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War Chests as Precautionary Savings

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Abstract

I present a model of campaign spending and saving in repeated elections which yields empirical implications on the creation of war chests. As previous studies disagree whether war chests deter potential challengers from running against incumbents, I present an alternative model that intentionally excludes deterrence as a motivation and formalizes under what circumstances (if any) a war chest would be created for savings. The model predicts that an incumbent creates a war chest when she faces a weaker challenger, i.e. as precautionary savings for future elections. The model yields several other predictions of incumbent fund-raising, spending, and saving behavior. Using incumbents from 1982–1998 U.S. House elections, I find strong empirical support for the predictions of the model.

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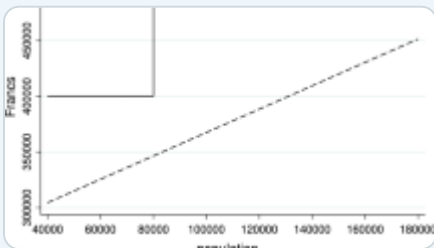
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