ABSTRACT

CAMPAIGN FINANCE LAW, ELECTORAL COMPETITION, AND ECONOMIC POLICY

Francisco J. Aparicio, Ph.D.

George Mason University, 2006

Dissertation Director: Dr. Thomas Stratmann

Recent debates on campaign finance reform, such as the Bipartisan Campaign Reform Act of 2002, have shown that there is limited evidence on the actual impact of campaign finance regulations. This dissertation examines the consequences of campaign finance laws on electoral competition and fiscal policy choices in the American states.

The experience of the states provides a natural setting to study this issue, given the variation on campaign finance laws observed within states in recent years. Thus, I estimate the impact of campaign contribution limits on different stages of the democratic process, namely primary and general elections in state legislatures as well as statewide policy choices.

Campaign contribution limits may affect election outcomes and policy choices in different ways. First, they can alter the fundraising abilities of incumbents and challengers in favor of one or the other, which in turn affects campaign spending. Second, the informational benefits of campaign spending, if any, need to be compared

with a potential policy bias if contributions are given in exchange for policy favors, a trade-off affected by contribution limits.

The evidence from general elections from 1980 to 2001 shows that contribution limits significantly reduce the margin of victory of incumbents in state legislative races, lower incumbency advantage and increase the number of candidates entering the race. The results for primary elections from 1996 to 2002 indicate that limits on contributions also lead to more competitive races by narrowing the margin of victory of the winner, increasing the number of candidates in a given party primary, and by increasing the emergence of challengers from opposition parties.

Focusing on post-electoral policy choices, I evaluate the effect of campaign contribution limits on statewide expenditures and taxes per capita. Using evidence from the states in the 1950 to 1999 period, I find that that contribution limits lead to more spending and lower tax levels per capita. Moreover, the impact of contribution limits varies with state partisanship and gubernatorial term limits.