

Do Campaign Contribution Limits Matter? Evidence from the McCain-Feingold Act *

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Abstract

We propose a novel method to estimate the impact of campaign contribution limits, and use it to study the effect on U.S. House Elections of the increased limits introduced by the Bipartisan Campaign Reform ("McCain-Feingold") Act enacted after the 2002 elections. We first estimate the amount of contributions that had been left unrealized by the presence of the relatively strict limit and were then brought into existence by the reform, and then analyze whether and how the change affected election outcomes and the behavior of politicians. The results indicate that aggregate contributions were 25 percent higher as a result of the higher limit, and that this increase disproportionately went to Republican candidates. We further show that the contributions brought in by the reform led to significantly higher turnout in the 2004 elections (2.6% increase in response to a 10% increase in individual contributions). This effect was essentially driven by an increase in the mobilization of Republican voters, with no evidence of increased mobilization of Democratic voters, consistent with the fact that the Republican candidates on average attracted more of the contributions induced by the reform. A roll-call analysis further shows that incumbent Democratic legislators responded, in the 2003-2004 Congress, by becoming relatively less liberal in places with more new contributions induced by the reform. Together, our results provide evidence that raising limits on individual campaign contributions can affect elections and the incentives faced by politicians in ways that increase political participation, but disproportionately benefit certain political parties.

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