on robust standard errors that are two-way clustered on candidates and constituencies.

Finally, I examine whether the empirical findings are consistent with an informational mechanism where voters update their beliefs about candidate quality or ideology based on the endorsement signal. To shed light on this mechanism, I examine whether sponsorship affected electoral outcomes in situations where the other mechanisms are suspended. More specifically, I examine whether one observes an effect when sponsees faced binding spending limit – even before they attained sponsorship. In places where candidates always spend the legally permitted maximum on their campaigns, additional resources from a sponsoring union should matter little for electoral outcomes, but signaling could still produce an electoral effect.

I examine this question in table 7 where I include interactions between the sponsorship treatment and a dummy indicating that the spending limit is always binding for a candidate in a particular constituency. In these models, the nomination mechanism is shut down by the candidate $\times$ constituency-fixed effects and the resource mechanism is shut down when the spending limit is maxed out.

Across the three different outcomes, union sponsorship only mattered when the spending limit was not binding. In all models, the coefficient on the sponsorship variable is positive and



Table 7: **Effect of sponsorship when candidates face binding spending limits**

	Log spending	Spending (%)	Labour votes (%)
	(1)	(2)	(3)
Union sponsored	0.09 (0.05)	2.45 (0.72)	2.02 (0.46)
Union sponsor $\times$ candidate always at spending limit	-0.08 (0.05)	-2.65 (1.23)	-1.38 (0.80)
Observations	16,287	16,117	16,287
Constituencies	3,016	3,016	3,016
Candidates	6,848	6,846	6,848
Outcome mean	9.37	34.59	40.68
Time fixed effects	✓	✓	✓
Candidate $\times$ Constituency fixed effects	✓	✓	✓

NOTE: All models are estimated using OLS. Robust standard errors are two-way clustered on candidates and constituencies, and they are reported in parentheses.

statistically significant. The coefficient on the interaction term, however, is negative and the sum of the two estimated coefficients is more or less equal to zero. For example, the result in the first column suggests that constituencies experience a 0.09 log-point increase in campaign spending in places where spending limits do not bind, whereas the effect is essentially zero when spending limits always bind (0.09-0.08=0.01). In other words, there appear to be close to no effects when both the resource and constituency mechanisms were suspended. This suggests that the informational effect of the endorsement must be relatively limited.

## Discussion of Generalizability

To what extent do the results inform us about the electoral influence of interest groups in other contexts? In this section I briefly discuss the conditions under which the conclusions speak to contemporary British politics, to a broader set of interest groups, and to other countries. The discussion is based on the notion that the institutional environment, as characterized by the interplay between the national-level regulation of elections and the party-level rules governing the interactions between candidates and interest groups, constitutes a key scope condition, and that findings presumably generalize more easily to contexts with similar institutional environments.

How do the findings speak to contemporary British politics? The national Labour Party has weakened the financial and organizational ties to the trade unions since the 1990s, but at the local level there are still strong, albeit more informal, ties between unions and parliamentary candidates. The fundamental electoral institutions in the U.K. (e.g. the first-past-the-post system and the campaign finance system) have not been significantly reformed in the recent decades, but continue to uphold the interdependency between trade unions and parliamentary candidates because “the party still needs the money the unions bring with them” and “the unions simply have nowhere else to go politically” (Webb and Bale, 2017, p. 262). While the contemporary electoral influence of unions may operate through informal and less institutionalized channels, the level of influence may still be important.

To what extent do the findings inform us about the electoral influence of other interest groups in Great Britain? Even if one cannot systematically observe the ties between interest groups and parliamentary candidates from other political parties, it is reasonable to assume that trade associations, local businesses, and wealthy individuals have engaged in similar sponsorship arrangements with Liberal and Conservative candidates. The political forces that linked trade unions to Labour candidates through sponsorship arrangements on the left wing may have forged similar bonds between interest groups and Conservative candidates on the right wing. It is difficult to say whether the electoral influence of these interest groups have been stronger or weaker than the trade-union influence. On the one hand, business-friendly interest groups in general tend to have more resources than unions, and this may have strengthened their electoral influence through the resource channel. On the other hand, no interest group enjoyed the institutional privileges in the Conservative and Liberal parties that the trade unions were endowed with in the Labour Party, and this may have weakened the ability of these groups to influence elections through the nomination channel.

Finally, to what extent do the findings shed light on the electoral influence of interest groups in other countries? This type of generalization is somewhat speculative, but it seems reasonable to think that the conclusions are most relevant for other countries with parliamentary systems where the residency requirements for MPs are lenient, and in which politically active unions

directly support the electoral campaigns of individual parliamentary candidates. For example, over the course of the 20th century, there were, and there still are, similar sponsorship arrangements between trade unions and parliamentary candidates from the Social Democrats and other left-wing parties in Denmark, Sweden, and Norway (Allern, Aylott, and Christiansen, 2007). Likewise, in Canada, and other Commonwealth countries that have adopted key political institutions from the U.K., unions have engaged in relationships with parliamentary candidates that resemble the British union-sponsorship deals, in the sense that unions would offer both direct financial contributions to candidates and pay for “rank-and-file workers to assist as campaign managers or canvass organizers in local riding campaigns” (Savage, 2010, p. 12).

In countries with stringent residency requirements for candidates, the electoral influence via the nomination mechanisms may be minimal, but interest groups may still influence elections through the campaign mechanisms. In the British case, the campaign mechanisms only produced modest electoral effects, and in other institutional settings where financial ties to interest groups are weaker or muddled by competition between opposing groups, the effects may be even smaller. In this regard, the estimates presented in this paper may constitute an upper bound on the ability of interest groups to influence elections more generally. On the other hand, in countries with no limits on campaign spending like the U.S., the campaign mechanisms may be more important than in the British case. Consistent with this view, Feigenbaum, Hertel-Fernandez, and Williamson (2019) demonstrates that right-to-work laws in the U.S., which radically reduce the political resources and power of unions by removing agency shop protection, systematically diluted the electoral influence of unions in presidential elections.

## Conclusion

In this paper, I provide empirical evidence on the electoral influence of interest groups from unions in Great Britain. I collect new data on the universe of sponsorship agreements between unions and parliamentary candidates from the Labour Party, and I use a series of difference-in-differences designs to study how union sponsorship affected the electoral fortune of parliamentary

candidates at different stages of the electoral process.

The results show that attaining a sponsorship agreement caused a six percentage-point increase in the average candidate's vote share. Consistent with a constituency mechanism, sponsorship helped candidates win nomination in electorally safe borough constituencies; and in line with a resource mechanism, sponsorship induced an inflow of financial and human resources into constituencies, engendering a professionalization of campaigns. The evidence does not support mechanisms related to opponents, mobilization, or information. Approximately two-thirds of the electoral effect was driven by constituency effects while the remaining third can be attributed to better campaigns.

These findings shed new light on the role of unions in British politics and may further our understanding of the electoral influence of interest groups more generally. The relative political influence of employers and employees over the course of the 20th century may, at least in part, depend on the relative electoral influence of these groups. The ability of unions to influence elections may have strengthened their bargaining position in negotiations with the government and employers, and sponsored MPs may have directly influenced legislation and policy making. But perhaps more importantly, leaders from both parties may strategically have adapted their policy positions in response to the electoral influence of unions. For example, when Churchill won a slim majority of parliamentary seats in 1951, he instructed his ministers "not to bring about confrontations with public-sector trade unionists, least of all the miners" (Wrigley, 2001, p. 291), and he appointed more union representatives to consultative committees than the former Labour government.

The conclusions from this paper may guide future theoretical and empirical work on interest groups. Many prominent theories of special-interest politics rest on the assumption that interest groups can influence electoral outcomes. The main finding in this paper, which indicates that union sponsorship promoted the representation of union-friendly candidates in parliament, provide empirical support for this assumption. Most of the existing theoretical accounts, however, black box the process of electoral influence and are silent on the mechanisms of influence. The mechanism findings presented above, which suggest that approximately two-thirds of the main

effect is driven by better constituencies and that the remaining effect comes from more campaign resources, open the black box. These findings could indicate that special interests may be able to promote the election of their preferred candidates, but that this primarily shifts in the balance of power *within* parties and not between them.

Finally, this paper mainly focuses on the ability of special interests to influence elections, and the findings primarily speak to the theories of position-induced interest-group support. Future research could use a similar empirical design to study the ability of special interests to influence policy positions, and these findings could speak to the theories on service-induced interest-group support. For example, one could study whether sponsorship leads to a change in the parliamentary activities of a given legislator.

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