Campaign Finance Laws and Redistribution in the Developed Democracies

A Thesis

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Sebastian Leder Macek

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Introduction: Redistribution

Every social system faces a fundamental question: who owns the resources? After all, resources are the basis of most desirable outcomes. From life's necessities to its luxuries, the benefits accrued from owning desired material resources—be they money, bread, or a private island—surpass non-material ones.

For the individual, the promise of happiness, security, or even prestige motivates the pursuit of greater material gain. For those people and institutions that care about the general good, the question is no less important. On a moral level, there are concerns of fairness, equity, and human rights; on a political level, there are concerns regarding the stability and legitimacy of political systems that do not produce satisfactory distributions of resources. Then, there are economic concerns that certain groups accumulate resources in greater quantities than others. It is difficult to *not* care about the distribution of resources; it is an outcome that almost everyone has reasons to be concerned with.

This includes the government. Not only does it have reasons to work in society's interests but it is also, in part or in whole, run and influenced by individuals and social groups motivated by self-interest. Various interests compete to influence the government's actions. This includes the conflict between high-minded goals of human rights or political stability and more narrowly self-interested ends. Therefore, the active involvement of government in resource distribution is imbued with significance, including the choice of whether to take action in this capacity. Though this choice may not be intentionally redistributive, either through action or inaction, the government conveys information about its most important influences. It signals the government's answer regarding this fundamental question.

Thus, redistributive policy is a worthy topic of inquiry. Generally, redistribution is defined as a change in the distribution of resources through some government action. Redistributive policies are government policies that transfer society's resources from one group to another. By definition, the transfer of resources must be unequal; one group must receive more than others.

This is, however, where the general definition of redistribution ends. Groups targeted for redistribution can be defined in many ways. While economic groups are the most conspicuous, redistribution can also occur between racial or ethnic groups, religious groups, nationalities or professions. Redistribution has no necessary direction; it may benefit the rich, the poor, or any group in between. *The one commonality is the transfer of resources.* The general definition of redistribution also admits a wide range of policies as redistributive. Indeed, following the general definition, any policy which alters the distribution of resources would be redistributive. Even policies that are unintentionally redistributive would count as redistributive. In a later chapter, I will provide a more precise definition of redistribution.

The Empirical Puzzle

Two centuries ago, redistributive policies were rare. Only a small group of countries spent any money on social services, and then only to relieve poverty. The highest spender in the early 1800s—England—spent less than 3% of Gross National Product on redistributive programs (Lindert 2004, 8). The other countries that engaged in social spending, including Belgium, France, the Netherlands, and the United States, spent closer to 1%. Until 1850, no social spending was the norm even among developed countries (Lindert 1998).

Gradually, social spending increased across the industrialized countries in the late 1800s. Countries began to adopt spending programs like those in England (Lindert 2004, 12). Though

these were small programs by modern standards, this period witnessed the burgeoning welfare state. Rich countries expanded redistributive programs from the 1880s to the 1930s. Countries like Germany, Denmark, and Sweden began to outspend the early leaders (Lindert 2004, 13).

Governments began to replace what had previously been privately provisioned goods or services. Instead of private charities, governments created poverty-relief programs. Instead of private schools or tutors, governments established publicly funded schools. The homeless, instead of living on the street, were given public housing. The unemployed, instead of falling into poverty, were given unemployment compensation. Seniors were provided pensions and the disabled provided special support. In short, governments acted to shoulder a greater share of the needs of their citizens.

This was a dramatic change, but one that took effect gradually before World War II. Before then, even Germany, the biggest spender, committed less than 5% of Gross Domestic Product (GDP) to social programs (Lindert 2004, 14). The median amount of spending amongst future OECD countries in 1930 was 1.66% of GDP. Following World War II, massive rebuilding efforts across Europe increased redistributive spending dramatically. By 1960, almost every OECD country was spending more than Germany had in 1930. The median social spending as a percentage of GDP jumped to 10.41% (ibid., 12).

This growth in spending continued throughout the post-war economic boom. From 1960 to 1980 redistributive spending as a percentage of GDP nearly doubled again; the median across OECD countries in 1980 was 20.09% (ibid., 13). Governments had grown to be overwhelming players in their respective economies. Most strikingly, the trend of social spending in the developed world between 1880 and 1980 held for almost every developed country. Though the level of redistribution varied, almost all countries in the OECD exhibited the same behavior.

Starting in the late 19th century, there was a gradual increase in spending until World War II. Then, there was a sharp increase in spending in the post-war period. Redistribution steadily increased until 1980, at which point another trend developed.

Beginning in 1980, this unified trend across developed countries fractured. Rather than increasing, the average across these countries flat-lined. From 1980 to 1990 there was a slight increase in the median OECD country's social spending, but by 1995 the median had returned to 1980 levels (Lindert 2004, 12). The Great Recession caused this average to increase by around 2%, but this was partly due to significant economic contractions forcing more people to turn to government-provided relief programs. Overall, the period from 1980 to the present has seen remarkably little growth in social spending across the developed economies when compared to previous periods.

However, the stagnation of the average across these countries obscures the significant changes happening within each country over this time. Greece, Japan, Portugal, and South Korea had expanded their spending significantly. But, previously large spenders like Finland, the Netherlands, and Sweden reduced spending. Uniquely, countries across the developed world had *not* moved uniformly with respect to redistribution.

The last few decades present an interesting break from long-term redistributive history. Since the 1880s, governments in developed democracies had adopted unprecedented levels of responsibility for ensuring the well-being of their citizens. They had become involved in the provisioning of basic goods and services such as healthcare, social security, and unemployment insurance. Redistribution has been a central byproduct, but also a goal, of this revolution in the role of the state (Sefton 2006). Consequently, social spending as a share of GDP had grown from under 1% in 1880 to over 20% by the end of the 20th century. But, in the last few decades, this

cohesive growth of spending has broken down. Some countries have continued to increase spending while others have seen unprecedented decreases. If the causes of spending growth were general across countries, as we would expect from the previous growth trend, then these observations would be puzzling. The abrupt change in redistributive policy patterns forces us to search for medium-term causes of redistribution.

Roadmap

This thesis will explore the empirical puzzle above: what has caused developed democracies to change their levels of redistributive economic policy in the last thirty years? I hypothesize that campaign finance laws provide an answer to this question. In particular, I test whether stricter campaign finance laws lead to higher levels of redistribution. In testing the causal relationship between campaign finance laws and redistributive policies over the medium-term, I will seek to provide a partial explanation for why the redistributive policies of the developed democracies have diverged in the recent past.

The thesis will use a multimethod approach to investigate the hypothesized causal relationship as well as possible causal mechanisms that might connect campaign finance laws to redistributive policies. To establish a general relationship, I will use panel data techniques on an original dataset of campaign finance laws. The panel data will include a general measure of the strictness of campaign finance laws as well as four measures of particular components of campaign finance law: contribution limits, spending limits, public funding, and disclosure and oversight (these components and the validity of the panel data analysis will be discussed in the later chapters). I will then use a difference-in-differences design to investigate possible causal mechanisms. Two potential mechanisms will be considered. They are a *seat-winning* mechanism and an *ideology-shifting* mechanism (their relationship to the theory I develop will be discussed

in later chapters). Lastly, I will investigate these mechanisms in more depth with paired case studies of the United States and Canada. These case studies are designed to evaluate and provide evidence for two potential causal mechanisms. The case studies will follow a diagnostic causal method in which the mechanisms are assessed over time and between countries (a full explanation of case selection and the diagnostic causal case study approach will be set out in the case study chapter).

The results of this multimethod analysis provide persuasive evidence that campaign finance laws *do* exert an impact on redistributive outcomes. Furthermore, this relationship is in line with theoretical expectations: stricter campaign finance laws lead to greater levels of redistributive policy. This is true of a general campaign finance law measure, but also for the individual components of campaign finance law. My findings for specific causal mechanisms are less clear. The difference-in-differences analysis shows only weak evidence in favor of the two proposed causal mechanisms. Results in the general sample are statistically insignificant, but results in stratified samples suggest that these mechanisms may be important in particular types of countries. The qualitative case studies provide further support for the influence of two causal mechanisms. However, there is less support for the importance of these mechanisms than there is for the causal relationship between campaign finance laws and redistributive policy. Overall, then, this thesis suggests that stricter campaign finance laws may increase redistribution and can help explain the divergence of the developed democracies in the medium-term. However, the causal process by which campaign finance laws impact redistribution is less clear.

In the following chapters I, first, describe the concepts of redistribution and campaign finance law and review alternative explanations of redistribution. I also review the small comparative literature on campaign finance laws. I then present the model underlying the

hypothesized relationship between campaign finance laws and redistribution. The model lays out the hypothesized relationship between the concepts of redistribution and campaign finance laws and demonstrates why these concepts may be related. The next three chapters involve, in order, the panel data analysis, difference-in-differences, and paired case studies. Each of these chapters discusses the merits of the methodological approach in detail. Furthermore, these chapters provide evidence to evaluate the central hypothesis of this thesis. I conclude with a brief discussion of the primary findings and avenues for future research.

Chapter One: Concepts and Literature Review

The previous chapter introduced the focus of this thesis, redistribution in the medium-term and campaign finance laws. It also provided background information necessary to understand the empirical puzzle which motivated this inquiry. This chapter will provide conceptualizations of redistribution and campaign finance laws. Additionally, this chapter will overview the relevant literature regarding each of these subjects, with an emphasis on redistribution.

Redistribution

Defining Redistribution

Generally, redistributive policies are government policies that transfer society's resources from one group to another. This transfer of resources must be unequal; one group must receive more than others. This thesis will use a more specific definition of redistribution.

First, my focus is on economic redistribution—the redistribution of resources to groups that are defined by their economic characteristics. Therefore, policies are classified as redistributive according to the extent to which they affect different economic groups. This distinction leads to the first criteria of my conceptualization of redistributive policies: specifically, redistributive policies must benefit poorer or working-class individuals more than richer or upper-class individuals. Because my focus is on the policies that governments attempt to implement, I define redistributive policies as those policies that policymakers expect to benefit poorer individuals regardless of their actual effectiveness.

This raises a related issue of who counts as "working-class." As most definitions of an individual's economic position are closely tied to certain economic measures, such as income or

wealth, it can be difficult to define economic position abstractly. Despite this limitation, I conceptualize economic groups by a continuum of the accessibility of market alternatives for the purchase of necessary goods and services. Thus, working-class individuals are those who cannot access private alternatives for necessary commodities because they cannot afford a market-provided substitute. The "upper-class" will have the most access to these private alternatives. Ultimately, then, this criterion is meant to include policies that redistribute the resources of society towards those who have fewer resources.

My second criterion is concerned with the form of provision that redistribution takes. Redistributive policies are those that involve cash or in-kind transfers of resources to individuals or families. Cash transfers comprise giving money to individuals, including money that is restricted to certain uses. This includes subsidies for the purchase of certain products like food or housing, but would not include loans. In-kind transfers involve the direct provision of certain goods and services by the government, such as national health care services or housing. This criterion distinguishes cash and in-kind policies from other policies which may disproportionately benefit the working-class but do not involve any active transfer of resources by the government. Examples of this latter category include progressive taxation and "legal welfare," which are laws that benefit the working-class but do not involve government transfer of resources (Sefton 2006). Again, the central focus is on what the government does with the resources at its disposal.

The active transfer of resources is of particular interest here because it captures the desire of the government to improve the relative standing of poorer individuals in society. Additionally, transfers best represent the government's commitment to improving these individuals' relative status. Most government policies have multiple intentions or goals. In democracies, individual

policy-makers may have even more varied motivations behind supporting policies. But, cash and in-kind transfer policies, because they are targeted at specific issues, give a clearer sense of the goals of policy. Furthermore, because these programs require the government to employ additional resources for implementation, the project represents the government's commitment to these goals. In other words, from the government's perspective, it takes less effort to pass a new tax or a new regulation than it does to design and implement a program to help the working-class. Cash and in-kind transfers require that the government actively involve itself in redistributing resources to the working-class.

Thus, this thesis defines a redistributive policy as any policy that is primarily intended to benefit the working-class and involves the provision of either cash or in-kind transfers. Together these criteria emphasize how much a policy redistributes towards the working-class, while also representing the commitment on the part of the government to help this group.

Alternative Explanations

Redistribution is a widely studied subject in comparative political economy. Generations of scholars have come to distinct and, at times conflicting, views as to the causes of redistribution. Though many variables have been linked to redistribution, these potential causes can be grouped into distinct theoretical approaches. I adapt Philipp Rehm's (2016) typology of social insurance provision explanations to the broader topic of explaining redistributive policy provision. Social insurance is a major form of redistributive policy and so its explanations closely resemble those of redistribution. This categorization contains three general types of explanations—functionalist, cross-class, and antagonistic—as well as mixed approaches.

Functionalism

Functionalism is the view that government policy is determined by socioeconomic factors. Under this approach, partisan control of government, electoral institutions, and political mobilization are unimportant. Instead, policy is adjusted independently of politics according to the economic conditions present in society. Accordingly, this view predicts that countries with similar economic characteristics, principally levels of development, would have the same redistributive policies. Thus, the strong version of this argument cannot explain policy differences amongst developed democracies (Myles and Quadagno 2002). The weaker version of this approach—that economic development and its consequences are necessary for greater welfare spending—has been accepted and incorporated into subsequent research due to its strong empirical support. Still, this approach must be supplemented by others to explain variations in policy across developed countries.

Functionalist hypotheses have been accepted by scholars who primarily use other approaches. The idea that economic development makes more resources available to the state which can then be used for redistribution has been uncontroversial. As such, important economic factors such as GDP per capita, the poverty rate, and the urbanization rate have all been positively associated with redistribution (Fry and Winters 1970).

The functionalist argument can accommodate more than these economic variables. Some scholars have sought socioeconomic explanations of redistributive policy not only in general levels of development but also in a country's economic system (Offe, 1972). The most influential functionalist accounts focus on demographic factors (Wilensky 1975). Two important causes of redistribution emerged from this research that have since been widely accepted by scholars. First, industrialization causes greater redistributive spending by breaking down traditional support

networks. In the process of industrialization, workers move to urban areas and their economic interactions become subject to the impersonal market system. This removes workers from the traditional security networks of their families and local community. Thus, workers become more vulnerable to catastrophic economic events and government policies adjust to provide greater economic security to these workers. Second, the "gray power hypothesis" states that aging populations lead to more redistribution. This increase comes from older individuals' unique insecurity with respect to retirement and health. As industrialization also leads to older populations, industrialization increases redistribution in two ways. The "logic of industrialization" demands greater redistribution (Rehm 2016, 3).

More recent data on social policy provision has been used to confirm that economic growth is a necessary condition for increased spending in the long term (Lindert 2004; Saez 2006). Thus, the functionalist approach can explain long-term trends in spending despite its difficulties explaining variation between countries with similar economic and demographic characteristics.

Cross-Class

Cross-Class explanations maintain that individuals support redistributive policies for reasons other than economic interests (Rehm 2016, 3). As these arguments allow for a wide scope of potential causes of redistribution, they can explain variations in the level of redistribution across countries. However, they do not explain medium to long-term trends in redistribution well in empirical studies.

A common theme of this approach is that when many individuals face a similar threat or incentive, general redistribution is more likely. For example, globalization increases support for redistribution (Garret 1998; Myles and Quadagno 2002). Cross-class scholars contend that

globalization has increased the vulnerability of most citizens to economic shocks, which has increased popular demands for redistributive policies as a security blanket for an economically-exposed citizenry. This view has been further refined by identifying vulnerability to trade shocks as a key variable that causes globalization to increase the size of government, holding all else equal (Rodrik 1998).

Cross-class sympathies can also be generated from racial, gender, or religious divides. Increased rates of ethnic heterogeneity are associated with less redistribution (Lupu and Pontusson 2011; Lindert 2004; Alesina and La Ferrara 2005). Additionally, higher female participation in the labor force has been connected with more redistribution (Myles and Quadagno 2002).

Finally, the social insurance function of redistribution can provide benefits that cut across class distinctions. Social insurance schemes benefit more people because they are often offered universally (Sefton 2006). Furthermore, government pooling of risks and support for low-income individuals can benefit others in society, such as business owners (Rehm 2016). Thus, this approach can provide additional detail about the variety of society-wide factors that impact redistributive policies. Still, it is not the dominant view in the literature.

Antagonistic

Antagonistic explanations, which are the most prominent in the literature, argue that redistributive policy is the result of group conflict (Rehm 2016, 4). In this view, politics is important because it determines which group's interests will inform policy outcomes. Early proponents argued that political variables do a better job of explaining variation in redistribution across states than economic ones (Fry and Winters 1970). The work in this approach has subsequently divided into several sub-branches, each of which analyzes the ways that different

interests can prevail in setting economic policies. Because these theories understand policy as a result of power balances between groups, they explain short and medium-term variation well but are less useful in explaining long-term trends.

Public Choice

Research in this approach relies on the median voter theorem (Romer 1975; Meltzer and Richard 1981). If voters are rational and vote only based on economic self-interest, then redistribution should occur whenever the median voter's income is less than the income of the mean voter. This will be the case whenever there is a significant concentration of income at the top of the income scale. Because the median voter's policy preferences determine policy outcomes, as the income gap between the median voter and the mean voter increases (ie as inequality rises) there should be greater redistribution. Thus, this approach emphasizes the role of individual policy preferences determined by economic position and how these preferences are translated into political behavior which then affects policy outcomes.

Empirical tests of this theorem have found mixed results (Milanovic 2000). However, updates to the theorem have incorporated voter turnout (Larcinese 2007), class divisions (Iversen and Soskice 2006), and multiple dimensions of voter decision-making (Iversen and Goplerud 2018). These changes have improved the realism and explanatory power of the theory. In particular, an approach that focuses on coalition-building around redistributive preferences across the working-class, middle-class, and upper-class has been supported in empirical studies (Lupu and Pontusson 2011). With an emphasis on policy preferences, this represents a "bottom-up" explanation of redistribution.

Power Resources Theory

Power Resources Theory (PRT) states that a country's level of redistribution is a function of working-class political power. Such power is usually expressed through unions or leftist parties. This theory argues that greater working-class power will allow the interests of the working-class to win out in policy conflicts more often, leading to more redistribution.

Early work in this approach connected increasing openness to trade with more redistribution through the increasing union power that comes from a more trade-based, specialized economy (Cameron 1978). Additionally, PRT can account for a commonly observed paradox, where more targeted and efficient welfare institutional structures lead to less overall redistribution (Korpi and Palme 1998). Targeted support divides working-class opinion on redistribution and so hampers working-class political organization. Later work has built on this result by showing that when targeted individuals for redistribution are employed, greater income inequality leads to more redistribution (Moene and Wallerstein 2001). Further research investigated the two avenues the working-class uses to engage its power resources (Bradley et al. 2003). First, unions reduce pre-tax and transfer economic inequality and mobilize workers in electoral politics. Second, leftist governments play a decisive role in shaping redistributive outcomes by both increasing the amount of redistribution and by deciding on the beneficiaries of redistributive policies. The importance of party control in explaining redistributive outcomes is evidence in support of PRT against theories of public choice and cross-class motivations. Finally, some scholars have argued that when the positions held by working-class individuals on cultural issues are highly correlated with their economic interests, redistribution increases (Manow 2008). The opposite is true as well, when cultural issues divide working-class opinion

there are fewer redistributive policies. This provides further evidence that working-class political strength affects redistribution.

Institutional

The institutional approach investigates how political institutions shape redistributive outcomes. This approach is antagonistic because institutions shape policy outcomes through how they allow different interests to be expressed in formal political settings.

Early work hypothesized that higher amounts of inter-party competition would lead to more redistributive social policies (Dawson and Robinson 1963). Later scholars found that variations in constitutional rules shaped redistributive policy outcomes (Persson and Tabellini 2004). For instance, both presidential and majoritarian systems are associated with less redistribution in comparison to parliamentary and proportional systems. Further research found that differences in district magnitude, party structure, and coalition governments impact levels of redistribution (Persson and Tabellini 2006). In particular, single-member districts, unified party systems, and single-party governments are all associated with less redistribution. Electoral rules affect redistributive policy because they determine party structure and government type which both shape spending outcomes (Roland et al. 2007). Ultimately, this approach shows that the institutions governing electoral competition are important determinants of policy.

Mixed Approaches

Several scholars have drawn on multiple approaches to provide more comprehensive explanations of redistribution. Lindert (2004) analyses the history of social spending since the 1700s and concludes that functionalist, cross-class, and antagonistic explanations are empirically supported in different periods. Other work has combined cross-class and PRT views to explain the persistence of large economic inequalities (Scheve and Stasavage 2017). Lastly, work

combining PRT and the institutional perspective has been used to explain state involvement in redistribution (Rothstein et al. 2012). Characteristics of the state affect whether individuals will choose to give the state responsibility in managing their welfare. As such, these arguments both critique and supplement PRT through the study of institutions. Even if workers do have political power, they must trust their government to provide for their welfare. Thus, perceptions of quality of government have been found to affect the ability of the working-class to mobilize in support of redistributive policies.

This line of research demonstrates that PRT and institutionalist views can coexist. PRT demonstrates the importance of working-class organization, but worker organization is mediated by political institutions. Similarly, institutions help determine policy outcomes, but only have an impact insofar as they control the access of different economic groups to political power and the creation of redistributive policy. As will be seen in the next chapter, this thesis is indebted to both the PRT and institutional schools. Overall, alternative explanations for redistribution struggle to explain medium-term variations between countries.

Campaign Finance Laws

In contrast to research about redistribution, comparative research on campaign finance law is sparse. Few scholars have studied campaign finance laws at the same level of generality as redistribution. Whereas redistributive policies can be easily defined, it is more difficult to construct a general definition of campaign finance laws.

This is, in part, due to the difficulties associated with classifying campaign finance laws. Though it is fairly obvious that some laws, such as laws limiting the amount an individual can donate to a campaign, are campaign finance laws, it is less clear how certain laws associated with party finance intersect with campaign finance. For example, do contribution limits on giving to

parties for general purposes fall under the concept of campaign finance laws? What if these funds end up being used for campaigning purposes? Or if they are used by the party in ways that indirectly support campaigns? Giving a general answer to these questions is further complicated by the fact that different countries recognize different campaign actors. In some countries, parties are considered the only relevant campaigners, whereas in others candidates are central. In others, third parties are also considered to be under the jurisdiction of campaign finance laws. Given the diversity of approaches to campaign finance regulation, it is unwise to exclude certain subjects from study and risk obscuring the subtleties of different campaign finance regulation systems. I will develop an expansive conceptualization of campaign finance laws to avoid such issues.

The few scholars who have attempted a comparative, quantitative study of campaign finance law have each adopted unique conceptualizations of the law. This research is quite recent and reflects competing theoretical perspectives. It is useful to overview these conflicts to inform the development of my conceptualization.

First and most importantly, scholars have disagreed over the number of dimensions underlying a typology of campaign finance regimes. Some have proposed a unidimensional scale defined by "the level of state interventionism in the sphere of political finance" (Norris 2016, 14). This single dimension encapsulates all possible forms of regulations by relating them to overall state interventionism or the degree of intervention by the state into political finance "markets". This approach resembles theoretical frameworks about government regulation of markets for goods. Other scholars have opted for a two-dimensional typology whereby all flows of money and resources lie on one dimension while oversight and disclosure lie on another (Wiltse 2019). In this conceptualization, spending limits, contribution limits, and public funding are grouped together. The last approach utilizes a three-dimensional conceptualization which

includes categories for regulation, transparency, and subsidy (Van Biezen 2010). While transparency covers disclosure and oversight, and subsidy is concerned with public funding, regulation refers "to the regulation of donations to, and expenditures by, political parties and candidates" (ibid., 1).

Second, scholars have disagreed as to whether conceptualizations of campaign finance laws should be concerned solely with the legal provisions of these laws or if they should incorporate enforcement and compliance. It is an open question whether these laws can be evaluated purely in terms of their literal meanings or their real-world implications, though researchers have employed both approaches (Norris 2016; Wiltse 2019).

Another point of contention is which agents should be the focus of regulations. As discussed above, different countries take different political actors to be relevant to campaign finance regulations. In some cases, only parties matter, in others, candidates or third parties do. In some situations, regulations focus on parties, candidates, *and* outside groups. In the interest of a cross-country comparison, this raises an issue for scholars. A focus on only one type of political actor will risk omitting substantial regulations on other actors, while a focus on all actors may be too broad to capture the essence of campaign finance regulations. For this reason, scholars have focused on different sets of political actors (Wiltse 2019; Norris 2016).

Lastly, there is a concern I noted at the beginning of this section: how can party finance be separated from campaign finance? Though these are theoretically distinct, with party finance referring to all funding of party activities and campaign finance referring to funding of campaign activities, it is a difficult distinction to systematize. Thus far, scholars have opted to include party finance in their conceptualizations of campaign finance laws to avoid this issue (Wiltse 2019).

Informed by these critiques of past attempts to formalize the fundamental concepts of campaign finance regulations, I offer a conceptualization that suits the focus of my study. Despite the difficulties of a general definition of campaign finance laws noted above, I provide a tentative definition. Campaign finance laws are those laws governing the flow, usage, disclosure, or oversight of money and resources in relation to campaigns and other political activities. I divide campaign finance regulations into four distinct categories. These categories are present in previous conceptualizations but were not always recognized as sufficiently important to warrant their own category. They are contribution limits, spending limits, public funding, and disclosure and oversight. "Contribution limits" refers to regulations that control the flow of money and other resources from private agents to political agents. "Spending limits" refers to regulations controlling how political agents can utilize their money or other resources. "Public funding" encapsulates all direct public support for political agents, or the laws covering how public money and other resources flow to political agents. "Disclosure and oversight" brings together both requirements placed on political agents to reveal their financial activities and the authorities and activities of the government to oversee compliance with these and other laws.

I consider the laws themselves as constitutive of the regulatory regime. Though the effects of laws are certainly influenced by their enforcement, my focus is on the laws and not on their enforcement. This conceptualization makes it more difficult to establish an empirical relationship between laws and redistribution because unforced laws should clearly have no impact on redistribution. However, including enforcement in a conceptualization of the laws necessitates a further investigation of issues like corruption, bureaucratic efficacy, and administrative capacity that complicates a conceptual understanding of the laws. My definition of campaign finance laws is broad enough to include many activities that are not directly

associated with campaigns. This includes areas of party finance and disclosure and oversight over non-campaign activities. But, unlike Wiltse et al. (2019) I do not restrict myself to party finance alone. I do, however, exclude activities only tenuously related to campaigns such as lobbying and interest group activities. Thus, I include political actors beyond parties, such as individual candidates and third-party actors such as corporations or labor unions, but I do not extend my focus to related issues such as lobbying. Lastly, I focus on the funding of all party political activities and not just those directly related to campaigns.

There are two advantages to this conceptualization. First, it emphasizes the different types of regulations that make up a campaign finance law regime. As previous scholars have noted, there is a great deal of diversity in regulatory systems across countries. Not only do countries have regulations over different categories of campaign finance, but countries also combine these categories in a variety of ways. A four-category approach should allow for greater recognition of this diversity. Having more categories avoids obscuring these differences by grouping different types of regulations into broader classes. It is important to note, though, that "analysis of political finance regulation is less parsimonious if each type of regulation is treated separately rather than seeking to explain the underlying aspects of regulation which are common across all types" (Norris 2016, 209).

Second, this conceptualization will aid the investigation of the policy consequences of campaign finance laws. Understandably, other scholars have focused on creating a general typology of campaign finance laws. However, including each category separately provides greater leverage for investigating the impact of laws on real-world outcomes. With multiple categories, I can explore combinations of these types of regulations. Do weak public subsidies matter if spending is limited? Does a lack of oversight and disclosure requirements undermine

the effect of contribution limits? Is there an optimal combination of campaign finance laws for limiting the influence of private money? Answering these questions will be easier when we can consider the role that each category plays on its own and in concert with different sets of other categories. In this sense, Norris et al. (2016) are correct—adding more dimensions does complicate the study of campaign finance laws. But, for certain questions, this complexity is a good thing. It may be the key to understanding the impact of these laws.

An additional point warrants consideration. My focus is ultimately on policy outcomes and the ways that political institutions in the form of a legal campaign finance framework shape these outcomes. In this respect, there is one dimension underlying my conceptualization of the categories. However, as stressed above, this does not mean that the categories of campaign finance law should only be considered together; their effects separately or interactively are likely distinct from their combined influence. The laws are arrayed according to how they alter the proportion of private money to public money flowing into campaigns and political activities. Thus, these laws affect the relative weight of private to public money in the political process. The importance of this ratio of private to public money will become clear in the outline of my theory. Briefly, private money is money coming from non-government individuals or organizations and given as a result of a decision made by that person or group. Public money is from the government and is given according to the law. This funding is not the result of a choice to contribute by any individual or organization in the context of a campaign.

This chapter presented the definitions of redistribution and campaign finance laws that will be used for the rest of this thesis. Both concepts were broken down into dimensions such that each definition contained multiple criteria or categories. This chapter also explored the scholarly literature on these topics. In particular, alternative explanations of redistribution were

discussed and compared in terms of their explanatory merits. Campaign finance laws were examined in terms of the small number of previous research projects which have used a comparative, quantitative approach to studying these laws.

Chapter Two: A Model of Campaign Finance Laws and Redistribution

This chapter presents the model from which I derive the hypotheses that will be tested throughout this thesis. To reiterate, I hypothesize that stricter campaign finance laws—laws that lower the proportion of private to public funding in campaigns and associated political activities—will lead to increases in the degree of redistributive policies in a country. The model behind this hypothesis proceeds as follows.

The Model

Begin with a developed democratic country—that is a high-income country with a history of stable democratic institutions and norms—preparing for an election campaign. Within this country, there is a group of political agents. For now, think of these agents as candidates standing for election. These include both new candidates and incumbent candidates. It is simplest to think of these candidates as running for positions in the legislature. Assume that, on average, these agents have a preference to win their election or to win a seat in the legislature. This preference need not be the only preference that agents have or even an overriding preference so long as, across all candidates, it is significant. Being at least partially rational actors, candidates should seek a means which can allow them to achieve this end. Assume that one such means is to increase fundraising for their campaign. The necessary underlying assumption here is that for any two candidates A and B, if the campaign funding for candidate A is higher than that for candidate B, the probability that A wins the election is, on average, higher. This is premised on the idea that more spending in a campaign by a candidate improves the chances of that candidate,

a proposition that has empirical support (Harvey 2019; Gerber 1998; Jacobson 1978). Again, this must only be true on average across all candidates; it need not be true in each case.

Now consider what I call the "contributing electorate." For simplicity, restrict this group to the set of individuals within the country who can contribute to political agents in the upcoming election. Sort this group by the economic position of each member. Though this economic position would usually rely on some measure like income or wealth, think of this as the access to private alternatives for necessary goods and services. Broadly, this population can be split into two classes according to their economic position: the poor or working-class versus the rich or upper-class. In this split, the working-class group is much larger than the upper-class group. The upper-class is the small group with the greatest access to necessary goods and services through private markets, if necessary.

What are the preferences of individuals within these groups? It is assumed that the working-class group, on average, will prefer more redistributive policies while the upper-class group, on average, will prefer fewer redistributive policies. This assumption draws on the idea that individuals in these groups will, in expectation, support policies that are in their economic self-interest. This assumption also has some empirical support (Gilens 2012; Page, 2013). Because the upper-class plays a prominent role in funding redistributive policies but does not receive an equal amount of payouts from these policies, it is in the interests of members of this class to reduce these policies (Prante and Hodge 2013). The opposite is true for members of the working-class. Along with these preferences that the classes, as a whole, have over redistributive policies, it is assumed that both groups are interested in this policy area. Furthermore, this preference must be strong enough to compel individuals to act in some way on the preference.

These preferences influence contributing behavior. Individuals within each group have the opportunity to give money to candidates. First, consider the amount of money that can be given by each group as a whole. Though there are fewer of the upper-class than the working-class, there is a gap between the amount of money the two groups can spend on politics. It is assumed that this gap favors the upper-class, perhaps substantially so, to the point where the upper-class can contribute a larger sum of money, collectively, than the working-class. Though members of the working-class may earn more than the upper-class due to their larger numbers, most of this money must be committed to the necessities of life. The relative discretionary incomes and wealth of these two classes–the income and wealth they have after deducting taxes, other mandatory charges, and expenditures on the necessities of life–creates the essential difference. Political spending, naturally, is less of a priority than providing for necessary expenditures. When this is accounted for, the assumption goes, the upper-class will have more to spend on politics. There is empirical support for this proposition (Bonica 2013). The below diagram outlines the main assumptions regarding these classes.

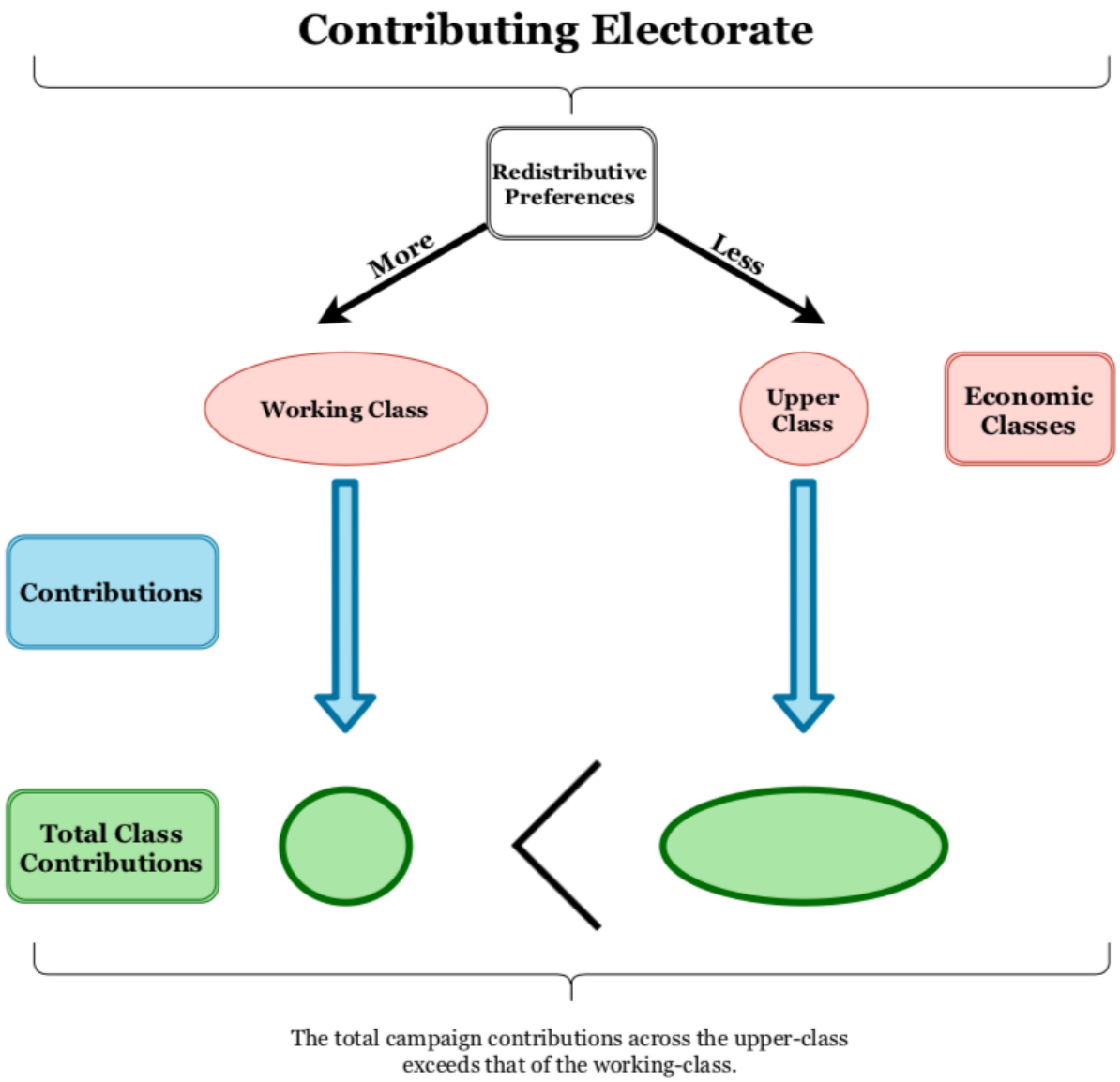

Figure 1 Contributing Electorate

Second, consider the giving behavior of individuals within these groups. Assume that an individual will contribute money to the candidate in a race whose positions are closest to their redistributive policy preferences. This is most clearly defensible when an individual only considers redistributive policies in his or her decision-making.

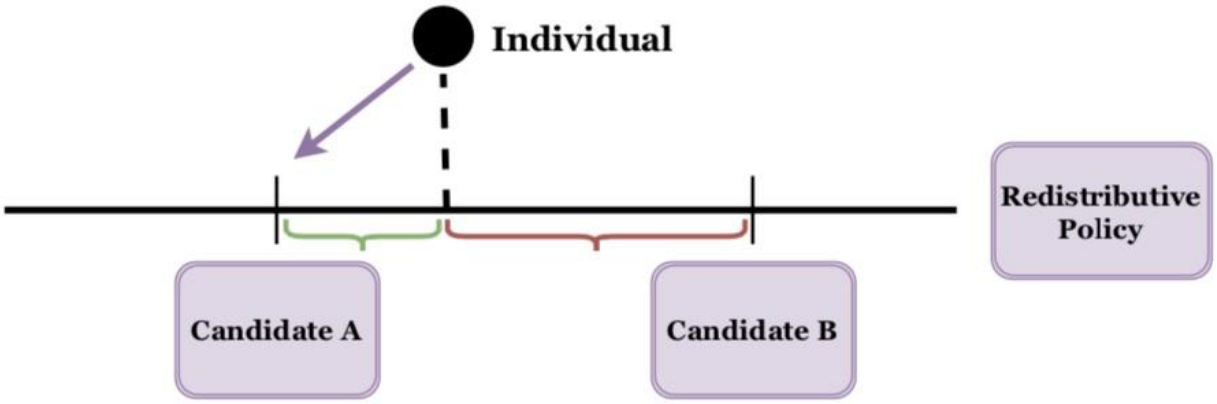

Figure 2 Unidimensional Choice

But this assumption only must hold on average across individuals. That is, the translation of an individual's preferences to monetary support of a political agent must be to the agent closest to that individual in terms of redistributive policies, on average. This means that this assumption can hold up to more complicated and realistic notions of individual decision-making regarding contributions. For example, this is true when an individual cares about multiple types of issues. Below is a diagram that depicts when an individual considers two distinct types of issues.

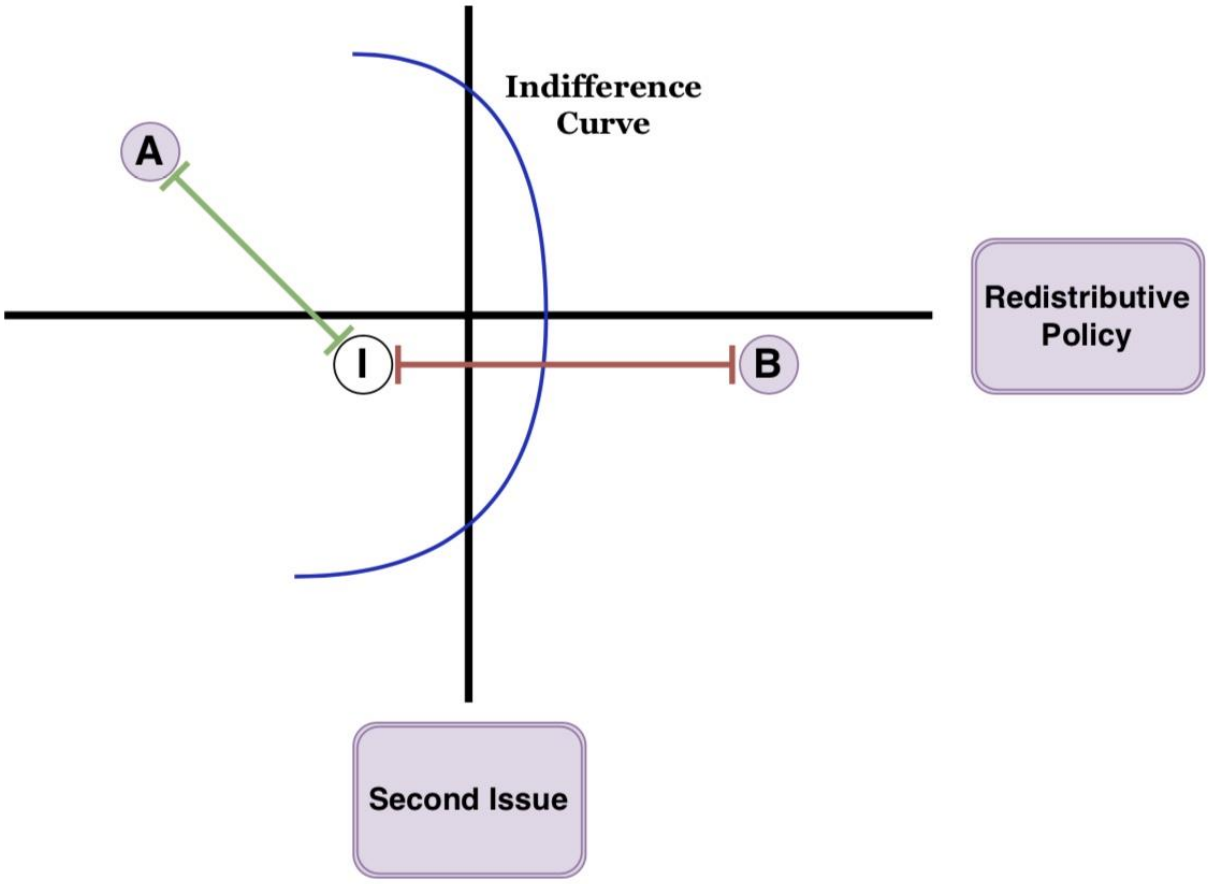

Figure 3 Bidimensional Choice

In the above diagram, A and B are competing candidates and I is an individual deciding who to support. As the diagram shows, if an individual is closer to a candidate in terms of redistributive preferences then, on average, they should choose to contribute to this candidate, assuming that their preferences on the other issue are not negatively correlated with their preferences on redistribution. The indifference curve shows the points where the individual will have no preference between the two candidates. If A is closer to I than B along one dimension, then B must be even closer to I along the other dimension in order to win I's support. This will only occur, on average, if the values on the x and y axes are negatively correlated across all individuals. This basic statement can be extended to any number of dimensions that an individual considers or other more complex decision-making processes. Candidates who are closer to an

individual on redistributive policy preferences should be more likely to receive their contribution.

The behavior of political agents and individuals in the contributing electorate, as well as the distribution of policy preferences and money available in the contributing electorate, lead to macro-level campaign finance trends. There are two general sources of funding for a candidate's campaign. Campaigns may receive public or private funds. Public funds come from subsidies in various forms funded by the government. The dispersal of these funds is not based on the preferences of the government towards a candidate. Instead, a campaign receives these funds based on some pre-defined legal requirements. Private funding comes from the contributing electorate via the process of giving described above. As such, private funding is based on preferences and the decision-making of individuals. However, since, according to this theory, the available money of the upper-class is greater than that of the working-class across the contributing electorate, a majority of these private funds come from the upper-class. Thus, when the ratio of private funding to public funding increases, this means that more money for campaigns is coming from the upper-class. This, in turn, means that candidates hold redistributive policy preferences that are more favorable to the upper-class which means less redistribution overall.

Now, introduce campaign finance laws to this environment. Stricter campaign finance laws are those that decrease the ratio of private to public funding of campaigns by either restricting the flow of private money, or increasing the flow of public money, or both. Less strict campaign finance laws do the opposite: they increase this ratio by allowing a greater flow of private money, or by decreasing the flow of public money. In this theory, campaign finance laws moderate the flow of money into the political system and thus change how political activities are

funded. The central testable hypothesis yielded by this model, then, is that stricter campaign finance laws will increase levels of redistribution, all else equal. And the corollary is also true: moving from stricter laws to less strict laws will decrease levels of redistribution.

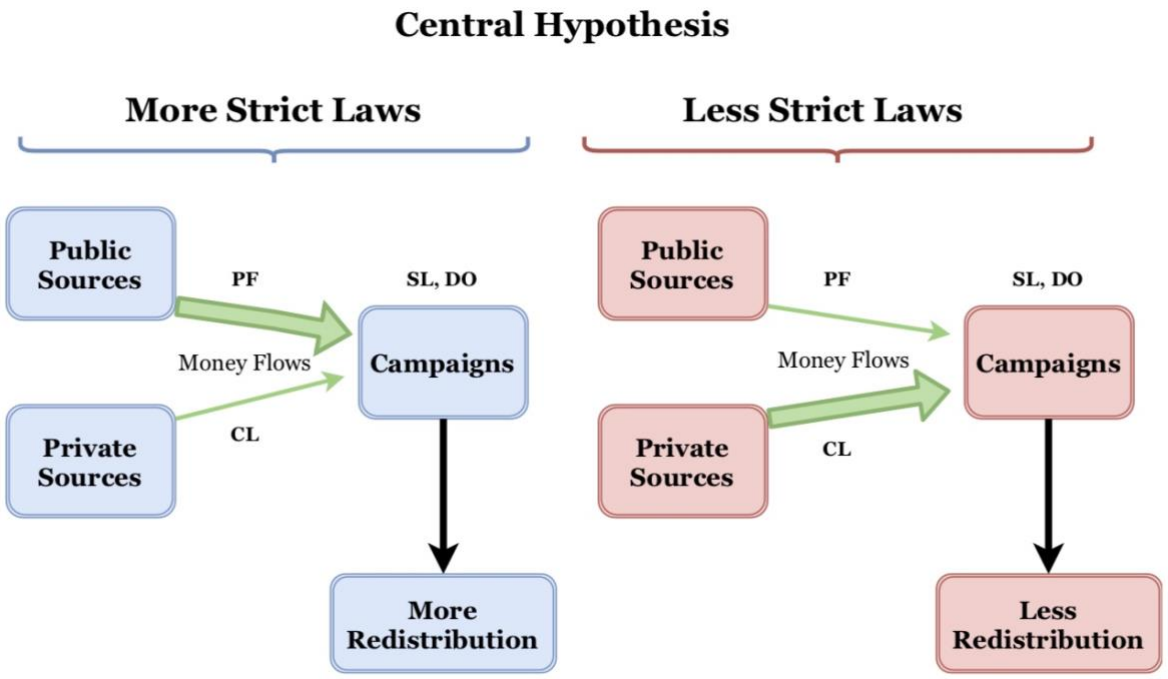

Figure 4 Central Hypothesis

One caveat: while this model assumes that the upper-class dominates the working-class in terms of contributions, this dominance can in fact change based on the regulations of funding from different types of sources. Another hypothesis generated by this model is that as the proportion of funding sources in the private stream changes from more upper-class to more working-class, so will the effects on redistribution. However, this is difficult to test due to data limitations and will not be a central hypothesis of this thesis.

Several additional comments are necessary. First, this theory rests on a hidden background assumption: the enforcement of campaign finance laws is at least somewhat effective. If there is no effective enforcement of the laws, changing them will not have any effect

on real-world outcomes. But this theory does not require absolute enforcement of laws, or even particularly effective enforcement, to hold.

Second, different components of campaign finance law, as discussed in the previous chapter, affect different parts of this process. Two components, public funding and contribution limits are on the contribution-giving side, while two, spending limits and disclosure and oversight, are on the contribution-seeking side. These components are marked in the above diagram. Public funding laws impact the amount of funding a campaign receives from the public stream. Similarly, contribution limits affect the amount of funding a campaign receives from the private stream. In contrast, spending limits restrict a campaign or political agent in terms of how much they can spend. Spending limits, then, affect the contribution-seeking behavior of a political agent. Disclosure and oversight laws are the most wide-reaching, affecting both contributions and spending behavior. However, they are most associated with political agents' contribution-seeking behavior due to the close association of campaign funding with the agent's image, credibility, and electoral prospects. As a result, these types of regulations should also be thought to mainly affect the behavior of a political agent. Thus, testing for the effects of each of these individual components can generate insights as to the relative importance of each part of this process on the ultimate policy outcomes. The model itself, however, cannot generate any prior expectations regarding the relative importance of each component.

Lastly, the simple framework explained above can be extended to a wide variety of cases. First, candidates can be replaced by parties as the key actors in the political process. Here, parties should be thought of as reflecting the same motivations as candidates: a desire to win (Chappell and Keech 1986). This makes the logic of the theory applicable to all countries considered within this study as well as to all cases in the population. Individual candidates or parties, or some

party-like structure, are the exclusive units available for contestation in democratic elections. Similarly, the decision-making process of upper-class and working-class individuals also extends to the institutions or organizations run by these individuals. The same logic extends to corporations and trade unions and other potential third-party actors with specific economic interests. These institutional preferences are driven by the preferences of leaders of these institutions. Thus, corporations tend to share redistributive preferences with the upper-class and unions with the working-class. The contributing electorate can then be extended to include these actors as well. The argument can also be extended beyond the legislature to any elected position which has control over policymaking. Finally, the model can apply to all forms of political finance, even outside of election cycles. Consequently, the theory should be able to account for a wide range of potential private actors as well as political actors in a variety of political contexts.

This model suggests three broad types of causal mechanisms that connect campaign finance laws to redistribution. The first type of mechanism deals with changes in who occupies policy-shaping positions within the government. The general form of this mechanism is that a change in campaign finance laws affects the probability that different political agents win office. This causes different political agents to occupy policy-affecting positions, which leads to different policy outcomes. There are three potential ways in which this change in funding leads different political agents to win an election than otherwise would have. First, political agents with different views may be more likely to win an election under a different campaign finance regime. For example, if public funding were increased, strongly pro-redistributive candidates and parties may be more likely to win elections due to increased fundraising relative to their anti-redistributive rivals. This is a *seat-winning* effect. Second, the incentives for political agents to shift their public positions on redistribution may change during the campaign before entering the

legislature. For instance, eliminating spending limits may cause candidates and parties to court large donors by becoming less pro-redistributive during a campaign. This is an *ideology-shifting* effect. Third, changes in campaign finance laws may make it more or less likely that working-class individuals run for election (Flavin 2015). This assumes that these candidates would, on average, be more pro-redistributive and also that the decision to run is partially based on evaluations of the availability of funding during the campaign.

The second type of causal mechanism is concerned with post-election changes in behavior on the part of political agents. This can be generally outlined as changes in campaign finance laws causing political agents to perceive that they need more or less upper-class support. This would lead political agents to put more or less weight on acting in the interests of the upper-class when crafting policy. Three specific mechanisms may lead to this changed perception of reliance on the upper-class. First, political agents may be forward-looking and, in their future electoral calculus, decide that they should change the amount that they appeal to the upper-class. This could then lead them to behave differently in their policymaking activities. Second, political agents may decide to grant more or less access to the upper-class, through lobbyists and interest groups, than they otherwise would have (Hall and Wayman 1990). Third, this may change political agents' willingness to associate with the upper-class, provided that associating with the upper-class may risk the perception of untoward or corrupt activity.

The last type of causal mechanism revolves around "bottom-up" changes. These would function generally through a change in campaign finance laws leading to a change in the private to public ratio of funding which in turn causes a change in popular preferences over redistribution and thus to different policy outcomes. This preference change could be brought about by changes in campaign funding altering the underlying preferences of the electorate. This

would occur because campaign finance laws would affect which political agents would be in a position to argue for certain policy positions related to redistribution. But, it could also occur through changes in issue salience in the electorate. This would occur because certain issues could become more or less talked about or emphasized by different political agents based on how campaign funding is dispersed.

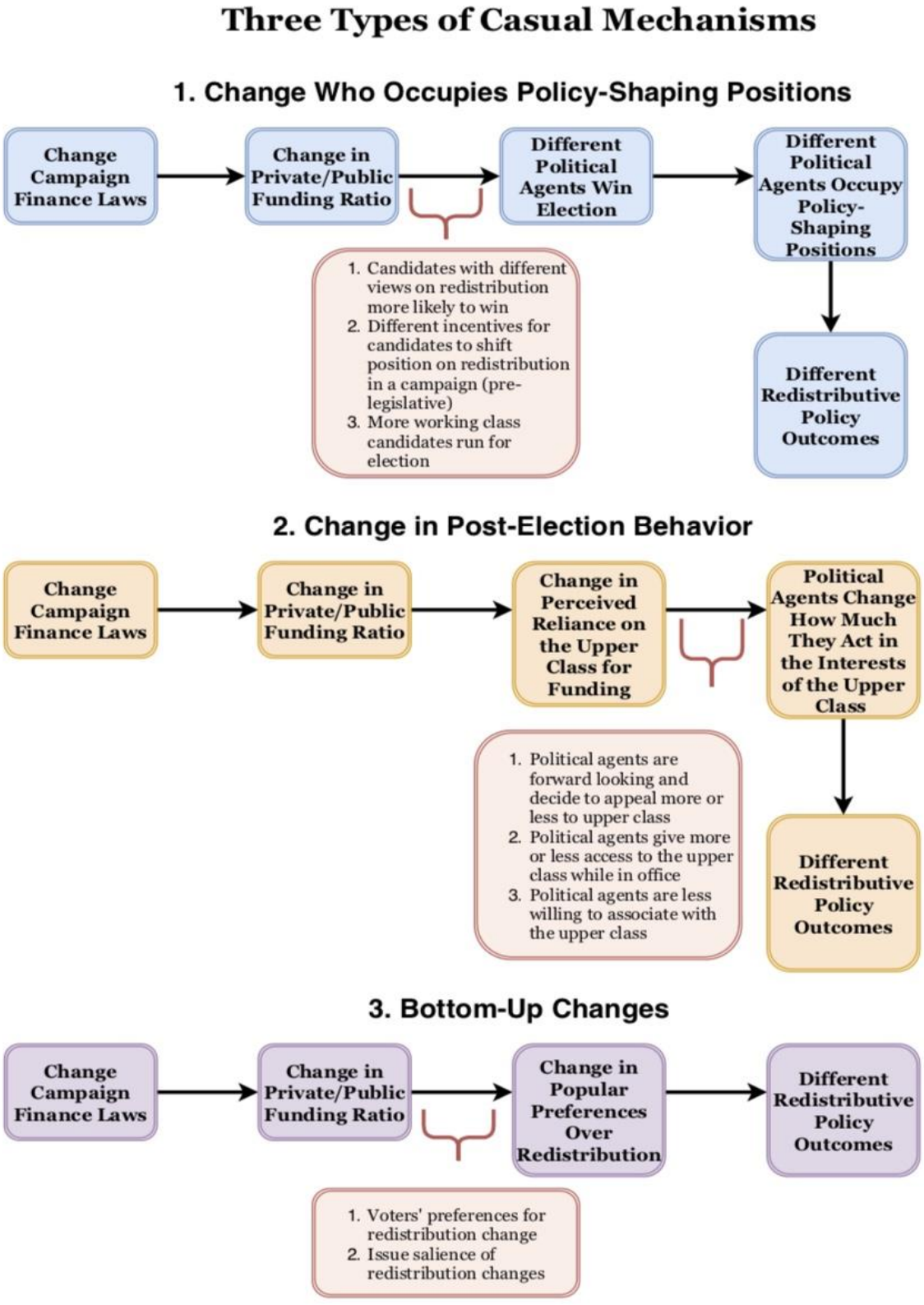

Figure 5 Three Types of Causal Mechanisms

One last statement is required regarding this theory. Building off of the theoretical foundations discussed in the previous chapter, this theory is an extension and combination of the institutional and power resources explanations of redistribution. In this theory, campaign finance laws play the role of legal institutions moderating the access of various interests to the political arena. These interests are determined by power resources theory. Specifically, the relative balance of power between the working-class and the upper-class as well as the strength of political agents who appeal to these groups determines electoral and policy outcomes. It is fundamentally a story of class conflict within the electorate, moderated by political institutions, shaping the policymaking process. As such, this model incorporates a more complex translation of preferences into policies than the public choice field, while also exhibiting a class-based, not cross-class, explanation that emphasizes politics, unlike the functionalist approach. In essence, this model, if supported, would provide evidence against these other approaches and in favor of the PRT and institutional schools.

This chapter detailed a model that might connect campaign finance laws to redistributive policy outcomes. This model produced one central testable hypothesis regarding the relationship between the laws and redistribution. Namely, as campaign finance laws become more strict, redistribution should increase. Furthermore, the model suggested numerous causal mechanisms. The model also pointed to potential differences between the different components of campaign finance laws, factors which may be more or less important than others and which may interact in unknown ways.

Chapter Three: Investigating the Causal Relationship

This chapter explores the causal relationship between campaign finance laws and redistribution through the use of panel data. Here, I am concerned primarily with the general connection between these two concepts, as this analysis cannot yield insights into causal mechanisms. Those will be the subject of later chapters.

The rest of this chapter covers the selection of cases as well as the operationalization of key dependent and independent variables. Following this, I present descriptive statistics for the dataset used in this section and describe in detail the model specifications used for analysis. I then review the results of the analysis, limitations, and a summary conclusion for this section. Overall, this chapter draws a convincing causal link between campaign finance laws and redistributive policies. Both stricter provisions in a general campaign finance measure and each component are found to increase the level of redistribution. Additionally, the results show that the strength of these effects depends on the combination of regulations used. Specifically, the use of spending limits reduces the impact of other forms of regulation.

Case Selection

As my research question is concerned with recent changes in redistributive policies in the developed democracies, I limit the scope of cases by time and by country. To hone in on the medium-term factors which affect redistributive levels, and to avoid measuring long-term structural causes, I limit the time frame of study from 1992 to 2018. This period is long enough to capture the effects of most potential causes while also allowing for numerous campaign finance law changes to occur. Yet it is short enough that there is significant variation in

redistributive spending between cases. Thus, this period provides analytic advantages for identifying the causal effect of changes to election laws on redistributive outcomes.

To select countries I used a Varieties of Democracy (V-Dem) electoral democracy index score threshold to indicate a strong electoral democracy. This measure summarizes numerous indicators about how well elections are run in a country. A score above this threshold means that a country's elections are almost always "free and fair" (V-Dem 2019). I define developed countries as those classified by the World Bank as a high-income economy. This classification requires that a country have a Gross National Income per capita above a certain threshold set by World Bank economists (World Bank 2019). Finally, only countries that have been developed democracies over the entire period of study were included as cases. Doing otherwise might bias results by including countries that may not have always had high levels of democracy or development.

Forty-two countries score above the electoral democracy index threshold each year over the designated time frame. Applying the high-income economy criteria reduces the number of cases to twenty-five. The twenty-five developed democracies used for this study were: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Israel, Italy, Japan, South Korea, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States of America.

Operationalization and Measurement

To evaluate the preceding theory, concepts must be operationalized. The relationship between these measurements can then be tested to falsify or conditionally affirm the theory. The two key concepts from the above theory are redistribution and campaign finance laws. Each will be operationalized in turn.

Given the size of the literature on redistribution, it is no surprise that the concept has been measured in a variety of ways. Scholars have developed measures in accordance with their particular conceptualizations of redistribution, the topic of inquiry, and the availability of data. As a result, there are a few major approaches to measuring redistribution.

One popular approach tracks how inequality changes before and after government taxes and transfers take effect. Using factor income data, scholars have been able to compare how government intervention in the economy has changed the society-wide distribution of income by measuring changes in the Gini coefficient (Iversen and Soskice 2006; Lupu and Pontusson 2011; Bradley 2003; Korpi and Palme 1998). Another approach utilizes data on specific types of government expenditures, under the assumption that these expenditures are indicative of overall redistribution. Scholars use, for example, spending on public health programs or welfare programs to measure overall levels of redistribution (Flavin 2015; Manow 2009). The most popular measurement strategy uses a more generalized measure of government expenditures to capture redistributive policies. Most often, these are measures of the government's total social spending or welfare state spending rather than specific, targeted programs (Franzese 2002; Rothstein 2012; Persson and Tabellini 2004; Larcinese 2007).

I adopt this last strategy. I measure redistribution as the amount of social spending by a national government taken as a percentage of that country's GDP. This data is available through the OECD Social Expenditure Database. This database is generated by the OECD and is one of the most widely used and trusted data sources on redistribution. Its wide coverage, both across countries and time, is one major reason for its use in this study. But, more significantly, this measure most closely aligns with the above conceptualization of redistribution.

Social spending, funded by taxes and directed towards groups in society requiring these resources, closely follows the notion of transferring resources from one group to another. Furthermore, social expenditure measures emphasize the economic components of redistribution. As a measure of overall transfers, it tends to accentuate economic demarcations between groups in society. This is because economic groups are the most popular targets for redistribution. Though not all redistribution is targeted at economic groups, transfers between economic groups are always among the range of redistributive policies implemented by the governments of developed democracies. This satisfies the first criterion of my conceptualization of redistribution.

The second criterion, that only cash and in-kind transfers be included, is also satisfied by this measure. This measure does not risk including other forms of redistribution, such as "legal welfare," or unintentional distributions between groups. This leads to the most important benefit of the measure: its focus on government intention. My interest is in the policies which politicians or governments attempt to implement and not the effects of these policies. Since my concern is in how redistributive policies are affected through a political process, I am interested in what the government tries to do, not how well it does it. In other words, just because policymakers are ineffectual at designing redistributive policies does not mean that they do not want to redistribute. Campaign finance laws cannot ensure that redistribution is conducted effectively, but they may affect how much redistribution is attempted by policymakers. This is a significant advantage over the first approach, which captures the effectiveness of policy as much as it does the intention of policy. It is more parsimonious to assume that we do not know the effects of policies than to assume that they are all equally effective.

Similarly, measuring total social expenditure more closely aligns with this conceptualization than focusing on specific types of spending engaged in by governments.

Though these specific types of spending might be more redistributive—they might best represent the transfer of economic resources between different groups—they also commit scholars to a strong assumption when used to generalize to overall redistribution. Specifically, they require us to assume that the patterns observed in this type of spending are reflective of the government's overall approach to redistribution. These programs may be the only instance of redistributive spending by a government or they may be one of many redistributive policies. Either way, a significant amount of information regarding the overall scope of government policies is sacrificed and findings may be misguided as a result. My dependent variable, measured at the country-year level as social expenditure as a percentage of GDP, is accurate, trustworthy, widely used in the literature, and closely fits my conceptualization.

There is considerably less precedent in the literature regarding campaign finance law measures. As discussed earlier, comparative quantitative approaches to studying these laws are recent and rare. These approaches bring with them different conceptualizations of campaign finance laws and employ different measurements. Thus, there are no standard operationalizations for this concept. My operationalization, then, follows from my unique conceptualization and typology of campaign finance laws.

Data were collected from the International Institute for Democracy and Electoral Assistance's (IDEA) Political Finance Database. This is the same data source used by the few other studies in this area (Norris 2016; Wiltse 2019). The dataset contains answers to 74 campaign-finance-related questions about countries from around the world, though its coverage is best for developed democracies. Additionally, the data are available only for 2018.

Most questions ask if there are certain laws related to political finance. Typical questions include: "Is there a ban on donations from trade unions to candidates?" or "Are there provisions

for direct public funding to political parties?" Following the four components typology discussed in my conceptualization, relevant questions were selected, classified into component categories, and answers were coded into numerical values (full details on IDEA questions, their relevant component categories, and numerical coding rules are available in the Appendix). Coding was done such that higher values indicate stricter campaign finance laws along a dimension. Twenty-six questions were used in the final measurement dataset, more than some scholars (Wiltse 2019), but less than others (Norris 2016). Using IDEA coding guidelines (available in the Appendix), I manually collected answers to these questions for each country for each year going back to 1992 using the IDEA-collected 2018 data as a guide. Thus, I have data for my independent variables for each year in my period of study.

From this dataset, component-level indices were constructed. Coded numerical values for each component were summed using weights to produce index scores for contribution limits, spending limits, public funding, and disclosure and oversight for each country for each year (formulas for index construction are available in the Appendix). This procedure—using question answers to produce indices for each dimension in the typology—is similar to that followed by other scholars in their construction of component-level indices of campaign finance laws (Norris 2016; Wiltse 2019). However, there is significant disagreement regarding the use of these values to construct a general campaign finance measure. Norris et al. opt to weight component-level indices in constructing a general campaign finance measure, whereas Wiltse et al. gave each category "equal analytical weight; we had no theoretical or empirical justification to adjust the weights unequally" (251). In constructing a general measure of campaign finance laws, even with a well-developed conceptualization, there are questions regarding how to combine indices into a general measure, or if a general measure is meaningful at all.

Following these concerns, I created a general measure of campaign finance laws for comparison with the component-level indices. There is insufficient knowledge or a priori theory to justify privileging one component of campaign finance laws over another in constructing a general campaign finance measure. Accordingly, each component was weighted equally in the calculation of the general measure. This is the best option, even though we do not know that these categories combine additively to strengthen campaign finance regulation. They may do so, or they may combine through some more complex functional form. It may even be likely that they combine non-linearly. But we have no knowledge or theory on which to base this assertion. In light of these facts, it is best to remain conservative regarding the functional form of the combination of these categories. An unweighted sum is the simplest relation of the categories to one another and the general strength of campaign finance laws. Campaign finance laws are operationalized with five variables, four of which directly correspond to my conceptualization of campaign finance laws and my theoretical model, and one of which, the general measure, is used in addition to the component-level measures as a comparison with full recognition of the uncertainties associated with such a measure.

Descriptive Statistics

Since the dataset used in this chapter is largely novel and newly collected, it is useful to give some sense of the underlying data behind the analysis. The table below presents basic summary statistics for the independent and dependent variables for the entire period from 1992 to 2018.

Table 1 Campaign Finance and Redistribution Variables

Campaign Finance and Redistribution Variables

Statistic	Min	1st Q	Median	3rd Q	Max	Mean	St. Dev.	N
Contribution Limits	0	0	0.1	0.6	1	0.295	0.313	675
Spending Limits	0	0	0	0.5	1	0.241	0.291	675
Public Funding	0	0.467	0.600	0.667	0.933	0.518	0.283	675
Disclosure and Oversight	0	0.203	0.642	0.781	0.989	0.537	0.321	675
General Campaign Finance Laws	0	0.669	1.747	2.432	3.587	1.591	0.952	675
Social Expenditures	2.81	16.58	20.41	25.09	34.18	20.68	5.59	665

As each of the four components of campaign finance is scaled from 0 to 1 values, it is clear that some forms of regulation have been more common than others in these countries over time. Spending and contribution limits both have low mean values and very low medians. Indeed, the median country-year had no restrictions on spending by political agents. In contrast, both public funding laws and disclosure and oversight laws were more common and were stricter amongst these countries. Across all four components, the variance is quite similar. The general campaign finance law measure displays significant variability with some country-years having no regulatory laws and some having close to the maximum possible value of four. Finally, social expenditure country-years seem to be symmetrically distributed around 20% of GDP, with the mean and median values being very close to one another.

The graphs below show how these variables change over time. All campaign finance regulatory components have become more strict, on average, across countries over time. However, the amount of growth in campaign finance regulation and the overall level of regulation differs by type of regulation. Generally, the mean level of campaign finance regulation from 1992 to 2018 has moved from about one-fourth of the maximum amount to about one-half, a significant increase. But, this increase has not been constant throughout time and was fastest in the decade from 2000 to 2010. Similarly, contribution and spending limits

have sporadically increased over this period, but remain low overall. Mean public funding laws increased rapidly in the early 2000s, but have not changed in the last decade. Rules regarding disclosure and oversight have grown the most over this period. All laws show substantial variation over time and across countries. Finally, mean social expenditure has followed the trend described at the beginning of this document: it has been largely stagnant. There is one notable exception. From 2008 to 2009, the measure increases significantly. This is, of course, the Great Recession. As this measure is a percentage of GDP, a decrease in GDP will cause an increase in the measure even if there is no increase in social spending. Furthermore, many countries responded to the economic crisis through increased spending, either through automatic stabilizers or discretionary spending. However, even with this increase, the overall level of social expenditure across these countries has remained similar to the level at which stagnation in this rate began in the late 1980s, in the low 20's as a percentage of GDP.

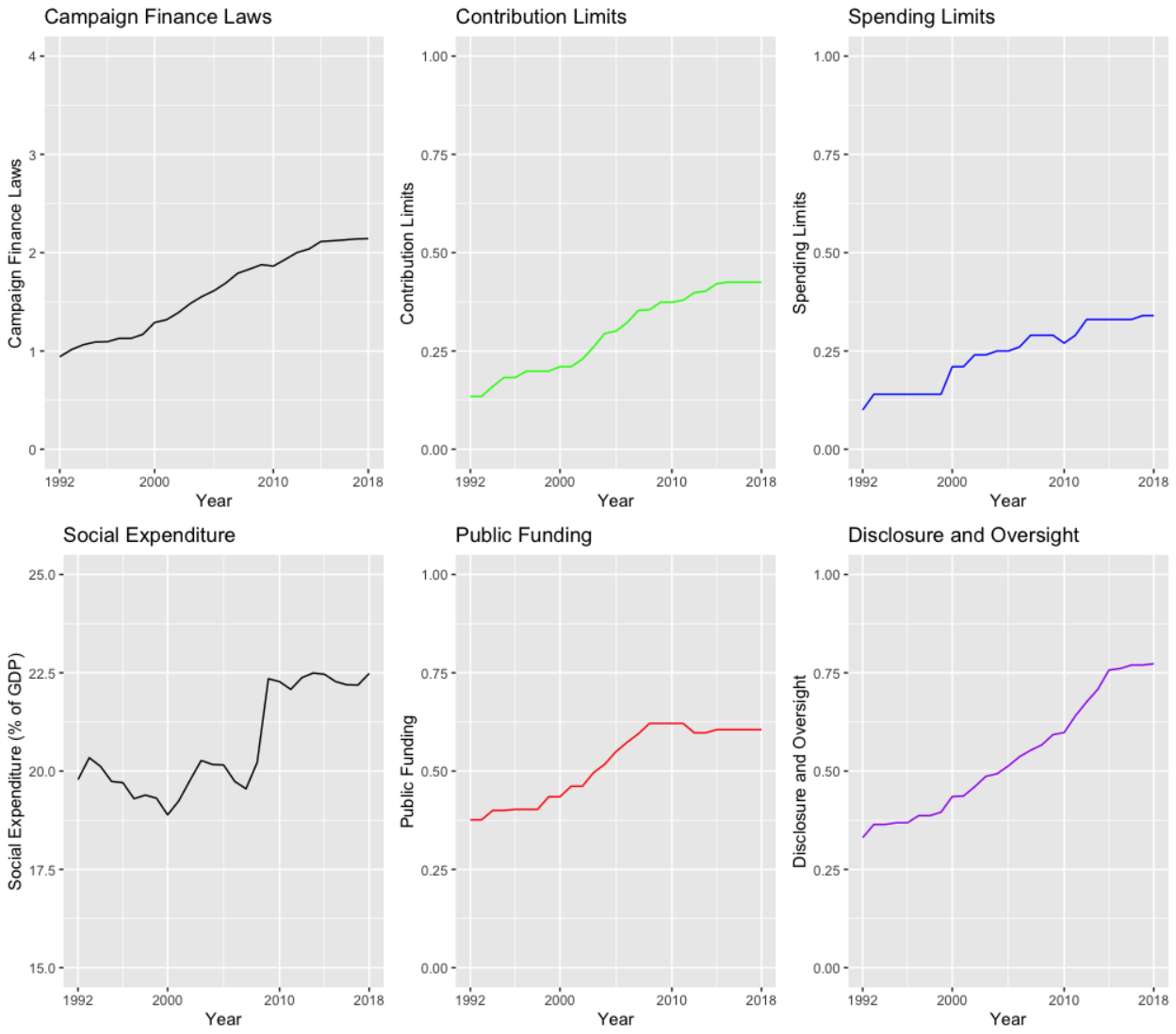

Figure 6 Graphs of Campaign Finance Law and Redistribution Variables

Model Specification

This section outlines the large-n analysis performed on the panel data described above. This analysis has two main advantages in assessing the causal connection between campaign finance laws and redistributive policies. First, it has breadth; it covers all developed democracies and does so over a generation. The results of this analysis can be inferred to reasonably reflect the developed democracies of the world over a medium-term time frame. Second, the use of quantitative methods allows for the isolation of the most important causal effects under

conditions of multicausality. That is, given that government economic policies are complex and large-scale phenomena, and given also that they have been plausibly attributed to many different causes, econometric techniques offer the best way to control for these numerous causal effects. This is particularly important in the context of longitudinal or over-time data, where the effects of the past can be measured and accounted for.

There are numerous modeling options available for panel data with this structure. The modeling technique must fit theoretical priors; otherwise, results may not represent a valid test of the theory. It is also essential that the modeling technique fit the data, lest the technique violates key assumptions and bias the results. So, it is worth reviewing the options available for analysis.

The most basic approach to this type of analysis is using pooled OLS estimators. Pooled OLS simply performs regular OLS computations over panel data. As such, this approach requires the same assumptions as performing OLS on cross-sectional data. The most important of these assumptions is that errors are not correlated between observations. Hence, when working with panel data, pooled OLS assumes that there no unique attributes of individuals within the dataset. That is, there are no effects specific to individuals on the dependent variable. As a result, this approach uses assumptions that are rarely true in the context of panel data. In the literature on redistribution, where countries are usually the observation level, this approach is rarely the best option. This is why it is rarely used in the literature, except as a point of comparison with other, better-suited modeling techniques. Its principal value comes from its straightforward coefficient interpretations as *ceteris paribus* effects on the dependent variable, and because its coefficients measure between-observation variation, not within-observation variation.

A more frequently utilized approach in the literature uses country fixed effects to perform regression analysis. The inclusion of country fixed effects means that the interpretation of

coefficients changes. Instead of measuring the variation between countries, i.e., explaining the difference between countries, coefficients in fixed effects models measure variation within countries, i.e., explaining changes in the dependent variable in a country over time. Thus, this approach is suited to investigating questions of why countries change in the dependent variable, not why one country is different from another in terms of the dependent variable, as in pooled OLS or time fixed effects models. The inclusion of country fixed effects assumes that there are unique time-invariant characteristics of countries that affect the dependent variable, which in the case of national redistribution is an uncontroversial assumption. The error term only includes variables that vary over time. This approach also yields coefficients that have a straightforward interpretation: "case FE coefficients can be interpreted as the average change in Y as X increases by one-unit over time" (Kropko and Kubinec 2018, 2). As a result, this approach is often used by scholars to control for all time-invariant confounding variables and explain variation within countries (Persson 2007; Lupu and Pontusson 2011; Rothstein 2012; Flavin 2015).

This approach is still subject to bias in its estimates if there is serial correlation in the errors. Estimates will be biased if the errors in one period are correlated with the errors of the next period. As a result, it is necessary to deal with time in choosing a modeling approach. Time is especially important when dealing with policies that are connected to the government budget-making process. These outcomes tend to be "sticky" in the sense that they do not change rapidly from year to year but instead gradually trend upwards or downwards (Franzese 2002). This means that studying redistributive policies over time will introduce large amounts of serial correlation in estimates, making OLS estimates less efficient.

There are two principal approaches to dealing with serial correlation. First, one may use a generalized methods of moments (GMM) estimator, or the Arellano-Bond estimator, which

allows one to deal with serial correlation and is especially suited to panel datasets with fewer periods. However, this approach is worse than OLS estimates under certain fairly common conditions (Larcinese 2007). Consequently, scholars of redistribution have scarcely used this modeling technique (Persson 2007). A more common strategy is to include a lagged dependent variable (LDV) along with country fixed effects. This lag effectively deals with serial correlation by accounting for the stickiness in the dependent variable over time. There is a natural interpretation for this variable's coefficient: it represents how much of the contemporaneous dependent variable value can be explained by its value in the previous period. It also does not change the interpretation of other coefficients, allowing one to maintain a focus on within-country variation or the change within a country.

However, combining an LDV with fixed effects has been shown to create bias in the LDV and, potentially, in other coefficients (Nickell 1981). This "Nickell bias" means that in certain situations the Arellano-Bond method is preferable. However, Nickell bias decreases as the number of time periods in the dataset increases (proportional to 1/T). It is generally recommended that "short" panels—panels with few periods and many observations—avoid using an LDV with fixed effects (Persson 2007). But because my dataset is "long"—it contains 27 periods (T = 27) for 25 countries—the estimated Nickell bias is reasonably small, less than 10% of the real value (Baum 2013). Additionally, if the true effect being estimated is positive, Nickell bias is always negative, meaning that estimates are biased towards zero. For hypothesis testing, then, a model combining an LDV and country fixed effects is a demanding examination of the proposed causal connection. Since both observation-level characteristics and the influences of the past are accounted for, it is less likely that the remaining covariates will be significant (Persson 2007). Thus, despite the well-known issue of Nickell bias, scholars have occasionally

adopted this model to provide a rigorous test of their theory (Persson 2007; Larcinese 2007; Rothstein 2012).

This will be the main model for testing my theory. I will use both an LDV and country-level fixed effects as a way of evaluating the impact of campaign finance laws on redistributive outcomes. As noted above, this is a demanding test, one that features some bias towards zero. Significant results are all the more indicative of a causal relation under this modeling approach. Since it is likely that cultural and institutional factors impact levels of redistribution, country fixed effects ensure that these causes will not bias estimates. Additionally, the Appendix will contain the same variables run with pooled OLS and only country fixed effects models to provide validation for results. Robustness checks were limited to variation in the modeling technique, rather than the inclusion of certain controls or transformations of the data, because there is no standard modeling technique in the literature. Thus, checking against other model types was the most serious test of the analysis.

The controls included in the model are selected based on the strongest alternative arguments identified by scholars in this field. Drawing on the literature review earlier, controls address the three key approaches to explaining redistributive outcomes.

To control for demographic and economic characteristics, variables for the level of urbanization, the age of the population, and the level of development in a country are included. Using data from the World Bank World Development Indicators, urbanization is measured by the urbanization rate or the percentage of a country's population living in urban areas. Data from this same source were obtained to measure the percentage of a country's population over the age of 65 as a proxy for the age of a population. Finally, data from the World Bank collected with the OECD were used to measure development by GDP per capita in constant US dollars.

Two covariates were used to control for the most prominent cross-class explanations. Ethnic fractionalization has been connected with lower levels of redistribution. As such, ethnolinguistic fractionalization is measured through the Historical Index of Ethnic Fractionalization Dataset (Drazanova 2019). Exposure to the global economy has also been persuasively connected to redistributive outcomes and so is included through an openness to trade measure from the World Bank. This measure is a simple ratio of exports and imports over total GDP and represents the proportion of a country's economy that is involved in trade.

Finally, data on inflation from the IMF, measured as the percentage change in the Consumer Price Index, is included. Inflation has not been closely linked with redistributive outcomes, but there are good theoretical reasons for its inclusion. First, social spending may respond immediately and, in part, without policy changes to increases in inflation. Depending on how spending levels are indexed to price levels, increases in inflation may decrease or increase overall levels of real spending. Additionally, changes in the inflation rate could cause policymakers to respond either too much or too little, again causing a change in the real level of spending (Franzese 2002).

Several types of causes from within the antagonistic school are not included as controls for two reasons. First, causes argued for by the institutional school, such as proportional versus majoritarian electoral systems and presidential versus parliamentary executive systems, are unchanging over the period of study and so are included in country-level fixed effects. Second, variables argued for by power resources theory, including the level of unionization and the strength of left political parties in a country, are part of the theoretical model. That is, these variables are potential causal mechanisms produced by the theory under which campaign finance laws are impactful on redistributive policies. If campaign finance laws make an impact, they may

do so through these variables. Thus, including these variables would necessarily obscure the impact of campaign finance laws and so would render the following regressions pointless for testing the above theory. The controls that are included represent the strongest arguments from the literature for determinants of redistribution, and so represent a significant challenge to proving the causal impact of campaign finance laws.

No transformations were performed on any of the preceding control variables. Though some scholars opt to take the log of continuous values like GDP per capita, all values were included as levels. This was done, first, because the interpretation of control variables was not a central focus of this analysis, and second, because the distribution of these variables across the dataset was fairly symmetric such that transformations would have been inappropriate.

I ran a total of 12 models, all with the same technique (LDV + FE) and all with the same set of controls. One model had as its explanatory variable the general campaign finance measure (CFL). One model contained all four components together (CL, SL, PF, DO), and four models had each component individually. And the six remaining models contained interaction terms between each pair of components. For example, the model interacting CL and SL also contained CL and SL individually, as is necessary for interaction models. The general campaign finance model has the following equation:

$$Y_{i,t} = B_0 + B_1 CFL_{i,t} + B_2 Y_{i,t-1} + B_k \boldsymbol{Z_{i,t}} + \alpha_i + \varepsilon_{i,t}$$

Where B_0 represents the intercept, B_1 estimates the effect of general campaign finance laws on redistribution, B_2 estimates the amount of contemporaneous spending that can be explained by spending from the previous period, B_k for k = 3, 4 … 8 estimates the effect of each control variable on redistribution, α_i represents the individual-specific fixed effect, and $\varepsilon_{i,t}$ is the remaining error term.

The equation for interaction models replaces the general campaign finance measure with two components and their interaction. For example, the model containing CL and SL has the following equation:

$$Y_{i,t} = B_0 + B_1 CL_{i,t} + B_2 SL_{i,t} + B_3 CL_{i,t} * SL_{i,t} + B_4 Y_{i,t-1} + B_k \boldsymbol{Z_{i,t}} + \alpha_i + \varepsilon_{i,t}$$

Where each symbol retains its meaning but B_1, B_2, B_3. B_1 and B_2 now do not represent the effects of CL and SL on redistribution, respectively. They do not have a substantive interpretation because of the inclusion of the interaction term. B_3 represents the effect of one of the interacted variables on redistribution conditional on the other variable. Thus, it estimates how the effect of one independent variable on the dependent variable depends on the other independent variable.

For all models, inferences will be made using clustered standard errors. Clustered standard errors account for heteroskedasticity within each group and for relationships across groups in the data to provide more accurate estimates of standard deviations (Schmidheiny 2019). Adjusting standard errors in this way generally increases them, making it less likely that spurious results will be found.

Results

Below I present the general campaign finance laws and four components models. For all tables, stars indicate 90%, 95%, and 99% confidence levels.

Table 2 Campaign Finance Laws

Campaign Finance Laws

	Redistribution	
	Model 1	**Model 2**
General Campaign Finance Laws	0.272***	
	(0.076)	
Contribution Limits		0.274
		(0.264)
Spending Limits		0.095
		(0.294)
Public Funding		0.049
		(0.197)
Disclosure and Oversight		0.624*
		(0.369)
Lagged Redistribution	0.870***	0.869***
	(0.020)	(0.020)
Percentage Over 65	0.034	0.028
	(0.042)	(0.039)
Inflation	-0.008	-0.007
	(0.022)	(0.023)
GDP per Capita	0.00001	0.00001
	(0.00001)	(0.00001)
Openness to Trade	-0.009***	-0.010***
	(0.003)	(0.003)
Urbanization	0.035*	0.035*
	(0.019)	(0.019)
Ethnic Fractionalization	-2.408*	-2.439*
	(1.280)	(1.313)
N	640	640
R-squared	0.874	0.875
Adj. R-squared	0.868	0.868
F Statistic	528.362***	384.334***

***p < .01; **p < .05; *p < .1

Clustered standard errors at the country level are given in parentheses.

The effect of general campaign finance laws on redistribution is strongly significant in the positive direction. Substantively, for every one point increase in the strictness of general campaign finance regulations (one-fourth of the maximum value), redistribution within a country will increase by .27 percentage points. However, when all four components are tested together, only one is significant, and only at the 10% level. All coefficients are positive, but are not large in magnitude. Though disclosure and oversight regulations exhibit a weaker level of significance than the general campaign finance measure, the substantive interpretation of this coefficient is larger, a one point increase (from minimum to maximum amount) leads to a .624 percentage point increase in social spending within a country, holding all else equal. These facts suggest that the four components are strongly collinear, meaning that including them in the same regression suppresses their coefficient values. Thus, the next set of regressions includes each component on its own.

Both models show quite similar results on other covariates. In both cases, the lagged dependent variable accounts for about 87% of contemporaneous social spending. Additionally, openness to trade is strongly negatively significant, meaning that countries with greater exposure to trade redistribute less. As is argued in other studies, ethnic fractionalization decreases redistribution while urbanization increases it. However, other controls such as development, inflation, and seniority in a population do not have a significant effect on redistribution in either model. One must be careful to note that this does not mean that these variables do not explain redistribution at all, but that current time period levels in these variables do not explain variation within the country's level of redistribution over a medium-term time frame. In this sense, these results are not as counterintuitive as they first seem, since functionalist arguments regarding seniority and development affecting redistribution take place over the long-term.

Results for the relevant campaign finance-related independent variables are largely the same when the lagged dependent variable is dropped. In the country fixed effects case contribution limits are significant while disclosure and oversight laws are not. These results are not found in pooled OLS versions of these models. Results are not robust for other covariates in the models. However, LM Honda tests show that individual-effects are indeed present, and Wooldridge tests for serial correlation similarly show that serial correlation is present in the only country fixed effects models. As a result, the main model appears to be the most sound. The next set of models shows each component individually.

Table 3 Individual Components

Individual Components

	Redistribution			
	Model 1	**Model 2**	**Model 3**	**Model 4**
Contribution Limits	0.708**			
	(0.296)			
Spending Limits		0.397		
		(0.268)		
Public Funding			0.329*	
			(0.193)	
Disclosure and Oversight				0.806***
				(0.274)
Lagged Redistribution	0.874***	0.886***	0.885***	0.873***
	(0.019)	(0.018)	(0.020)	(0.019)
Percentage Over 65	0.025	0.016	0.041	0.028
	(0.041)	(0.041)	(0.043)	(0.040)
Inflation	-0.010	-0.014	-0.013	-0.007
	(0.022)	(0.024)	(0.024)	(0.024)
GDP per Capita	0.00001	0.00001*	0.00002*	0.00001
	(0.00001)	(0.00001)	(0.00001)	(0.00001)
Openness to Trade	-0.009***	-0.009**	-0.010***	-0.010***
	(0.003)	(0.004)	(0.004)	(0.003)
Urbanization	0.043**	0.055***	0.043**	0.038**
	(0.019)	(0.020)	(0.020)	(0.018)
Ethnic Fractionalization	-1.543	-1.557	-2.124	-2.568**
	(1.330)	(1.268)	(1.298)	(1.248)
N	640	640	640	640
R-squared	0.874	0.872	0.872	0.875
Adj. R-squared	0.867	0.866	0.866	0.868
F Statistic	524.239***	518.740***	519.166***	529.840***

***p < .01; **p < .05; *p < .1

Clustered standard errors at the country level are given in parentheses.

As suspected, once each component is regressed with the same set of controls but without the other components, three out of the four are significant, including two highly significant measures. Contribution limits are significant at the 99% level. Substantively, changing contribution limits from their minimum to their maximum level leads to a *ceteris paribus* increase in redistributive spending of .708 percentage points. Similarly, disclosure and oversight laws are highly significant and imply a .806 percentage point increase from a one point increase in these laws. Public funding laws are also significant, though to a lesser degree. The only type of component which is not significant is spending limits.

The only control variables which are consistently significant across all four models are openness to trade and urbanization, suggesting that these factors also influence the medium-term changes in redistribution observed in countries. Ethnic fractionalization, which was strongly significant in the earlier models, is significant in only one of these models. As before, diagnostic tests point to the main model being the most appropriate due to the presence of individual-level effects and serial correlation. However, results for the campaign finance-related variables are robust even when the LDV is dropped, but are not when pooled OLS is used. Also as before, results for other covariates are inconsistent across model types, except for the openness to trade variable. Finally, the results of the interaction models are presented.

Table 4 Interactions of Components

Interactions of Components

	Redistribution					
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**
Contribution Limits	1.046**	0.897*	0.705			
	(0.412)	(0.524)	(0.516)			
Spending Limits	0.875***			1.059***	1.022*	
	(0.270)			(0.345)	(0.571)	
Public Funding		0.299		0.495***		0.121
		(0.209)		(0.190)		(0.453)
Disclosure and Oversight			0.727**		0.881**	0.858**
			(0.313)		(0.350)	(0.373)
CL * SL	-1.665**					
	(0.661)					
CL * PF		-0.479				
		(0.766)				
CL * DO			-0.617			
			(0.701)			
SL * PF				-1.248**		
				(0.546)		
SL * DO					-1.072	
					(0.662)	
PF * DO						-0.174
						(0.862)
Lagged Redistribution	0.878***	0.872***	0.869***	0.884***	0.878***	0.873***
	(0.019)	(0.020)	(0.020)	(0.021)	(0.021)	(0.019)
Percentage Over 65	0.022	0.039	0.033	0.030	0.021	0.032
	(0.040)	(0.044)	(0.041)	(0.044)	(0.042)	(0.042)
Inflation	-0.012	-0.010	-0.008	-0.012	-0.008	-0.007
	(0.022)	(0.022)	(0.023)	(0.023)	(0.024)	(0.024)
GDP per Capita	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001
	(0.00001)	(0.00001)	(0.00001)	(0.00001)	(0.00001)	(0.00001)
Openness to Trade	-0.010***	-0.009***	-0.010***	-0.009***	-0.011***	-0.010***
	(0.003)	(0.003)	(0.003)	(0.004)	(0.003)	(0.003)
Urbanization	0.054***	0.035*	0.036*	0.044**	0.043**	0.036*
	(0.020)	(0.020)	(0.019)	(0.021)	(0.020)	(0.019)
Ethnic Fractionalization	-1.468	-2.075	-2.549*	-1.756	-2.213*	-2.659**

	(1.254)	(1.316)	(1.340)	(1.317)	(1.240)	(1.275)
N	640	640	640	640	640	640
R-squared	0.875	0.874	0.875	0.874	0.875	0.875
Adj. R-squared	0.868	0.867	0.868	0.867	0.868	0.868
F Statistic	424.498***	419.314***	423.917***	418.824***	425.249***	422.592***

***p < .01; **p < .05; *p < .1

Clustered standard errors at the country level are given in parentheses.

As a preliminary note, the coefficients on the individual components included in the above models do not have a meaning in and of themselves. These are only partial estimations of the effects of these variables and the significance of the full estimations can be tested using joint hypotheses tests (covered later in this section). The values of interest here are the coefficients on the interaction terms, which illustrate how the effect of one variable on redistribution is conditioned by the value of the other variable. All terms are negative, but only two terms are significant. Both involve interactions of spending limits with other forms of regulation. Notably, these other terms, contribution limits and public funding, are parts of the donation process which are opposite to spending limits in the model. These two components deal with contribution giving behavior, while spending limits are primarily concerned with contribution seeking behavior. The other form of regulation most concerned with contribution seeking behavior, disclosure and oversight, is not significantly conditioned on spending limits. The values on these two interaction coefficients imply that if both forms of regulation (SL and CL, SL and PF) are at their maximum level, there will only be a small positive impact of the laws on redistributive outcomes on net. This is not the case for any other interaction terms, implying that strong regulations constructively combine to have an impact on redistribution.

The other controls are subject, again, to insignificance or inconsistency across models with the exceptions of openness to trade and urbanization. These results are not closely

replicated for almost any variables in pooled or country fixed effects models, though diagnostic tests strongly show that fixed effects and serial correlation are present and ought to be accounted for in the models. Lastly, marginal effects plots are presented below to demonstrate the scale and direction of the conditional relationship between component variables.

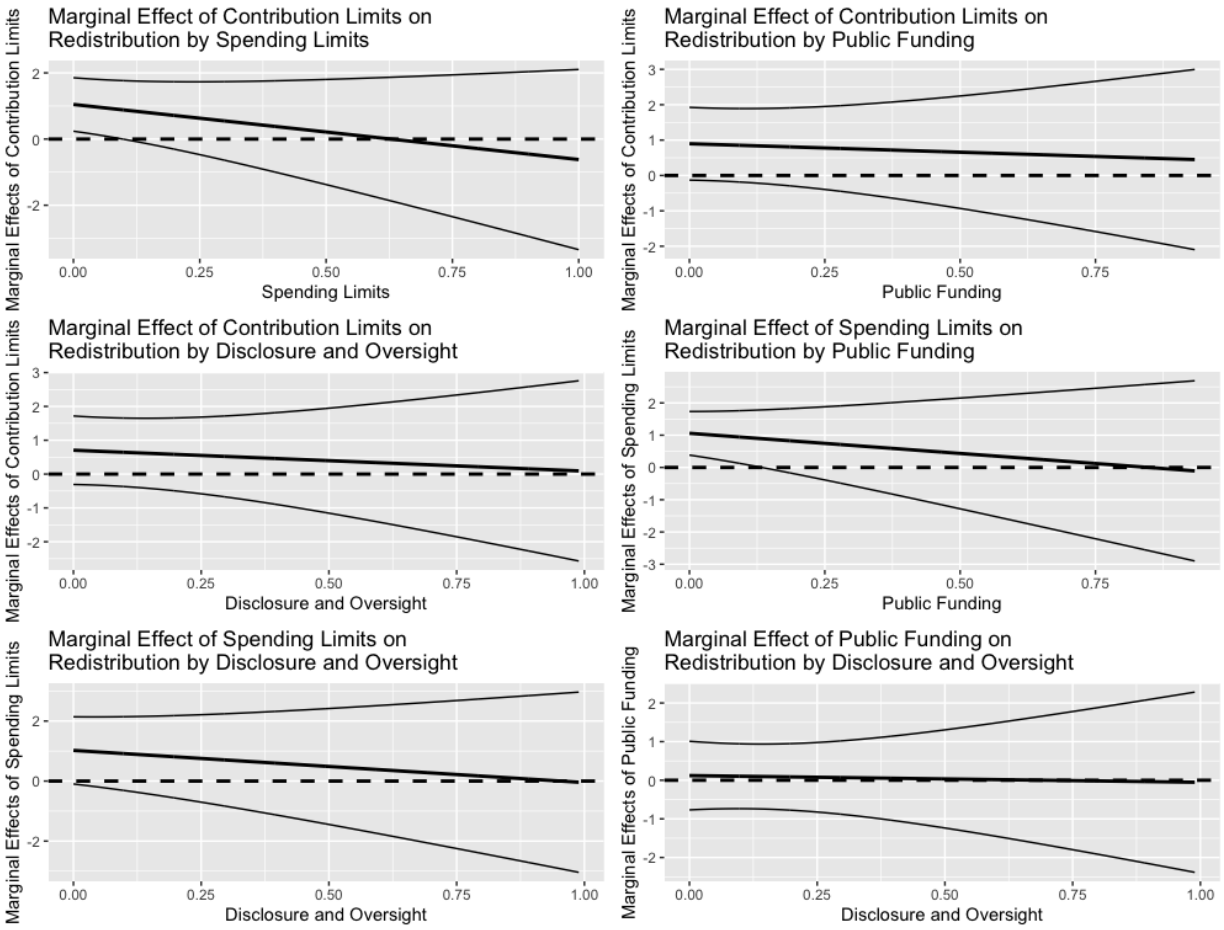

Figure 7 Marginal Effects Plots

As can be seen from the plots, marginal effects drop fastest when conditioned on spending limits, in two cases becoming negative at the maximum value of spending limits. This implies that some level of spending limits reduce the impact of other regulations. This may be due to the impact that spending limits regulations have on political agent contribution-seeking behavior. Conditioning on public funding or disclosure and oversight does not seem to reduce the marginal impact of other regulations to a large degree except with spending limits.

The final relevant result of this analysis shows the results of joint hypotheses tests for each interaction model for each variable. This table shows which variable is being tested, in which interaction model, as well as the associated chi-squared statistic and p-value. In essence, these tests ask: "Are the coefficients on the lone variable and on the interaction term both equal to zero?" (Kam and Franzese 2007, 45). These tests, then, assess whether the independent variable affects the dependent variable. For instance, to test whether CL affects redistribution in a model interacting CL and SL, one runs a joint hypothesis test with the null hypothesis that $B_{CL} = B_{CL*SL} = 0$. Since all coefficients are positive in the original interaction model regressions, any significant result means that the individual variable increases redistributive levels.

Joint Hypotheses Tests for Interaction Models

Variable	Model Number	Chi Sq	p-value
CL	Interaction Model 1	6.86928	0.03224
SL	Interaction Model 1	12.05616	0.00241
CL	Interaction Model 2	4.72884	0.09400
PF	Interaction Model 2	2.13812	0.34333
CL	Interaction Model 3	2.18392	0.33556
DO	Interaction Model 3	5.50671	0.06371
PF	Interaction Model 4	7.89017	0.01935
SL	Interaction Model 4	9.44419	0.00890
DO	Interaction Model 5	6.48677	0.03903
SL	Interaction Model 5	3.22352	0.19954
DO	Interaction Model 6	7.83215	0.01992
PF	Interaction Model 6	0.08039	0.96060

Figure 8 Joint Hypotheses Tests for Interaction Models

In the above table, most tests show that the component is impactful on redistribution, though it is not possible to estimate the exact effect through this procedure. Dark red p-values indicate significance at the 5% level or lower, while light red indicates significance only at the 10% level, the black text means no significance. As can be seen, contribution limits are

significant in two out of the three models, as are spending limits. Public funding laws are significant in only one model while disclosure and oversight laws are significant in all models.

Limitations

Before concluding this analysis, several limitations ought to be noted. First, as mentioned in the model specification section, the particular modeling technique chosen for the main models necessarily involves bias in the lagged dependent variable and potentially also in other covariates, including the campaign finance related variables. Though this bias in a "long" panel is fairly small and negative if the true effect of these laws on redistribution is positive, it still means that results are less precise than would be optimal. However, for those variables that were found to be positive, this means that they were even more extreme than observed and thus more significant. A related limitation is the fact that modeling these same specifications with pooled OLS or only country fixed effects sometimes yielded different results on the key explanatory variables. Although this may be explained by individual heterogeneity and serial correlation, it is not ideal.

Furthermore, my chosen measure of redistribution—social spending by a national government as a percentage of a country's GDP—may introduce bias in these results. This is because the measure focuses only on national-level government spending. In federalized political systems where authority is split between national and local governments, some redistributive spending may be missed by this measure. Consequently, these results may underestimate the spending of federalized countries and thus may be biased.

It may also be the case that these estimates are not completely causal. Though the fixed effects and LDV approach controls for individual-level characteristics and the effects of time, there may be other causes that explain redistributive outcomes. While controls from prominent

explanations in the literature were added to account for this possibility, without randomization, one cannot control for all confounding variables. So, there is a possibility that alternative sets of controls would yield different results.

The three most serious challenges for this analysis arise outside of the model specification process. The first problem is one of scope. Though the sample contains all developed democracies that fit my definition, these findings may apply to other democracies. If this is the case, then this analysis misses out on additional information which would increase the precision of estimates. Furthermore, the period for which data is collected is around three decades, but could be extended further for greater precision of estimates, though this would risk measuring long-term causes of redistribution rather than medium-term causes.

The second problem is due to the data collection process. I collected campaign finance law data for all years but in 2018. The process of collecting data is a messy one. It's made even more so by the fact that I was working independently, on a condensed timeline, in a field where there is very little information, and with laws that were in some cases translated from different languages. While I did my best to collect the information, there is always the possibility of measurement error. This is true above and beyond the potential for measurement error arising from different interpretations of the coding guidelines given by IDEA between their coders and me. If the error in measurement of these values was random this would not be a serious issue, since this randomness would cause an attenuation bias and would make it so that results are biased towards zero. Though this would make estimates less accurate, it would make it less likely that I find false significant results. If this measurement error was non-random, this would bias results in unexpected ways and so would make results less trustworthy as a whole.

Third, there is the major issue facing most social scientific research of this kind: endogeneity. I already discussed not including variables in the model which should be included. But, it is also possible that my variables of interest are related in more ways than is assumed by my model. My dependent variable may also cause my independent variable. Fortunately, there should not be systematic reasons why campaign finance laws would be influenced by redistributive policies. It would be strange for these policies to be influenced, let alone being set, with these laws in mind. Similarly, we should not expect policymakers to create campaign finance laws for reasons directly related to those leading them to create redistributive policies. This offers the hope that with the right set of controls, one can isolate the causal impact of campaign finance laws on redistributive policies.

Conclusion

There seems to be some evidence for the theoretical model laid out earlier. In general, across the twelve models considered above, the strictness of campaign finance laws does seem to cause redistributive policy outcomes. This connection can at least partially explain changes in the level of redistribution within countries over time. Specifically, campaign finance law-related variables are significant in a medium-term time frame for the developed democracies. These laws, then, offer a missing piece of the empirical puzzle that motivated this thesis. Furthermore, when campaign finance law is divided into four components, these components seem to have differing impacts on redistributive outcomes, though increasing regulation in any area will increase redistribution. Additionally, increasing regulation in one area may reduce the effectiveness of regulations in another, though this is dependent on the types of regulations involved. Spending limits, in particular, do not seem to combine well with other regulations.

While this analysis does demonstrate the importance of campaign finance laws, it does not preclude the importance of other factors. The influence of past levels of redistribution is important and demonstrates the impact of long-term changes in development and population demographics. Furthermore, even in the medium-term period considered here, exposure to trade and urbanization, and perhaps ethnic fractionalization, also help explain the empirical puzzle that motivated this thesis. Though countries have trended in different directions in their redistributive habits over the last few decades, this is due not only to changes in campaign finance laws, but also broader changes in the economies and the spatial and racial makeup of these countries.

The general causal connection between campaign finance laws and redistribution established in this analysis does not, however, establish the causal chain leading from one variable to the other. Although the theoretical model being tested has been supported and would be consistent with a variety of causal mechanisms, it is necessary to examine this general connection for specific causal mechanisms. The next chapters will build off of this foundational analysis to attempt to identify the causal chain between campaign finance laws and redistributive policies.

Chapter Four: A Difference-in-Differences Test of Possible Causal Mechanisms

The preceding chapter used a panel dataset to investigate the general causal connection between campaign finance laws and redistribution. The chapter concluded that stricter campaign finance laws *increase* the level of redistribution, supporting the central hypothesis of the thesis. This was true of a general measure of campaign finance laws, as well as most individual components of campaign finance law. The effects of the individual components on redistribution did not seem to be dependent on other components of campaign finance regulation except for spending limits, which decreased the effectiveness of other forms of regulation.

This chapter will use a difference-in-differences (DID) design to investigate two possible causal mechanisms that connect campaign finance laws to redistributive policy outcomes. As such, it builds on the previous chapter. This analysis also builds on the dataset collected for the previous chapter by adding variables measuring the causal mechanisms. This chapter proceeds with an operationalization and measurement section for the new variables, a presentation of descriptive information for these new variables, and an overview of the modeling approach used to achieve the DID design. Following the methodological discussion, I present the results of the analysis, review its limitations, and recapitulate this chapter's overall contribution to the thesis.

Overall, there is only weak evidence in support of either causal mechanism. In the general sample, neither mechanism shows significant effects. However, when the sample is stratified by level of development, the mechanisms do seem to be important, but in opposite ways for richer countries than poorer countries. These results imply that the mechanisms are only supported in the richer developed democracies.

Causal Mechanisms

The focus of this chapter will be on the most proximate causal mechanisms identified in my model: those most directly connected to the policy-making process. This is not because other mechanisms are unimportant—there is no empirical basis to favor any particular mechanism—but theoretical considerations may make these pathways less likely than others. This, in part, stems from the idea that the policy-making process is complex and country-specific. In many ways, it is a black box. Choosing those mechanisms that most directly affect the policymaking process will hopefully reduce the difficulties of understanding this process.

The causal mechanisms that are closest to the policymaking process are those that change the composition of the legislature, the site of most policy change. The model described earlier generated several possible causal mechanisms of this type and in this chapter I test two of them. Campaign finance laws may affect legislature composition by causing candidates or parties with pro-redistribution views to be elected more often, or by causing candidates or parties to shift their views on redistribution. The result of both mechanisms is that, on average, more pro-redistribution individuals or parties in positions of influence over the policymaking process. There is a *seat winning* effect, whereby those who hold pro-redistributive views win more seats in the legislature than they otherwise would have. And there is an *ideological shift* effect, whereby the public pro-redistribution views of those seeking to be elected change to be more pro-redistributive than they otherwise would have been. In both causal mechanisms, changes in legislature composition result from changes in campaign finance laws. These changes, then, lead to changes in the level of redistributive policies.

Testing these theories will be an important extension and refinement of the theoretical model and panel data findings. However, a failure of these tests does not disprove the theory.

Failure of these tests is not a falsification of the theory, as a failure of the panel data methods would have been, but falsification of certain causal mechanisms associated with the theory.

Operationalization and Measurement

As will be discussed in more detail later, a DID design requires a "treatment" variable, signifying countries that have experienced some relevant policy change. This section will feature a discussion of the creation and meaning of the treatment variable. Additionally, this section will discuss three dependent variables intended to capture possible causal pathways from campaign finance laws to redistribution.

The treatment variable is generated for each country for each year using the panel dataset in the last chapter. As a reminder, this dataset contained campaign finance law indices for twenty-five developed democracies from 1992 to 2018. I take the general campaign finance laws index (CFL) as the best representative of the overall strictness of campaign finance laws in a country-year and use this as the basis of the treatment variable. For each year, I compute the change in this measure from the previous year. This change in CFL represents the change in campaign finance laws in a country from one year to another. A treatment is defined as any year in which this change was greater than or equal to one-fourth of the total possible value of this measure. That is, a country is "treated" anytime it has a CFL value that is one greater than the previous year. Since there are rarely decreases in this measure, negative treatments are not possible at this threshold. Additionally, though any threshold would be somewhat arbitrary, this high treatment threshold means that only major legal changes are counted as treatments while still providing a large enough number of treatments for analysis. This level of change in CFL, readers will remember, was associated with a substantively significant increase in redistributive outcomes (over .25 percentage points of GDP, close to $50 billion in additional spending in the

United States). Lastly, defining treatment through the change in the strictness of campaign finance laws allows for the best test of the hypotheses derived from the theory. Testing these causal mechanisms requires connecting a change in campaign finance laws with a change in other variables that increase redistribution. As such, this measure closely captures the notion of a large change in campaign finance laws. Concerns with this approach are discussed at the end of this chapter.

Three new dependent variables are calculated, each designed for the causal mechanisms discussed above. All measures focus on the composition of the legislature in a country-year. In particular, these measures all assess legislatures according to their level of support for welfare policies. The data used in the construction of these variables were provided by the Manifesto Project, which performs textual analysis on the manifestos or platforms of parties (Manifesto Project 2013). For this chapter, legislature will refer only to the lower chamber of the legislature in countries with bicameral legislatures. For each party holding seats in the legislature of each country for each year in the panel dataset, the Manifesto Project provides a score summarizing the amount of welfare state expansion policy positions in its manifesto. An overall pro-welfare index was created by subtracting a score of welfare limitation policy positions from the welfare expansion score.

According to the most recent Manifesto Project coding guidelines, a welfare expansion position is any one that argues for the need to introduce, maintain, or expand any public social service (Manifesto Project 2013). For example, advocating for increased government funding of health care or pensions would count as a welfare expansion position. By contrast, a welfare limitation position argues for restricting state expenditures on social services. This also includes advocating for private, market-based provision of services instead of the state. For instance,

advocating the privatization of health insurance or pensions would be welfare limitation positions.

The resulting pro-welfare measure represents the sentiment of the party towards the welfare state. As the scores generated by the Manifesto Project are comparable across countries, this pro-welfare measure is similarly comparable across countries. Scholars have connected measures of party manifestos to legislators' preferences beginning with Budge et al. (2001) who connected manifesto policy positions to government policy actions. Later scholars have found using analysis of individual speeches that while some preference heterogeneity does exist across legislators in parties, it is often appropriate to treat party preferences as reflective of legislator preferences, especially in parliamentary systems (Lowenberg 2008; Bernauer and Bräuninger 2009). Steiner and Mader (2019) found that issues with greater preference heterogeneity within a party are less salient in party manifestos using Manifesto Project data, so that a manifesto measure should most strongly reflect issue areas of the greatest agreement amongst legislators in a party. Finally, Laver et al. (2003) validated the manifesto-based approach through a comparison of legislators' stated policy preferences in speeches and party manifestos. However, one weakness of this approach is that party manifestos are less important and less predictive of legislators' preferences in countries with weaker party systems such as the US.

Thus, this measure serves as a strong proxy for holding pro-redistribution positions. Like the social spending measure of redistribution used in the panel data analysis, the welfare state features large redistributions between economic groups and is largely focused on cash and in-kind programs. This is a valid measure for use in both of the causal mechanisms in this chapter. Having a valid measure of pro-redistribution positions is vital for this methodological approach.

All three dependent variables will be built on this underlying measure and thus their validity relies on the validity of this measure.

The first measure generated from this pro-welfare index computes the percentage of seats in the legislature held by parties that are pro-welfare. Parties are evaluated as pro-welfare by scoring above a threshold on the pro-welfare index. Of course, the value of this threshold is to an extent arbitrary. However, I set the threshold based on the median in the pro-welfare measure across all parties in the dataset. As such, the pro-welfare seat variable summarizes the percentage of seats held by parties that hold stronger pro-welfare views than about half of the parties in the dataset. Hence, the testing of this variable will measure the seat winning effect—whether those holding pro-welfare views win more seats under a change in campaign finance laws.

The second measure, when tested, will test the ideology shift effect. This measure is an unweighted mean of the pro-welfare position of all parties holding at least one seat in the legislature for a country-year. Thus, the pro-welfare values of each party in a legislature are averaged to provide a measure of the pro-welfare ideology in the legislature. Not all parties are equal within a legislature. In most countries in the dataset, a few large parties hold many seats, while many small parties hold a few seats each. For example, in the UK, the Conservatives and the Labour Party hold most seats while many smaller parties including the Democratic Unionist Party, the Liberal Democrats, Plaid Cymru, the Scottish National Party, and the Green Party are regularly in parliament but do not hold many seats. But, the importance of a party is a product of the number of seats it holds, and not, as such, a measure of the alteration of ideologies across the party system. By contrast, an unweighted mean does provide a good test of the second mechanism because it treats all eligible parties (those winning at least one seat in parliament) as equally likely to alter their position on the welfare state. This measure is not a good test of the

second mechanism if campaign finance laws cause parties with different ideologies to enter and exit the legislature often. However, parties, even small ones, tend to stay in the legislature from election to election. Thus, this measure allows for an effective test of the mechanism of an ideology shift.

The last measure provides a combined test of these effects, as it will be sensitive to changes in both seat allocations and ideologies. Consequently, testing this measure represents both a check on the other tests and a more holistic test of the influence of campaign finance laws on legislature composition. This measure is a seat-weighted mean of the pro-welfare ideology of all parties in the legislature for a country-year. This measure is constructed as a mean of all parties' pro-welfare state scores weighted by their percentage of seats in the legislature. As a result, it gives a plausible representation of how the average position in the legislature regarding redistribution has changed, though it cannot identify if this is due to existing pro-redistribution parties winning more seats or a shift towards pro-redistribution stances from other parties.

Platforms are only issued and analyzed in election years. Thus, though these three new measures are only calculable in election years, the values of each legislature are assumed to remain constant until the next election. With this assumption, these values can be measured from year to year and included in the original panel dataset for use in the DID analysis.

Descriptive Statistics

Below, I provide several statistics for these new variables

Table 5 Pro-Welfare and Difference-in-Differences Variables

Pro-Welfare and Difference-in-Differences Variables

Statistic	Min	1st Q	Median	3rd Q	Max	Mean	St. Dev.	N
Pro-Welfare Seat Percentage	0.000	0.353	0.511	0.741	1.000	0.518	0.307	640
Unweighted Pro-Welfare Ideology	1.931	9.912	13.662	16.985	32.014	13.890	5.216	640
Weighted Pro-Welfare Ideology	0.835	9.954	13.340	15.945	31.587	13.194	5.298	640
Change in CFL	-0.533	0.000	0.000	0.000	2.097	0.046	0.209	650

The number of seats held by pro-welfare parties seems to be symmetrically distributed. Both the median and the mean percentage is around 51%, while some legislatures featured no pro-welfare state parties and some legislatures featured all pro-welfare state parties. In general, this measure spans the possible range of values. The weighted and unweighted means of ideology look quite similar. This implies that the distribution of pro-welfare ideologies in legislatures is similar to the distribution of seats held in legislatures, on average. The mean, median, standard deviation, and interquartile ranges of the ideology measures are remarkably similar. Lastly, the change in the CFL measure shows the change from the previous year in campaign finance laws. Thus, only a few years see changes in the laws. There are also very few relaxations of these laws throughout the dataset, and the magnitude of these deregulations is much smaller than the largest increases in regulation. In general, when changes in regulations do occur, they increase the strictness of campaign finance laws and often do so to a non-trivial extent, as might be expected when legislation is required to reform campaign finance systems. For example, the UK strengthened its campaign finance regulations during this period with several pieces of legislation, most importantly the Political Parties, Elections and Referendums Act of 2000. This act increased oversight of parties by requiring that they register and disclose donors to a central electoral management board (Fisher 2001, 1). Furthermore, it imposed limits on the amount parties and candidates could spend on election campaigns.

The graphs below show the values of the three dependent variables over time. Generally, there is increasing support for the welfare state over the measured period, though not at a steady rate. The last years of the dataset have seen the greatest rate of increase in all three measures, but much of the 2000s saw little change in pro-welfare seats held or pro-welfare ideology. Additionally, the seat measure and the unweighted ideology measure follow a similar path, perhaps implying that seat winning and ideology shifting effects work in tandem. Fittingly, the weighted ideology measure also follows this path and seems responsive to shifts in either measure.

Figure 9 Difference-in-Differences Variables

Model Specification

To analyze these variables, I will employ a difference-in-differences (DID) design. The most basic DID setup involves two groups of observations, a treatment group that experienced a policy change and a control group that has not. In the most basic case, every observation in the treatment receives the policy change or treatment at the same time. Then, using data from before and after the application of the treatment, it is possible to estimate the causal effect of the treatment by observing the differences between the two groups over the two time periods. This is

computed with a difference of the treated countries in pre and post-periods minus the difference in the control countries in the pre and post-periods. Thus the estimate is a difference-in-differences.

This causal identification only holds if we assume the two groups follow parallel trends. The groups should move in similar ways before the treatment is applied, otherwise differences observed between the two groups after the treatment is applied might be due to differences in trends and not the treatment.

This approach, with two groups, the same treatment time, and pre- and post-treatment data, has been used as a way to estimate the effect of the U.S. Supreme Court's invalidation of campaign finance laws in 1974 and 2010 with *Buckley v. Valeo* (Harvey 2019) and *Citizens United* (Klumpp 2016). However, my data does not match this basic design's requirements. "Treatments" in the dataset, meaning large campaign finance law changes, do not occur all at once but at various times throughout the measured period. Of the twelve treatments in the dataset, two occur in the 1990s, one occurs in the 2010s and nine occur in the 2000s. Having different treatment times requires the use of a staggered difference-in-differences approach.

With different treatment times, comparisons of the pre- and post-treatment periods of each group are impossible because observational units in the treatment group have different post-treatment periods. Instead, one must compare the post-treatment period of each treated unit to its own pre-treatment period and also to the control group during the same periods. This is possible with panel data, such as the data that I have collected, and allows for causal identification of the effect of a policy even with different treatment times and non-random assignment of treatments to observations (Pischke 2005). Unit-level fixed effects are included to control for non-random assignment of treatments. Furthermore, period fixed effects are included to control for time

trends. In essence, then, to model the staggered DID design a two-way fixed effects model is required. So, the model will take the general form, as laid out in Pischke (12):

$$Y_{i,t} = B_0 + B_1 Policy_{i,t} + B_k \boldsymbol{Z_{i,t}} + \alpha_i + \lambda_t + \varepsilon_{i,t}$$

Where B_0 represents the intercept, $Policy_{i,t}$ is 1 when an individual is in the treatment group and is past the treatment period and 0 otherwise, so B_1 estimates the effect of the policy on the dependent variable, B_k estimates the effect of each control on the dependent variable, α_i represents the individual-specific fixed effect, λ_t represents the time fixed effect, and $\varepsilon_{i,t}$ is the remaining error term.

But, as with the simple case, the staggered DID design requires that there be parallel trends between groups to make the coefficient on the policy variable an accurate estimate of the causal effect of the policy change. To investigate whether there are parallel trends between the 12 treated countries and 13 control countries in the panel data, I plot the trends for each group for each dependent variable. These plots show the mean values of these groups around the time of treatment, with that time standardized so that the treatment for each treated country occurs at zero.

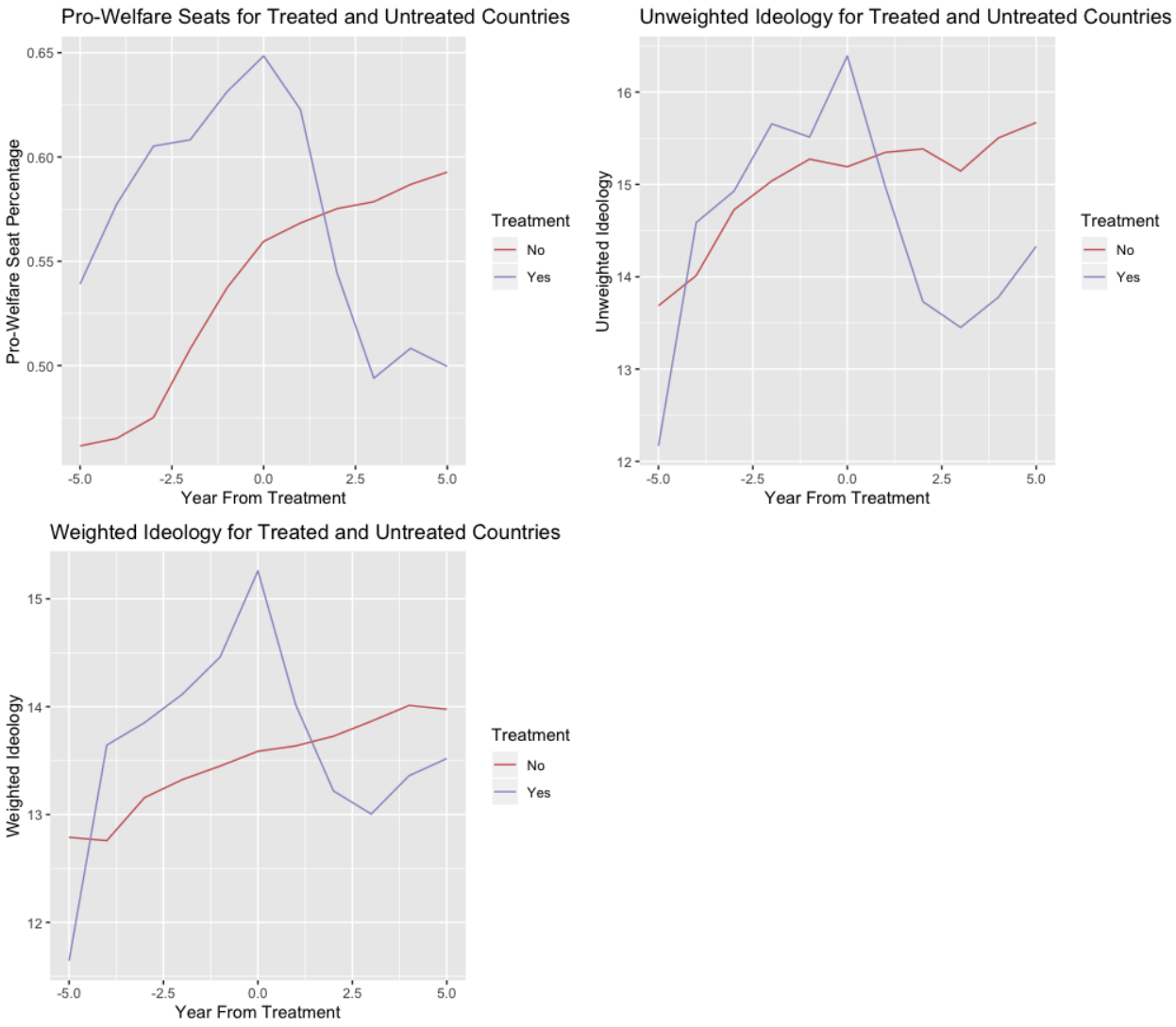

Figure 10 Parallel Trends Plots

As can be seen from these graphs, there is some degree of alignment between the two groups in the pre-treatment period—both groups tend to increase over this time—but the trends do not appear to be parallel. The treated group increases at a faster rate than the control group in the pre-treatment period. As a result, an estimate using just the policy variable will likely misrepresent the causal effect of the treatment since these two groups do not move in parallel. This issue can be mitigated through the inclusion of controls in the staggered DID regression equation. If the dependent variable in the regression is affected by other time-varying factors

besides the treatment then including controls can increase the likelihood that the parallel trends assumption holds. Thus, the inclusion of controls can increase confidence in the estimate of the treatment effect.

Following this logic, each model includes a set of controls. Because many of the factors which affect pro-redistribution sentiments of the legislature also affect redistributive policies, these controls are similar to those found in the previous chapter. The only control that is dropped from the previous chapter is inflation since the dependent variables do not measure spending or other values that are indexed to price values. But, as before, controls are included for development, openness to trade, the age of the population, urbanization, and ethnic fractionalization. As before, each of these controls is time-varying and may impact the legislative composition with regards to views of redistribution. All variables are included as levels, or without any transformations performed on the data. These variables should affect views on redistribution in the same way in which they affect redistributive outcomes.

Each model I run is a two-way fixed effects model with the policy variable as well as controls. There are three different dependent variables: the percentage of pro-welfare seats, the unweighted mean ideology, or the seat-weighted mean ideology. The coefficients generated in the model, due to the inclusion of controls and the use of two-way fixed effects, have a unique interpretation. When regressing on the policy variable for a given dependent variable, we are comparing the level of the dependent variable relative to that country for different values of the policy variable to the level of the dependent variable in a different country relative to that country for different values of the policy variable (Kropko and Kubinec 2017). Thus, the interpretation of the two-way fixed effects model is particularly suited to DID designs. As a result, the coefficient on the policy variable tells us how the pro-welfare composition in the

legislature for countries which have had the treatment compares for those individual countries before and after they have had the treatment, and how these within-country comparisons compare to countries without the treatment in the same years. Thus, it is a difference-in-differences, though one which is computationally more difficult due to variation in treatment times. Adding in controls affects this interpretation in the same way as with simple regression models: the coefficient on the policy variable represents the effect of the treatment holding all control variables constant. Consequently, this methodology should yield, with the proper controls and parallel trends, a causal estimate of the effect of the treatment. Of note are two more assumptions in the construction of the estimate, namely that to create this general estimate, the effects of these laws are assumed to be the same across cases and across time, as is the case with many panel data estimation techniques (Kropko and Kubinec 2017).

Finally, causal inference for all models used in the following section is based on clustered standard errors. As before, these errors are best used when there are groups in the data, such as individual countries measured repeatedly over time. Clustering accounts for the connections between these observations and in doing so increases standard errors and makes it less likely that spurious relationships will be found.

Results

Below I present the DID models for each dependent variable. For all tables, stars indicate 90%, 95%, and 99% confidence levels.

Table 6 All Countries Difference-in-Differences

All Countries Difference-in-Differences

	Pro-Welfare Seats	Unweighted Ideology	Weighted Ideology
Policy	-0.038	-0.486	-0.172
	(0.082)	(1.412)	(1.593)
GDP per Capita	-0.00000	0.0001	0.0001
	(0.00001)	(0.0001)	(0.0001)
Openness to Trade	0.0004	-0.003	-0.018
	(0.001)	(0.016)	(0.019)
Percentage Over 65	0.003	0.481	0.545
	(0.027)	(0.543)	(0.529)
Urbanization	0.015	-0.016	0.101
	(0.015)	(0.217)	(0.235)
Ethnic Fractionalization	-2.205**	-39.213**	-29.198
	(1.119)	(17.357)	(19.791)
N	640	640	640
R-squared	0.043	0.076	0.051
Adj. R-squared	-0.049	-0.012	-0.040
F Statistic	4.342***	8.022***	5.221***

***p < .01; **p < .05; *p < .1

Clustered standard errors at the country level are given in parentheses.

Policy represents the effects of the campaign finance law 'treatment' on the dependent variable.

For all three dependent variables, there are no significant coefficients on the policy variable. Though all of these coefficients are negative, which is the opposite of the hypothesized relationship, all values are close to zero. Below each coefficient, the clustered standard error is presented. In each case, the coefficients on the policy variable are less than half of the associated standard error, meaning that these coefficients are not close to being significant. This is true for most other coefficients in the models, except for the ethnic fractionalization variable. This measure is significantly negative in two of the three models, meaning that more ethnically fractionalized countries have fewer seats held by pro-welfare parties in their legislatures *and*

have a less favorable view towards the welfare state in their legislatures. Though no other variable in the model is significant and the R-squared values of the models are low, each model is significant overall, as indicated by the F-statistic at the bottom of the table. So, while these results do not support either of the proposed causal mechanisms, the above interpretations are trustworthy.

To investigate these causal mechanisms further, I run the same regressions over stratified samples of countries in the dataset. My purpose is to investigate if these causal mechanisms are present in a subset of the countries studied, even if they are not present in aggregate. Below I present these models run on stratified samples by country development and by the openness of the economy. Countries were sorted into high and low income samples by their mean GDP per capita values over the entire period, with the cutoff set at $42,000, which was roughly the median value across the twenty-five countries. Similarly, countries were sorted into open and closed economies by their mean openness to trade value over the period, with the cutoff again set near the median at 70% of GDP being accounted for by imports and exports.

Table 7 High Income Countries Difference-in-Differences

High Income Countries Difference-in-Differences

	Pro-Welfare Seats	Unweighted Ideology	Weighted Ideology
Policy	0.087	2.518*	2.798**
	(0.082)	(1.421)	(1.347)
GDP per Capita	-0.00001	0.0001	0.0001
	(0.00001)	(0.0002)	(0.0001)
Openness to Trade	0.0005	0.006	-0.018
	(0.001)	(0.017)	(0.012)
Percentage Over 65	0.008	1.001**	0.788*
	(0.029)	(0.467)	(0.410)
Urbanization	0.014	-0.129	-0.030
	(0.012)	(0.151)	(0.147)
Ethnic Fractionalization	-1.025	-18.551*	-16.625
	(0.841)	(10.908)	(11.957)
N	307	307	307
R-squared	0.061	0.113	0.087
Adj. R-squared	-0.092	-0.032	-0.063
F Statistic	2.854**	5.596***	4.154***

***p < .01; **p < .05; *p < .1

Clustered standard errors at the country level are given in parentheses.

Policy represents the effects of the campaign finance law 'treatment' on the dependent variable.

Only High Income (GDP per Capita greater than 42,000) countries in the original sample are included in the regression.

Table 8 Low Income Countries Difference-in-Differences

Low Income Countries Difference-in-Differences

	Pro-Welfare Seats	Unweighted Ideology	Weighted Ideology
Policy	-0.240*	-4.802**	-5.560**
	(0.142)	(2.070)	(2.367)
GDP per Capita	0.00001	0.0001	0.00003
	(0.00002)	(0.0002)	(0.0002)
Openness to Trade	-0.001	-0.093	-0.132
	(0.004)	(0.069)	(0.089)
Percentage Over 65	-0.018	0.034	0.496
	(0.047)	(0.923)	(0.960)
Urbanization	0.058*	0.950	1.257**
	(0.033)	(0.629)	(0.608)
Ethnic Fractionalization	-5.964***	-110.191***	-98.390**
	(2.009)	(40.591)	(45.961)
N	333	333	333
R-squared	0.142	0.208	0.160
Adj. R-squared	0.010	0.087	0.032
F Statistic	7.915***	12.602***	9.136***

***p < .01; **p < .05; *p < .1

Clustered standard errors at the country level are given in parentheses.

Policy represents the effects of the campaign finance law 'treatment' on the dependent variable.

Only Low Income (GDP per Capita less than 42,000) countries in the original sample are included in the regression.

These regressions reveal substantial and interesting differences in the policy variable for each type of country. In high-income countries, the seat winning effect is not supported, though the coefficient on the policy variable is positive and slightly larger than the standard error. However, the ideological shift causal pathway is supported, as both the unweighted and weighted ideology variables are significantly impacted by the treatment. Holding all else equal, the treatment increases the unweighted ideology in the legislature by 2.52 points and the seat-weighted ideology in the legislature by 2.80 points. Given that the difference between the 25th

percentile party and the median party in both of these measures is around 3 points, this is a substantial change in the ideological makeup of the legislature in a treated country.

Low-income countries show the opposite results. It is important to stress that these are not low-income countries in the world, but the lower-income countries amongst the developed democracies. Here, against the proposed causal mechanisms, changes in campaign finance laws *decrease* the pro-welfare makeup of the legislature. Furthermore, this decrease occurs through both the seat winning pathway and the ideological shift pathway. These coefficients have important substantive interpretations as well. A change in the campaign finance laws leads to a 24 percentage point decrease, all else equal, in the number of seats being held by pro-welfare parties. Moreover, treated countries, holding all else equal, see the average pro-welfare ideology in the legislature decrease by 4.80 in the unweighted case and 5.56 in the weighted case. These changes are close to the interquartile range of these measures.

To investigate if there are further divisions within the sample by country characteristics, the below tables show these regressions for countries with open and closed economies.

Table 9 Open Economy Countries Difference-in-Differences

Open Economy Countries Difference-in-Differences

	Pro-Welfare Seats	Unweighted Ideology	Weighted Ideology
Policy	-0.096	-1.055	-1.229
	(0.066)	(1.613)	(2.065)
GDP per Capita	-0.00000	0.0002	0.0003*
	(0.00001)	(0.0001)	(0.0002)
Openness to Trade	0.002	0.053***	0.030
	(0.002)	(0.014)	(0.034)
Percentage Over 65	0.055	2.241***	1.737*
	(0.044)	(0.720)	(0.995)
Urbanization	-0.018	-0.574***	-0.546**
	(0.012)	(0.194)	(0.262)
Ethnic Fractionalization	1.472	12.354	37.294
	(1.084)	(22.183)	(33.330)
N	275	275	275
R-squared	0.075	0.225	0.122
Adj. R-squared	-0.093	0.084	-0.037
F Statistic	3.118***	11.208***	5.360***

***p < .01; **p < .05; *p < .1

Clustered standard errors at the country level are given in parentheses.

Policy represents the effects of the campaign finance law 'treatment' on the dependent variable.

Only open economies (greater than 70% of GDP accounted for by imports and exports) countries in the original sample are included in the regression.

Table 10 Closed Economy Countries Difference-in-Differences

Closed Economy Countries Difference-in-Differences

	Pro-Welfare Seats	Unweighted Ideology	Weighted Ideology
Policy	-0.015	-1.317	0.177
	(0.115)	(2.161)	(1.750)
GDP per Capita	0.00000	-0.00003	0.00003
	(0.00002)	(0.0002)	(0.0002)
Openness to Trade	0.006*	0.018	-0.002
	(0.003)	(0.050)	(0.040)
Percentage Over 65	-0.042	-0.655	-0.206
	(0.041)	(0.641)	(0.582)
Urbanization	0.026	0.375	0.316
	(0.022)	(0.310)	(0.303)
Ethnic Fractionalization	-5.185***	-78.194***	-75.350***
	(1.252)	(23.186)	(21.933)
N	365	365	365
R-squared	0.146	0.167	0.166
Adj. R-squared	0.026	0.049	0.048
F Statistic	9.117***	10.626***	10.560***

***p < .01; **p < .05; *p < .1

Clustered standard errors at the country level are given in parentheses.

Policy represents the effects of the campaign finance law 'treatment' on the dependent variable.

Only closed economies (less than 70% of GDP accounted for by imports and exports) countries in the original sample are included in the regression.

There do not seem to be differences in the mechanisms at work in more closed and more open economies. In both cases, results resemble those of the original model: the coefficients on the policy variable are insignificant. While this coefficient is negative for five of the six cases, the coefficients are small relative to the standard errors. Similarly, while the models as a whole are significant, few of the individual controls are. In open economies, urbanization and the age of the population seem to be most important while in closed economies ethnic fractionalization is highly significant.

Limitations

There are several potential concerns with this analysis. First, there are two distinct reasons why results may be biased towards zero, making it harder to find significant effects. As discussed in the previous chapter, measurement error is a potential problem with the campaign finances database. As the treatment variable was created based on this database, this variable might also suffer from the effects of measurement error. As in the previous chapter, if this error was random it would lead to results that suffer from an attenuation bias, or a bias towards zero. If this error was non-random then the direction of the bias would be unknown.

Furthermore, the construction of the treatment variable itself may cause the results of campaign finance law changes to be understated. This would cause the coefficient on the policy variable for any of the above regressions to be closer to zero than its true value. The reason for this bias is that the treatment variable was set based on a cutoff for the change in the general campaign finance index measure from one year to another. There were many changes in campaign finance laws in the dataset. However, only a small number of these changes were large enough to warrant being counted as a treatment. Yet, even as these treatments occurred there were other changes in campaign finance laws that were positive but were under this threshold. If these law changes are effective, as hypothesized, then these smaller changes would also lead to increases in the dependent variables. But these increases in the dependent variables, as they would occur in non-treated times, would be attributed to the control group or the pre-treatment period of the treatment group. This would mean that comparisons of the post-treatment period in the treatment group with the pre-treatment period or the control group would be closer since these other groups did experience some increases in campaign finance laws and so experienced greater increases in their dependent variables than they otherwise would have. Thus, the resulting

coefficient representing the effects of being in the treatment group in the post-treatment period would be smaller. This would reduce the likelihood that significant effects would be found, even if changes in campaign finance laws *did* increase the dependent variable value.

The difference-in-differences approach may produce bias if its central assumption of parallel trends is not met. This is impossible to prove. Even with the inclusion of controls, parallel trends is an assumption rather than a fact. If parallel trends are not present between the treatment and control groups, then the treatment estimate may not be wholly causal.

The analysis may also be subject to issues of endogeneity. Given that the treatment, a large increase in the severity of campaign finance laws, is the result of the same electoral process which determines the parties that occupy the legislature, treatments may not be randomly assigned. This concern is partly alleviated by two considerations. First, scandals are often the precipitating events for large changes in campaign finance laws, lending a level of exogeneity to these treatments. Second, as in the panel data analysis, campaign finance regulation is not necessarily related to pro-redistributive positions. So, it is unlikely that parties with these positions are being specifically elected to change campaign finance laws.

Finally, beyond the shortcomings of DID analysis, the approach of this chapter as a whole has one major limitation. While I sought to connect campaign finance laws to the pro-welfare composition of the legislature, that, in itself, does not fully support the proposed causal mechanisms. This is because having a more pro-welfare legislature does not necessarily lead to more redistribution overall. This part of the causal mechanisms was assumed in this chapter. Though one can point to power resources theory as convincingly providing this connection between left legislatures and redistribution (as discussed earlier), that claim was not tested in this chapter. In large part, that was because of a limitation of the DID approach: it does not explain

long-term changes as well as it explains the immediate impacts of interventions. Thus, DID is not suited to drawing causal connections between having more pro-welfare legislatures and more redistribution since government economic policy, specifically spending, tends to be sticky, as discussed in the last chapter.

Conclusion

The results of this chapter, in sum, provide little evidence for either causal mechanism tested here. In the overall sample, there were only null results. There are three possible reasons for null results. First, it may be that there is no relationship between campaign finance laws and the pro-redistribution makeup of a legislature. In this case, the causal mechanisms are not correct. It may also be that there is a relationship, but it is a small enough relationship to where the significance of the relationship cannot be determined with this size of a sample. In this case, a larger sample would be required to find the relationship. Finally, it could be that the data collection, variable construction, controls, and modeling technique of this particular dataset and analysis were biased in some way that obscured a true, significant relationship between these variables. In this case, further studies on this connection, with different methodologies, are required to investigate the viability of the proposed causal mechanisms. Regardless, a null result does not confirm the null hypothesis, but it *does* mean that we have no evidence for the alternative hypothesis that these causal mechanisms explain the connection between campaign finance laws and redistribution.

The same story holds for the samples stratified by the openness of a country's economy. Again, it is possible that these results are accurate or not, but there is no solid evidence for the causal mechanisms. Yet, when stratified by the level of development of countries within the sample, results are significant. This provides some evidence that these causal mechanisms are

important or at least part of the pathways through which campaign finance laws affect redistributive outcomes. But, these stratified samples also raise further questions regarding why we see the effects that we do in low income versus high income developed democracies. In higher-income developed democracies, results follow the hypothesized causal process. Yet, in lower-income countries, the results are counter to the theory and intuition. This raises questions for further investigation and confirmation of these results. One possible explanation is that campaign finance laws are often preceded by campaign finance scandals which then cause the ruling parties to lose seats in the next election. If the pro-welfare orientation of the parties which experienced campaign finance scandals differed in higher and lower-income countries in the sample, with more pro-welfare parties being affected by scandals in lower-income countries and more anti-welfare parties being affected by scandals in higher-income countries, this could explain the sharp divergence between these types of countries. Still, it is up to further studies whether this divergence even exists and what can explain it if it does.

So, while this chapter may have provided some evidence that these causal mechanisms are important in certain countries, it has not been able to show strong evidence for these mechanisms. Instead, the next chapter will approach this same issue with a different lens. Rather than using quantitative methods to test causal mechanisms, the next chapter will employ two case studies to lend further depth and breadth to our understanding of the causal relationship between campaign finance laws and redistribution.

Chapter Five: Causal Mechanisms in the United States and Canada

The previous chapter used a difference-in-differences approach to investigate two possible causal mechanisms between campaign finance laws and redistributive policies. These two mechanisms are a seat-winning effect—where parties and candidates that hold pro-redistributive positions are more or less likely to win seats in the legislature—and an ideology-shifting effect—where parties and candidates are more or less likely to change their positions on redistribution. Neither of these mechanisms was supported in the general sample analysis. However, when the sample was stratified by level of development, richer countries exhibited the mechanisms as expected while poorer countries exhibited the opposite of the expected mechanisms. In poorer countries, changes in campaign finance laws decreased the seats held by pro-redistribution parties and the average pro-redistribution ideology in the legislature. Thus, the previous chapter provided only weak evidence in support of these mechanisms.

This chapter uses paired case studies of the United States and Canada, with an emphasis on the last thirty years, to evaluate the causal mechanisms connecting campaign finance laws to redistributive outcomes. As in the previous chapter, this section will focus on causal mechanisms that run through the composition of the legislature in both countries. Additionally, in the United States, these causal mechanisms may run through the presidency since, in the American system of government, the president enjoys substantial power over policymaking. Both the seat-winning and ideology-shifting effects will be investigated in-depth. The use of case studies will allow for comparative analysis of these mechanisms both across time and across countries. In so doing, this chapter will be able to trace the chronology of the hypothesized processes involving

campaign finance laws, electoral outcomes, and redistributive policies. Thus, this chapter will add further evidence to the evaluation of causal mechanisms that began in the last chapter.

The rest of this chapter will include a discussion of the methodology and case selection as well as separate historical sections on campaign finance laws, pro-redistribution politics, and redistributive policy in both the US and Canada and conclude with an analytical comparison of these two cases. My analysis finds that both the seat-winning and the ideological-shift effects do play a role in connecting campaign finance laws to redistributive policy outcomes. These effects are not equally important in both countries. I argue that the party systems in each country partially determine the importance of each causal mechanism on redistributive outcomes as a whole. These findings, though, are subject to limitations concerning the availability of evidence and the validity of causal claims in small-n research.

Methodology

Two case studies are employed here which identify and evaluate the impact of causal mechanisms that may potentially link campaign finance laws and redistributive outcomes. This chapter builds on the previous chapters which established the general causal relationship between these variables and investigated possible causal mechanisms. Following Gerring's typology of case study methodologies (2017, 66), these *causal* case studies attempt to explain the dependent variable, redistribution. Furthermore, these case studies will be *diagnostic*—they evaluate certain hypotheses related to the independent variable. In this chapter, the hypotheses are potential causal mechanisms connecting campaign finance laws to redistribution. Importantly, then, this chapter tests two causal mechanisms, but not the whole theory, through tracing the process by which changes in campaign finance laws cause changes in redistribution. To reiterate, these two causal mechanisms are the seat-winning effect and the ideology-shifting effect. The seat-winning

effect involves candidates and parties with pro-redistribution views being more or less likely to win seats based on a change in campaign finance laws. The ideology-shifting effect involves candidates and parties changing their stated positions on redistribution following a change in campaign finance laws. "Paired country comparisons" are used as a "means of more carefully identifying salient differences and the causal processes behind them" (Eidlin 2018, 23). Furthermore, these case studies will follow a *deductive* approach whereby specific, theoretically-generated causal mechanisms will be investigated. This is in contrast to an inductive approach that would attempt to generate causal mechanisms from empirical observations. The deductive approach better controls for a researcher's own biases and allows for a more in-depth investigation of the pre-specified mechanisms.

There are several other issues concerning the validity of this methodology. First, one must be able to argue that differences in the independent variable between cases are not endogenous, otherwise any relationship may be spurious (Gerring 2017, 43). Second, cases should be representative of the cases one wishes to generalize to. Though it is impossible to capture all relevant characteristics in a small number of cases, cases should resemble the typical country one is interested in (ibid., 45). For example, in this study of the developed democracies, countries like Luxembourg or Iceland are not representative of most developed democracies. Third, for investigating causal mechanisms, the proposed connection between variables involved in the mechanism must not only be found, but must exist in the chronologically correct order. That is, the causal process must take place over time as hypothesized by the causal mechanism. Fourth, though controlling for confounding variables can be difficult without quantitative methods, one must try to eliminate as many alternative explanations of observations as possible. In small-n studies, this is best achieved through adopting an appropriate case selection strategy.

There are multiple possible case selection strategies for causal diagnostic case studies (ibid., 98). The choice of the best case selection strategy will not only address this last problem, but will also determine which forms of variation can be used for analysis. Accordingly, I will use a most-similar case selection strategy (ibid., 114). This strategy, from amongst the causal diagnostic case study approaches, requires that multiple cases are selected, most often two. Furthermore, selected countries must be similar in their confounding characteristics, while ensuring that they differ in their dependent and independent variables. In other words, "chosen cases exhibit different values on X, similar values on Z, and different values on Y" (ibid., 114). This case selection method controls for all confounding variables which are similar between cases, so that one may further isolate the effects of the independent variable on the dependent variable.

Selecting cases on their similarities also allows for analysis at two levels. In a most-similar design, cases can be studied cross-sectionally. That is, one can compare two cases side-by-side at their different values of X and Y, while keeping all Z values as similar as possible. The concern with this approach, however, is that all other factors are not likely to be equal. While one can select cases to maximize the level of similarity between them, there will likely be differences in relevant variables between cases. So, to bolster the validity of the analysis, one may also analyze each case longitudinally. An over-time comparison, then, adds additional veracity to the causal process under investigation, assuming that there is some variation in the variables of interest over time.

This chapter looks at post-World War II in the United States and Canada, with an emphasis on the last three decades. This period of study should focus attention on medium-term impacts on redistribution. Furthermore, this period exhibits variation in both redistribution and

campaign finance laws in both countries. As discussed above, these two cases were selected to maximize their similarities regarding variables that impact redistribution. Since there are many potential causes of redistribution, selected countries must be similar generally. Canada and the US are particularly suited to such a study due to their widespread similarities in culture, politics, and economics. Below I discuss the similarities that these two countries share on possible confounding variables related to economics, politics, and culture as well as the variation between the two countries on campaign finance laws and redistribution.

Canada and the US share a common colonial ancestor, at least for the British portion of Canada. This commonality, as "liberal fragments" of the old world British society (Eidlin 2018, 24), is the basis for the deeply-entrenched liberalism in each country. As a result, the countries share the basic tenets of liberal democracy. Their legal systems both emerged from the British system of common law. Additionally, both countries have high levels of ethnolinguistic diversity, traced back to their founding as independent states. The countries also share a similar level of economic development and close geographic proximity. Politically, both countries exhibit federalized systems whereby power is shared between the national government and states or provinces. Even as scholars often analyze the Anglophone democracies as a group (Nassmacher 2014), the US and Canada are regularly seen as strong comparison cases. Indeed, many scholars have used this comparison due to the close similarities between the countries (Eidlin 2018; Dawood 2006; Smith and Bakvis 2000; Boatright 2011a; Bizberg 2016; Beland 2017; Blank and Hanratty 1993).

These comparisons also go beyond general similarities. Both countries meet two other criteria outlined above. First, there is variation between these countries in terms of campaign finance laws and redistributive policies. While the US has generally had low levels of

redistribution relative to the developed democracies, Canada has been near the median. Furthermore, campaign finance regulations in both countries have existed for a half-century, which is longer than many other developed democracies. The timing of regulatory changes is also similar in the two countries, which will allow for more useful cross-country comparisons (Boatright 2011b). Second, the US and Canada are representative of the broader set of developed democracies. Though they are both Anglophone and non-European, they share many similarities with Western European countries. Both countries are also populous, developed, long-standing democracies. This representativeness increases the external validity of the case studies, making it easier to generalize results to other countries. However, the US is exceptional across the developed democracies in terms of its size of government and the role that markets play in providing goods and services (Pontusson 2005).

The most important area of difference between these two countries, at least for the subject of this thesis, are the differences in their political institutions and party systems. While the US has a presidential system that divides the legislature and executive, Canada has a parliamentary system where the two are joined. The US further splits power through a bicameral legislature. Although Canada does have a Senate, it rarely plays a key role in setting policy. Elections in Canada are usually held at the behest of the prime minister whereas elections are held at fixed times in the US. These institutional differences have led to substantial differences in party and electoral politics. In America, elections are wholly candidate-centric with parties playing relatively small roles in running elections (Nassmacher 2014, 278). In Canada, parties play a larger role in election campaigns. Despite sharing a first-past-the-post system with single-member districts, the two countries have different party systems. The US has two major parties which, between themselves, hold almost every seat in the legislature and executive. Canada, on

the other hand, has maintained, throughout its modern history, more than two important political parties. Normally, up to five parties win seats in the parliament (Eidlin 2018, 159). Furthermore, the party system has remained unstable over the past fifty years. In this time, seven different parties have governed or been the official opposition in the House of Commons. These institutional differences are essential to assessing the impacts of changes in campaign finance laws on redistributive policies.

In sum, a paired case study involving the US and Canada should allow for further evaluation of potential causal mechanisms. The use of qualitative case studies will allow for greater depth of inquiry and the documentation of chronological pathways while also, through the most-similar case selection method, controlling for many possible confounding variables.

United States of America

Before 1970

American campaign finance regulation began in 1883 when the US instituted laws prohibiting vote-buying and the use of civil servants in elections (Nassmacher 2014, 278). Yet, prior to 1970, the only other campaign finance regulations concerned disclosure of financing for candidates' campaigns and regulation of union and corporate contributions (ibid., 281). In this time, candidates became the central focus of campaign operations and, as a result, of regulations (Briffault 2016, 180).

During this period, the redistributive activities of the federal government also shifted fundamentally. While redistributive programs before the Great Depression were relatively scarce, the New Deal, World War II, and post-war boom from the 1930s through the 1960s saw massive increases in the level of redistribution undertaken by the national government. Though the US is often seen as a "welfare state laggard," the New Deal in the 1930s preceded many

similar programs in Europe (Beland 2017, 8). New Deal programs were largely forms of social insurance or social assistance, including the federal public pension system Social Security, Aid to Families with Dependent Children (AFDC), and Unemployment Insurance (UI). These programs exempted large groups of workers including domestic workers and those in the informal economy. Consequently, these programs remained smaller than similar universal programs developed in other developed countries (Blank and Hanratty 1993, 3).

Later policy developments followed this approach. The most significant of these policies were Medicaid and Medicare, which provided health insurance to the elderly and poor, and Food Stamps (Beland 2017, 9). Though redistributive programs were created and expanded, they remained smaller and narrowly targeted. Instead of providing services to all citizens, they provided only for a narrow range of the most vulnerable individuals.

The below graph displays federal government transfers as a percentage of personal disposable income over time. This data comes from the Federal Reserve and represents one measure of redistribution—the importance of government transfers for individuals after subtracting taxes and other non-discretionary expenses (FRED 2019). From 1929 to 1969 the extent of government transfers rose dramatically, from less than 1% of personal disposable income to over 6.5%. This growth was sharpest in the mid-1940s following WW2, but there was also steady growth in redistribution in the 1950s and 1960s, matching the trend described above.

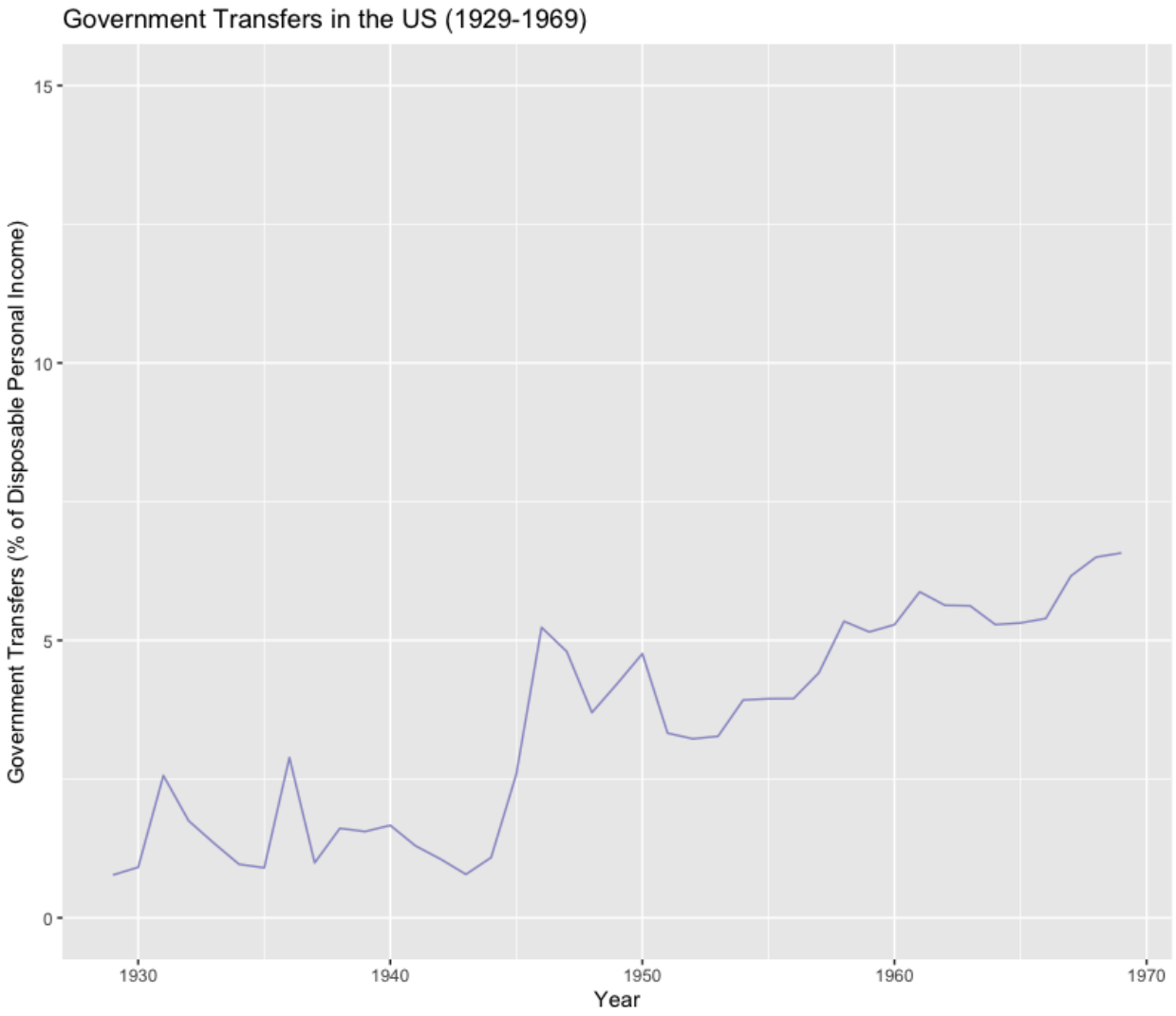

Figure 11 US Transfers (1929-1969)

1970 to 1990

In the early 1970s, the foundations of the modern US campaign finance system were created. This began in 1971 with the Federal Election Campaign Act (FECA). It increased disclosure requirements for campaigns and Political Action Committees (PACs)—independent organizations that collect contributions and engage in campaigns and other political activities. However, without a central enforcement agency these changes were largely unregulated (Briffault 2016, 177). In the same year, the Revenue Act was passed which established a public funding system for presidential candidates (Boatright 2011a, 87).

FECA was only revised, and significantly expanded, following the Watergate scandal under President Richard Nixon. The scandal exposed the illegal exchange of contributions for policies favorable towards business interests and large donors (Briffault 2016, 180). Congress responded in 1974 by passing a series of amendments to FECA which fundamentally reconfigured campaign finance law. The amendments instituted significant contribution limits on individuals and third parties, limits on candidate campaign spending, a much stronger set of disclosure requirements, and created the Federal Election Commission (FEC) to enforce these regulations (Smith and Bakvis 2000, 7).

The FECA update established a legal distinction between contributions and political expenditures (Whitaker 2018, 2). The role of PACs was codified into law, though their actions were somewhat restricted. Additionally, FECA defined an independent expenditure as "an expenditure by a person that expressly advocates the election or defeat of a clearly identified candidate, and 'is not made in concert or cooperation with or at the request or suggestion of' the candidate or a party" (ibid., 14). This was defined in contrast with coordinated expenditures that are "made 'in cooperation, consultation or concert, with, or at the request or suggestion of' the candidate or a party." (ibid., 14). Coordinated expenditures were subject to stricter regulations, while independent expenditures faced far fewer regulations.

In 1976, the Supreme Court partially overturned the FECA update in *Buckley v. Valeo*. The court ruled that restrictions on spending limited free speech and were therefore unconstitutional (Dawood 2006, 5). The Court upheld contribution limits, including an aggregate contribution limit across all federal races in a given year, as well as disclosure requirements (Whitaker 2018, 2). Additionally, the Court maintained that voluntary spending limits for

presidential candidates who accepted public funding were constitutional (Nassmacher 2014, 283).

In response to the *Buckley* decision, Congress passed further amendments to FECA in 1976 which strengthened disclosure requirements and contribution limits (Briffault 2016, 181). In 1979, Congress exempted money that was spent on "party-building activities" from many of the FECA contribution limits, opening the way for further outside spending (Boatright 2011a, 87). By the end of the decade, the stringency of existing campaign finance laws was not much stronger than the beginning of the decade. Though contribution limits and disclosure requirements were instituted, spending limits were nonexistent and third party advocacy groups were able to avoid contribution limits through "independent expenditures" by PACs and giving for "party-building activities" by parties. These "soft money" loopholes would become more important in the next decades of American campaign finance.

As the below graph shows, against this backdrop of fluctuating campaign finance laws, redistribution continued to increase, only leveling off in the late 1970s. During this time, support for redistribution remained high amongst those in control of policymaking. Control of the government was split between Republicans and Democrats evenly across the presidency. During the Nixon and Ford administrations, redistributive programs remained popular in both parties. Throughout the decade, the Food Stamps, Unemployment Insurance, and Supplemental Security Income (SSI) programs were expanded, while spending on welfare, healthcare, and public pensions remained constant (Blank and Hanratty 1993, 10).

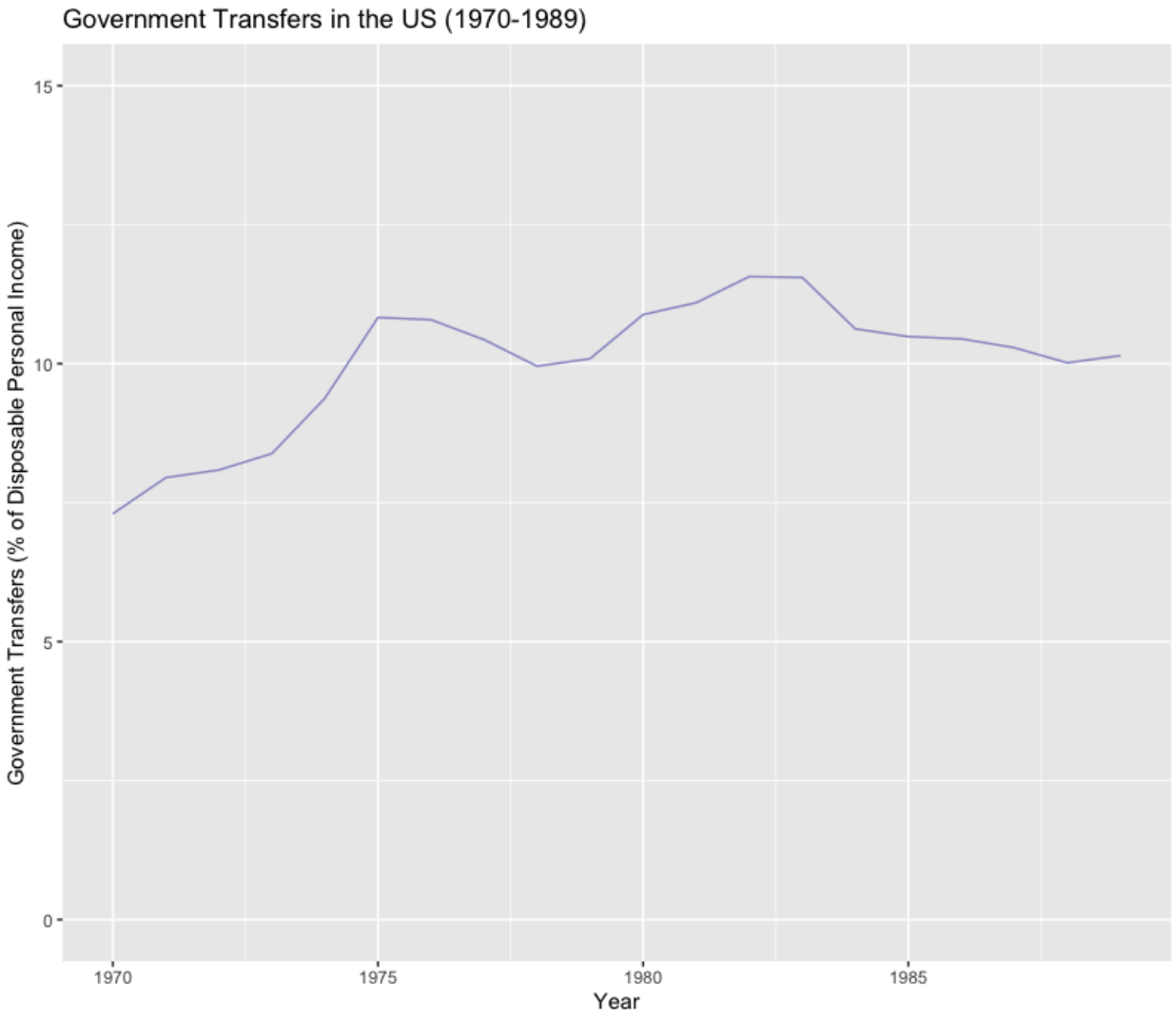

Figure 12 US Transfers (1970-1989)

Yet, following the multiple upheavals of campaign finance law in the 1970s, redistribution saw sustained decreases in the 1980s. While, for much of the 1970s, government transfers grew as a proportion of personal income, by the 1980s much of this growth had stagnated. Transfers grew slightly in the early 1980s due to a recession that contracted personal incomes, but the cuts to major redistributive programs precipitated a sustained decrease in this measure for over half-a-decade. This decrease lasting five straight years at the end of the decade was the first sustained decrease in this time series.

In 1980, Republican presidential candidate Ronald Reagan was swept into the White House and Republicans retook the Senate and reduced Democratic majorities in the House to their lowest levels in twenty years. This conservative, staunchly anti-redistributive turn would continue for the rest of the decade, with Republicans controlling the Senate for 6 years and the presidency the entire decade. Unlike previous Republican presidents such as Eisenhower, Nixon, and Ford, Reagan and his successor George H.W. Bush campaigned against the welfare state and called for reducing government intervention in the economy (Bizberg 2016, 11). Once in charge, they did just that, executing, throughout the decade, the dismantling of many redistributive programs. Moreover, these cuts were achieved with the support of Democrats who controlled the House, and for four years, both chambers of the Congress. This included repeated cuts to Food Stamps, the AFDC, the Supplemental Security Income program, and unemployment insurance (Blank and Hanratty 1993, 10). However, an attempt to cut Social Security benefits by the Reagan administration was soundly rejected by Democrats and Republicans. Furthermore, some of the most important redistributive programs, Medicare and Medicaid, remained unchallenged during this decade. By the end of the decade, the US had one of the smaller welfare states in the developed world, though it had never had a large welfare state. Still, estimates at the time found that if the US were to adopt contemporaneous Canadian social spending policies, total government expenditures on redistribution would increase almost two times (ibid., 7).

At the same time, the strength of unions declined significantly. Though this trend began in the early 1970s, and was partially fueled by the Democratic Party's movement away from organized labor, it accelerated under the Reagan revolution (Eidlin 2018, 253). Union density fell from over 25% in 1970 to under 15% in 1990 (ibid., 6). This decline occurred in tandem with a shift in the behavior of corporate leaders and wealthy individuals. Following the Powell

Memorandum (1971) which called for increased political activity and spending from corporate interests on behalf of the "American free enterprise system" (1), corporations and wealthy individuals became more active in politics. Corporations became more confrontational with both organized labor and the government and increasingly used the political arena as a path to desired policy outcomes (Mizruchi 2013). This involved increased campaign spending and lobbying efforts in Congress. Thus, a countermobilization of corporations occurred along with this rightward shift regarding redistribution.

There is substantial evidence to suggest that this anti-redistributive resurgence was in part caused by the more lax campaign finance laws of the post-*Buckley* era. First, throughout this period campaign finance regulation and practice continued to deteriorate. Further Supreme Court cases in the early and mid-1980s opened the way to increased independent expenditures by outside groups (Boatright 2011a, 87). In conjunction with legal changes, campaign finance practices changed. Soft money and spending from outside groups grew year on year. From almost nothing in 1978, soft money accounted for over $20 million in spending in 1984 and would continue to grow exponentially throughout this period (Dawood 2006, 6). Increasingly, donors turned to outside groups to easily spend beyond legal limits on behalf of candidates. By the end of this period, contribution limits were severely weakened. This trend, in conjunction with non-existent spending limits except for presidential campaigns, meant that campaigns became increasingly expensive and big donors increasingly influential.

Second, the increasing expense of campaigns and the greater opportunities to spend for outside groups likely benefitted Reagan's Republican Party. Herbert Alexander (1983) found that Reagan and the Republicans gained significant advantages over their Democratic rivals in comparison to the 1976 elections due to the new regulations extant in the weakened FECA. First,

the Republicans took advantage of a loophole which allowed them to conduct most of their operations with private funding despite spending restrictions on presidential candidates who accepted public funding (ibid., 311). Second, independent expenditures increased from $300,000 in 1976 to nearly $11 million in 1980 and heavily favored Reagan and the Republicans (ibid., 303). Alexander argues that this funding advantage aided conservatives up and down the ballot. Contemporary regression analysis found that Republican campaign spending monotonically increases candidate vote shares, meaning that this increased spending translated to higher chances of winning seats (Patterson 1982). Furthermore, regression analysis found that the increasing cost of campaigns, in which incumbents vastly increased spending in 1982 and onward, increased incumbency advantages (Abramowitz 1991). This advantage may have solidified the electoral gains made by Republicans in the 1980 election.

Lastly, Harvey (2019) used a difference-in-differences design to assess the causal impact of the *Buckley* decision on the electoral prospects of Democrats and Republicans in later elections. Across numerous models, sets of controls, and robustness checks, she finds that the *Buckley* decision "led to increased Republican vote shares, increased Republican candidate entry, and decreased Democratic candidate entry in state legislative and gubernatorial elections in states affected by the ruling, as well as increased Republican House vote shares and the election of more conservative House incumbents in states both affected by the ruling and holding concurrent federal and state elections" (Harvey 2019, 1). This research suggests that the weakening of campaign finance laws in the late 1970s, and their continued deterioration, benefitted Republicans electorally and helped make cuts to redistribution possible.

1990 to 2000

There were no major legal changes in campaign finance this decade. Yet, this decade saw campaign finance at the federal level reach a crisis point as interest groups, parties, and candidates exploited the system to fund their political activities. The use of soft money, which had grown steadily throughout the previous decade, became increasingly common. Outside groups attempting to fund a political cause or candidate had multiple avenues they could pursue; they could give to parties for "party-building activities," they could conduct independent uncoordinated expenditures through exempted PACs, or they could conduct issue advocacy (Briffault 2016, 181). Candidates faced a fundamental tension established in the *Buckley* decision: expenditures were unlimited while revenue sources were restricted. This forced candidates to seek out greater sums of money from more sources, but even more so, it forced candidates and parties to turn to soft money and outside groups to provide additional spending (ibid., 181). These dynamics led to ever more expensive campaigns, which in turn caused candidates to seek out greater funding. This cycle, though it began in the early 1980s, became more difficult to ignore in the 1990s. The amount of independent expenditures more than doubled from 1992 to 2000 (Center for Responsive Politics 2019).

These changes increased the importance of soft money and outside groups to campaign finance as a whole. Accordingly, a greater number of outside groups entered the political arena and began devoting resources to funding political activities. By the end of the decade, soft money accounted for 42% of campaign spending, nearly $500 million in total (Dawood 2006, 6). In the sixteen years from 1984 to 2000 the amount of soft money spending grew twenty-five fold and its share of total spending in elections nearly tenfold. This increase came as both major parties courted soft money contributions from unions, corporations, and wealthy individuals

(Boatright 2011a, 6). In effect, then, this period saw a further deterioration of campaign finance law, as legal limits were increasingly ignored and bypassed by outside groups and political actors through loopholes.

The crisis of the system sparked the beginnings of reform efforts. While issues with escalating funding levels were one cause of reform attempts, so were a series of Clinton administration fundraising scandals (ibid., 6). Though attempts by reformers like Republican John McCain and Democrat Russell Feingold did not immediately succeed, they laid the groundwork for the successful passage of legislation in the next decade. However, reform efforts narrowed to focus on restricting soft money and third party spending following the 1996 election (ibid., 5)

In this period, there was another shift in the political landscape of the country. Bill Clinton and the New Democrats precipitated a rightward shift in the Democratic Party with respect to redistribution (Hale 1995). Though Democrats held the presidency for eight years in this decade, they controlled both chambers of Congress for four years while Republicans controlled both chambers for six years. The Clinton administration replaced the AFDC with the Temporary Assistance for Needy Families (TANF), a move that significantly reduced the amount of government welfare spending by cutting benefits and eligibility (Beland 2017, 15). Smaller cuts were made to unemployment insurance and the Food Stamps program through restricting eligibility (Blank and Hanratty 1993, 10). While redistribution declined further over this time, it did not decline as sharply as in the 1980s. In fact, as the below graph shows, the scale of government transfers fell during the Clinton administration from 1992 to 2000, but finished around the same level as the Reagan administration ended in 1988. These cuts, then, mainly eliminated increases in transfers that had risen due to a recession in 1990. On the whole,

these cuts were small compared to the 1980s but represented a new, more anti-redistributive policy stance from the Democratic Party.

Figure 13 US Transfers (1990-1999)

Overall, the 1990s represented a further deterioration of campaign finance regulations along with smaller cuts to the welfare state's redistributive programs. In contrast to the 1980s, these cuts were led by the Democratic Party, which had shifted towards anti-redistributive positions. The New Democrats came to prominence as the Democratic Party increased its fundraising operations through fully embracing soft money, following the lead of Republicans. Scholars have argued that increased outside spending during this period led to greater electoral

success (Gerber 1998; Magleby 1999). Though the rightward shift of the party predated Clinton—the centrist Democratic Leadership Council (DLC) had been growing since 1985—his election solidified this trend (Hale 1995). Clinton announced his presidential candidacy in 1991 by staking out a middle ground saying, "the change we must make isn't liberal or conservative, it's both and it's neither" (Morgan 2004, 1018). His policy positions matched his rhetoric as every major issue position he endorsed matched that of the DLC's New Democrat agenda (Hale 1995, 226). He continued these more right-leaning positions into the general election, building them into the party platform at the Democratic National Convention (ibid., 227).

Once in office, Clinton and the New Democrats retained these centrist positions. This was true for the administration's approach to financial regulation, welfare reform, and macroeconomic policy. Unlike previous decades, the 1990s Democrats fully embraced the financial industry as donors and members of their coalition (Blinder 2013). Though this had also begun in the 1980s, the New Democrats completed the incorporation of finance as a coalition partner and political ally (Schlozman 2016, 4). The administration subsequently pushed financial deregulation with the repeal of the Glass-Steagall Act and neglected to regulate derivatives markets (Blinder 2013). As mentioned above, the administration's largest redistributive retrenchment was through welfare reform. Here, Clinton used right-wing rhetoric to frame the welfare system as broken and destructive to personal responsibility. In 1994, he argued for "a comprehensive welfare reform bill that will liberate people from the dependence of a system that has aggravated some of the worst pressures in the breakdown of the family in this country" (Carcasson 2006, 660). In his 1995 State of the Union Address, Clinton claimed that welfare was meant to be "a second chance, not a way of life" and that "anyone who can work must go to work" (Clinton 1995). These statements echo traditional Republican talking points used against

the welfare state and greater levels of redistribution. Finally, scholars have described the macroeconomic policies of the administration as obeying "a politics of fiscal restraint" as opposed to spending on "big-ticket programs" (Schlozman and Rosenfeld 2019, 5). The administration followed "a middle-way strategy between tax and spend liberalism and the trickle down ethos of Reaganomics" (Morgan 2004, 1019).

The campaign finance practices of the Democrats during this time may have influenced these rightward shifts. Along with the increase in outside spending, analyses of congressional votes during this time found that recipients of corporate donors in both parties voted together on economic issues (Peoples and Gortari, 2008). These facts, taken together, suggest that the Democratic embrace of soft money and big money donors may have hastened a shift to the right on redistribution.

2000 to the Present

Congress' attempt to resolve decades-long campaign finance issues resulted in the passage of the Bipartisan Campaign Reform Act (BCRA) in 2002. Reform finally passed, in part, due to further scandals that emerged surrounding political contributions from the Enron Corporation (Boatright 2011a, 21). The BCRA focused mainly on regulating outside spending in the form of soft money, campaign contributions, and issue advocacy. As such, the act only moderately strengthened regulations. The act prohibited soft money contributions by businesses, unions, and individuals, made any ads that mentioned candidates by name illegal unless they were funded by PACs, and, to replace this lost funding, raised contribution limits to campaigns (Whitaker 2018, 6).

As with FECA, the BCRA faced an immediate legal challenge. In 2003, the Court upheld most major provisions of the BCRA in *McConnell v. FEC* (Dawood 2006, 2). However, over the

next decade, a series of Supreme Court decisions gradually undid most of the BCRA. This began in 2007, but the most serious blow to reform was struck in 2010 when the Court ruled in *Citizens United v. FEC* that FECA prohibitions on independent expenditures by corporations and unions were unconstitutional as were the BCRA's prohibition on the use of such funds for electioneering communications (Whitaker 2018, 19). As a result, corporations and unions were able to fund independent expenditures directly from their revenue funds. This ruling paved the way for a decision made by the D.C. Appellate court that same year, *SpeechNow.org v. FEC*, which "held that limits on contributions to groups making only independent expenditures are unconstitutional" (ibid., 18). This ruling made super PACs–PACs which only make independent expenditures and thus can be funded without limit–legal. In essence, then, as with FECA, the Supreme Court ended up invalidating much of the advances made through major campaign finance regulation. Unlike FECA, however, the dismantling of the BCRA occurred over a series of cases from 2007 to 2014 and was most seriously affected in 2010, six years and two presidential elections after the implementation of the legislation. Consequently, though the BCRA has not affected campaign finance regulation to a significant degree since 2010, its provisions did play a role in electoral activities in the intervening period.

During this time the public funding system collapsed. Since 1974, presidential candidates have had the opportunity to take public subsidies for their primary and general election campaigns in exchange for spending limits on their campaigns. Since 2012, neither of these subsidies have been taken by the major party nominees (Nassmacher 2014, 292). Amidst rising costs in the 1990s, a few primary candidates refused subsidies, though these candidates did not end up winning their party's nomination. Since 2000, no candidate who has won the nomination has taken subsidies in the primary, including Al Gore and George W. Bush (Briffault 2016, 191).

Obama became the first general election presidential nominee to reject these subsidies in 2008, an election in which he outspent McCain three-to-one (Boatright 2011b, 8). From then on, every subsequent nominee has rejected public funding as well. Public subsidies became only a small proportion of the funding available to presidential candidates. In 2012, the first year in which neither major party candidate took public money, public funding would have accounted for only .6% of total spending (Nassmacher 2014, 292).

These changes in regulations affected campaign finance in practice. The cost of campaigns continued to grow throughout this period. In 2000, $3.8 billion was spent on behalf of all federal candidates; this rose to $4.3 billion in 2004, to $4.8 billion in 2008, and jumped to $5.8 billion in 2012 (Nassmacher 2014, 297). The below table, using data from the Center for Responsive Politics, shows the amount of funds raised by both major parties and their committees in millions of dollars. Party fundraising grew quickly from 2000 to 2002, even though it was a midterm election year. In 2004 fundraising levels decreased from 2002 following the passage of the BCRA. Yet, the amount of money raised by the parties continued to grow from 2006 to 2010, though at a slower rate than from 2000 to 2004. Fundraising grew to its highest levels from 2012 to 2018 in the period after the *Citizens United* ruling.

Table 11 Party and Committee Fundraising (in millions)

Year	Dem Party	Rep Party	DNC	RNC	DCCC	NRCC	DSCC	NRSC
2000	631.10	922.60	176.00	246.10	61.25	213.50	49.13	61.48
2002	862.10	1212.00	210.30	356.30	167.60	412.30	177.50	143.70
2004	824.50	981.30	404.70	392.40	92.95	185.70	88.66	78.98
2006	601.90	791.50	131.20	243.10	140.00	176.30	121.40	88.81
2008	961.90	920.40	277.80	444.80	176.20	118.30	162.80	94.42
2010	817.00	587.10	229.60	198.80	163.90	133.80	129.50	84.51
2012	1070.00	1022.00	316.30	409.50	183.80	155.70	145.90	117.00
2014	854.40	666.20	168.30	195.00	206.80	153.50	168.30	128.30
2016	1292.00	969.20	372.20	343.40	220.90	170.60	179.80	138.40
2018	954.70	994.00	176.80	324.80	296.40	205.80	148.70	151.60

These changes are also evident in the data on third-party spending. This table, taken from the Center for Responsive Politics, shows that outside spending increased throughout the 1990s. But, outside spending became most prevalent in the 2000s. First, despite the passage of the BCRA, total spending increased dramatically in 2004, though this is partly due to tracking previously unmeasured electioneering communications. Second, spending rose more gradually from 2004 to 2010. Third, outside spending tripled from 2010 to 2012 and remained high for the rest of the decade. These numbers show the changing spending habits of outside groups in the FECA era up to 2004, the BCRA era up to 2010, and the *Citizens United* era from 2010 to the present of American campaign finance regulation.

Table 12 Outside Group Spending

Cycle	Total	Independent Expenditures	Electioneering Communications	Communication Costs
2020	$135,824,337	$135,176,210	$592,005	$56,122
2018	$1,092,205,852	$1,073,410,766	$14,431,503	$4,363,583
2016	$1,417,264,864	$1,388,791,795	$10,473,378	$17,999,691
2014	$567,026,509	$549,364,340	$8,558,578	$9,103,591
2012	$1,038,747,447	$1,002,145,869	$15,437,830	$21,230,660
2010	$309,833,966	$205,519,016	$79,291,379	$25,023,571
2008	$338,441,092	$143,659,191	$131,137,181	$63,644,720
2006	$69,565,098	$37,832,164	$15,436,132	$16,296,802
2004	$193,129,472	$63,885,795	$98,898,197	$30,345,480
2002	$27,686,417	$16,747,650	N/A	$10,938,767
2000	$51,638,411	$33,778,636	N/A	$17,859,775
1998	$15,171,680	$10,266,937	N/A	$4,904,743
1996	$17,877,345	$10,167,742	N/A	$7,709,603
1994	$9,534,447	$5,219,215	N/A	$4,315,232
1992	$19,629,812	$10,943,536	N/A	$8,686,276
1990	$7,213,219	$5,650,524	N/A	$1,562,695

There is convincing evidence that these changes in campaign finance benefitted Democrats following the BCRA and Republicans following the *Citizens United* decision in a way that altered redistributive outcomes. First, consider the impact of the BCRA on electoral outcomes.

Prior to the BCRA's passage, soft money allowed the parties to raise large sums of money directly so that outside spending was relatively less important. Republicans controlled the

presidency and both chambers of Congress at this time. The implementation of the BCRA in 2004 led to dramatic changes in campaign finance activity. While measured outside spending increased by $166 million, nearly $100 million of this was from electioneering communications which had not been disclosed in prior elections. Furthermore, the amount raised by the parties and their committees fell by nearly $500 million. This was true despite many short-lived "527" groups that attempted to circumvent BCRA regulations by courting former soft money donors (Boatright 2011b, 7). In response to these new laws, both parties, but especially Democrats, moved to raise "hard money" through smaller donations. In particular, Howard Dean's 2004 presidential primary campaign showed the viability of small-donor funding and he continued to expand this fundraising approach as DNC chair in 2006 (ibid., 2). The next presidential election year, 2008, saw further increases in funding largely spurred by stronger party funding and especially by new grassroots, internet-based funding that built off of Dean's work by the Obama presidential campaign (Boatright 2011a, 161). As a result, parties, especially the Democrats, had adapted to the new regulatory environment by replacing soft money with hard money and outside expenditures.

The BCRA, during this time, had effectively accomplished its main goals according to contemporary researchers and this, in turn, had benefitted Democrats. In particular, Malbin (2006) found that the first two elections under the BCRA in 2004 and 2006 achieved the goals of the legislation almost entirely. These elections featured the elimination of soft money and an accompanying increase in small donations (ibid., 3). Furthermore, soft money donors largely did not spend their money on politics in other forms, instead hard money became central and disproportionately benefitted Democrats (ibid., 10). Weissman and Hassan (2006) confirm these effects, even when accounting for the "527" groups which appeared in 2004. The amount of

money spent by these groups was far less than that spent on soft money in prior elections (ibid., 81). Abrams (2004) found that the BCRA had benefitted Democrats due to the previous differences in the soft money fundraising abilities of Democrats and Republicans. This evidence suggests that the gains Democrats made in 2006 and 2008, where they retook the presidency and both chambers of Congress, were aided by their relative fundraising advantage against Republicans in this period. Furthermore, they won, during the Great Recession, by endorsing a more pro-redistributive set of policies than had been seen for decades. Given that campaign spending does impact electoral outcomes, a proposition that has strong empirical support (Jacobson 1978; Jacobson 2006; Harvey 2019; Gerber 1998), the Democratic resource advantage–which was, in part, caused by the BCRA's regulations–helped them retake control of the government.

Second, consider the impact of the *Citizens United* decision on Republicans and, especially, anti-redistributive positions in the Congress. As the above tables demonstrate, spending increased for parties and dramatically so for outside groups following the decision. Super PACs and "dark money" groups made it easier to spend large amounts. Democrats, who at first opposed super PACs in 2010, quickly copied Republican efforts to utilize them in all subsequent campaigns for the rest of the decade (Boatright 2011b, 13). In 2012, Obama received 10% of his campaign's funding from third parties whereas Romney received more than a third of his funds through third parties (Nassmacher 2014, 281). Moreover, much of this increased spending came from established anti-redistributive groups like the Chamber of Commerce, but some also came from new Republican-connected groups like American Crossroads (Boatright 2011b, 2). Many of these groups engaged in spending that would have been illegal in the last election (ibid., 2). In the 2010 midterms, Republicans, and particularly strongly anti-government-

spending Tea Party Republicans, won big. They gained sixty-three House seats and six Senate seats which prepared the way for Republicans to control the House for eight years in this decade and the Senate for six years (Boatright, 2011b).

Scholars have linked this Republican resurgence in 2010 and afterward to the changes in campaign finance following the *Citizens United* decision; arguments in scholarly research indicate that *Citizens United* spurred an increase in Republican electoral fortunes. Furthermore, this research has indicated that the stripping of campaign finance regulations on outside groups helped more anti-redistributive Republicans win office. Though La Raja and Schaffner (2013) find that spending limits in states have not altered the partisan balance of power in a period from 1968 to 2009, research which considered the causal impact of the 2010 decision has found a significant partisan effect. Klumpp (2016) used a difference-in-differences design to show that "*Citizens United* bolstered the reelection probabilities of Republican incumbent in state House races, and has led to an increase in the number of Republican incumbents who run for reelection in state House races" (31). Further research found that, while independent expenditures increased almost six-fold from 2008 to 2012, this increase came from a mix of corporate spending and, especially, wealthy contributors (Hansen, 2015). Heberlig and Larson (2014) found that the ruling had significantly altered the fundraising behavior of candidates, leading them to raise more money and turn more towards independent expenditures and super PACs for funding. Additionally, there is evidence to suggest that the decision altered economic policy in favor of corporations. Klumpp finds that the decision increased the political influence of corporations relative to unions (3). Furthermore, Burns and Jindra (2013) found that companies in more heavily regulated industries and headquartered in states with stronger campaign finance regulations increased their value significantly following the decision. All in all, this research

points to the causal influence of the court decision on the Republican wave in 2010 and after. This wave was influenced by large increases in available funding for campaigns.

The effects of these legal changes on the fates of the two major parties can also be seen in the data on party fundraising and ideological spending (Center for Responsive Politics 2019). The below graph shows the total amount of money raised by the two parties and their committees over this period. As can be seen from the graph, Republicans dominated fundraising in the early 2000s, but this advantage shrank following the passage of the BCRA. By 2008, Democrats had matched the fundraising abilities of Republicans and grew their fundraising abilities near the end of the decade. Here the impact of regulations in the FECA and BCRA eras can be seen, when fundraising was mostly through the parties or party committees.

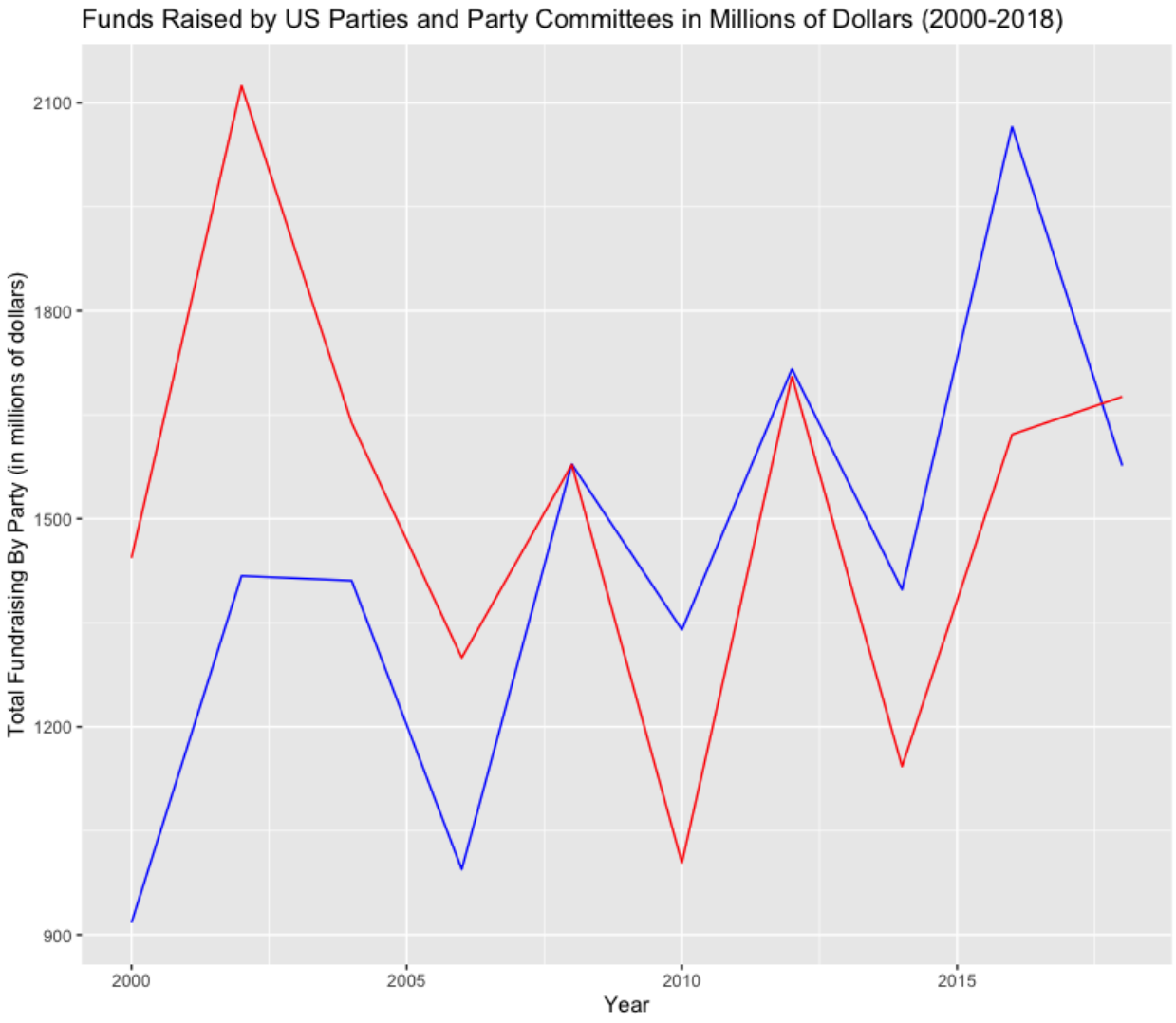

Figure 14 Democratic and Republican Party Fundraising

However, the advantage that more conservative groups and Republicans gained from the *Citizens United* ruling can be seen in the below graph from the Center for Responsive Politics which displays the total amount of outside spending by third parties with either conservative or liberal viewpoints. Outside spending tended to be more favorable to liberals through the late 1990s and early 2000s though, as described earlier, this amounted to a small proportion of campaign spending. Following the BCRA, the importance of this spending increased somewhat and continued to favor liberal viewpoints. This changed following the *Citizens United* ruling, as conservative third parties outspent liberal ones in 2010. This advantage grew enormously from

2010 to 2012 and continued for much of the decade, with conservative groups accounting for the majority of outside spending.

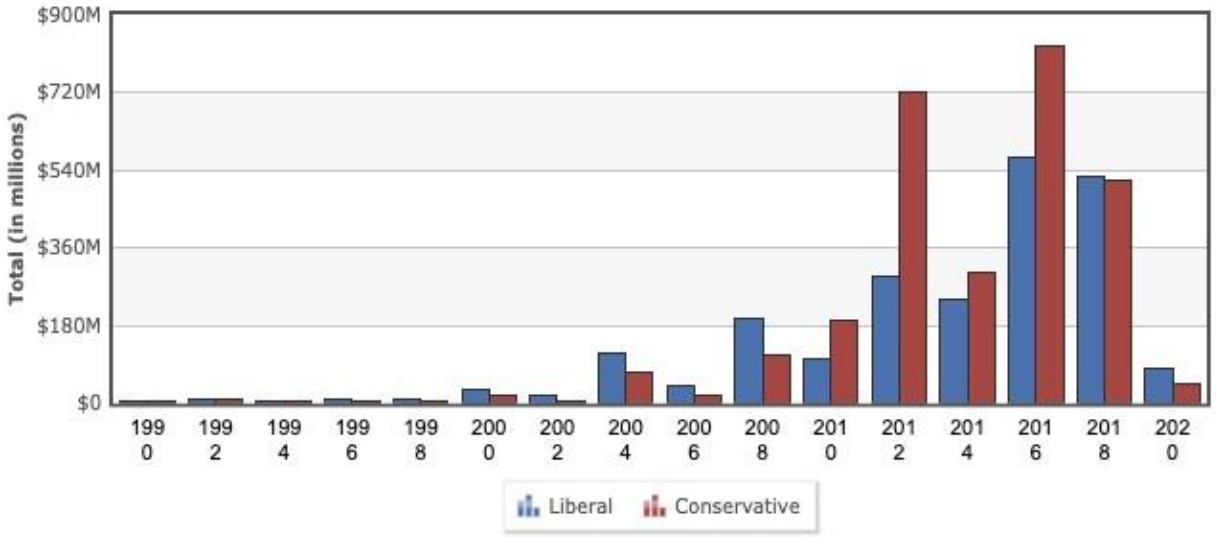

Figure 15 Outside Spending by Ideology

Thus, these two graphs summarize the effects of the campaign finance law changes on campaign spending trends. Prior to the BCRA, outside spending was growing and favored liberals but party fundraising predominated where Republicans were stronger. The BCRA reduced Republican fundraising and allowed Democrats to draw even. But, following the dismantling of the BCRA, most dramatically in 2010, Republicans benefitted greatly from outside spending which allowed for the election of more anti-redistributive legislators (Klumpp, 2016).

These effects then translated to changes in redistribution over this period. Redistribution remained largely constant for most of the 2000s. Republicans failed to push through further cuts to redistributive programs, including an attempt to partially privatize Social Security in 2006 which Democrats blocked (Beland 2017, 17). From 2008 to 2010, control of the legislature and executive allowed Democrats to pass, for the first time since the late 1970s, a series of policies

that increased redistribution. These include most prominently, additional funding for Unemployment Insurance, Food Stamps, and Social Security recipients as a part of the Recovery Act of 2009 and the first major expansion of government health coverage in half a century with the Affordable Care Act (Prante and Hodge 2013, 9). These policies, as well as automatic stabilizers that were activated by the Great Recession, increased redistribution substantially. As a contemporaneous study from the Tax Foundation found, middle-income and working lower-income households were the groups most targeted by the economic stimulus and were the biggest net beneficiaries of increases in redistribution from 2000 to 2012 (ibid., 2). Following the Republican gains in 2010 and their continued control of the legislature for the rest of the decade, no further increases in redistribution were undertaken. Though a populist surge throughout the developed democracies has increased support for redistribution in both parties, this has not translated to any further increase in redistribution under the Trump administration.

Thus, the below data on government transfers as a percentage of personal disposable income shows a sharp increase in redistribution in following the Great Recession and Democratic control of the federal government from 2008 to 2010. But, in the time surrounding these periods, there is only a modest increase in redistribution from 2000 to 2006 and a slight decrease from 2012 to 2019.

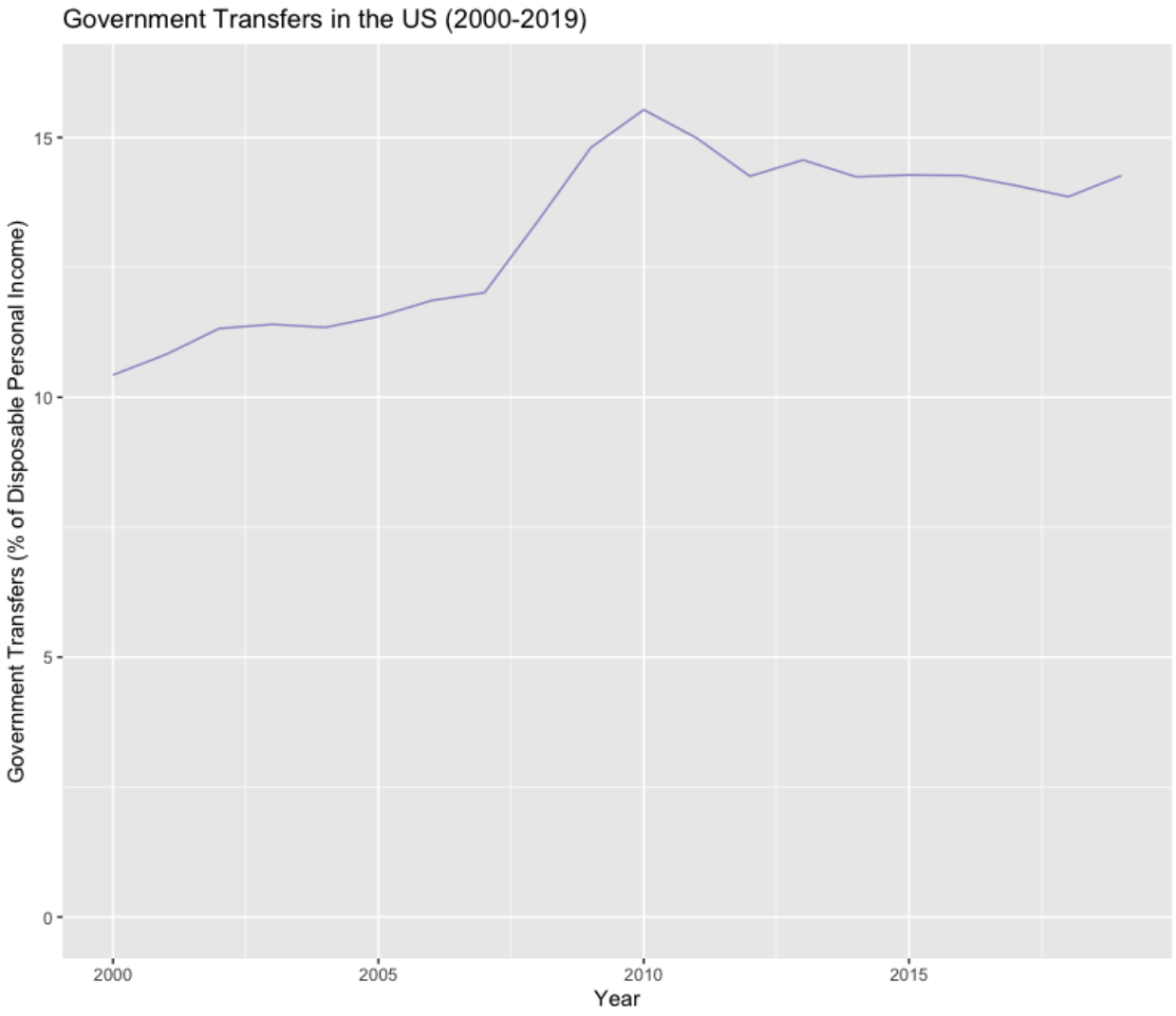

Figure 16 US Transfers (2000-2019)

Canada

Before 1970

As with many other countries in the world, Canada did not significantly develop campaign finance regulations until the modern era. What little regulation there was laid the groundwork for Canada to use an "expense-centered" system of regulations. That is, like the UK

and New Zealand, campaign finance regulations in Canada focused mainly on regulating the spending of parties, candidates, and outside groups (Nassmacher 2014, 284). This lenient state of regulation became an issue of increasing concern starting in the 1960s. In the 1963 election, the Liberal Party included a promise to reform campaign finance in its platform (Smith and Bakvis 2000, 6). Upon becoming the governing party, they "appointed an Advisory Committee to Study Curtailment of Election Expenditures" (ibid., 6). The concern about campaign finance laws in the 1960s ultimately made reforms in the next decade possible.

Politically, the post-World War II period saw the emergence of the modern Canadian party system. This system is atypical amongst similarly organized states. Though Canada has a parliamentary system where representatives are elected in single-member districts using first-past-the-post to decide on the winner, it has more than two major parties. While the Liberal and Conservative parties have been historically dominant, there are often two to three minor parties that hold seats in parliament. These include regional parties, like the Bloc Québécois (BQ), and national parties, like the New Democratic Party (NDP). Additionally, this period exhibited the early instability of the party system, with parties coming in and out of relevance, that would be persistent in later decades (Boatright 2011a, 28).

In this period the Canadian welfare state was established at levels approaching those of West European states. Motivated by the Marsh Report in 1943, Canada built a series of universal, redistributive programs in the post-war period (Banting and Myles 2016, 9). This included, over the next three decades, a Family Allowance program, Old Age Security (OAS), universal healthcare in the form of Medicare, a Guaranteed Income Supplement (GIS) for seniors, and the Canada and Québec Pension Plans (CPP/QPP) (Beland 2017, 9).

The below graph shows the change in government transfers in Canada (Statistics Canada 2019). This measure is comparable to the measure used for graphs on government transfers in the American section. In 1961 the level of government transfers was about double that of the US and, though transfers fell somewhat during the early 1960s, they increased sharply at the end of the decade. By 1969, government transfers in Canada were slightly less than double that of the US.

Figure 17 Canada Transfers (1961-1969)

1970 to 1990

The pressures to update campaign finance regulations, largely driven by the lack of overall regulation, pushed Canadian lawmakers to fundamentally reshape campaign finance law. In 1974 the Election Expenses Act (EEA) was passed as an overhaul of the existing system. First, strict disclosure and reporting requirements were instituted to increase the transparency of elections (Smith and Bakvis 2000, 6). Second, public funding was introduced through partial reimbursement of campaign expenses. Third, spending limits were increased and broadened to all candidates and parties, all third parties, and specific limits on spending on broadcast media (ibid., 8). Though the act did not restrict contributions, one of its stated goals was to limit the dependence of parties on corporate donors. In this respect, the EEA was successful. Whereas corporations and unions accounted for 75% of donations for the Liberal, Progressive Conservative, and NDP parties before the EEA, they only accounted for between 40% and 50% of funding for elections in the 1980s (Boatright 2011a, 87).

As a result of these changes, elections in the late 1970s and 1980s featured more diverse funding sources even as they became more expensive. Though the total amount spent on elections nearly doubled between 1972 and 1984, much of this increase is attributable to increasing public funding and small-donors (Nassmacher 2014, 292). Over this time, the Canadian public subsidy was more than eight times larger than the American one (ibid., 293). While the new campaign finance law framework created by the EEA, unlike in the US, was upheld for a decade, challenges began to appear in the mid-1980s. In 1984, an appeals court struck down the limitation on third party spending (Dawood 2006, 7). In response, Parliament created the Royal Commission on Electoral Reform and Party Financing, or the Lortie Commission, following the 1988 election.

Politically, the Liberal and Progressive Conservative parties controlled the government in turns. Except for a failed four-month minority government by the Progressive Conservatives, the Liberals under Prime Minister Pierre Trudeau controlled Parliament from 1968 to 1984. For most of this time, they had a majority government–meaning they controlled a majority of seats in the House of Commons. Under the Liberals, redistribution increased in the 1970s and remained constant in the early 1980s. In comparison to peer countries like the US and the UK, the Canadian welfare state was large. Indeed, scholars have characterized Canada as having a hybrid liberal and European social security system (Bizberg 2016, 5).

The resilience of the Canadian welfare state was partly due to pro-redistribution views across the parties. There were multiple failed attempts under the Liberal government to cut back spending that were rejected by pro-redistribution members across all major parties. In the 1970s the government's Social Security Review argued for reducing the universality of social spending programs but did not lead to any major legislation (Banting and Myles 2016, 9). Similarly, Trudeau in 1982 appointed the Royal Commission on the Economic Union and Development Prospects for Canada, also known as the Macdonald Commission, to investigate changes to the welfare state. The Commission recommended sweeping changes to universal programs, moving them towards means-tested social assistance models (ibid., 9). This report came as the Progressive Conservatives took power under Prime Minister Brian Mulroney with large majorities for the remainder of the decade. Yet, significant cuts also failed to materialize under the Mulroney government of the 1980s due to a lack of support from MPs (Beland 2017, 12). As late as the 1988 election, "voters for the three main parties differed little in their attitudes toward income redistribution" (Banting and Myles 2016, 21).

Following this path of historical development, government transfers as a share of disposable personal income changed gradually over this period. For much of the early 1970s transfers continued to grow and remained substantially higher than the US. There was a sharp drop in the early 1980s due to the same recession that affected the US, though it was more severe in Canada. But, for the rest of the decade under the Trudeau and Mulroney governments, redistribution levels remained at the same high levels.

Figure 18 Canada Transfers (1970-1989)

1990 to 2000

Starting in the previous decade, Canadian campaign finance regulation faced its own, less serious, form of the American campaign finance crisis. Even as the EEA remained mostly in effect, the Court's revocation of third party contribution and expenditure limits meant that spending continued to increase in 1993 and 1997 (Nassmacher 2014, 279). Though the combination of campaign spending limits and public funding created a financial floor and ceiling of spending for each party and candidate, these limits continued to grow over time (Smith and Bakvis 2000, 14). By the early 1990s, legal scholars and public advocates argued that corporations and labor unions had increased their influence over party politics through funding, and were especially helpful to the two dominant parties (Boatright 2011a, 87). The Lortie Commission, created in the previous decade, completed its investigation in 1991 and recommended the reinstitution of spending limits on third parties as well as further disclosure requirements for outside actors (Smith and Bakvis 2000, 10). Following the report of the Lortie Commission, Parliament passed Bill C-114 which limited the amount of third-party advertising (Beange 2009, 2). However, a Supreme Court case in 1997, *Libman v. Quebec* struck down this regulation (Dawood 2006, 7). Consequently, there were no lasting legal changes throughout the 1990s despite the increased attention to issues of campaign finance. These reformist tendencies would, however, translate to lasting changes in the 2000s.

A series of campaign-finance-related scandals that dogged political leaders of the 1990s spurred the eventual changes in the 2000s. Though Mulroney's Progressive Conservatives continued to rule until 1993, that year's election was a disaster for the right. The Progressive Conservatives split, with many going into a right-wing Reform Party. This split handed control to the Liberals and allowed the Bloc Québécois to become the official opposition. The Liberals

under Jean Chrétien would remain in power until 2005, always with majority governments. The early Chrétien years saw multiple scandals related to patronage and financial mismanagement where wealthy donors were implicated (Beagne 2009, 5). In the late 1990s, the "sponsorship scandal" involving trading government contracts for donations spurred further anger and calls for reform.

Yet, the responses to these scandals would reach their endpoint in the next decades' reforms. While in power, the Liberals, working with fractured conservative parties, pushed through the most dramatic cuts to the Canadian welfare state in its history. It is worth noting, however, that the severity of these cuts was still less severe than the cuts seen in the 1980s and 1990s in the US. Scholars have argued that the fractured party system, along with an anti-redistributive Liberal leadership, made these cuts possible (Banting and Myles 2016, 16). This included cuts to Family Assistance, unemployment insurance, the CPP/QPP system, and Social Assistance (Davies 2013, 3) Nevertheless, these cuts were made following lawmakers' rejection of more extreme retrenchment attempts (Bizberg 2016, 10).

As in the US during this time, transfers grew in the early 1990s, likely in response to brief recessions, but were cut back down by liberal governments in the latter part of the decade. Though, as before, the level of transfers in Canada remained substantially higher than in the US.

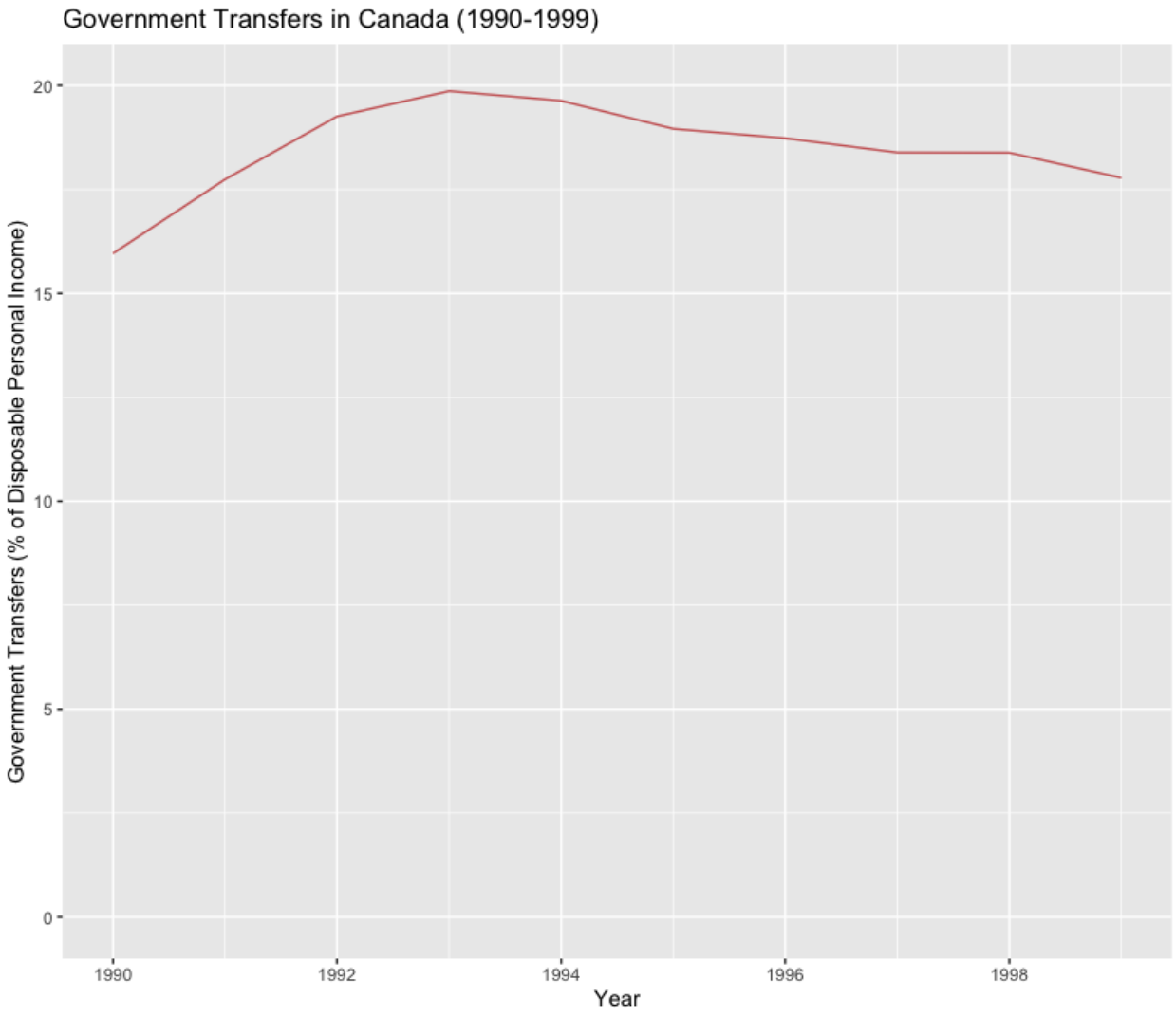

Figure 19 Canada Transfers (1990-1999)

Additionally, data from Elections Canada, the parallel agency to America's FEC, show that party fundraising continued to grow over this period, but that the Liberal party maintained a large advantage over its rivals due to fragmentation amongst the conservative parties. The Liberals are the largest fundraiser in all years of this graph. But, this is in part because conservative parties including the Progressive Conservatives, the Reform Party, and the Reform Conservative Party were competing for donors throughout this period.

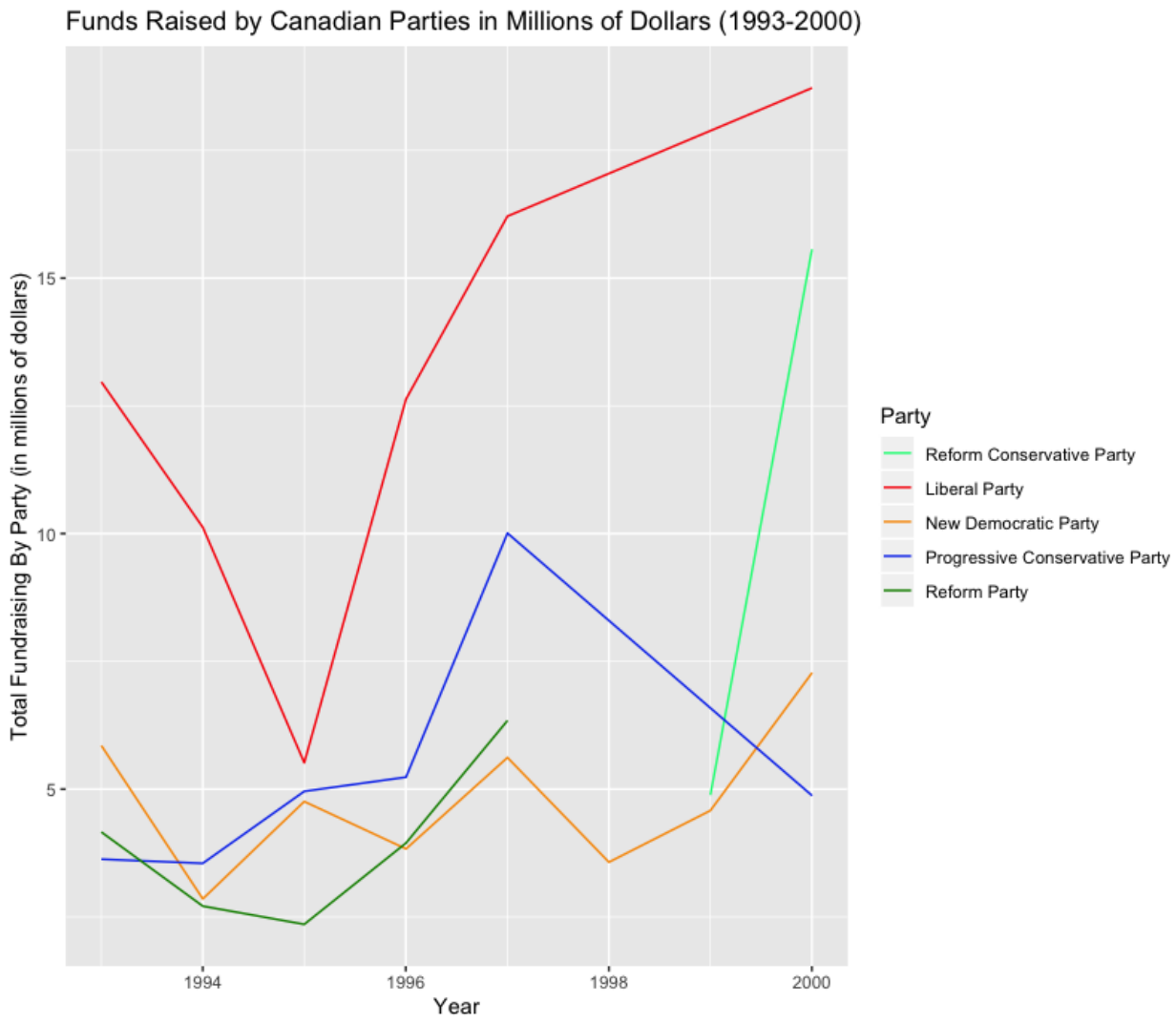

Figure 20 Canadian Party Fundraising (1993-2000)

2000 to the Present

In response to the Liberal Party scandals of the 1990s, Parliament passed the Canada Elections Act (CEA) in 2000. The act placed significant limits on outside spending in elections. The bill further expanded disclosure requirements for donors and political parties as well. As such, it was described as the "first overhaul of election finance since 1974" (Beange 2009, 3). As with the earlier ban on third party spending, these provisions were challenged in court. In 2004, the Supreme Court upheld third party limits in *Harper v. Canada* (Boatright 2011a, 89).

While the Court was considering the *Harper* case, the Liberal government passed a set of amendments to the CEA in 2003. These amendments introduced a new form of regulation to Canadian campaign finance: contribution limits. The CEA update added limits to the amount corporations, unions, and individuals could contribute to parties and individuals while also creating a public funding system that would offset these closing funding streams by compensating parties based on their vote share (Boatright 2011b, 4). The final undertaking in this set of reforms occurred in 2006 with the passage of the Federal Accountability Act. This act was passed by a new Conservative government and included a complete ban on corporate and union contributions and a significant lowering of the contribution limits for individuals (Boatright 2011a, 18).

The effect of these three acts passed in quick succession was to raise the strictness of campaign finance laws in Canada significantly. Furthermore, because the core provisions of these acts were upheld or unchallenged in the courts, these provisions have been maintained to the present. The one exception is the additional public funding provided to parties based on their vote shares. Though public funding does still exist for all parties to compensate for expenses, since 2015 they no longer receive additional funding based on their vote share (Nasshmacher 2014, 292). Campaign finance laws in Canada have remained strong since the early 2000s.

These changes quelled concerns regarding outside spending and dramatic increases in the overall costs of elections. In the three elections following the implementation of the Accountability Act, the expenses of outside groups increased, but their overall share of total spending has not (Nassmacher 2014, 298). Most funding in the 2006 and 2008 elections came from individuals, and this trend has continued to the present (Boatright 2011a, 90). Meanwhile, before the 2015 change in public funding, and even after this partial repeal, Canadian levels of

public funding for elections are higher than any other Anglophone democracy. Across the 2006 and 2008 elections, public subsidies accounted for between 55% and 70% of overall revenues for the four major parties (Nassmacher 2014, 293).

These trends are present in the data on party fundraising presented below. The expansion of public funding led to sharp increases in overall funds raised by the three major parties from 2005 to 2006. Beyond this point, overall levels of fundraising were relatively stable, only spiking in election years. Two major trends are revealed in this data. First, the conservatives dominated fundraising following the fragmentation of the right parties in the 1990s. This advantage coincided with the return of the Conservative Party to the government in this period. Second, left-leaning parties began to make gains in the early 2010s at the same time as they increased fundraising. Both the Liberals and the NDP increased their fundraising at the time restricted to small-donors and public funding due to reforms instituted in the 2000s, from 2010 to 2016. The NDP, in particular, saw large gains following its strong performance in 2011 and the resurgence of pro-redistribution views in 2015. These changes coincide with greater electoral gains and more staunchly pro-redistributive positions from these parties.

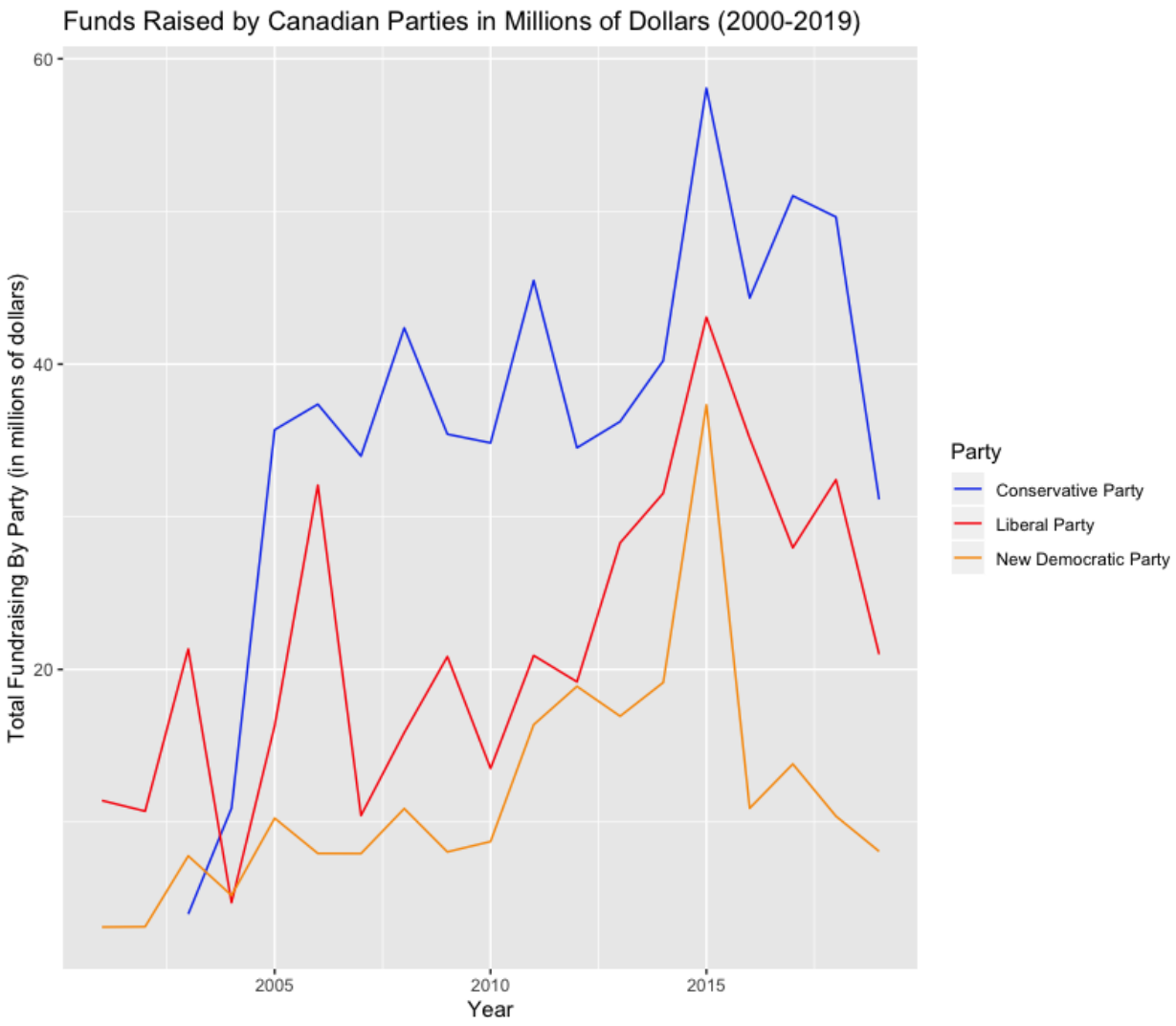

Figure 21 Canadian Party Fundraising (2000-2019)

The Liberals entered the new millennium with control of the Parliament, however the scandals of the 1990s continued to haunt them, especially the "sponsorship scandal" which took on increased importance following new revelations in 2003. Thereafter, Prime Minister Chrétien would resign and the Liberals would soon lose control of the Parliament to a newly unified Conservative party under Stephen Harper in 2006. Though this defeat came after two of the campaign finance reforms, and Conservatives did raise the most money in 2004 and 2006, most scholars do not blame the new regulations for the Liberals defeat. They point, primarily, to the

damage of the 1990s scandals and the unification of the right under the newly-formed Conservative party (Boatright 2011b, 8).

Harper and the Conservatives would hold only minority governments from 2006 until 2011. During this time, the Conservatives were the most anti-redistributive party, while the Liberals and especially the NDP were more pro-redistributive (Banting and Myles 2016, 25). But, the fact that the Conservatives had a minority of seats in the House meant that any attempts to cut redistribution were blocked. This ensured that overall levels redistribution remained constant during this time except for increases in automatic stabilizers as a result of the Great Recession. In 2008, the three minority parties (Liberals, NDP, and BQ) forced an election when the Conservatives attempted to eliminate partial public funding of parties (Boatright 2011b, 3). The standoff demonstrated the importance of public funding to these more left-leaning parties, as all three relied on subsidies to a greater extent than the Conservatives (Beange 2009, 10). This election resulted in a minority government for the Conservatives, which the three more left-leaning parties were unable to coordinate effectively against.

The 2011 election saw the Conservatives win their first majority government in decades, but also saw a further leftward shift in the parliament. The Liberals and the BQ lost many seats while the NDP, the most pro-redistributive party, became the official opposition for the first time in its history. It achieved this success through a staunchly left economic platform, one stronger than any major party had embraced for many years. Additionally, the NDP increased its fundraising through small donors the most out of any party. The fracturing of the left parties, as happened to the right parties in the 1990s allowed the ideological opposition to succeed while also ensuring that the more left-leaning parties competed for seats. With their majority, the Conservatives decreased public funding of elections, but were unable to push through any anti-

redistributive measures. As a result, though the center-right party won a majority, the election of 2011 witnessed the largest increase in pro-redistribution sentiment in the parliament for quite some time. This trend continued in the 2015 election, this time coinciding with much broader increases in pro-redistribution feeling in the US and other democracies around the world, as the Liberals gained the largest majority since the early 1960s and the BQ, NDP, and Liberals combined to control over 70% of seats. Scholars have noted how this election featured a distinctively pro-redistributive tone in comparison to previous decades with all parties making increasing social programs a central part of their policy manifestos (Banting and Myles 2016, 25).

The implications of the campaign finance reforms that were enacted throughout the early 2000s have been investigated by numerous scholars. Their work supports the causal claim made above that the respective contribution and spending limits placed on third parties and campaigns impacted the course of subsequent elections. In particular, these regulations helped cause the shift in favor of redistribution across the major parties discussed above. First, research on Canadian politics has shown that spending can significantly alter electoral outcomes, as it does in the US. Eagles (1993) used a variety of multivariate and instrumental variable models to demonstrate the impact of campaign spending on vote share. Other studies have since supported the notion that increased spending raises the likelihood that a candidate will win election, even in the multiparty, single-member district context of Canadian elections (Eagles 2004; Rekkas 2007). Second, research on the most important provision of the early 2000s reforms found that they changed electoral behavior. In particular, installing limits on outside spending and campaign spending in Canada led to closer races and higher voter turnout (Milligan and Rekkas, 2008). At the same time, these limits did not shift the close relationship between the NDP and labor unions

while they did so to a greater extent with businesses and the Conservative and Liberal parties (Jansen and Young, 2009). Finally, in an analysis of the elections in 2004, 2006, and 2008 following the bulk of the reforms, Lawlor and Crandall (2011) find that third-party spending was effectively reduced by the reforms. Specifically, they find that third parties spent well below their limit for independent expenditures and that they had not found ways of avoiding these limits, as they did to some extent in the US.

When taken together, this research informs the causal claim that the stricter laws forced all parties to move to small donor funding to compete. These changes also made races closer and gave parties more opportunities to win seats in the legislature. At the same time, however, the left-most major party, the NDP, maintained a close relationship with the unions, which informed its redistributive policy positions. These findings point to real electoral effects from the legal change, especially as it relates to the resurgence of the pro-redistributive parties in the late 2000s and 2010s.

Though data on government transfers as a percentage of personal disposable income is not available after 2010, the below graph demonstrates the trends in redistribution over this time. In the period before the Great Recession, overall levels of redistribution were quite stable. Redistribution fell slightly during both the Liberal and Conservative governments, but rose in response to the economic crisis. Again, the level of redistribution is instructive in comparison to the US. Overall, the amount of income that is accounted for by government transfers remained higher than in the US throughout this period.

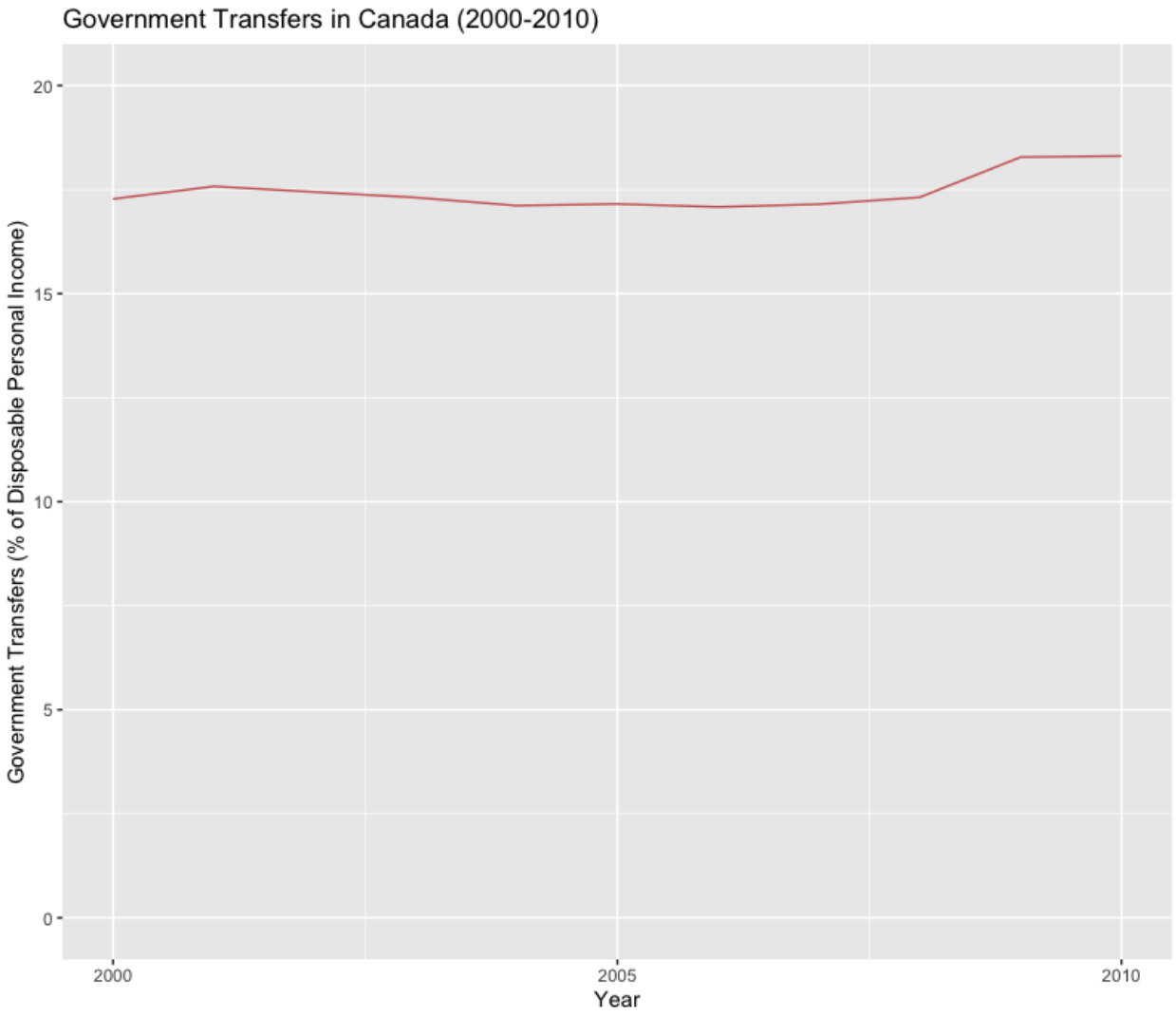

Figure 22 Canada Transfers (2000-2010)

So, over these last two decades, levels of redistribution have remained quite constant. During the 2000s they slightly increased. When the Great Recession struck, the Conservative government did not institute new stimulus spending, though several automatic stabilizers did increase spending. Finally, the pro-redistributive wave starting in 2011 with the NDP and continuing through to the present with the success of the Liberals and the more left-leaning parties (NDP and BQ) has seen further increases in redistribution, though these increases have not matched the much more dramatic increase in the power of parties holding pro-redistributive views in the Parliament. As a result, Canada has maintained, throughout this time, a much more

extensive welfare state than the US, even when accounting for the more substantial increases in redistribution seen under the early Obama administration. The universality of many Canadian programs versus the means-tested nature of most American programs, the greater scope of eligibility in Canada, and the larger benefits provided by Canadian programs has meant that Canadian redistribution has remained larger than that of the US throughout this time. Indeed, this has been the case for the entire modern histories of these two countries.

However, some scholars have connected this difference to the strength of Canadian unions in comparison to those in the US. From the 1960s to the present, union density has fallen from 30% to 10% in the US while in Canada it has only fallen from 32% to 26% (Eidlin 2018, 6). Scholars have attributed this difference to the strength of Canadian labor laws in comparison to those in the US (Warner 2012). But others have argued that this difference is due to how labor movements were incorporated into political systems in the 1930s and 1940s; in the US labor was incorporated as an interest group while in Canada it was treated as a class representative (Eidlin 2018, 17). Ultimately, per the PRT argument, the strength of unions in both countries may help explain the variation between them.

This last graph shows the most recent measured trends in government transfers as a percentage of total household income in each country. The data confirms what was asserted above, that Canada has maintained a larger welfare state than the US, and that there have been some recent growths in the level of redistribution while similar developments have not been observed in the US.

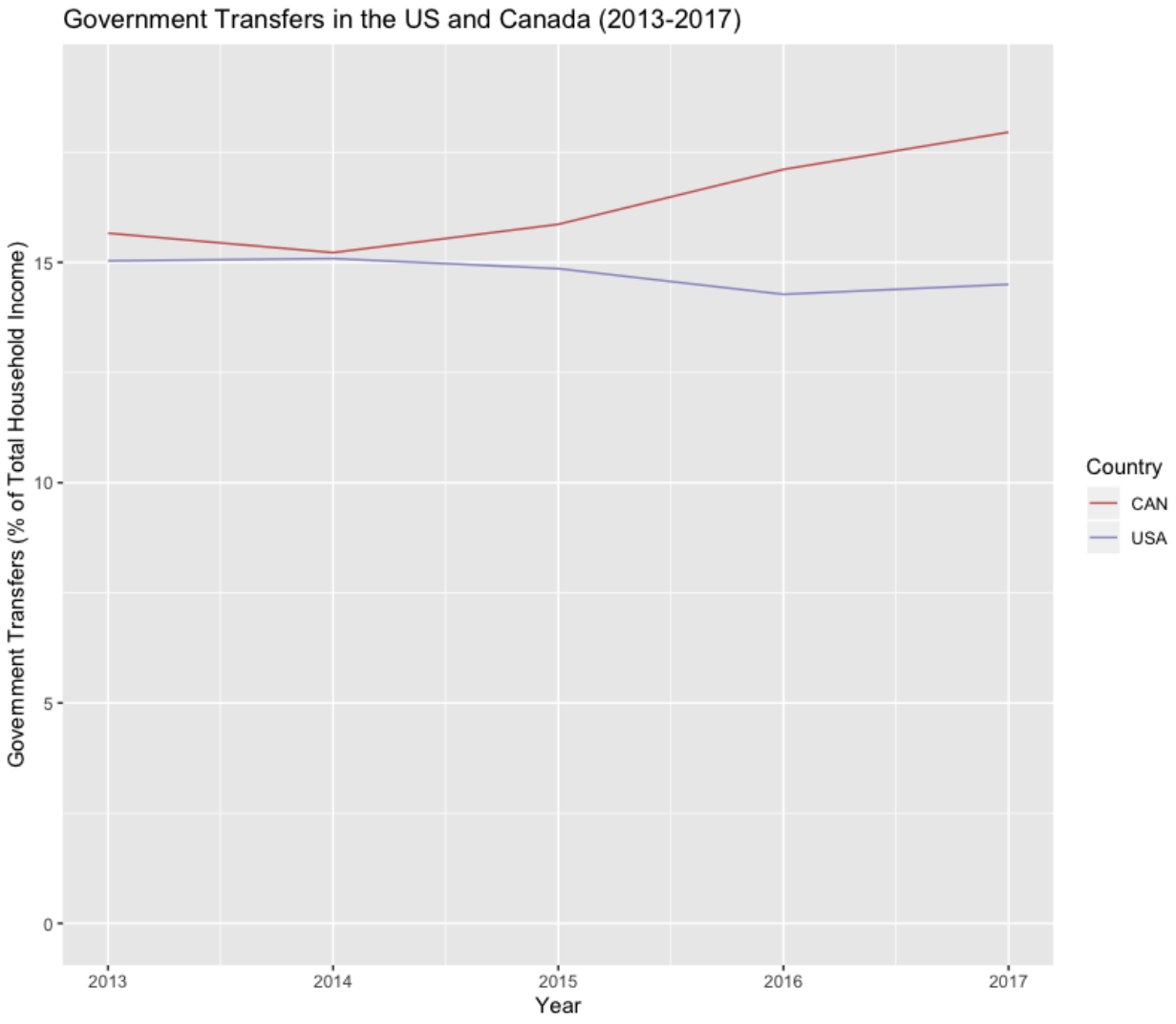

Figure 23 US and Canada Transfers (2013-2017)

Analysis

There are numerous insights to be drawn from these histories. First, there is convincing evidence that campaign finance laws impacted redistributive outcomes through the proposed causal mechanisms. I argued this in the case of the Reagan Republicans of the 1980s, the New Democrats of the 1990s, the brief BCRA era in the 2000s, and the post-*Citizens United* observations of the recent past. Additionally, I argued this case for the Liberal and Progressive Conservative governments of the 1970s and 1980s as well as the Liberal government of the

1990s and the resurgence in pro-redistributive views from the NDP and the Liberals in the 2010s. I argued that these periods exhibited the hypothesized relationship between strictness of campaign finance laws, electoral outcomes, and redistributive policies and tried to show that these relationships existed in the correct chronological ordering. Here, I briefly outline these paths in the US and Canada.

In America, starting in the 1970s, there was relatively high redistribution as well as high pro-redistribution sentiment and low campaign finance regulation. An increase in the strictness of campaign finance laws was attempted, in an exogenous way due to the Watergate scandal, but was quickly struck down so that the overall severity of these laws remained low and continues to deteriorate throughout the 1980s and 1990s. In this time, there was a shift against redistribution in terms of seats—as Reaganite Republicans dominated the 1980s–and ideology–as Reagan Republicans move further right and New Democrats in the 1990s moved with them. In both cases, politicians won with substantial financial backing from outside groups in the form of soft money. I presented scholarly evidence which, in both cases, connected these changes in campaign finance law to electoral outcomes. I then showed how these electoral outcomes facilitated cuts to redistribution.

In the early 2000s mild campaign finance reforms were instituted and upheld for a short time. During this time, attempts at cutting redistribution further stalled and overall redistributive levels remained constant. In the elections following the implementation of these laws, specifically in 2004, 2006, and 2008, Democrats touting a stronger pro-redistributive message scored large victories fueled by fundraising from small donors. This fundraising from small donors was not completely enabled by the BCRA, but was encouraged by the fact that it cut off other revenue streams. In these same elections, third party spending and overall spending grew

by less than they had before the BCRA. I presented evidence from other researchers that suggested that this spending behavior was caused by the BCRA. Upon taking charge, Democrats from 2008 to 2010 put in place the largest redistributive increases seen since the 1970s, though this was partly in response to the Great Recession. Meanwhile, the BCRA had been progressively weakened by court decisions until in 2010 the Supreme Court made it possible for outside groups to spend at will. In this same election year, outside group spending skyrocketed, especially for Republicans, and strongly anti-redistributive Republicans won massive victories. This halted any further redistributive increase. Republicans and conservatives continued to have a fundraising advantage through much of the decade when it came to outside spending and large donors. I referenced scholars who directly connect the *Citizens United* decision to gains for Republican candidates using a variety of methods.

In Canada in 1970, the situation was similar to the US. There was relatively high redistribution and pro-redistribution sentiment. Campaign finance regulation was virtually non-existent. In 1974, stricter laws were implemented but were not struck down by the courts. For the next decade, redistribution continued to rise. In the 1980s, redistribution remained constant. The Trudeau and Mulroney governments were unable to cut spending as they were both blocked by the other parties and their own MPs. The 1990s Liberal party that made the largest welfare state cuts was also the party with the strongest fundraising apparatus, drawing mostly on corporations and other outside groups. These close relationships with wealthy outsiders and business interests led to numerous campaign-finance related scandals.

At the turn of the century, the Liberal government passed two significant campaign finance reforms which were mostly upheld in the courts, again in an exogenous manner in response to scandals. These reforms restricted the spending of outside groups and pushed parties

to rely on public funding and individual donors. These changes were not enough to erase the stain of scandals on the Liberals and so a newly unified Conservative party won power. I referenced the fact that this is the view most widely held by scholars to explain why the Liberals lost their seat in government. The Conservatives instituted further, even stricter campaign finance reforms. But, they remained in a minority government for most of their tenure and were unable to restrict redistributive spending. Redistribution increased under the Conservatives mainly through automatic stabilizers during the Great Recession. By 2011, pro-redistribution sentiment sharply increased in the Parliament with the traditional leftmost party, the NDP, surging to a second-place finish on the backs of improved individual donor fundraising. A pro-redistributive wave hit Canada in 2015 with a massive victory for the Liberals, along with the NDP and the BQ, on the backs of further individual-based fundraising efforts. These changes led to small increases in redistribution as pro-redistributive positions in the Parliament continued to grow. I presented scholarly evidence that argued for the efficacy of campaign spending in Canada and how the unique effects of the past decade's campaign finance reforms aided the resurgence of pro-redistribution positions.

From the above longitudinal analyses, it may not be clear that campaign finance laws impact redistribution. Though the narrative may work in the 2000s and 2010s, it does not seem to explain the trends of the 1980s and 1990s. To understand why both countries cut spending, though they had different levels of campaign finance laws, it is necessary to think comparatively. This is because the trends of high levels of redistribution in the 1970s followed by retrenchment in the 1980s and 1990s are not unique to these countries, but are shared across the Anglophone democracies. With the background of neoliberal economic policy shifts across peer countries, the behavior of Canada and the US can be seen from a comparative perspective.

Over this period, roughly from the mid-1970s to the end of the millennium the two countries diverged in terms of campaign finance regulation. While both started with quite weak regulations, American regulations remained weak while Canadian regulations were modestly strengthened. Reagan Republicans and New Democrats won elections in the 1980s and 1990s raising significant sums of money from outside groups and soft money spenders; this, in turn, allowed them to institute significant spending cuts as the two parties shared power but shifted in the same way ideologically. In Canada, the Liberals and the Progressive Conservatives had their respective points of control, but neither was successful in instituting major cuts until the 1990s. The Mulroney government, in particular, was stymied in the 1980s by votes from the opposition and its own party against cuts. When cuts did occur in Canada, in the 1990s, they were less severe than in the US. Furthermore, the Liberal government was helped in its spending cuts by the fracturing of the conservative parties and by increasing the costs of elections through greater spending by outside groups. Consequently, the differences in campaign finance regulation between the two countries were partially responsible for the degree of redistributive retrenchment in each, according to the above argument. Both of these occurred against a baseline of larger economic and demographic trends which led most Anglophone democracies to institute such cuts. So, there is a plausible narrative that is consistent with the argument that campaign finance laws were causally important.

As mentioned above, the longitudinal perspective fits well with the observations of both countries in the new millennium. We see increases in campaign finance laws associated with greater victories for pro-redistributive parties and stronger redistributive policies. This is true both in the American case where increases in campaign finance laws remained for less than a decade and for Canada where regulations on campaign finance progressively increased and were

maintained for both decades. Though this narrative works, the comparative perspective adds more detail surrounding both country's responses to the Great Recession and the most recent decade. Specifically, one might wonder why, though the US and Canada diverged again in terms of campaign finance regulations in the 2010s, they experienced similar increases in redistribution and especially pro-redistribution sentiment in the late 2010s. This, again, must be explained with reference to global economic trends. The Great Recession initiated an expected increase in redistribution across all developed democracies, so this commonality is not necessarily troubling. A similar global trend can explain the convergent increase in pro-redistribution sentiment witnessed in the two countries starting in 2015. This, again, must be contextualized in terms of a worldwide movement towards economic populism, redistribution, and government intervention. As this phenomenon can be seen in countries from the US to the UK, Germany, Spain, and France to Canada, and even in middle-income democracies like Mexico, it is likely to have a common cause unrelated to campaign finance laws.

Overall, then, though campaign finance laws certainly are not the only cause of redistribution, these case studies provide evidence for their effects through the proposed causal mechanisms. Furthermore, there seems to be a difference between the importance of the mechanisms in each country. In the US, the ideology-shifting effect seems most dominant. This is apparent in the 1970s when Republicans and Democrats favored redistribution to the 1980s and 1990s when Republicans and Democrats both worked to cut redistribution to the present when Democrats and increasingly populist Republicans are supporting certain redistributive measures. This is most likely due to the party system in the US, where two major parties dominate and there is little opportunity for anyone outside those parties to win elections. This forces parties to be "big tents" and leads to ensuing struggles over the ideological bent of the

party. As can be seen with the 2016 Democratic and Republican primaries, ideological differences within a party can be stark and so one might expect ideology to be the more easily flexible mechanism by which a shift in pro-redistribution sentiment would occur. The opposite is true of Canada. Given Canada's multiparty system the seat-winning mechanism seems to predominate. First, because multiple parties can compete and remain viable in Canada there is less need for ideological struggle within a party. Parties can have more clear positions and more easily remain consistent ideologically. Second, because Canadian parties do not form coalitions, minority governments are common. This gives increased leverage over policy to parties that hold seats in the legislature, even if they are not the governing party because their votes are required to pass legislation. Finally, because Canada uses the first-past-the-post system with more than two competitive parties, the translation of votes into seats can be highly non-proportional. The result can be that parties with less than a majority of votes can hold a majority of seats (this is often the case) and that parties with a significant portion of votes get very few seats. Thus, winning seats is highly important for affecting policy. This can be seen in the difficulties the minority Mulroney governments faced in the 1980s, the way the Liberals benefitted from conservative fracturing in the 1990s, and the surge of the NDP and the Liberals in 2011 and in 2015 respectively.

Consequently, these case studies provide evidence in support of both casual mechanisms investigated here. First, the cases of both the US and Canada show the expected relationship between stricter campaign finance laws, changes in the seats held by pro-redistribution political parties *and* changes in the ideologies of parties with respect to redistribution, and redistributive policies. Second, these expected relationships play out in the chronologically required order for

these causal mechanisms. Namely, changes in campaign finance laws precede changes in the politics of redistribution which, in turn, precede changes in redistributive policies.

Limitations

There are numerous limitations to this approach and this particular attempt to explain redistribution in the US and Canada in terms of the campaign finance laws of the two countries. First, due to time constraints, it was not possible to interview or access archives of the political leaders or contributors who accounted for much of the change in campaign finance observed in the above sections. Though we can see how spending and fundraising changed as the laws governing campaign finance changed, we can't know whether these changes would have occurred anyway without knowing the intentions of the relevant fundraisers and contributors. Second, the modifications in campaign finance laws may not be wholly exogenous, making it more difficult to assess their potential impact on the causal mechanisms. Though this concern is partially alleviated since most campaign finance changes were made in response to political finance scandals, we cannot eliminate this possibility. This may be particularly true in the case of the US and Canada, where politicians may have followed their neighbors when setting down regulations. Third, there is also a lack of availability of data for campaign finance and, in some cases, redistribution for comparison between the two countries. While I did my best to find data that would be comparable across both countries and would extend across the necessary periods, this was often not possible. This makes it more difficult to draw insights from the differences between the two countries since it is harder to evaluate how the two countries differ.

Finally, and most seriously, this approach to evaluating causal mechanisms is particularly susceptible to issues of establishing causality. On the one hand, the fact that only two countries are compared means that many possible factors could be contributing to the outcomes that we

observe. Though the most similar case selection method is meant to control for these confounders, it cannot do so completely. On the other hand, it can be difficult to make causal claims of any kind. This is because we only observe what occurred and we have little indication of the counterfactual—what would have occurred in an alternative scenario. Throughout the above analysis, I make causal claims about how changes in campaign finance laws and practice impacted electoral outcomes which subsequently made policy changes possible. Though these claims may align with a broader narrative and chronology set out above, it is impossible to know that these are causal impacts because we do not know what would have happened if campaign finance laws and practice had not changed. By including the studies of other scholars on these issues, I hoped to make these claims more concrete. However, due to the small-n nature of this chapter, it is difficult to fully support these inferences. Thus, this chapter cannot be seen as fully establishing the investigated causal mechanisms, but may be seen as providing additional evidence for or confidence in these mechanisms.

Conclusion

This chapter has utilized in-depth case studies of the United States and Canada to investigate possible causal mechanisms connecting campaign finance laws to redistributive policy outcomes. In particular, I looked at how changes in campaign finance laws changed the number of seats that pro-redistributive parties won as well as how it changed the ideology of parties in the legislature with regard to redistribution. I covered the history of campaign finance laws, redistributive politics, and redistributive policy in the US and Canada with an emphasis on the last fifty years. These case studies seem to follow the chronological sequence and hypothesized relationships proposed by these causal mechanisms. Thus, these cases provide evidence in support of both proposed causal mechanisms, however it seems as if institutional

features and characteristics of the party systems in each country affect the degree to which each mechanism affects redistribution. So, while these causal mechanisms are supported, there must be further research into these connective pathways. Do these mechanisms apply everywhere? Is it true that they are affected by other characteristics of a country? Are there alternative explanations for these observations? Future research must test these claims to come to conclusive answers.

Chapter Six: Conclusion

This final chapter will review the most important findings of this thesis. Additionally, I will restate some of the limitations of these findings. Finally, I will discuss the implications of this thesis for scholars in political economy and those specializing in campaign finance law.

Summary of Findings

This thesis has explored the hypothesis that stricter campaign finance laws cause higher levels of redistribution in the developed democracies. In particular, the emphasis of this thesis was to explain variation in the medium-term between these countries. In an attempt to unravel the empirical puzzle that opened this thesis, I set out to offer an explanation for why countries that had previously trended together in terms of levels of redistribution had diverged significantly in recent decades. I considered the most prominent explanations of redistribution in the current literature which point to diverse factors such as long-term economic and demographic variables (functionalist), non-economic or collaborative motivations (cross-class), and conflicts between groups with opposed economic interests (antagonistic). Within the antagonistic approach, I considered schools that placed either voter preferences (public choice theory), political institutions (institutionalists), or the power of the working-class (power resources theory) at the center of redistributive outcomes. Building on these theories, I proposed a model that married elements of the institutionalist and power resources schools by emphasizing how one particular political institution—the laws governing the financing of elections—shifted the balance of power between economic classes with regard to affecting policy outcomes.

I then assessed this theory through its main hypothesis: that stricter campaign finance laws cause redistribution to increase and less strict campaign finance laws cause redistribution to

decrease. This hypothesis was tested using panel data on twenty-five developed democracies in the period from 1992 to 2018. This panel data included original indices of the general strictness of campaign finance laws as well as the strictness of campaign finance laws in the four components that make up campaign finance regulation: contribution limits, spending limits, public funding, and disclosure and obligations. Models including country-level fixed effects and lagged dependent variables consistently showed that campaign finance laws, either generally or broken into their components, helped explain the variation within these countries over the medium-term period measured. These results pointed to campaign finance laws as time-varying factors that impacted levels of redistribution over the medium-term, even when compared to more widely-accepted causes such as GDP, ethnic heterogeneity, or openness to trade. Furthermore, this analysis revealed interesting relationships between the components of campaign finance law as they related to redistribution. Spending limits, in comparison to other forms of campaign finance regulation, seem to reduce the impact of other forms of regulation. Overall, then, the panel data analysis supported the hypothesized relationship at the center of this thesis and provided the answer, or at least a partial one, to my research question.

The next two chapters of this thesis were concerned with identifying the causal mechanisms between campaign finance laws and redistribution. The chapter on difference-in-differences used large changes in campaign finance laws in a single year as a "treatment" for certain countries. This allowed me to compare the effects of a large change in the laws on three variables: the number of seats held by pro-welfare parties, the unweighted average ideology in the legislature, and the seat-weighted mean ideology in the legislature. The purpose of these measures was to assess two distinct possible causal mechanisms. First, the seat-winning effect, which predicts that, following an increase in campaign finance laws, parties and candidates with

more pro-redistribution views will win more seats in the legislature. Second, the ideology-shifting effect, which predicts that, following an increase in campaign finance laws, parties and candidates across the political spectrum would shift their views to be more favorable to redistribution. The difference-in-differences analysis did not provide evidence for these causal mechanisms except when the sample was restricted to richer countries within the dataset. The chapter containing a paired case study of the US and Canada explored these same causal mechanisms through an in-depth investigation of the relationship between campaign finance laws, electoral outcomes, and redistribution over time in each country and between these two countries. These results provided stronger evidence in favor of these causal mechanisms. Additionally, the importance of the mechanisms varied according to the party system of each country. In the multi-party system of Canada, the seat-winning effect was stronger while the ideology-shifting effect was more prominent in the two-party system of the US.

Thus, this thesis can provide an answer to the research question posed in the introduction. Campaign finance laws are one cause of why the developed democracies changed their levels of redistribution in the last three decades. Furthermore, there is some evidence that campaign finance laws exert this influence through both a seat-winning and an ideology-shifting effect, though it is unclear whether these mechanisms are valid and equally important in all countries.

Limitations

But, it is important to emphasize that these results are not without their limitations. As with any quantitative analysis, it is possible that the panel data results rest on a particular set of observations that are favorable to my hypothesis. With more data, these results may not hold up. Additionally, different modeling techniques may yield different results, so the results I report here may be due to a particular favorable modeling choice. This concern is partly alleviated by

the use of robustness checks and diagnostic tests (included in the Appendix), but is never possible to eliminate completely. Similarly, the outcome of the difference-in-differences analysis may be, and seems to be, reliant on the sample of countries used. There are concerns with endogeneity and setting a threshold for treatments that may undermine the results found in this chapter. The case studies, in particular, are limited due to the large number of variables that may impact redistribution. Though the selection of similar countries like the US and Canada can partially control for these confounders, it is nearly impossible to do so completely without quantitative methods. Furthermore, due to the lack of data availability and the nature of small-n research, it is difficult to make concrete causal claims about why certain events did or did not happen. Though I can point to research that argues that changes in campaign finance laws and campaign practice affected political outcomes, these claims are always subject to doubt.

Implications for Future Research

Still, the findings presented in this thesis have important implications for future research endeavors. First, these findings emphasize the role of antagonistic explanations in the comparative political economy literature. Since the central hypothesis of this study was an extension of the two most prominent antagonistic approaches, power resources theory and institutionalism, the support for the hypothesis generated from these explanations should encourage scholars to consider the role that conflicts between group economic interests play in setting policy. Second, scholars should develop a greater interest in more specific forms of institutional arrangements when comparing countries. Currently, most studies focus on broad institutional differences, such as presidential and parliamentary systems. My research demonstrates the importance of less noticeable institutional differences between countries and

even subnational units. A more detailed study of the specificities of political institutions could greatly improve the explanatory power of theories of political economy.

Beyond this research's general implications for scholars in political economy, this thesis should help inform the comparative research agenda on campaign finance laws and redistribution. This thesis has introduced another possible conceptualization and typology of campaign finance laws. Though scholars should adopt the conceptualization of campaign finance laws that most suit their research purposes, this new typology may be useful and may help the field consolidate to a more widely-accepted notion of campaign finance laws. A more well-developed conceptualization of campaign finance laws should go hand-in-hand with greater data availability. For whatever conceptualization is used, the field should push to create more detailed and wide-ranging datasets. These datasets should include information for a greater number of countries and, crucially, should add a time-series dimension. This study, to my knowledge, is the first to include more than one time period in the comparative study of campaign finance laws, which proved to be useful in assessing their causal impact on other variables of interest. Scholars should build on this attempt by expanding campaign finance law data to more periods with more countries in more detail.

This research also has implications for the specific study of the connection between campaign finance laws and redistribution. The central hypothesis of this thesis should be investigated further with new sets of observations and methods. Additionally, this hypothesis should be studied at a sub-national level following the approach of Flavin (2015). Though this thesis provided mixed evidence in favor of two causal mechanisms, these causal mechanisms should be explored in new settings with different countries and different time periods. The general relationships and the causal mechanisms should also be explored relative to other

characteristics of countries. As the case studies implied, these causal mechanisms may be dependent on the party systems of a country. Future research could examine this relationship across many countries. Additionally, other types of laws or broader institutional structures may impact the effect of campaign finance laws on redistribution or the specific causal mechanisms by which this effect is produced. Further research can investigate these complexities with the general relationship investigated here.

Contingent on greater data availability and further research into these causal mechanisms, the central model of this thesis could also be built upon. Scholars should consider whether this model can be extended, corrected, or adopted in the wider literature on campaign finance laws. In particular, the model could be tested in greater detail provided that information on individual voter decision-making and contribution activity is available. Though the central testable hypothesis of this model was supported in this thesis, further research and replication are always required.

Ultimately, this thesis provides an important step forward for the study of campaign finance laws and redistribution. Campaign finance laws *do* play a role in determining redistributive policies and this is likely due to the role they play in shaping who comes into positions of influence over the policymaking process. Changes in campaign finance laws are not just nominal. Altering the text on the page does lead to changes in material outcomes. These changes are so important that they aid in our understanding of empirical anomalies which have puzzled political economists for decades. Campaign finance laws can and do provide an explanation for why the common redistributive trend amongst the developed democracies has fractured. The last thirty years have forced scholars to expand the set of possible causes of redistribution. Campaign finance laws belong in this set.

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Appendix

A. Original Items Used and Numerical Coding Rules – IDEA Political Finance Database

The below tables contain the wording, response set, and my numerical coding rules for each question that was used in the construction of the campaign finance law indices. Additionally, in circumstances where a county-year had more than one answer, the answer that had the highest numerical coded value was used for that country-year.

Contribution Limits		
C3	**Is there a ban on corporate donations to political parties?**	**Coded Value**
	Yes	1
	No	0
C4	**Is there a ban on corporate donations to candidates?**	**Coded Value**
	Yes	1
	No	0
C5	**Is there a ban on donations from Trade Unions to political parties?**	**Coded Value**
	Yes	1
	No	0
C6	**Is there a ban on donations from Trade Unions to candidates?**	**Coded Value**
	Yes	1
	No	0
C7	**Is there a ban on anonymous donations to political parties?**	**Coded Value**
	Yes	2
	No, but limit	1
	No	0
C8	**Is there a ban on anonymous donations to candidates?**	**Coded Value**
	Yes	2
	No, but limit	1
	No	0
C16	**Is there a limit on the amount a donor can contribute to a political party over a time period (not election specific)?**	**Coded Value**
	Yes, for both natural and legal persons	2

	Yes, for natural persons	1
	Yes, for legal persons	1
	No	0
C18	**Is there a limit on the amount a donor can contribute to a political party in relation to an election?**	**Coded Value**
	Yes, for both natural and legal persons	2
	Yes, for natural persons	1
	Yes, for legal persons	1
	No	0
C20	**Is there a limit on the amount that can be contributed to a candidate?**	**Coded Value**
	Yes, for both natural and legal persons	2
	Yes, for natural persons	1
	Yes, for legal persons	1
	No	0
C22	**Is there a limit on the amount a candidate can contribute to their own election campaign?**	**Coded Value**
	Donation limit for private persons	2
	Specific limit for candidates	1
	No	0
C23	**Is there a limit on in-kind donations to political parties?**	**Coded Value**
	Yes	2
	Sometimes	1
	No	0
C24	**Is there a limit on in-kind donations to candidates?**	**Coded Value**
	Yes	2
	Sometimes	1
	No	0

Public Funding		
P30	**Are there provisions for direct public funding to political parties?**	**Coded Value**
	Both regularly and in relation to campaigns	3
	Regularly	2
	In relation to campaigns	1
	No	0
P31	**If there are provisions for direct public funding, what are the eligibility criteria?**	**Coded Value**
	Registration as a political party	3

	Share of votes	2
	Share of seats	2
	Representation in elected body	1
	No	0
P32	**If there are provisions for direct public funding to political parties, what is the allocation calculation?**	**Coded Value**
	Equal	2
	Proportional	1
	None	0

Spending Limits		
S41	**Are there limits on the amount a political party can spend?**	**Coded Value**
	Yes	1
	No	0
S43	**Are there limits on the amount a candidate can spend?**	**Coded Value**
	Yes	1
	No	0
S45	**Are there limits on the amount that third parties can spend on election campaign activities?**	**Coded Value**
	Third parties banned from campaign spending	2
	Spending limit exists	1
	Spending limit for party/candidate includes spending by others on their behalf	1
	No	0

Disclosure and Oversight		
D50	**Do political parties have to report regularly on their finances?**	**Coded Value**
	Yes	1
	No	0
D51	**Do political parties have to report on their finances in relation to election campaigns?**	**Coded Value**
	Yes	1
	No	0
D52	**Do candidates have to report on their campaign's finances?**	**Coded Value**
	Yes	1
	No	0

D53	**Do third parties have to submit financial reports on election campaigning?**	**Coded Value**
	Third parties are banned from participating in campaigns	2
	Yes, always	2
	Yes, sometimes	1
	No	0
D57	**Is information in reports from political parties or candidates to be made public?**	**Coded Value**
	Yes	1
	Sometimes	0
	No	0
D59	**Must reports from political parties and/or candidates reveal the identity of donors?**	**Coded Value**
	Yes	2
	Sometimes	1
	No	0
D64	**If a particular institution(s) is responsible for examining financial reports and/or investigating breaches of political finance regulations, what powers is it/they granted?**	**Coded Value**
	Impose sanctions	5
	Carry out investigations	4
	Refer for investigations	3
	Request additional information	2
	Other	1
	None	0
D73	**What sanctions are provided for political finance infractions?**	**Coded Value**
	Deregistration of party	4
	Prison	3
	Forfeiture	2
	Fines	1
	None	0

The complete coding instructions used by IDEA researchers and myself in generating the answers to these questions can be found at: https://www.idea.int/data-tools/data/coding-instructions.

B. Construction of Campaign Finance Law Indices

After the responses for each question were coded into numerical values, the values of all question answers were standardized to a 0-1 scale. For example, all values for question P30, which can take on values from 0 to 3, were divided by 3 to put all resulting values into a 0-1 scale. These standardized values were then used to construct the campaign finance law indices according to the following formulas:

Contribution Limits

$$\boldsymbol{CL} = \boldsymbol{C3} * 3 + \boldsymbol{C4} * 3 + \boldsymbol{C5} + \boldsymbol{C6} + \frac{\boldsymbol{C7}}{2} + \frac{\boldsymbol{C8}}{2} + \frac{\boldsymbol{C16} * 3}{2} + \frac{\boldsymbol{C18}}{2} + \frac{\boldsymbol{C20} * 3}{2} + \frac{\boldsymbol{C22}}{4} + \frac{\boldsymbol{C23}}{4} + \frac{\boldsymbol{C24}}{4}$$

Public Funding

$$\boldsymbol{PF} = \frac{\boldsymbol{PF30}}{3} + \frac{\boldsymbol{PF31} * 2}{3} + \boldsymbol{PF32}$$

Spending Limits

$$\boldsymbol{SL} = \boldsymbol{S41} + \boldsymbol{S43} + \boldsymbol{S45}$$

Disclosure and Oversight

$$\boldsymbol{DO} = \boldsymbol{D50} * 3 + \boldsymbol{D51} * 2 + \boldsymbol{D52} * 2 + \frac{\boldsymbol{D53} * 3}{2} + \boldsymbol{D57} * 4 + \boldsymbol{D59} + \frac{\boldsymbol{D64}}{5} + \frac{\boldsymbol{D73}}{4}$$

The general campaign finance law index was constructed using a sum of the component indices. However, for this sum to give equal weight to each index, they all needed to be standardized to a 0-1 scale. Thus, the general campaign finance law was constructed using the following formula:

$$\boldsymbol{CFL} = \frac{\boldsymbol{CL}}{20} + \frac{\boldsymbol{PF}}{5} + \frac{\boldsymbol{SL}}{4} + \frac{\boldsymbol{DO}}{18}$$

C. Panel Data Regression Results

General Campaign Finance Laws

	Dependent variable:		
	Redistribution		
	Pooled	Country FE	LDV and Country FE
	(1)	(2)	(3)
General Campaign Finance Laws	-0.614	1.314***	0.272***
	(0.797)	(0.421)	(0.076)
	t = -0.770	t = 3.119	t = 3.582
	p = 0.442	p = 0.002	p = 0.0004
Lagged Redistribution			0.870***
			(0.020)
			t = 43.912
			p = 0.000
Percentage Over 65	1.189***	0.702***	0.034
	(0.173)	(0.160)	(0.042)
	t = 6.886	t = 4.399	t = 0.821
	p = 0.000	p = 0.00002	p = 0.412
Inflation	-0.058	-0.134*	-0.008
	(0.198)	(0.075)	(0.022)
	t = -0.293	t = -1.773	t = -0.375
	p = 0.770	p = 0.077	p = 0.708
GDP per Capita	-0.00002	-0.0001***	0.00001
	(0.00004)	(0.0001)	(0.00001)
	t = -0.392	t = -2.767	t = 1.145
	p = 0.695	p = 0.006	p = 0.253
Openness to Trade	0.019*	0.016*	-0.009***
	(0.011)	(0.010)	(0.003)
	t = 1.740	t = 1.686	t = -3.027
	p = 0.082	p = 0.092	p = 0.003
Urbanization	0.009	-0.020	0.035*
	(0.060)	(0.173)	(0.019)
	t = 0.143	t = -0.117	t = 1.848
	p = 0.887	p = 0.908	p = 0.065
Ethnic Fractionalization	4.167	-8.649	-2.408*

	(3.714) t = 1.122 p = 0.262	(10.143) t = -0.853 p = 0.394	(1.280) t = -1.881 p = 0.060
Constant	0.840 (5.696) t = 0.148 p = 0.883		
Observations	665	665	640
R_2	0.490	0.434	0.874
Adjusted R_2	0.485	0.406	0.868
F Statistic	90.193*** (p = 0.000)	69.335*** (p = 0.000)	528.362*** (p = 0.000)

Note: *p**p***p<0.01

Clustered standard errors at the country level are given in parentheses.

Four Components of Campaign Finance Laws

	Dependent variable:		
	Redistribution		
	Pooled	Country FE	LDV and Country FE
	(1)	(2)	(3)
Contribution Limits	-1.623	2.770**	0.274
	(2.579)	(1.335)	(0.264)
	t = -0.630	t = 2.075	t = 1.037
	p = 0.529	p = 0.038	p = 0.300
Spending Limits	4.872**	0.761	0.049
	(2.482)	(0.827)	(0.197)
	t = 1.963	t = 0.920	t = 0.250
	p = 0.050	p = 0.358	p = 0.803
Public Funding	-2.694	0.462	0.095
	(1.647)	(1.182)	(0.294)
	t = -1.636	t = 0.391	t = 0.323
	p = 0.102	p = 0.696	p = 0.748
Disclosure and Oversight	-2.693	1.298	0.624*
	(2.276)	(1.406)	(0.369)
	t = -1.183	t = 0.923	t = 1.690
	p = 0.237	p = 0.356	p = 0.092
Lagged Redistribution			0.869***
			(0.020)
			t = 43.748
			p = 0.000
Percentage Over 65	1.195***	0.684***	0.028
	(0.162)	(0.165)	(0.039)
	t = 7.368	t = 4.155	t = 0.716
	p = 0.000	p = 0.00004	p = 0.474
Inflation	-0.012	-0.126*	-0.007
	(0.174)	(0.074)	(0.023)
	t = -0.069	t = -1.707	t = -0.288
	p = 0.945	p = 0.088	p = 0.774
GDP per Capita	-0.00003	-0.0001***	0.00001
	(0.00004)	(0.0001)	(0.00001)
	t = -0.718	t = -2.721	t = 1.124

	p = 0.473	p = 0.007	p = 0.262
Openness to Trade	0.020*	0.016	-0.010***
	(0.011)	(0.010)	(0.003)
	t = 1.805	t = 1.502	t = -3.312
	p = 0.072	p = 0.134	p = 0.001
Urbanization	0.013	-0.024	0.035*
	(0.054)	(0.171)	(0.019)
	t = 0.233	t = -0.142	t = 1.872
	p = 0.816	p = 0.888	p = 0.062
Ethnic Fractionalization	4.963	-7.515	-2.439*
	(3.384)	(9.690)	(1.313)
	t = 1.467	t = -0.776	t = -1.858
	p = 0.143	p = 0.438	p = 0.064
Constant	-0.408		
	(5.400)		
	t = -0.076		
	p = 0.940		
Observations	665	665	640
R_2	0.551	0.442	0.875
Adjusted R_2	0.544	0.412	0.868
F Statistic	80.176*** (p = 0.000)	49.948*** (p = 0.000)	384.334*** (p = 0.000)

Note: *p**p***p<0.01

Clustered standard errors at the country level are given in parentheses.

Pooled and Country FE Individual Components

	Dependent variable:							
	Redistribution							
	Pooled	Pooled	Pooled	Pooled	Country FE	Country FE	Country FE	Country FE
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Contribution Limits	-2.483				3.998***			
	(2.303)				(1.463)			
	t = -1.078				t = 2.732			
	p = 0.281				p = 0.007			
Spending Limits		-3.591**				2.029		
		(1.666)				(1.322)		
		t = -2.156				t = 1.535		
		p = 0.032				p = 0.125		
Public Funding			2.403				1.850*	
			(1.987)				(1.012)	
			t = 1.210				t = 1.827	
			p = 0.227				p = 0.068	
Disclosure and Oversight				-1.874				3.157**
				(2.374)				(1.269)
				t = -0.790				t = 2.487
				p = 0.430				p = 0.013
Lagged Redistribution	1.192***	1.203***	1.190***	1.181***	0.668***	0.678***	0.808***	0.702***
	(0.160)	(0.183)	(0.176)	(0.174)	(0.168)	(0.180)	(0.194)	(0.162)
	t = 7.449	t = 6.556	t = 6.776	t = 6.795	t = 3.988	t = 3.760	t = 4.165	t = 4.339
	p = 0.000	p = 0.000	p = 0.000	p = 0.000	p = 0.0001	p = 0.0002	p = 0.00004	p = 0.00002

Percentage Over 65	-0.056	-0.028	0.047	-0.066	-0.136*	-0.172*	-0.164**	-0.143*
	(0.166)	(0.186)	(0.183)	(0.206)	(0.075)	(0.089)	(0.084)	(0.083)
	t = -0.335	t = -0.149	t = 0.259	t = -0.320	t = -1.821	t = -1.946	t = -1.963	t = -1.715
	p = 0.738	p = 0.882	p = 0.796	p = 0.749	p = 0.069	p = 0.052	p = 0.050	p = 0.087
Inflation	-0.00002	-0.00003	0.00001	-0.00001	-0.0001**	-0.0001*	-0.0001**	-0.0001*
	(0.00005)	(0.0001)	(0.00004)	(0.00005)	(0.0001)	(0.0001)	(0.00005)	(0.0001)
	t = -0.404	t = -0.643	t = 0.187	t = -0.266	t = -2.603	t = -2.526	t = -2.437	t = -2.484
	p = 0.687	p = 0.521	p = 0.852	p = 0.790	p = 0.010	p = 0.012	p = 0.015	p = 0.014
GDP per Capita	0.020*	0.020*	0.014	0.018*	0.018	0.021**	0.018*	0.014
	(0.011)	(0.011)	(0.010)	(0.011)	(0.011)	(0.010)	(0.009)	(0.010)
	t = 1.767	t = 1.782	t = 1.433	t = 1.718	t = 1.630	t = 2.048	t = 1.895	t = 1.409
	p = 0.078	p = 0.075	p = 0.152	p = 0.086	p = 0.104	p = 0.041	p = 0.059	p = 0.159
Openness to Trade	0.014	0.005	-0.008	0.008	0.008	0.077	0.005	0.013
	(0.061)	(0.062)	(0.060)	(0.059)	(0.172)	(0.181)	(0.189)	(0.172)
	t = 0.229	t = 0.086	t = -0.136	t = 0.137	t = 0.049	t = 0.426	t = 0.028	t = 0.077
	p = 0.820	p = 0.932	p = 0.892	p = 0.892	p = 0.961	p = 0.671	p = 0.978	p = 0.940
Urbanization	4.130	4.593	2.660	4.207	-4.422	-4.971	-7.899	-8.965
	(3.332)	(3.414)	(3.442)	(3.822)	(9.776)	(10.618)	(10.686)	(10.704)
	t = 1.239	t = 1.345	t = 0.773	t = 1.101	t = -0.452	t = -0.468	t = -0.739	t = -0.838
	p = 0.216	p = 0.179	p = 0.440	p = 0.271	p = 0.651	p = 0.640	p = 0.460	p = 0.403
Ethnic Fractionalization	0.131	1.129	-0.571	0.861				
	(5.384)	(5.299)	(5.820)	(5.878)				

	t = 0.024	t = 0.213	t = -0.098	t = 0.147				
	p = 0.981	p = 0.832	p = 0.922	p = 0.884				
Observations	665	665	665	665	665	665	665	665
R_2	0.498	0.507	0.496	0.491	0.429	0.386	0.392	0.417
Adjusted R_2	0.492	0.502	0.491	0.486	0.401	0.356	0.362	0.389
F Statistic	93.029*** (p = 0.000)	96.708** (p = 0.000)	92.323*** (p = 0.000)	90.648*** (p = 0.000)	67.904** (p = 0.000)	56.867** (p = 0.000)	58.197*** (p = 0.000)	64.709** (p = 0.000)

Note: *p**p***p<0.01

Clustered standard errors at the country level are given in parentheses.

LDV and Country FE Individual Components

	Dependent variable:			
	Redistribution			
	LDV and Country FE (1)	LDV and Country FE (2)	LDV and Country FE (3)	LDV and Country FE (4)
Contribution Limits	0.708**			
	(0.296)			
	t = 2.390			
	p = 0.017			
Spending Limits		0.397		
		(0.268)		
		t = 1.484		
		p = 0.138		
Public Funding			0.329*	
			(0.193)	
			t = 1.707	
			p = 0.088	
Disclosure and Oversight				0.806***
				(0.274)
				t = 2.945
				p = 0.004
Lagged Redistribution	0.874***	0.886***	0.885***	0.873***
	(0.019)	(0.018)	(0.020)	(0.019)
	t = 45.076	t = 48.561	t = 44.870	t = 45.135
	p = 0.000	p = 0.000	p = 0.000	p = 0.000
Percentage Over 65	0.025	0.016	0.041	0.028
	(0.041)	(0.041)	(0.043)	(0.040)
	t = 0.620	t = 0.393	t = 0.954	t = 0.703
	p = 0.536	p = 0.695	p = 0.341	p = 0.483
Inflation	-0.010	-0.014	-0.013	-0.007
	(0.022)	(0.024)	(0.024)	(0.024)
	t = -0.452	t = -0.575	t = -0.535	t = -0.290
	p = 0.652	p = 0.566	p = 0.593	p = 0.772
GDP per Capita	0.00001	0.00001*	0.00002*	0.00001

	(0.00001)	(0.00001)	(0.00001)	(0.00001)
	t = 1.482	t = 1.865	t = 1.926	t = 1.427
	p = 0.139	p = 0.063	p = 0.055	p = 0.154
Openness to Trade	-0.009***	-0.009**	-0.010***	-0.010***
	(0.003)	(0.004)	(0.004)	(0.003)
	t = -2.848	t = -2.383	t = -2.709	t = -3.509
	p = 0.005	p = 0.018	p = 0.007	p = 0.0005
Urbanization	0.043**	0.055***	0.043**	0.038**
	(0.019)	(0.020)	(0.020)	(0.018)
	t = 2.211	t = 2.788	t = 2.128	t = 2.048
	p = 0.028	p = 0.006	p = 0.034	p = 0.041
Ethnic Fractionalization	-1.543	-1.557	-2.124	-2.568**
	(1.330)	(1.268)	(1.298)	(1.248)
	t = -1.160	t = -1.227	t = -1.636	t = -2.058
	p = 0.247	p = 0.220	p = 0.102	p = 0.040
Observations	640	640	640	640
R_2	0.874	0.872	0.872	0.875
Adjusted R_2	0.867	0.866	0.866	0.868
F Statistic	524.239*** (p = 0.000)	518.740*** (p = 0.000)	519.166*** (p = 0.000)	529.840*** (p = 0.000)

Note: *p**p***p<0.01

Clustered standard errors at the country level are given in parentheses.

Pooled Interactions of Components

	Dependent variable:					
	Redistribution					
	Pooled (1)	Pooled (2)	Pooled (3)	Pooled (4)	Pooled (5)	Pooled (6)
Contribution Limits	-2.475	-8.524*	2.882			
	(3.620)	(4.411)	(8.156)			
	t = -0.684	t = -1.932	t = 0.353			
	p = 0.495	p = 0.054	p = 0.724			
Spending Limits	-4.213*			-6.450*	-2.933	
	(2.406)			(3.746)	(4.386)	
	t = -1.751			t = -1.722	t = -0.669	
	p = 0.080			p = 0.086	p = 0.504	
Public Funding		2.698		2.500		7.553*
		(2.511)		(2.828)		(4.326)
		t = 1.074		t = 0.884		t = 1.746
		p = 0.283		p = 0.377		p = 0.081
Disclosure and Oversight			-0.184		-0.762	-0.819
			(2.584)		(2.623)	(3.610)
			t = -0.071		t = -0.291	t = -0.227
			p = 0.944		p = 0.772	p = 0.821
CL * SL	3.375					
	(5.599)					
	t = 0.603					
	p = 0.547					
CL * PF		7.984				
		(6.570)				
		t = 1.215				
		p = 0.225				
CL * DO			-7.159			
			(9.008)			
			t = -0.795			
			p = 0.427			
SL * PF				3.941		
				(6.298)		

				t = 0.626		
				p = 0.532		
SL * DO					-0.429	
					(5.768)	
					t = -0.074	
					p = 0.941	
PF * DO						-7.490
						(6.619)
						t = -1.132
						p = 0.258
Lagged Redistribution	1.218***	1.197***	1.194***	1.216***	1.198***	1.142***
	(0.164)	(0.143)	(0.170)	(0.180)	(0.181)	(0.162)
	t = 7.408	t = 8.342	t = 7.033	t = 6.764	t = 6.630	t = 7.028
	p = 0.000	p = 0.000	p = 0.000	p = 0.000	p = 0.000	p = 0.000
Percentage Over 65	-0.049	-0.002	-0.085	0.049	-0.052	-0.021
	(0.176)	(0.161)	(0.198)	(0.183)	(0.201)	(0.179)
	t = -0.280	t = -0.013	t = -0.428	t = 0.268	t = -0.256	t = -0.115
	p = 0.780	p = 0.990	p = 0.669	p = 0.789	p = 0.799	p = 0.909
Inflation	-0.00004	-0.00001	-0.00002	-0.00003	-0.00003	0.00000
	(0.00005)	(0.00004)	(0.00005)	(0.00004)	(0.00005)	(0.00003)
	t = -0.776	t = -0.408	t = -0.394	t = -0.611	t = -0.673	t = 0.064
	p = 0.438	p = 0.684	p = 0.694	p = 0.542	p = 0.501	p = 0.950
GDP per Capita	0.022*	0.017*	0.021*	0.019*	0.021*	0.018*
	(0.012)	(0.010)	(0.011)	(0.011)	(0.011)	(0.011)
	t = 1.856	t = 1.676	t = 1.927	t = 1.707	t = 1.815	t = 1.683
	p = 0.064	p = 0.094	p = 0.055	p = 0.088	p = 0.070	p = 0.093
Openness to Trade	0.010	0.021	0.010	-0.006	0.009	-0.008
	(0.061)	(0.057)	(0.061)	(0.060)	(0.059)	(0.050)
	t = 0.157	t = 0.373	t = 0.171	t = -0.092	t = 0.158	t = -0.156
	p = 0.876	p = 0.710	p = 0.865	p = 0.928	p = 0.875	p = 0.876
Urbanization	4.970	3.196	4.900	4.035	4.893	4.637
	(3.424)	(3.023)	(3.911)	(3.342)	(3.838)	(3.459)
	t = 1.452	t = 1.057	t = 1.253	t = 1.207	t = 1.275	t = 1.341
	p = 0.147	p = 0.291	p = 0.211	p = 0.228	p = 0.203	p = 0.180

Ethnic Fractionalization	1.135	-1.475	0.171	0.417	1.191	-0.103
	(5.183)	(5.392)	(5.846)	(5.742)	(5.842)	(5.534)
	t = 0.219	t = -0.274	t = 0.029	t = 0.073	t = 0.204	t = -0.019
	p = 0.827	p = 0.785	p = 0.977	p = 0.943	p = 0.839	p = 0.986
Observations	665	665	665	665	665	665
R_2	0.515	0.530	0.503	0.530	0.509	0.540
Adjusted R_2	0.508	0.524	0.496	0.524	0.502	0.533
F Statistic	77.267*** (p = 0.000)	82.080*** (p = 0.000)	73.744*** (p = 0.000)	82.148*** (p = 0.000)	75.404*** (p = 0.000)	85.355*** (p = 0.000)

Note: *p**p***p<0.01

Clustered standard errors at the country level are given in parentheses.

Country FE Interactions of Components

	Dependent variable:					
	Redistribution					
	Country FE	Country FE	Country FE	Country FE	Country FE	Country FE
	(1)	(2)	(3)	(4)	(5)	(6)
Contribution Limits	3.313***	3.653*	3.416*			
	(1.072)	(1.889)	(2.031)			
	t = 3.092	t = 1.934	t = 1.682			
	p = 0.002	p = 0.054	p = 0.093			
Spending Limits	0.224			0.958	-2.381	
	(1.171)			(2.693)	(2.246)	
	t = 0.191			t = 0.356	t = -1.060	
	p = 0.849			p = 0.723	p = 0.290	
Public Funding		1.123		1.412*		1.079
		(0.822)		(0.842)		(1.479)
		t = 1.366		t = 1.678		t = 0.729
		p = 0.173		p = 0.094		p = 0.466
Disclosure and Oversight			1.798		2.419**	3.011**
			(1.330)		(1.117)	(1.331)
			t = 1.351		t = 2.165	t = 2.262
			p = 0.177		p = 0.031	p = 0.024
CL * SL	1.621					
	(1.933)					
	t = 0.839					
	p = 0.402					
CL * PF		-0.066				
		(2.933)				
		t = -0.022				
		p = 0.983				
CL * DO			-0.754			
			(3.246)			
			t = -0.232			
			p = 0.817			
SL * PF				1.136		
				(4.010)		

				t = 0.283 p = 0.777		
SL * DO					3.987 (2.709) t = 1.472 p = 0.142	
PF * DO						-0.547 (2.929) t = -0.187 p = 0.852
Lagged Redistribution	0.642***	0.713***	0.672***	0.746***	0.677***	0.742***
	(0.162)	(0.162)	(0.156)	(0.184)	(0.156)	(0.169)
	t = 3.973	t = 4.406	t = 4.296	t = 4.058	t = 4.328	t = 4.394
	p = 0.0001	p = 0.00002	p = 0.00002	p = 0.00005	p = 0.00002	p = 0.00002
Percentage Over 65	-0.134*	-0.131*	-0.129*	-0.160**	-0.138	-0.139*
	(0.075)	(0.073)	(0.075)	(0.082)	(0.085)	(0.082)
	t = -1.799	t = -1.803	t = -1.709	t = -1.963	t = -1.630	t = -1.692
	p = 0.072	p = 0.072	p = 0.088	p = 0.050	p = 0.104	p = 0.091
Inflation	-0.0001**	-0.0001***	-0.0001***	-0.0001**	-0.0001**	-0.0001**
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.00005)
	t = -2.515	t = -2.691	t = -2.640	t = -2.437	t = -2.289	t = -2.564
	p = 0.012	p = 0.008	p = 0.009	p = 0.015	p = 0.023	p = 0.011
GDP per Capita	0.020*	0.017*	0.016	0.019**	0.016	0.014
	(0.011)	(0.010)	(0.011)	(0.010)	(0.010)	(0.009)
	t = 1.784	t = 1.655	t = 1.404	t = 1.998	t = 1.630	t = 1.461
	p = 0.075	p = 0.098	p = 0.161	p = 0.046	p = 0.104	p = 0.144
Openness to Trade	0.004	-0.027	-0.007	0.017	-0.0001	-0.014
	(0.177)	(0.173)	(0.168)	(0.181)	(0.171)	(0.171)
	t = 0.021	t = -0.156	t = -0.040	t = 0.094	t = -0.0004	t = -0.084
	p = 0.984	p = 0.877	p = 0.969	p = 0.926	p = 1.000	p = 0.934
Urbanization	-4.524	-6.306	-6.978	-7.886	-9.592	-9.958
	(9.584)	(9.171)	(9.929)	(10.889)	(10.334)	(10.334)
	t = -0.472	t = -0.688	t = -0.703	t = -0.724	t = -0.928	t = -0.964
	p = 0.637	p = 0.492	p = 0.483	p = 0.469	p = 0.354	p = 0.336

Observations	665	665	665	665	665	665
R_2	0.433	0.436	0.439	0.402	0.429	0.421
Adjusted R_2	0.403	0.406	0.409	0.371	0.399	0.391
F Statistic	53.508*** (p = 0.000)	54.175*** (p = 0.000)	54.786*** (p = 0.000)	47.120*** (p = 0.000)	52.615*** (p = 0.000)	51.040*** (p = 0.000)

Note: *p**p***p<0.01

Clustered standard errors at the country level are given in parentheses.

LDV and Country FE Interactions of Components

	Dependent variable:					
	Redistribution					
	LDV and Country FE (1)	LDV and Country FE (2)	LDV and Country FE (3)	LDV and Country FE (4)	LDV and Country FE (5)	LDV and Country FE (6)
Contribution Limits	1.046**	0.897*	0.705			
	(0.412)	(0.524)	(0.516)			
	t = 2.537	t = 1.711	t = 1.365			
	p = 0.012	p = 0.087	p = 0.173			
Spending Limits	0.875***			1.059***	1.022*	
	(0.270)			(0.345)	(0.571)	
	t = 3.244			t = 3.072	t = 1.790	
	p = 0.002			p = 0.003	p = 0.074	
Public Funding		0.299		0.495***		0.121
		(0.209)		(0.190)		(0.453)
		t = 1.430		t = 2.603		t = 0.266
		p = 0.153		p = 0.010		p = 0.791
Disclosure and Oversight			0.727**		0.881**	0.858**
			(0.313)		(0.350)	(0.373)
			t = 2.327		t = 2.522	t = 2.303
			p = 0.020		p = 0.012	p = 0.022
CL * SL	-1.665**					
	(0.661)					
	t = -2.520					
	p = 0.012					
CL * PF		-0.479				
		(0.766)				
		t = -0.626				
		p = 0.532				
CL * DO			-0.617			
			(0.701)			
			t = -0.880			
			p = 0.379			
SL * PF				-1.248**		

				(0.546) t = -2.285 p = 0.023		
SL * DO					-1.072 (0.662) t = -1.618 p = 0.106	
PF * DO						-0.174 (0.862) t = -0.202 p = 0.841
Lagged Redistribution	0.878***	0.872***	0.869***	0.884***	0.878***	0.873***
	(0.019)	(0.020)	(0.020)	(0.021)	(0.021)	(0.019)
	t = 46.185	t = 43.153	t = 43.719	t = 41.907	t = 41.842	t = 45.583
	p = 0.000	p = 0.000	p = 0.000	p = 0.000	p = 0.000	p = 0.000
Percentage Over 65	0.022	0.039	0.033	0.030	0.021	0.032
	(0.040)	(0.044)	(0.041)	(0.044)	(0.042)	(0.042)
	t = 0.552	t = 0.889	t = 0.811	t = 0.675	t = 0.511	t = 0.770
	p = 0.582	p = 0.375	p = 0.418	p = 0.500	p = 0.610	p = 0.442
Inflation	-0.012	-0.010	-0.008	-0.012	-0.008	-0.007
	(0.022)	(0.022)	(0.023)	(0.023)	(0.024)	(0.024)
	t = -0.537	t = -0.446	t = -0.341	t = -0.513	t = -0.340	t = -0.287
	p = 0.592	p = 0.656	p = 0.733	p = 0.608	p = 0.734	p = 0.775
GDP per Capita	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001
	(0.00001)	(0.00001)	(0.00001)	(0.00001)	(0.00001)	(0.00001)
	t = 1.117	t = 1.295	t = 1.217	t = 1.349	t = 1.156	t = 1.422
	p = 0.265	p = 0.196	p = 0.224	p = 0.178	p = 0.248	p = 0.155
Openness to Trade	-0.010***	-0.009***	-0.010***	-0.009***	-0.011***	-0.010***
	(0.003)	(0.003)	(0.003)	(0.004)	(0.003)	(0.003)
	t = -3.023	t = -3.020	t = -3.368	t = -2.651	t = -3.184	t = -3.535
	p = 0.003	p = 0.003	p = 0.001	p = 0.009	p = 0.002	p = 0.0005
Urbanization	0.054***	0.035*	0.036*	0.044**	0.043**	0.036*
	(0.020)	(0.020)	(0.019)	(0.021)	(0.020)	(0.019)
	t = 2.715	t = 1.748	t = 1.954	t = 2.105	t = 2.163	t = 1.847
	p = 0.007	p = 0.081	p = 0.051	p = 0.036	p = 0.031	p = 0.065

Ethnic Fractionalization	-1.468	-2.075	-2.549*	-1.756	-2.213*	-2.659**
	(1.254)	(1.316)	(1.340)	(1.317)	(1.240)	(1.275)
	t = -1.170	t = -1.577	t = -1.902	t = -1.333	t = -1.785	t = -2.085
	p = 0.242	p = 0.115	p = 0.058	p = 0.183	p = 0.075	p = 0.038
Observations	640	640	640	640	640	640
R_2	0.875	0.874	0.875	0.874	0.875	0.875
Adjusted R_2	0.868	0.867	0.868	0.867	0.868	0.868
F Statistic	424.498*** (p = 0.000)	419.314*** (p = 0.000)	423.917*** (p = 0.000)	418.824*** (p = 0.000)	425.249*** (p = 0.000)	422.592*** (p = 0.000)

Note: *p**p***p<0.01

Clustered standard errors at the country level are given in parentheses.

D. Panel Data Joint Hypothesis and Diagnostic Tests

This section shows the results of joint hypothesis and diagnostic tests for the models displayed in the last section. The joint hypothesis tests were performed only on the six interaction models and so test results are only provided for these models.

Joint Hypothesis Tests All Models

Model Type	Variable	Model Number	Chi Sq	p-value
Pooled	CL	Interaction Model 1	0.47208	0.78975
Pooled	SL	Interaction Model 1	3.53960	0.17037
Pooled	CL	Interaction Model 2	4.45134	0.10800
Pooled	PF	Interaction Model 2	6.17708	0.04557
Pooled	CL	Interaction Model 3	3.59899	0.16538
Pooled	DO	Interaction Model 3	0.63661	0.72738
Pooled	PF	Interaction Model 4	7.54035	0.02305
Pooled	SL	Interaction Model 4	7.25135	0.02663
Pooled	DO	Interaction Model 5	0.13997	0.93241
Pooled	SL	Interaction Model 5	3.72390	0.15537
Pooled	DO	Interaction Model 6	5.07572	0.07904
Pooled	PF	Interaction Model 6	4.07431	0.13040
Country FE	CL	Interaction Model 1	9.55947	0.00840
Country FE	SL	Interaction Model 1	0.98495	0.61111
Country FE	CL	Interaction Model 2	6.74463	0.03431
Country FE	PF	Interaction Model 2	2.28490	0.31904
Country FE	CL	Interaction Model 3	5.42048	0.06652
Country FE	DO	Interaction Model 3	1.82851	0.40082
Country FE	PF	Interaction Model 4	2.99534	0.22365
Country FE	SL	Interaction Model 4	1.73883	0.41920
Country FE	DO	Interaction Model 5	7.05191	0.02942
Country FE	SL	Interaction Model 5	2.22603	0.32857
Country FE	DO	Interaction Model 6	6.11660	0.04697
Country FE	PF	Interaction Model 6	0.82435	0.66221
LDV and Country FE	CL	Interaction Model 1	6.86928	0.03224
LDV and Country FE	SL	Interaction Model 1	12.05616	0.00241
LDV and Country FE	CL	Interaction Model 2	4.72884	0.09400
LDV and Country FE	PF	Interaction Model 2	2.13812	0.34333
LDV and Country FE	CL	Interaction Model 3	2.18392	0.33556
LDV and Country FE	DO	Interaction Model 3	5.50671	0.06371
LDV and Country FE	PF	Interaction Model 4	7.89017	0.01935
LDV and Country FE	SL	Interaction Model 4	9.44419	0.00890
LDV and Country FE	DO	Interaction Model 5	6.48677	0.03903
LDV and Country FE	SL	Interaction Model 5	3.22352	0.19954
LDV and Country FE	DO	Interaction Model 6	7.83215	0.01992
LDV and Country FE	PF	Interaction Model 6	0.08039	0.96060

The first diagnostic test, a Honda LM test, checks for if fixed effects are needed in a model. As such, the test is only run on the pooled models—the models that do not already contain fixed effects. The results strongly indicate the need for fixed effects across the models.

LM Honda Tests for Fixed Effects on Pooled Models

Model	LM-stat	p-value
General Campaign Finance Laws	65.9265281	0.0000000
Four Components	57.4749985	0.0000000
CL Only Model	64.7336260	0.0000000
SL Only Model	64.6309956	0.0000000
PF Only Model	0.6215183	0.2671293
DO Only Model	0.3231505	0.3732906
Interaction Model 1	64.0045476	0.0000000
Interaction Model 2	58.4442901	0.0000000
Interaction Model 3	64.2655380	0.0000000
Interaction Model 4	60.4710270	0.0000000
Interaction Model 5	64.6656907	0.0000000
Interaction Model 6	58.0706294	0.0000000

Next, Wooldridge tests check for serial correlation in panel data models. As such, the test is run on the only country fixed effects models since these models don't contain controls for serial correlation. The results, across all models, show the presence of serial correlation.

Wooldridge Tests for Serial Correlation in Panel Models for Country FE Models

Model	Chi Sq	p-value
General Campaign Finance Laws	486.1726	2.648578e-88
Four Components	485.9313	2.972769e-88
CL Only Model	493.3536	8.516420e-90
SL Only Model	506.2304	1.782834e-92
PF Only Model	506.5357	1.540110e-92
DO Only Model	492.7125	1.157600e-89
Interaction Model 1	490.4357	3.442986e-89
Interaction Model 2	489.3512	5.786119e-89
Interaction Model 3	488.6991	7.905313e-89
Interaction Model 4	498.9023	5.972502e-91
Interaction Model 5	486.0266	2.840249e-88
Interaction Model 6	492.1865	1.489157e-89

E. Difference-in-Differences Regression Results

All Countries Difference in Differences

	Dependent variable:		
	Pro-Welfare Seats	Unweighted Ideology	Weighted Ideology
Policy	-0.038	-0.486	-0.172
	(0.082)	(1.412)	(1.593)
	t = -0.467	t = -0.344	t = -0.108
	p = 0.641	p = 0.731	p = 0.915
GDP per Capita	-0.00000	0.0001	0.0001
	(0.00001)	(0.0001)	(0.0001)
	t = -0.179	t = 0.697	t = 1.181
	p = 0.858	p = 0.486	p = 0.238
Openness to Trade	0.0004	-0.003	-0.018
	(0.001)	(0.016)	(0.019)
	t = 0.335	t = -0.154	t = -0.955
	p = 0.738	p = 0.878	p = 0.340
Percentage Over 65	0.003	0.481	0.545
	(0.027)	(0.543)	(0.529)
	t = 0.111	t = 0.886	t = 1.031
	p = 0.912	p = 0.376	p = 0.303
Urbanization	0.015	-0.016	0.101
	(0.015)	(0.217)	(0.235)
	t = 0.989	t = -0.076	t = 0.429
	p = 0.323	p = 0.940	p = 0.668
Ethnic Fractionalization	-2.205**	-39.213**	-29.198
	(1.119)	(17.357)	(19.791)
	t = -1.971	t = -2.259	t = -1.475
	p = 0.049	p = 0.024	p = 0.141
Observations	640	640	640
R_2	0.043	0.076	0.051
Adjusted R_2	-0.049	-0.012	-0.040
F Statistic	4.342*** (p = 0.0003)	8.022*** (p = 0.00000)	5.221*** (p = 0.00003)

Note: *p**p***p<0.01

Clustered standard errors at the country level are given in parentheses.

Policy represents the effects of the campaign finance law 'treatment' on the dependent variable.

High Income Countries Difference in Differences

	Dependent variable:		
	Pro-Welfare Seats	Unweighted Ideology	Weighted Ideology
Policy	0.087	2.518*	2.798**
	(0.082)	(1.421)	(1.347)
	t = 1.070	t = 1.772	t = 2.077
	p = 0.285	p = 0.077	p = 0.038
GDP per Capita	-0.00001	0.0001	0.0001
	(0.00001)	(0.0002)	(0.0001)
	t = -0.883	t = 0.659	t = 1.049
	p = 0.378	p = 0.510	p = 0.294
Openness to Trade	0.0005	0.006	-0.018
	(0.001)	(0.017)	(0.012)
	t = 0.453	t = 0.372	t = -1.479
	p = 0.651	p = 0.710	p = 0.140
Percentage Over 65	0.008	1.001**	0.788*
	(0.029)	(0.467)	(0.410)
	t = 0.284	t = 2.144	t = 1.924
	p = 0.777	p = 0.033	p = 0.055
Urbanization	0.014	-0.129	-0.030
	(0.012)	(0.151)	(0.147)
	t = 1.129	t = -0.852	t = -0.205
	p = 0.260	p = 0.395	p = 0.838
Ethnic Fractionalization	-1.025	-18.551*	-16.625
	(0.841)	(10.908)	(11.957)
	t = -1.219	t = -1.701	t = -1.390
	p = 0.223	p = 0.090	p = 0.165
Observations	307	307	307
R^2	0.061	0.113	0.087
Adjusted R^2	-0.092	-0.032	-0.063
F Statistic	2.854** (p = 0.011)	5.596*** (p = 0.00002)	4.154*** (p = 0.001)

Note: *p**p***p<0.01

Clustered standard errors at the country level are given in parentheses.

Policy represents the effects of the campaign finance law 'treatment' on the dependent variable.

Only High Income (GDP per Capita greater than 42,000) countries in the original sample are included in the regression.

Low Income Countries Difference in Differences

	Dependent variable:		
	Pro-Welfare Seats	Unweighted Ideology	Weighted Ideology
Policy	-0.240*	-4.802**	-5.560**
	(0.142)	(2.070)	(2.367)
	t = -1.684	t = -2.320	t = -2.349
	p = 0.093	p = 0.021	p = 0.019
GDP per Capita	0.00001	0.0001	0.00003
	(0.00002)	(0.0002)	(0.0002)
	t = 0.442	t = 0.443	t = 0.150
	p = 0.659	p = 0.658	p = 0.881
Openness to Trade	-0.001	-0.093	-0.132
	(0.004)	(0.069)	(0.089)
	t = -0.325	t = -1.339	t = -1.488
	p = 0.746	p = 0.181	p = 0.137
Percentage Over 65	-0.018	0.034	0.496
	(0.047)	(0.923)	(0.960)
	t = -0.385	t = 0.036	t = 0.517
	p = 0.701	p = 0.972	p = 0.606
Urbanization	0.058*	0.950	1.257**
	(0.033)	(0.629)	(0.608)
	t = 1.765	t = 1.511	t = 2.067
	p = 0.078	p = 0.131	p = 0.039
Ethnic Fractionalization	-5.964***	-110.191***	-98.390**
	(2.009)	(40.591)	(45.961)
	t = -2.969	t = -2.715	t = -2.141
	p = 0.003	p = 0.007	p = 0.033
Observations	333	333	333
R_2	0.142	0.208	0.160
Adjusted R_2	0.010	0.087	0.032
F Statistic	7.915*** (p = 0.00000)	12.602*** (p = 0.000)	9.136*** (p = 0.000)

Note: *p**p***p<0.01

Clustered standard errors at the country level are given in parentheses.

Policy represents the effects of the campaign finance law 'treatment' on the dependent variable.

Only Low Income (GDP per Capita less than 42,000) countries in the original sample are included in the regression.

Open Economy Countries Difference in Differences

	Dependent variable:		
	Pro-Welfare Seats	Unweighted Ideology	Weighted Ideology
Policy	-0.096	-1.055	-1.229
	(0.066)	(1.613)	(2.065)
	t = -1.459	t = -0.654	t = -0.595
	p = 0.145	p = 0.513	p = 0.552
GDP per Capita	-0.00000	0.0002	0.0003*
	(0.00001)	(0.0001)	(0.0002)
	t = -0.044	t = 1.345	t = 1.661
	p = 0.965	p = 0.179	p = 0.097
Openness to Trade	0.002	0.053***	0.030
	(0.002)	(0.014)	(0.034)
	t = 1.443	t = 3.698	t = 0.881
	p = 0.149	p = 0.0003	p = 0.379
Percentage Over 65	0.055	2.241***	1.737*
	(0.044)	(0.720)	(0.995)
	t = 1.265	t = 3.111	t = 1.745
	p = 0.206	p = 0.002	p = 0.082
Urbanization	-0.018	-0.574***	-0.546**
	(0.012)	(0.194)	(0.262)
	t = -1.514	t = -2.966	t = -2.084
	p = 0.131	p = 0.004	p = 0.038
Ethnic Fractionalization	1.472	12.354	37.294
	(1.084)	(22.183)	(33.330)
	t = 1.358	t = 0.557	t = 1.119
	p = 0.175	p = 0.578	p = 0.264
Observations	275	275	275
R_2	0.075	0.225	0.122
Adjusted R_2	-0.093	0.084	-0.037
F Statistic	3.118*** (p = 0.006)	11.208*** (p = 0.000)	5.360*** (p = 0.00004)

Note: *p**p***p<0.01

Clustered standard errors at the country level are given in parentheses.

Policy represents the effects of the campaign finance law 'treatment' on the dependent variable.

Only open economies (greater than 70% of GDP accounted for by imports and exports) countries in the original sample are included in the regression.

Closed Economy Countries Difference in Differences

	Dependent variable:		
	Pro-Welfare Seats	Unweighted Ideology	Weighted Ideology
Policy	-0.015	-1.317	0.177
	(0.115)	(2.161)	(1.750)
	t = -0.130	t = -0.609	t = 0.101
	p = 0.897	p = 0.543	p = 0.920
GDP per Capita	0.00000	-0.00003	0.00003
	(0.00002)	(0.0002)	(0.0002)
	t = 0.162	t = -0.135	t = 0.156
	p = 0.872	p = 0.893	p = 0.876
Openness to Trade	0.006*	0.018	-0.002
	(0.003)	(0.050)	(0.040)
	t = 1.781	t = 0.349	t = -0.049
	p = 0.075	p = 0.727	p = 0.962
Percentage Over 65	-0.042	-0.655	-0.206
	(0.041)	(0.641)	(0.582)
	t = -1.023	t = -1.022	t = -0.354
	p = 0.307	p = 0.307	p = 0.724
Urbanization	0.026	0.375	0.316
	(0.022)	(0.310)	(0.303)
	t = 1.185	t = 1.210	t = 1.042
	p = 0.237	p = 0.227	p = 0.298
Ethnic Fractionalization	-5.185***	-78.194***	-75.350***
	(1.252)	(23.186)	(21.933)
	t = -4.141	t = -3.373	t = -3.435
	p = 0.00004	p = 0.001	p = 0.001
Observations	365	365	365
R^2	0.146	0.167	0.166
Adjusted R^2	0.026	0.049	0.048
F Statistic	9.117*** (p = 0.000)	10.626*** (p = 0.000)	10.560*** (p = 0.000)

Note: *p**p***p<0.01

Clustered standard errors at the country level are given in parentheses.

Policy represents the effects of the campaign finance law 'treatment' on the dependent variable.

Only closed economies (less than 70% of GDP accounted for by imports and exports) countries in the original sample are included in the regression.