Betting on the right horse:
Closeness of elections and corporate campaign contributions

Abstract

We study theoretically and empirically how closeness of elections affects campaign contributions from corporations.

First, we propose a model in which a corporation can offer contributions to office-seeking political candidates in exchange for favors.

The model predicts that candidates in close elections may receive more funding because of both demand and supply effects.

Second, we use U.S. House election data from 1974 to 2024, and leverage the quasi-random variation in districts' competitiveness induced by incumbents' deaths, to provide empirical evidence supporting this claim.

We find that corporate campaign contributions increase in districts following an incumbent's death relative to other districts in the same electoral cycle.