

Luigi Zingales

Discussion of
Disclosure in Democracy

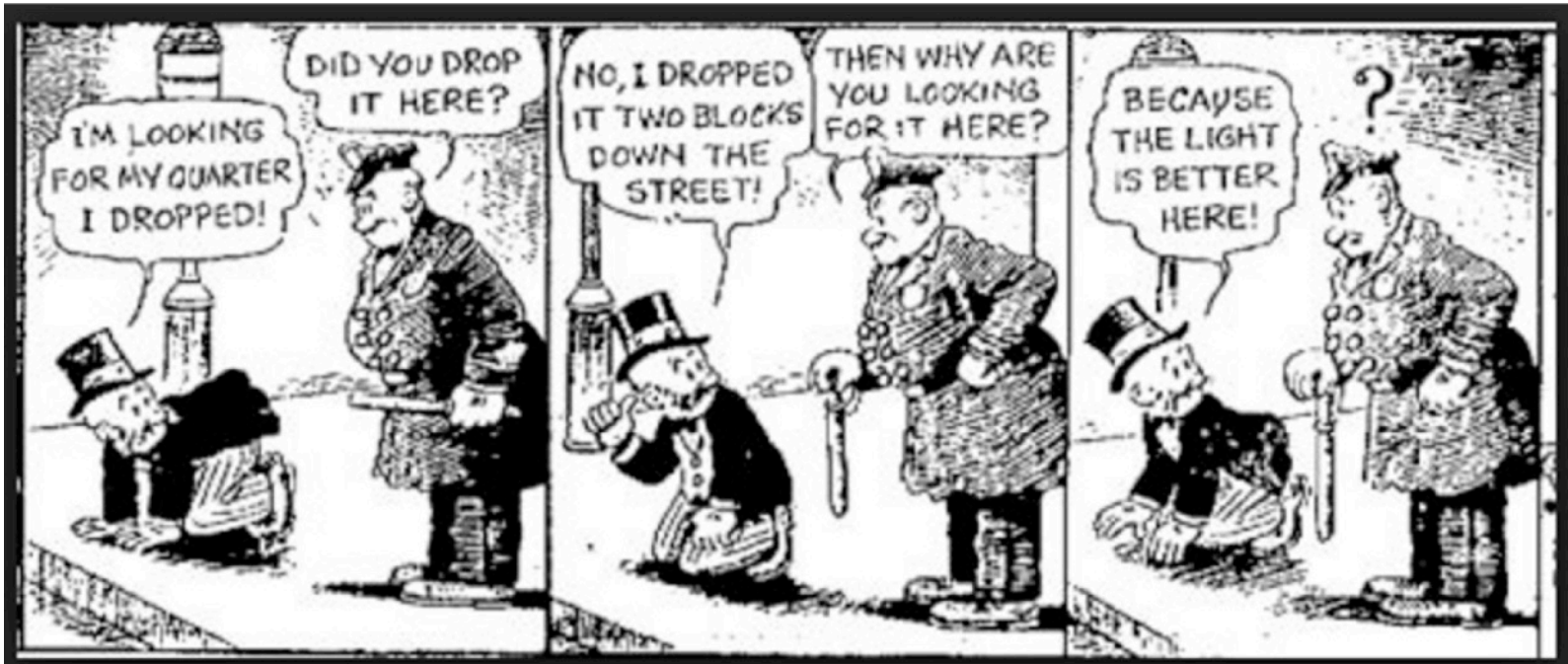
by

Matthew Denes

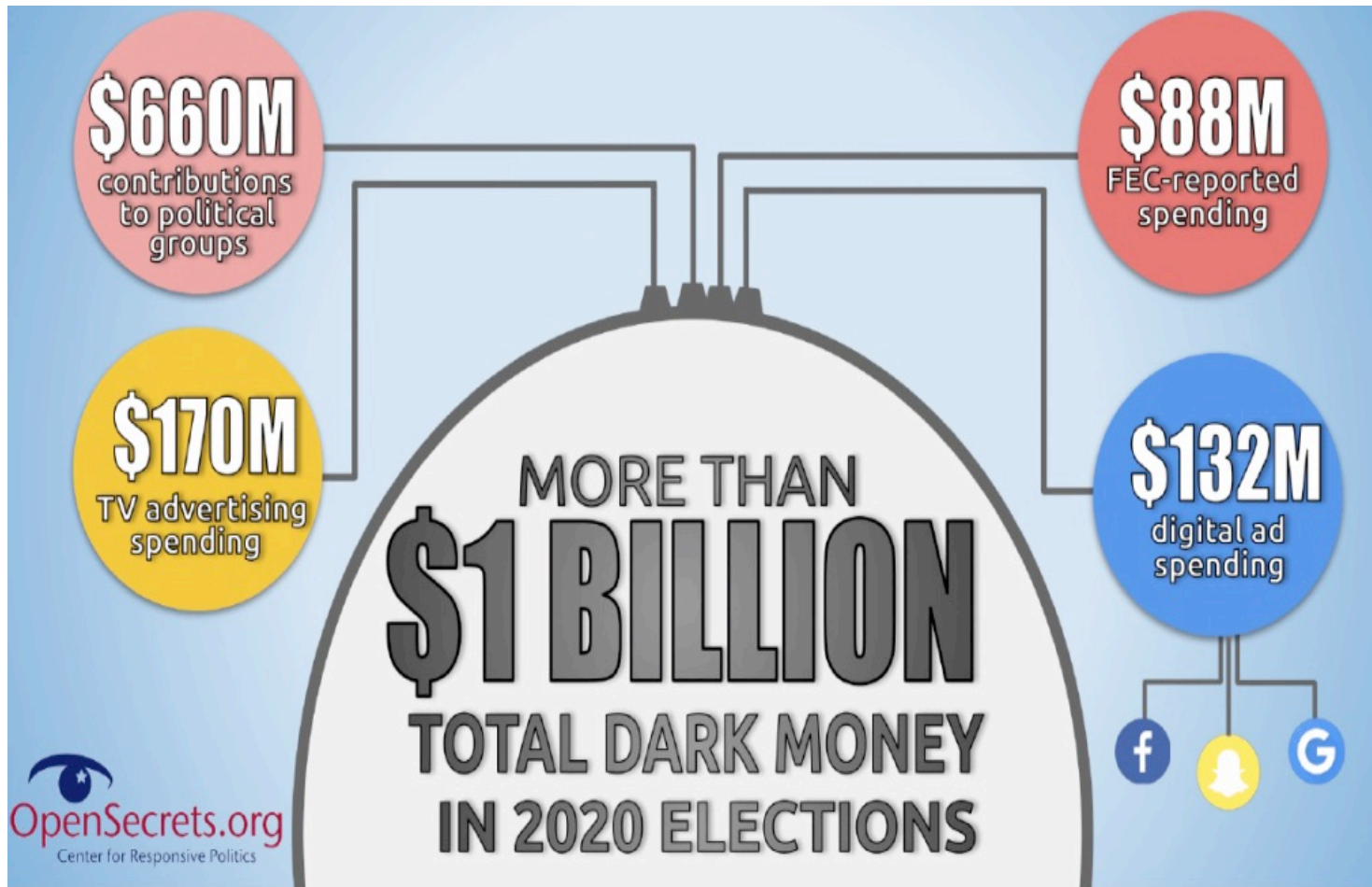
Madeline Marco Scanlon

Florian Schulz

The Lamppost Fallacy



Dark Money is Huge



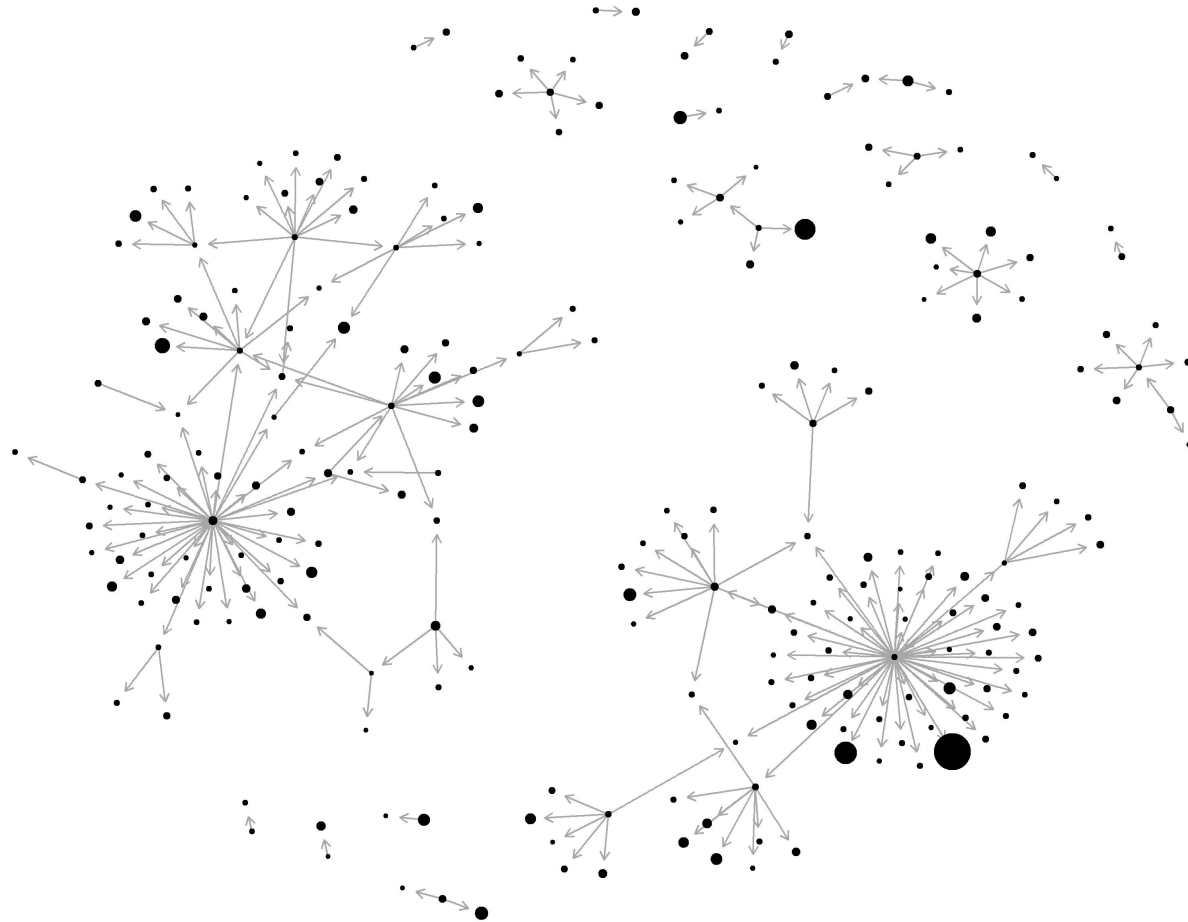
Outline

1. Great descriptive results
2. Some questionable results
3. Many opportunities for further research

1. Great Descriptive Results

1. Political spending by dark money groups now comprises the largest share of contributions **by special interest groups**.
2. Dark money is mostly spent against candidates in elections.
3. Dark money contributions flow to candidates in the months immediately preceding elections.
4. Dark money groups **tunnel** capital through other dark money groups
5. Firms often provide contributions to dark money groups.

Dark Money Networking



More Flexible Money

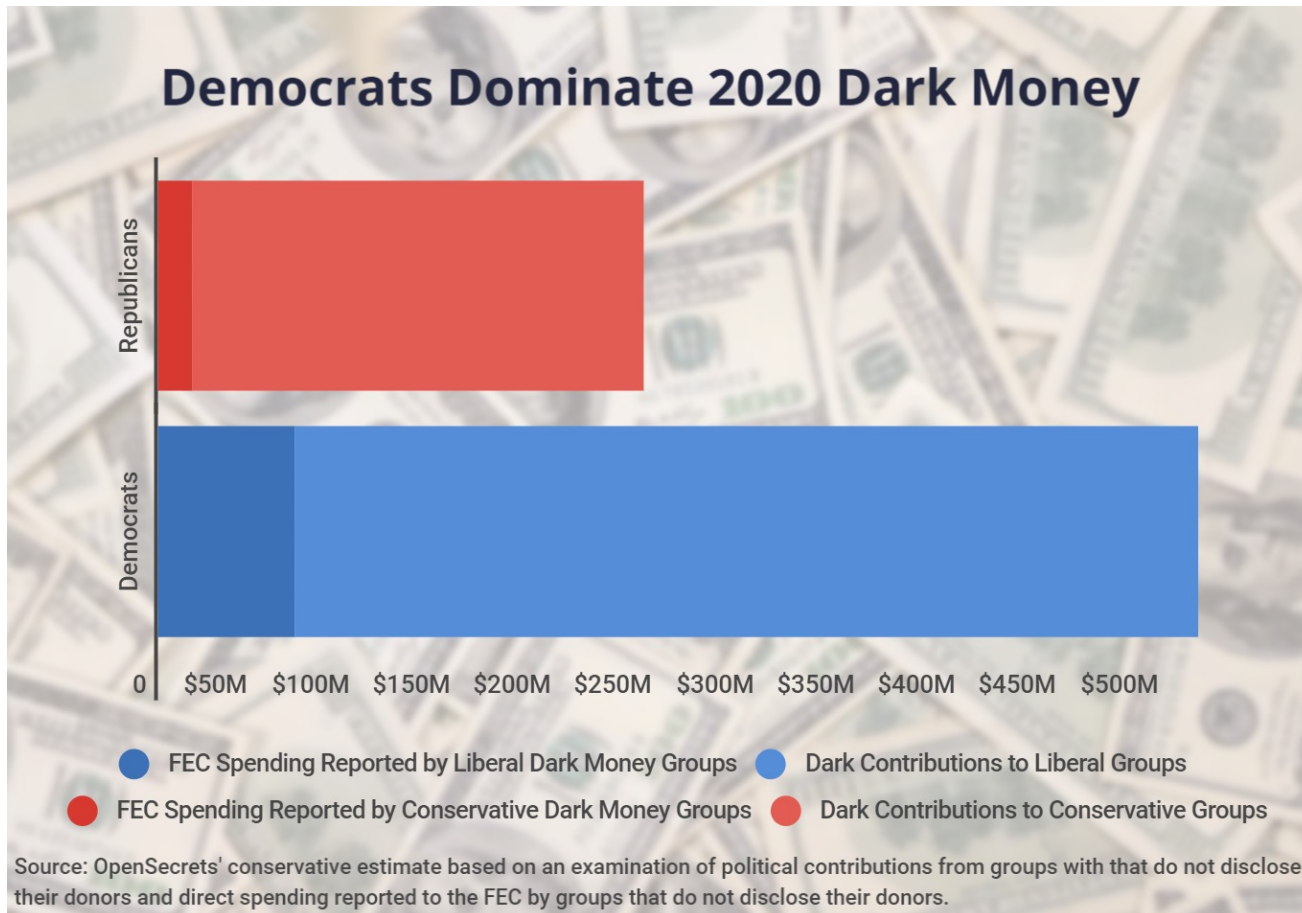
- Dark money can be raised more easily and more secretly, so it is more flexible money
 - More flexible money can be used
 - more timely
 - in the places where it is more needed
- ⇒ More productive ⇒ (Gordon Tullock) ⇒ you are going to use it more ⇒ more donations

2. Some Questionable Results

- “A 25% increase in dark money against a candidate is related to a 3.0 percentage-point decrease in the probability of that candidate winning an election.”
 - Betting on winners?
- “These political contributions are spent in areas with fewer newspapers and less educational attainment.”
 - Do candidates need more money to advertise when there are not local newspapers?
- “Dark-money backed politicians appear to enact an agenda aligned with their donors and are less likely to be reelected.”
 - Evidence only on more laws proposed
 - Content?
 - Lose the next election

3. Opportunities for Further Research

- This is not just a Democratic vs Republican divide



Documents reveal massive 'dark-money' group boosted Democrats in 2018

A little-known nonprofit called The Sixteen Thirty Fund pumped \$140 million into Democratic and left-leaning causes.

The group does disclose the amount of money of each donation, which shows several strikingly large contributions: One donor gave the group \$51,705,000; a second gave \$26,747,561 and a third gave \$10,000,000. And The Hub Project [disclosed](#) three of its donors in 2017: Seattle venture capitalist Nick Hanauer, the union American Federation of Teachers and the Wyss Foundation, founded by businessman and environmentalist Hansjörg Wyss.

- I prefer the difference between Corporatists vs Populists
 - Rep. Richie Neal (D–Mass.)
 - Sen Josh Hawley (R- Missouri)
- You can divide them based on how they voted for Tarp in 2008
- You can divide on whether they supported a larger check at the end of 2020
- You can look at primary challenges
- You can also look at the presidential and senate campaign
- Separate on how they donate differently for Congress and President and even referendums

Challenge

- Dark Money blackmails work even when it is not used
- Representatives are afraid to take positions against positions favorable to vested interests with significant dark money
- Effect on homogeneity of the way they vote on corporate matters

Conclusions

- Great research project
- Very interesting early results
- A lot of opportunities for further research