

Political Action Committee Activity and the Elasticity of Demand

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Background and Question:

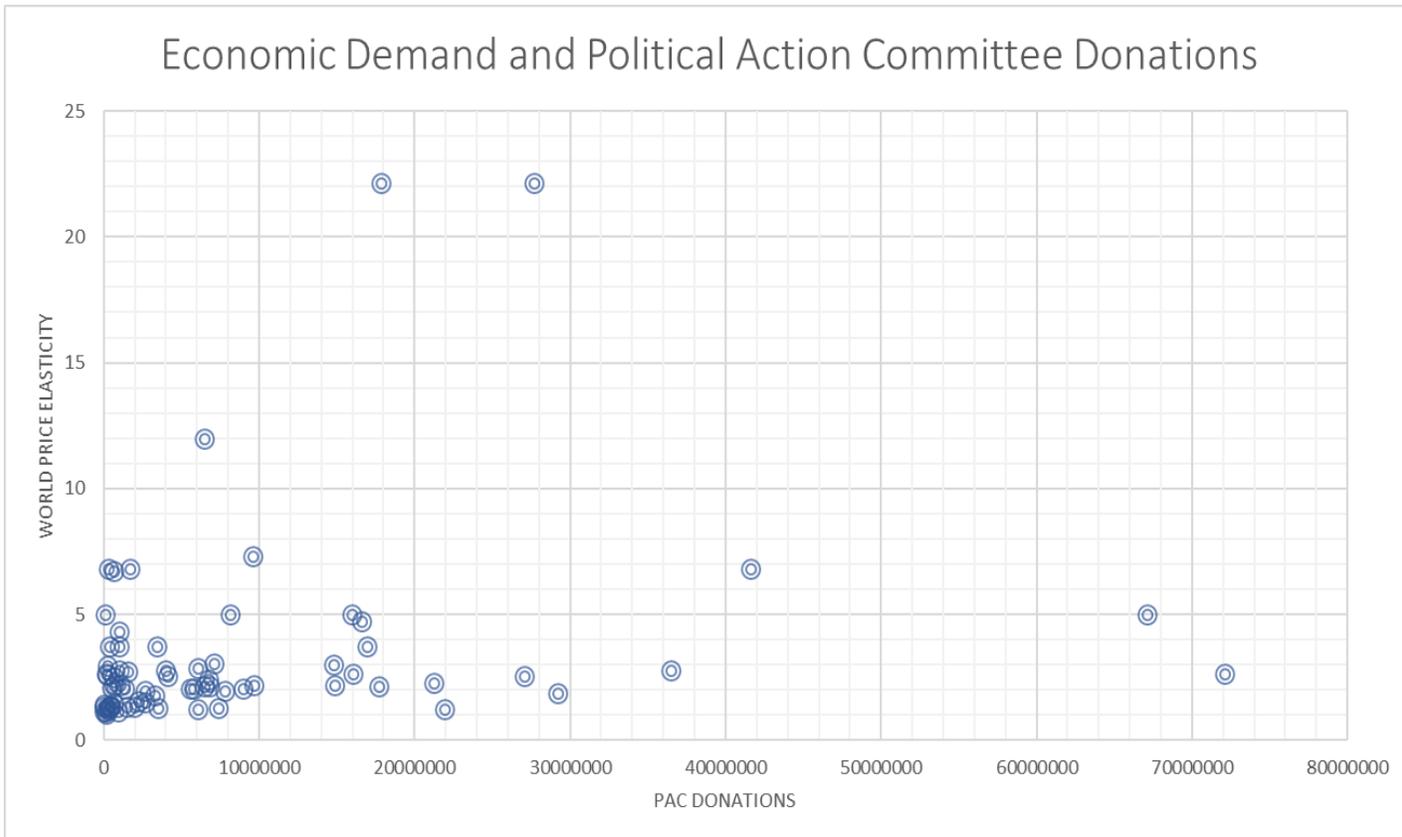
Considerable attention is paid to the amount of money in politics, including the role of Political Action Committees (PACs). It is generally assumed the funds raised are spent to pursue political ends.

However, that does not seem to sufficiently explain the variations in activity among political committees. This work examines the amount raised and spent by PACs from different economic sectors. *What is the influence of price elasticity of demand on the amount of money raised by PACs?*

The research aggregates PAC donations across nine election cycles, from public records, and draws from existing studies of the price elasticity of demand for specific goods. Many PACs are distributed by sector and good.

Political science research suggests that corporate donations have minimal influence on policy outcomes. (Hansen, Rocca, & Ortiz) Also, Acemoglu et al. look at the effect of the price elasticity of demand on other political events and argue a “key parameter determining the incentives for war is the elasticity of demand.” (Acemoglu, Golosov, Tsyvinski, & Yared) Fally and Sayre, “argue that trade with commodities corresponds to the case of inelastic supply and demand, where the gains from trade are the largest.”

Findings:



Null Hypothesis can not be rejected with a 0.2 correlation.

The elasticity of substitution measures are from the Globalization and the Gains from Variety by Broda and Weinstein and the political donations are organized and aggregated by Open Secrets from the Federal Election Commission.

This is not an approximation of the elasticity of demand measures where corresponding aggregate studies were not found.

Conclusion:

The Null Hypothesis can not be rejected.

This furthers the need to find explanations related to the underlying behavior of Political Action Committees. Are there alternative explanations related to labor concentration or overlays of economic factors and median voters?

This also returns to the opportunities to explore explanations around campaign contributions, guided less by broad macroeconomic measures or even desired policy outcomes, but an element of recreation. However, the recreation argument, and the challenges of testing the claims, provoked the approach in this paper and will spark further questions.

Sources:

“Bulk Data.” OpenSecrets, December 13, 2021. <https://www.opensecrets.org/open-data/bulk-data>.

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Hansen, Wendy L., Michael S. Rocca, and Brittany Leigh Ortiz. "The Effects of Citizens United on Corporate Spending in the 2012 Presidential Election." *The Journal of Politics* 77, no. 2 (2015): 535-545.

Fally, Thibault, and James Sayre. *Commodity Trade Matters*. No. w24965. National Bureau of Economic Research, 2018.

Acemoglu, Daron, Mikhail Golosov, Aleh Tsyvinski, and Pierre Yared. "A Dynamic Theory of Resource Wars." *The Quarterly Journal of Economics* 127, no. 1 (2012): 283-331.