

Can Public Campaign Funding Change Politicians' Behaviour? Evidence from Brazil, 2004-2022

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Do citizens actually matter for the formulation of public policies? Politicians are often perceived to make policies that are not in people's interests, but driven by donors' incentives and agenda. To hinder this mechanism, countries have adopted several electoral finance policies, such as banning corporate donations and/or introducing public campaign finance. But have they been actually effective?

Context

There has been a lot of innovation in the field of campaign finance around the world to hinder the influence of private money in politics. Brazil is a country that in the past decade has **transitioned from a mostly private financed election system to a mostly public financed system**, after the corporate donations ban in 2015, introduction of campaign spending caps in 2016, and the creation of a public electoral fund in 2017. This allowed for a substantial change in candidates' campaign sources. Few pieces of literature have analysed the effects of these electoral public policies, but mostly on their impact on candidates' electoral outcomes or selection, and none on politicians' behaviour.

Research questions

How much do campaign donors influence politicians' behavior?

- **H1:** After corporate donation ban, politicians respond more to citizens' needs and interests. They engage more with municipalities they are elected to represent.
- **H2:** After creation of public electoral fund, politicians are now more attached to their own parties, as parties leaders are the ones deciding over the allocation, rendering parties stronger and more cohesive.

Data

- **Electoral data**, including all candidates in legislative elections from 1994 to 2022 and municipal elections from 2004 to 2020, with information about their characteristics and electoral finance;
- **Data on legislative activity**, including bills proposed from 1947 to 2022, votes by legislators since 2001 and party instructions to vote since 2003.
- **Data on ear-marked transfers**, including information ear-marked transfers by legislators to municipalities from 2014 to 2022.

Implications

- This research outcomes will help us understand why campaign donors are so important, and whether their interests is what is actually driving politicians once they are elected.
- Understanding the effects of Brazil's electoral reform will help us redesign the allocation mechanisms that are in place and move from party leaders-decision-making process to voters-led process.
- Finally, it will enhance our understanding of how to design effective election policies that lead to better representation of the population in politics, and to better policy-making that is in tune with citizens' interests.

Methodology

H1: using data on electoral and ear-marked transfers, test the relation between politicians' receipt of Electoral Fund and subsequent allocation of ear-marked transfers to municipalities where they collect higher vote shares, through the following specification:

$$Y_{imst} = \gamma \cdot \text{ElectoralFund}_{it} \cdot \text{VoteShare}_{im} + \lambda_{im} + \delta_{mt} + \phi_{it} + \epsilon_{ismt}$$

λ_{im} = politician-district fixed-effect
 δ_{mt} = municipality-time indicator
 ϕ_{it} = politician-time

H2: using data on electoral donations and bills proposed by legislators and their votes, test the relation between politicians' receipt of Electoral Fund and party discipline, as a proxy to test candidates' behaviour towards party. I test the following specification:

$$\text{PartyDiscipline}_{bipt} = \gamma \cdot \text{ElectoralFund}_{ipt} + \lambda_i + \delta_{pt} + \phi_{it} + \theta_{bt} + \epsilon_{ipt}$$

where $\text{PartyDiscipline}_{it}$ = dummy identifying whether legislator voted in accordance or against party recommendation
 $\text{ElectoralFund}_{it}$ = share of Electoral Fund in legislator's total campaign budget

I will also conduct **qualitative interviews with Brazilian party leaders**, and politicians recipients of electoral public funds, to clarify the mechanisms that operate in both hypotheses.

Sources of campaign finance in Brazilian general elections, from 1994 to 2022

