Campaign Finance

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Abstract

While most voters and politicians are convinced that campaign finance shapes policy and elections, studies typically have found small or no effects. However, better data and a greater focus on causal identification have transformed the literaure in recent years. In this chapter, I take stock of our current understanding of campaign finance in democratic countries: Who are the campaign donors and what motivates them? How does campaign finance affect policy? And how does campaign spending affect elections? I argue that the recent findings chip away at the old conventional wisdom that campaign spending has little impact, and instead supports the view that it has important consequences for policy and election outcomes. I also point to gaps in our understanding and highlight areas for future research.

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Introduction

Most voters believe campaign finance profoundly affects policy and elections: 85 percent of respondents to a New York Times survey from 2015 said legislators sometimes or most of the time promote policies that directly help their donors, and 84 percent stated that money has too much influence in political campaigns.[1] Politicians appear to agree: only 13 percent of US state legislators surveyed in 2002 said contributions have no effect on the content or passage of bills.[2]

Political scientists have traditionally *not* shared the conviction that campaign spending matters. For a long time, the study of campaign finance returned a series of null results. For example, the evidence did not suggest that campaign contributions affect policy: "30 years of academic research have led some scholars to conclude that campaign contributions have little influence on the actions of elected legislators and perhaps none at all" (Powell 2012, 1). Many studies did not even find that campaign spending improved electoral performance: "Evidence of this relationship has sometimes been elusive" (Scarrow 2007, 198).

However, the study of campaign finance has undergone a significant transformation in recent years. Previously, data availability was limited and researchers relied on regressions with typically coarse controls. Yet studies conducted in the last 10 to 15 years have had access to more detailed and fine-grained data on who contributes to whom, and what the money is spent on. Tools such as experiments, regression discontinuity designs, and difference-in-differences approaches have also allowed scholars to get a better handle on causality.

Has this new generation of studies about campaign finance largely confirmed the results of past research, finding small (or no) effects? Or do they come to different conclusions that are closer to what the average person (and politician) thinks? In this chapter, I take stock of our current understanding of campaign finance in democratic countries. I begin by quickly reviewing the state of campaign finance regulation and transparency. Although most countries impose at least some restrictions on campaign finance, it plays an important role just about everywhere. In addition, more than 50 democracies enforce reasonably comprehensive transparency requirements. Next, however, I show that few social scientists exploit this wealth of data: More than two-thirds of articles published in the last 10 years in a sample of leading journals focus on the United States. Other countries are only examined by a few studies each, if at all.

I then review the literature and compare the findings of newer studies to the consensus reached in older research. I focus on three core questions: Who are the campaign donors and what motivates them? How does campaign finance affect policy? And how does campaign spending affect elections? When assessing each question, I first review the literature on the US, as scholars of American politics have set the research agenda and defined which questions to investigate. Thereafter, I discuss the evidence from other countries. The recent findings chip

[1] See https://www.nytimes.com/interactive/2015/06/02/us/politics/money-in-politics-poll.html.

[2] See Powell (2012)

away at the old conventional wisdom – and move the literature closer to what the public thinks the role of campaign finance is – in three main ways. First, the newer studies observe that while many donors give for expressive reasons, a large share donates to obtain access and influence. Second, recent research demonstrates that campaign donations lead to access as well as legislative favors. Finally, the newer studies reveal that campaign money helps those who have it get elected, and influences elections in a number of other ways.

I conclude the chapter by highlighting unanswered questions at the research frontier. First, I emphasize the need to go further than considering whether campaign finance matters to examine the conditions under which it matters. Second, this implies the need for a greater focus on comparative research, especially beyond the US. Third, I stress the importance of studying campaign finance as part of the larger ecosystem of money in politics. Finally, I call for more, and more nuanced, studies that examine the welfare consequences of different campaign finance systems for democratic representation and accountability.

How Do Democracies Regulate Campaign Finance?

Before delving into the literature, I provide an up-to-date overview of the state of campaign finance regulation in democratic countries. After all, if most countries had stringent campaign spending restrictions, the findings in the literature would only apply to a narrow share of the world's population.

Figure 1 displays the state of campaign finance regulation in 2020 for the 118 countries rated free or partly free by Freedom House (2022). The upper part provides information on the regulation of politicians' and parties' ability to *raise* funds. The vast majority of countries either completely or partially ban anonymous contributions and donations from foreign sources. A clear majority also prohibit or place restrictions on donations from government-owned companies and limit how much donors can contribute. Other aspects of fundraising are less regulated. For example, about 60 percent of countries do not impose any limitations on the extent to which candidates can self-finance their campaigns, and a similar share allow contributions by corporations and unions. The lower part of the figure illustrates the regulation of politicians' and parties' ability to *spend* funds. About 65 percent of countries impose limits on candidate spending, and around 45 percent limit parties' expenditures.

For many categories, a significant number of countries thus either impose no restrictions or only partially limit the activity. Few countries prohibit all campaign spending and donations. Hence, Figure 1 makes clear that campaign finance is a salient topic in most democracies.

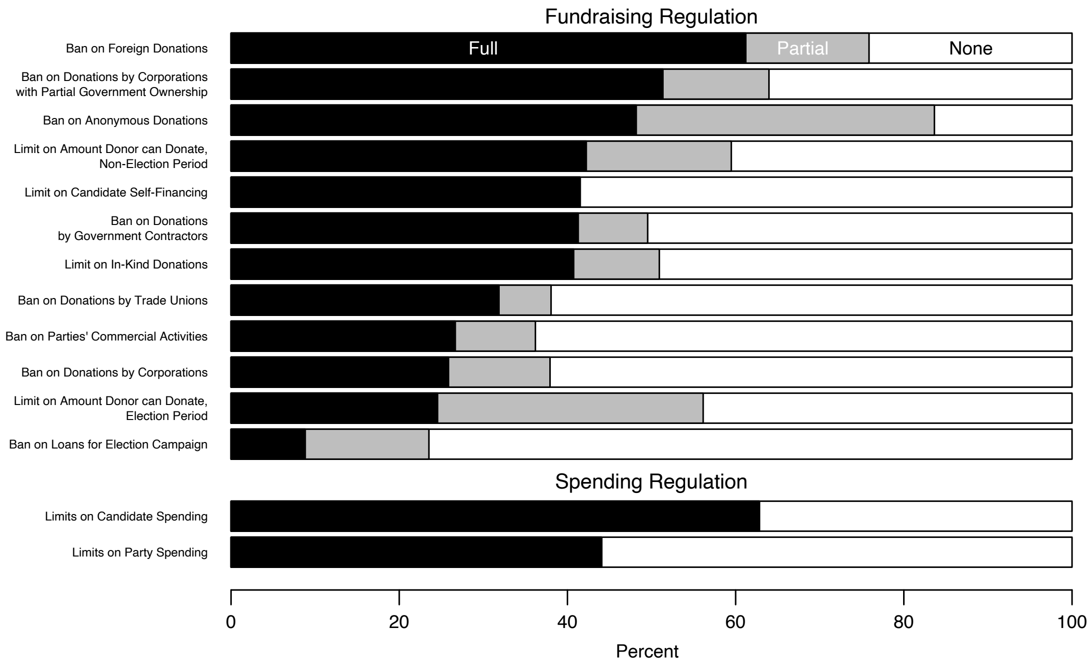
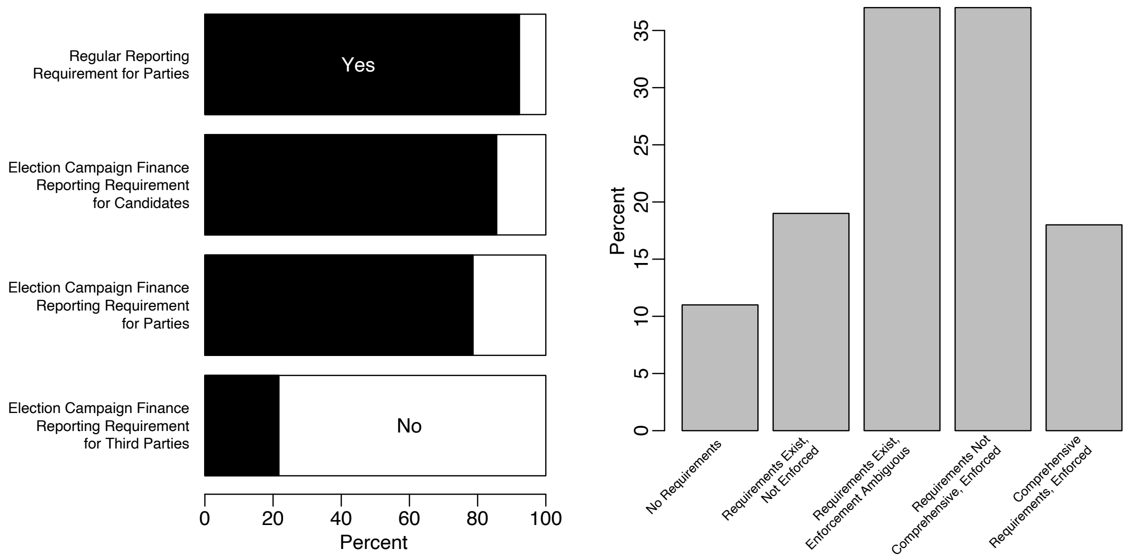


Figure 1: Campaign Finance Regulation in 118 Free of Partly Free Countries in 2020. Source: International IDEA (2022).

How Transparent Is Campaign Finance Disclosure?

Of course, even though campaign finance plays an important role all over the world, it does not necessarily follow that all countries are fertile ground for research. For that, it is necessary that donors, parties, and candidates are required to disclose their activities. Figure 2a depicts the *de jure* campaign finance disclosure requirements in the same 118 countries. The vast majority require transparency: 92 percent have regular general reporting requirements for parties, and 86 and 79 percent have election finance disclosure requirements for parties and candidates, respectively. About a fifth of countries require third parties to report their spending. Since transparency requirements are so widespread, social scientists in theory have the opportunity to study campaign finance in a large number of countries.

However, such requirements are not always enforced. Figure 2b shows the distribution of an indicator that combines *de jure* and *de facto* campaign finance transparency in 2020: only about 15 percent of countries in the sample are assessed as having comprehensive transparency requirements that are also enforced. These include Australia, Brazil, Canada, France, Germany, the United Kingdom, and South Korea. Roughly a third of the countries have requirements that are enforced, but not comprehensive, such as the US, Colombia, Japan, Mexico, New



(a) *De Jure* Transparency. Source: International IDEA (2022)

(b) *De Jure* and *De Facto* Transparency. Source: Coppedge et al. (2021)

Figure 2: Campaign Finance Transparency in 118 Free or Partly Free Countries in 2020.

Zealand, and many European nations. Taken together, this means that about 45 percent of countries require and enforce the disclosure of at least some aspects of campaign finance. While this is certainly less than implied by the *de jure* laws in Figure 2a, it still leaves a pool of more than 50 countries for empirical studies of campaign finance.

Which Countries are Studied?

To get a sense of which countries the literature focuses on, I examined all articles on the topic published between 2013 and 2022 in seven widely read political science journals and recorded their empirical setting.[3] Are scholars of campaign finance exploiting the fact that more than four dozen countries provide reliable disclosure? Figure 3 shows that they do not. More than two-thirds of the published articles in these journals focused on the US. This is followed by cross-national studies (around 7 percent), three countries that were studied by two articles each, and about a dozen countries that were studied in a single article. Many of the countries that have reasonably comprehensive and enforced transparency laws were not studied at all. Thus, the US context clearly dominates the campaign finance literature.

[3]The journals were: *American Political Science Review*, *American Journal of Political Science*, *British Journal of Political Science*, *Comparative Political Studies*, *European Journal of Political Research*, *Journal of Politics*, and *Political Science Research and Methods*.

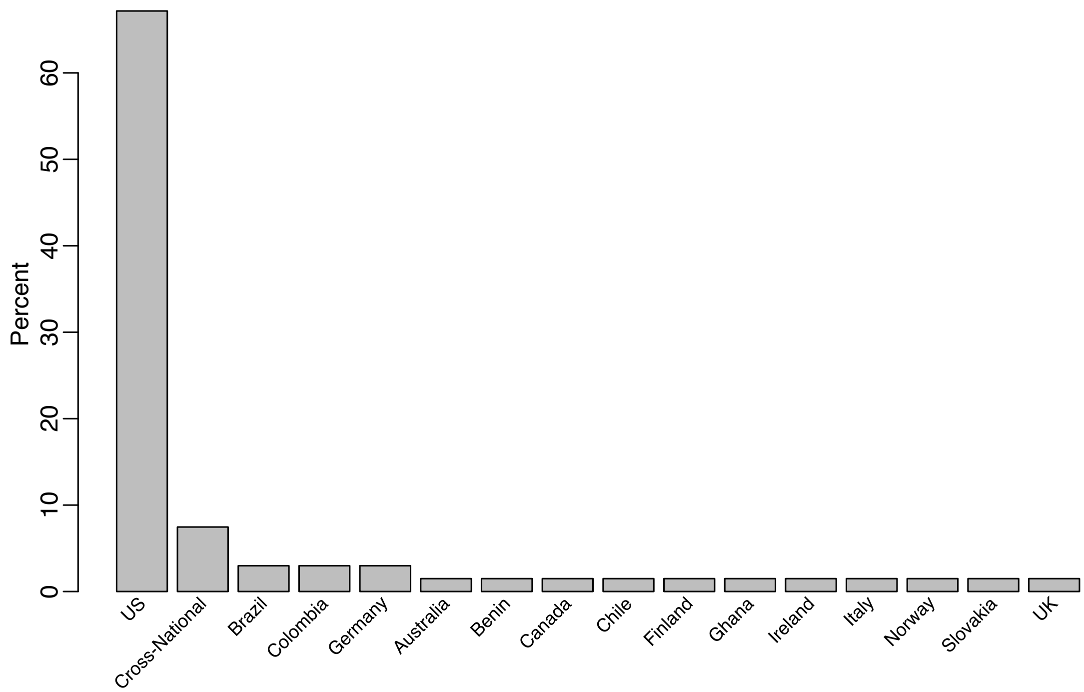


Figure 3: Empirical setting of all articles on campaign finance published between 2013 and 2022 in seven leading political science journals.

Who Are Campaign Donors and What Motivates Them?

Having laid the groundwork and established that most research on campaign finance is done in the US context, I now turn to reviewing the literature. The first major area focuses on the *suppliers* of campaign money. Who are they, and how do they differ from the overall population? And what motivates them to give their money to politicians?

Who Donates?

In the US, contrary to popular perceptions, interest groups and corporations provide only around 40 percent of all donations; about 60 percent of funds come from individuals (Richter and Werner 2016). Among interest groups, the bulk of the contributions come from ideological and single-issue groups, followed by the finance, insurance, and real estate industries; labor; and the health industry (cf. Stratman and Dozier in this volume). For individual donors, the literature distinguishes between small donors, who give less than $200, and large donors. In 2020, there were almost 12 million small donors, up from less than 100,000 in 2006 (Bouton et al. 2022). These donors are reasonably representative of the population, although ethnic minorities are underrepresented (Grumbach and Sahn 2020; Bouton et al. 2022). There were also more than 8 million large donors in 2020, up from around 1.5 million in 2006. They are more likely to be male and white than the overall population (Bouton et al. 2022). And crucially, they are also much more likely to be rich: In 2012, the wealthiest 0.01 percent of households provided over 40 percent of individual contributions (Bonica et al. 2013). Finally, a growing share of campaign money comes from the candidates themselves, especially if they are wealthy (Eggers and Klašnja 2018).

Donors are less well studied in other countries, and it is difficult to make generalizations. However, there are some broad similarities to and differences from the US. One important similarity is that, where they are allowed, contributions from corporations are common (e.g. Samuels 2001b; Rueda and Ruiz 2022; Weschle 2022). In addition, self-finance is an important funding source in many other countries (Vaishnav 2017; Bussell 2018; Avis et al. 2022). Perhaps the most obvious difference between the US and elsewhere is that the former is an outlier in terms of small campaign contributions from regular voters. Such grassroots participation is uncommon in most other countries, where individual contributions are rare outside of candidates' friends and family (Bussell 2018; Rueda and Ruiz 2022). However, especially in Western Europe, mass membership parties can rely on annual dues from their members as a source of funding (Scarrow 2007; Nassmacher 2009), which in many ways are similar to contributions from small donors. Another important source of funding that is less common in the US is public subsidies, which are often very generous (Van Biezen 2008; Koß 2010).

While donors all over the world are thus surprisingly heterogeneous, they are not representative of the general population. Corporations and interest groups, as well as wealthy individuals, provide an outsize share of campaign funds. This makes it important to ask: Why are they doing this? What are they trying to achieve?

What Motivates Donors?

In their seminal work, Grossman and Helpman (2001) distinguish between two donor motivations: influence and electoral motives. Donors who seek *influence* treat campaign contributions as a form of investment: in return, they expect access to (and influence over) the recipients. Donors with an *electoral* motivation do not aim to influence. They are instead motivated by a desire for their party or candidate to win, and they hope their contribution increases the chances of this happening. A weaker version of the electoral motive is the expressive or consumption motivation, which acknowledges that most contributions are not large enough to significantly affect the recipient's electoral prospects. However, people still donate because they want to express their support – and derive satisfaction from doing so.

To what extent do donors exhibit these motivations? Among individual contributors in the US, electoral and expressive motivations are dominant. In a donor survey conducted by Barber (2016), 98 percent of respondents stated that ideological agreement with a candidate was an extremely or somewhat important motivation for their contribution. Thus, they give because they like what a candidate stands for, not because they want to change their views. In addition, 90 percent of individual donors reported that affecting the election outcome was an extremely or somewhat important motivation.

Electoral and expressive motives are thus clearly widespread among donors. But what about the influence motive? In their agenda-setting article, Ansolabehere et al. (2003) argued that even corporations and corporate executives do not treat campaign spending as an investment. Given the importance that government decisions have on companies' bottom lines, they argued, we would expect them to donate considerable amounts to political campaigns (see also Tullock 1972). Yet almost all corporate Political Action Committees (PACs), which pool employees' campaign donations, donate much less than the legal limit; even top corporate executives only make modest contributions. This would suggest that they also have expressive rather than instrumental motivations.

However, a considerable amount of research in the last two decades has documented donation behavior by firms and interest groups that is consistent with an investment motivation. Gordon et al. (2007) demonstrate that the more closely executive compensation is linked to company performance, the more individual executives donate. Bombardini and Trebbi (2011) provide a structural model that shows rates of returns for firms that are consistent with an investment motivation. Fouirnaies and Hall (2014) use a regression discontinuity design involving close elections to establish that the winning party enjoys a 20–25 percentage-point increase in the share of total contributions in the subsequent election cycle, which suggests access-oriented giving to incumbents. Powell and Grimmer (2016) and Fouirnaies and Hall (2018) illustrate that legislators who join important committees experience an increase in donations from interest groups and corporations affected by those committees, and a drop when they exit. Finally, companies also make strategic non-campaign donations to causes supported by legislators who are important to them, such as their favorite charities (Bertrand et al. 2020).

The findings from these studies suggest that individuals donate for expressive and electoral reasons, whereas interest groups and corporations are more strategic and driven by access considerations (cf. Barber 2016). However, the distinction is not always so clear-cut. Many individuals also display access motivations, for example by donating to legislators on committees that are relevant to their occupation (Barber et al. 2017) or contributing to politicians who their employer (strategically) supports (Stuckatz 2022). At the same time, PAC donation behavior is less strategic and more ideological in industries that are more politicized (Barber and Eatough 2020).

Outside the US, donors' motivations are rarely studied. One exception are Rueda and Ruiz (2022), who show that many donors in Colombia exhibit an influence motivation, whereas an expressive motive is exceedingly rare and primarily involves candidates' family members. Thus, while there has been considerable progress in understanding US donors' often-nuanced motivations, we know little about those who give money in other countries. As a consequence, we also do not understand the comparative determinants of both motives.

Does Campaign Finance Affect Policy?

The second major question in the literature explores the *consequences* of campaign finance. Above, we saw that many donors have instrumental motives. Is that wishful thinking on their part, or do campaign donations indeed affect *policy*?

Older Studies and Critique

The US literature has traditionally focused on whether campaign contributions influence legislators' roll-call votes. Ansolabehere et al. (2003) survey 36 studies published between 1976 and 2002 that investigate the correlation between corporate PAC contributions and legislators' roll-call votes. Only about one-quarter of the regressions reported in these papers indicate that campaign spending is significantly associated with roll-call votes in support of donors' policy positions. Three-quarters of the reported regressions either display a null effect or suggest that campaign contributions are associated with *less* support for the policies supported by donors. Their own analysis of roll-call votes from 1978 to 1994 also yields inconsistent results, leading them to conclude that the "evidence that campaign contributions lead to a substantial influence on votes is rather thin" (Ansolabehere et al. 2003, 116).

However, this view has since been questioned from multiple angles. Stratmann (2005) conducted a formal meta-analysis of the studies examined in Ansolabehere et al. (2003), which rejects the null hypothesis that campaign contributions have no effect on voting behavior. So while many individual regressions might show small or null effects, pooling them indicates that campaign contributions indeed affect roll-call votes.

There also has been a growing theoretical awareness of the limitations of using roll-call votes to study the effects of campaign contributions. For instance, donations may only change the behavior of legislators on a small number of votes. These might be highly consequential for the donor, but are unlikely to be picked up in a statistical analysis (cf. Lowery 2013). In addition, groups on both sides of an issue often make contributions, which may cancel each other out in equilibrium and thus show up as null effects in regressions (Stratmann 2002; Lowery 2013).

A more fundamental critique asserts that roll-call votes are the wrong place to look for influence. According to this perspective, since donors and politicians both have incentives to obscure any influence of campaign contributions, it is unlikely to show up in such a public action. Benefits may instead more likely be provided earlier in the process, and be less visible. For example, they might come in the form of adding, deleting, or changing just one or two sentences while a bill is still in committee, or through a specific amendment (Gordon et al. 2007). Such small changes could lead to large benefits for certain companies or industries, but this might not be apparent to all but the savviest insiders. Finally, the influence of campaign money might be even more subtle by shaping what is on (or off) the legislative agenda in the first place. Such an agenda-setting influence would, again, be difficult to detect (Lowery 2013; Anzia 2019).

New Approaches to Study Campaign Finance and Policy

Studies conducted in the last 10–15 years have taken these criticisms to heart and explored whether campaign contributions shape policy from a number of novel angles. A first strand of research evaluates how campaign contributions affect *access*, a crucial antecedent to influence. Kim et al. (2022) demonstrate that when a firm makes a campaign donation either through its PAC or via individual employees, targeted politicians are 8–11 percentage points more likely to engage in legislative activities on bills on which the company has lobbied. Liu (2022) shows that campaign contributions are associated with a 30-percentage-point increase in requests for access to a targeted legislator, and are strongly linked to obtaining such access. These studies thus suggest that campaign contributions and lobbying are complements, and that the former opens the door for the latter. Indeed, an audit experiment conducted by Kalla and Broockman (2016) directly confirms that legislators are much more likely to grant a meeting to campaign donors than to local non-donor constituents.

Second, studies of *roll-call votes* now employ techniques that help alleviate the reverse causality problem that votes also likely influence contributions. Several studies examine industry-specific repeated roll-call votes and find that *changes* in contributions determine *changes* in votes (Stratmann 2002; Grier et al. 2023). Mian et al. (2010, 2013) show that donations from the mortgage industry predict lawmakers' voting behavior on housing legislation in the run-up to the Great Recession, as well as on the subsequent bailouts. Kaplan et al. (2019) provide evidence that campaign contributions are uncorrelated with roll-call votes in "normal" times, but in the wake of natural disasters, when the press and citizens pay less attention, legislators are more likely to vote in ways that support the positions of their donors.

A third strand of the literature has started to examine more *hidden ways* in which campaign donations may affect policy. Rocca and Gordon (2013) identify a link between campaign contributions and funds earmarked for the defense industry. McKay (2020) demonstrates that comments on draft legislation made by interest groups that make campaign donations are more likely to be addressed during revisions. McKay (2018) shows that when a lobbying group hosts a fundraiser for a senator, he or she is more likely to introduce legislative amendments in committee with language that closely resembles the group's. Brogaard et al. (2021) find that companies that donate to local politicians are more likely to renegotiate their government contracts, which allows them to initially submit lower bids. Cagé et al. (2022) provide evidence that corporate campaign donors influence which topics candidates talk about during election campaigns. Finally, a string of studies demonstrate that campaign contributions also affect rule implementation and enforcement. Drope and Hansen (2004) show that contributions lead to favorable bureaucratic decisions on trade protection, Gordon and Hafer (2005) provide evidence that firms in the nuclear power industry that make campaign donations are subject to less monitoring, and Silfa (2022) demonstrates that legislators intervene in the rule implementation process on behalf of their donors.

A fourth strand of studies uses *large-scale changes to campaign finance laws* to estimate how campaign spending shapes policy. This addresses the issue that donations are typically observed in equilibrium, which leaves only small and random deviations from that equilibrium to analyze (cf. Stratmann 2002). Werner and Coleman (2015) exploit changes in state-level regulation of corporations' ability to make independent campaign expenditures and find that states with more permissive laws are more likely to pass anti-takeover statutes. Gilens et al. (2021) use the fact that the Supreme Court's *Citizens United* decision struck down bans on independent corporate campaign spending in some states but not others to demonstrate that more spending leads to lower corporate tax rates and a reduction in plaintiff-friendly civil litigation laws. Fouirnaies and Fowler (2022) examine how state-level changes in campaign finance regulation shape outcomes for insurance companies and find some null effects, but also evidence that campaign donations lead to some favorable outcomes.

A final group of studies examines how, conditional on their donation patterns, firms' *stock valuations* change in response to political shocks. They find large positive returns for companies that donated primarily to the party that experienced an unexpected improvement in political fortunes (Jayachandran 2006; Gaikwad 2013; Huber and Kirchler 2013). However, these results do not show that campaign contributions have a causal effect. It is instead likely that the abnormal returns were in large parts caused by unexpected changes to the political environment of firms and industries with certain profiles. For example, the mining industry donates overwhelmingly to the Republican Party. If mining companies' stock prices fall when Democrats are in power, this may simply be attributed to a less friendly policy and regulatory environment than when Republicans are in office. The observed drop can only be causally attributed to campaign donations if Republicans' more pro-mining position is exclusively due to the industry's campaign contributions, which is unlikely.

Indeed, studies that are better able to isolate the effect of campaign contributions on firm profits and stock prices in the US typically do not find any effects. Ansolabehere et al. (2004) demonstrate that an unexpected ban on soft money donations did not lead to a decline in the stock prices of companies that previously donated in this way. Werner (2011) finds that companies that were engaged in (and sensitive to) politics had no abnormal returns in the wake of the *Citizens United* decision. Finally, Fowler et al. (2020) use a regression discontinuity design involving close elections and changes in market beliefs about election outcomes and reject effect sizes of greater than 0.3 percent of firm value for a single race. Thus, while campaign contributions often seem to have policy consequences, it is less clear how important these are for companies' bottom lines.

Outside the US, the evidence that campaign donations result in benefits is pretty clear-cut. Claessens et al. (2008) shows that firms that contribute to winning parliamentary candidates in Brazil receive preferential access to bank financing and experience abnormal positive stock returns. Boas et al. (2014) find that donors to winning candidates of Brazil's governing party are awarded government contracts worth many times their contributions. Also in Brazil, Colonnelli et al. (2020) demonstrate that individuals who donate to the party in power are 50 percent more likely to subsequently be employed in the public sector. Gulzar et al. (2022) show that donors to winning mayoral candidates in Colombia receive more municipal contracts than donors to the runner-up, especially when campaign contribution limits are looser.

Harding et al. (2022) demonstrate that Colombian mayors who rely on donors to fund their campaigns are less likely to enforce environmental regulations, which leads to more deforestation. Baltrunaite (2020) provides evidence that a ban on corporate donations in Lithuania cancelled out contributing firms' advantage in obtaining procurement contracts. And more indirectly, Hummel et al. (2021) show that tighter regulation of campaign finance reduces political corruption, broadly defined.

Thus overall, the empirical evidence accumulated in the last few years in the US and elsewhere clearly contradicts the earlier non-findings: campaign contributions facilitate access to – and influence the actions of – politicians in ways that are beneficial to donors. There are, however, differences in how important these benefits are to firms' bottom lines, and it is not clear what explains this heterogeneity.

How Does Campaign Finance Affect Elections?

The final major research area explores the electoral motive behind donations and examines how campaign finance shapes *electoral competition*. Does spending more money on a campaign help win elections? Does it systematically advantage some parties and candidates? And what effect does it have on political competition?

Who Receives Campaign Money?

If every candidate received the same amount of money, we would not have to worry much about how campaign finance influences elections. Alas, candidates do not all get to spend the same. While there are differences between countries, the literature reveals at least three common trends.

First, conservative and business-friendly candidates and parties have an advantage. In the US, Republicans typically receive more donations than Democrats, and campaign finance laws that allow for more spending lead to Republicans receiving a greater share of contributions (Hall 2016; Klumpp et al. 2016; Abdul-Razzak et al. 2020). Similar patterns can be found in other countries (Samuels 2001b; Fouirnaies 2021; Weschle 2022).

Second, incumbents tend to have an easier time raising funds than challengers, for example because they have greater name recognition and because they are the target of access-oriented contributions. This is true in the US (Krasno et al. 1994; Fouirnaies and Hall 2014) as well as elsewhere (Fouirnaies 2021; Avis et al. 2022).

Finally, campaign donations tend to reproduce existing social hierarchies. Most work in this area focuses on gender. While female candidates in the US, on average, raise similar amounts as male candidates (Thomas and Wilcox 2014), they have to expend more time and effort to do so (Carroll and Sanbonmatsu 2013). And when district and electoral factors are held constant, it becomes clear that female incumbents receive less campaign money than their male counterparts (Barber et al. 2016). The gender gap in campaign money is also observed in other countries, although there is evidence that it narrows or even disappears for incumbents and if there are gender quotas (Smulders et al. 2019; Muriaas et al. 2020; Piscopo et al. 2022). Although less well researched, other factors such as race and wealth have been found to matter as well. Wealthy candidates spend more, both because they self-finance more and because they have an easier time raising funds from others (Eggers and Klašnja 2018; Avis et al. 2022). White candidates are able to raise a lot more campaign money than black or brown candidates in Brazil (Bueno and Dunning 2017), but the same is not true in the US (Grumbach and Sahn 2020).

Campaign Spending and Election Outcomes

The previous section has shown that some candidates and parties have more money to spend on elections than others. Does it help them win? Given how much effort politicians put into fundraising, the answer would seem to be yes. However, it is difficult to isolate the causal effect of spending on election outcomes. Simple regressions are likely to suffer from reverse causality, because a candidate's electoral prospects influence how much money they can raise. Such analyses are also vulnerable to omitted variable bias, since fundraising success is correlated with individual candidate characteristics such as ability, as well as district features (such as ideological leanings) that directly affect electoral performance. The ability to identify the causal effect of spending thus hinges upon how well a study can control for these factors.

Early work used regressions that included controls such as past election results. In one of the first studies in the US context, Jacobson (1978) found that campaign spending affects the vote shares of challengers, but not incumbents. Much of the subsequent literature has re-examined that finding. While some found that incumbent spending can be as effective as challenger spending (e.g. Green and Krasno 1988; Gerber 1998; Moon 2006), most studies confirmed the original conclusion (e.g. Abramowitz 1988; Jacobson 1990; Ansolabehere and Gerber 1994; Levitt 1994).

However, many of these studies did not fully address reverse causality and omitted variable bias. Newer research instead uses experimental or quasi-experimental research designs to better identify the causal effect of campaign spending. These studies have largely abandoned the incumbent versus challenger debate to focus on overall or partisan effects.

One strand of studies examines the effects of specific types of campaign spending and documents considerable heterogeneity. For example, US TV ads have a clear positive effect. Gerber et al. (2011) partner with a gubernatorial campaign to experimentally allocate roughly \$2 million in advertising spending and find large, though short-lived, effects on vote preference. Several contributions exploit the fact that presidential candidates in the US winner-take-all system only advertise in battleground states, and that some media markets reach across state boundaries, as a source of exogenous variation in TV ad exposure. They find large effects on vote intention and election outcomes, especially in low-profile races (Huber and Arceneaux

2007; Spenkuch and Toniatti 2018; Sides et al. 2022). Finally, Gordon and Hartmann (2013) take a structural approach and also find that TV advertising increases vote shares.

The evidence on other forms of campaigning is more mixed. Hundreds of experiments on personal contact with voters through canvassing, telephone calls, or direct mail reveal that these techniques are effective at mobilizing voters (Green et al. 2013; Green and Gerber 2015), but they only have small persuasive effects (Kalla and Broockman 2018). A similar dynamic is observed for online advertisements: they have at least a small effect on turnout (Aggarwal et al. 2023), but do not persuade people to change their vote (Coppock et al. 2020).

A second strand of the (quasi-)experimental literature does not look at specific forms of campaign spending, but instead examines how changes in campaign finance regulation affect election outcomes, with a focus on the impact on parties' vote shares. Hall (2016) shows that state-level bans on corporate campaign contributions increase the share of total donations to the Democratic Party, and that a 1-percentage-point increase in a party's share of campaign contributions increases its share of seats in the legislature by half a percentage point. Several studies examine the consequences of the US Supreme Court's *Citizens United* decision, which struck down bans on independent corporate campaign spending that were present in some states. Removing these bans led to a sharp increase in such spending, especially for Republican candidates, which in turn boosted Republicans' probability of winning by 3–4 percentage points (Spencer and Wood 2014; Klumpp et al. 2016; Abdul-Razzak et al. 2020). Thus, the results of these newer studies again move the balance of the evidence closer to what average people think about campaign finance: spending more money on a campaign increases candidates' vote shares.

A sizable comparative literature also investigates whether campaign spending affects election outcomes, and whether the effect differs between incumbents and challengers. The findings are less clear-cut than in the US. Some studies find that challenger spending is more effective than incumbent spending, for example in France (Palda and Palda 1998), the UK (Pattie et al. 1995), Brazil (Speck and Mancuso 2014), Ireland (Benoit and Marsh 2010), and Korea (Shin et al. 2005). However, other studies find that the effect of spending is equal for incumbents and challengers, for example in Brazil (Samuels 2001a; Johnson 2013), Ireland (Johnson 2013), Canada (Milligan and Rekkas 2008), Belgium (Maddens et al. 2006), and Finland (Johnson 2013). It is difficult to make sense of these divergent findings. In part, and especially for countries in which different studies come to different conclusions, they are driven by different samples and different ways of addressing reverse causality and omitted variable bias concerns. However, the differences are likely also driven by institutional variation in electoral systems, campaign finance laws, or non-financial aspects of the incumbency advantage. Unfortunately, little explicitly comparative work seeks to explain why the effectiveness of campaign spending differs to such an extent across contexts.

Much of the newer comparative work on whether campaign spending influences electoral success again follows the US literature by using experimental and quasi-experimental approaches, and by focusing on overall or partisan effects rather than differences between incumbents and challengers. Studies of the effectiveness of specific campaign techniques are somewhat less common. One reason for this is that in many countries, campaign ads cannot be purchased on the free market, but are restricted or allocated based on criteria such as past electoral performance. A few studies conduct experiments on the effects of canvassing in European countries, and they show mixed effects (Nyman 2017; Bhatti et al. 2019). One form of campaign spending that is rare in the US but common in many other countries and extensively studied is vote buying or clientelism, which tends to be a successful strategy to gain votes (e.g. Wantchekon 2003; Kramon 2016).

Finally, studies look at the overall effectiveness of campaign spending. Fouirnaies (2021) exploits exogenous variation in campaign spending limits in the UK and finds that more permissive limits lead to more expensive campaigns, which increases the vote shares of Conservative Party candidates. Cagé and Dewitte (2022) demonstrate a strong positive relationship between campaign spending and vote share in the UK, and show evidence that the correlation grows stronger over time. Bekkouche et al. (2022) find a positive effect of spending in the UK and France, but document considerable heterogeneity across parties; they observe that spending is less effective for extreme parties. Fouirnaies (2023) shows an increase in the electoral fortunes of Labour politicians in the UK when they are sponsored by a union. Avis et al. (2022) exploit a campaign spending limit discontinuity in Brazilian mayoral elections and demonstrate that higher limits lead to more spending, which increases the probability that incumbents and candidates from the major parties win. Finally, using a regression discontinuity design in French municipal elections, Broberg et al. (2022) similarly find that restrictive spending limits and campaign spending reimbursement provisions help challengers. The comparative literature thus comes to mostly similar conclusions as studies focusing on the US: campaign spending is effective and benefits center-right parties. However, the question of whether challenger spending is more efficient than incumbent spending remains unresolved in a comparative context.

Campaign Spending and Other Election Characteristics

More studies are beginning to move beyond estimating how campaign spending influences electoral performance to examine its systemic implications. One broader consequence of campaign finance follows readily from the literature discussed above: because center-right parties and candidates can raise money more easily than those on the center-left, elections that allow more campaign spending favor conservative parties and candidates (Hall 2016; Klumpp et al. 2016; Abdul-Razzak et al. 2020; Fouirnaies 2021; Broberg et al. 2022).

A second systemic consequence of campaign finance is that it should affect how easy it is for incumbents to remain in office, and for challengers to win a seat. However, there is a puzzling contradiction. On the one hand, challenger spending is more effective than (or as effective as) incumbent spending, which suggests elections involving more money benefit challengers. On the other hand, incumbents can more easily raise funds (Fouirnaies and Hall 2014), which leads to higher re-election rates (Fouirnaies 2021; Avis et al. 2022; Broberg et al. 2022). This contradiction can be reconciled by realizing that the first set of studies examines the *marginal* effect of spending, whereas the second set looks at the effect of *total* spending. Both findings can thus be true at the same time: challenger spending can be, dollar for dollar, more effective than incumbent spending, but incumbents can simply spend a lot more than challengers, especially if spending limits are permissive.

A third finding is that more campaign spending reduces political competition. There is very consistent evidence across several contexts that more spending leads to fewer candidates (Milligan and Rekkas 2008; Fouirnaies 2021; Avis et al. 2022). In addition, the outcomes of elections are less competitive: More spending leads to races that are less close (Milligan and Rekkas 2008) and that have a greater vote concentration (Avis et al. 2022). In addition, laws that induce less fund parity between parties lead to a lower number of effective parties (Potter and Tavits 2015). Finally, campaign finance affects the demographic composition of officeholders: When campaign spending limits are more permissive, politicians are more likely to be male and wealthy (Avis et al. 2022). Thus, campaign spending, and how it is regulated, has a major impact on multiple aspects of democratic competition.

What are Research Frontiers in the Study of Campaign Finance?

The literature on campaign finance has made great strides in recent years. Studies with careful research designs that examine detailed data have given us a much better understanding of its determinants and consequences. As a result, the previous consensus that campaign spending has little impact is no longer tenable. The evidence now clearly supports the view that campaign finance matters in a variety of ways. Yet many open questions remain. To conclude, I highlight promising areas for future research.

Many current studies are motivated by the null results of older research and thus evaluate *whether* campaign finance matters. At this point, we have accumulated sufficient evidence to conclude that it does. The next logical step is to more closely examine *under what conditions* it matters. For example, when is the instrumental motivation for giving prevalent, and when does the expressive motive dominate? When is policy influenced by which donors and in what ways, and when is it not? When does campaign money shape elections a lot, and when does it have only marginal impacts?

Almost by definition, this means *more comparative research* is needed. As this chapter has made clear, the campaign finance literature is dominated by studies of the US, particularly Congress. This single setting naturally limits variation in institutions, regulation, and socio-economic conditions, making it almost impossible to study conditional effects. One way to address this shortcoming is to focus more on the US states. However, we also need more studies of campaign finance in other countries. In many ways, the US is an unusual case – for instance it is a wealthy country with a stable two-party system and permissive campaign finance laws that result in unusually expensive elections. Focusing more on other countries will provide much richer institutional, regulatory, and socio-economic variation that can be used to examine the conditions under which campaign money matters, and in what ways. In addition, doing so will give rise to new research questions that do not come up in the US context and thus are currently not being studied. As Figure 2b has made clear, plenty of countries provide the necessary data to study them.

This chapter has also demonstrated that campaign finance is mostly studied in isolation. But election spending is not independent of other forms of money in politics. For example, interest groups typically deploy campaign money alongside lobbying efforts, suggesting they are complements (Kim et al. 2022; Liu 2022). At the same time, self-enrichment in office and lucrative "golden parachute" jobs after leaving office can act as substitutes for campaign money (Weschle 2021, 2022). Thus, another emerging research frontier is to further *study campaign finance as part of a larger system of money in politics* in a general equilibrium framework (cf. Weschle 2022). How does campaign finance relate to these other forms of money in politics, and what are the consequences this has?

Finally, while much of the current literature is motivated by concerns about *how campaign finance affects democratic representation and accountability*, very few studies explicitly examine that link. This is partly because we typically think about a world with campaign finance vs. a counterfactual without campaign money. In that case, campaign finance distorts the state of politics and moves policy away from the median voter (cf. Grossman and Helpman 2001). But a world without campaign finance is also a world without campaigns. And many campaign activities are normatively desirable: advertisements, town halls, and campaign events help educate and engage voters, and give them the opportunity to meet, hear from, and communicate with candidates. A democracy without campaigns wouldn't be very democratic, and campaigns cost money. This suggests that a more appropriate counterfactual would be a world in which campaigns are not financed through campaign donations, but in some other way. In that case, the welfare effects of campaign finance are not obvious. Indeed, recent contributions find that some public financing schemes in the US lead to representatives who are *farther* from the median voter (Yorgason 2021; Kilborn and Vishwanath 2022). Of course, this may not generalize to other contexts and other countries. The point is that we know little about the representation and accountability consequences of various campaign finance systems relative to feasible alternatives.

This is an exciting time for the study of campaign finance. Recent studies have made great strides, so we now have a much better understanding of many of the questions that have occupied researchers for decades. It is now time to take the next step and focus on new research frontiers.

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