

The Electoral Cycle in Political Contributions:

The Incumbency Advantage of Early Elections

Abstract

The occurrence of early elections varies significantly between and within electoral democracies. Previous studies have investigated the determinants and the electoral consequences of early elections. However, whether early elections affect financial contributions to political parties has not been independently studied. This article argues that incumbent government parties gain a relative advantage compared to non-government parties with regards to private contributions in years of early elections. This argument is tested using party-level data from Denmark. Taking party-fixed effects into account, the results show a strong incumbency advantage in private contributions for early elections. The findings suggest that the ability to call early elections gives incumbent parties an additional advantage besides being able to call elections when economic conditions and opinion polls are favorable.

Keywords: Elections; election timing; incumbency advantage; political parties; party finance.

Introduction

Do early elections – elections held before the end of the electoral term - provide an advantage to incumbent government parties with regards to party funding? The extent to which incumbent governments are able to call elections early, and whether governments actually exercise this power, vary significantly between democratic countries and within these countries over time. While early elections have been common in the Dutch and Danish political systems and were a key feature of the British political system¹ before the enactment of the Fixed-term Parliaments Act in 2011, all Norwegian election since WWII were held in the year, they was officially scheduled. In the intermediate case of Sweden only two parliamentary elections in the post-war period were held in non-scheduled years. But what are the political consequences of these early elections and does the ability to call these elections alter the balance of power between government and opposition parties?

In recent decades, the political science literature on elections has paid closer attention to the issue of whether elections are held as scheduled or called early by incumbent governments. Most of the political science and political economy literature on early election calling has relied on the framework of *political business cycles* where, starting with Nordhaus (1975), the argument is that an incumbent government will try to manipulate the economy before elections in order to maximize voter support, which gives rise to *electoral cycles* in public policies, see Alesina et al. (1997) for a seminal study of these phenomena. Using the same logic, early studies from Japan (Ito, 1990) suggested that an

¹ Which however still allowed for early elections as in June 2017. See Smith (2003) for a seminal study of this phenomenon in the context of the UK. See Smith 2003 for a seminal study of the phenomenon in the UK.

incumbent which are able to call early elections, and thus to determine the time of the election, would choose times of favorable economic conditions to call elections. Other early empirical studies of Japan (Cargill and Hutchison 1991) and India (Chuwdhury 1991) also suggest such a relationship. Choosing times of favorable economic fundamentals² and general government popularity could thus be a supplement or a substitute for pre-electoral economic or fiscal manipulation. Kayser (2005) develops a theoretical model predicting under which circumstances governments will manipulate the economy before upcoming elections and when they will call early elections. Regarding comparative evidence for the occurrence of this type of *electoral surfing* Kayser (2006) finds that export expansions are a predictor of early election in 13 OECD-countries, while Riera (2015) in a study of 21 OECD countries finds that the occurrence of early elections is positively associated with higher GDP growth and occurs more frequently under minority governments and single-party governments. There is indeed some evidence that governments do call early elections for opportunistic reasons.

Intuitively, the ability of incumbent government to choose the date of the election and thus *surf* according to favorable economic circumstances and general popularity should yield benefits for incumbent government parties, and the results from the research on the occurrence of early elections at least suggest that incumbent might act according to this belief. A few empirical studies have tried to assess the actual electoral benefit of early elections. Smith (2003) in a study of British elections argues that because early elections serve as a signal for future expected economic declines, incumbent governments might on some occasions be electorally punished for early elections depending on the

² Normally thought to be the *big two/three*: inflation/growth and unemployment of the economic voting literature (Lewis-Beck and Paldam 2000, 114).

level of predictability of the early election. In contrast, Schleiter and Tavits (2016) in a comparative study of 27 European countries find a significant incumbent vote gain for early elections.

So, under some circumstances, incumbent government parties have an electoral advantage in their ability to call elections, presumable because they can choose times of general government popularity and robust economic fundamentals to call elections. But does the incumbency advantage in the ability to call early elections extend beyond this? Does the ability to decide and know the exact timing of the elections also give incumbent parties an advantage in resource mobilization, including financial support? The previous scholarly literature on both early elections, incumbency advantage and the causes and effects of political party finance does not seem to have addressed this issue.

While there has been an extensive research in US politics and increasingly in comparative politics about the differences in the electoral yield of campaign spending between incumbent and challenging candidates and parties (Scarrow 2007a, 197-201; Benoit and Marsh 2008; Johnson 2012), the relationship between incumbency and the magnitude of political contributions have received much less attention outside the US. Most comparative studies of political parties' finances have been concerned with the spending side of party finance or the impact of general party finance regulation (Scarrow 2007a; Scarrow 2007b; Köppl-Turyna 2014; Potter and Tavits 2015)³ rather than the determinants of differences in parties' private contributions, which in many countries is the foundation for actual

³ See also Cahill and Tomashevskiy (2019) for a recent paper on the effect of political contributions on political parties' policy positions.

campaign spending. An exception is Tomashevskiy (2015) who suggests that right-wing parties might benefit relatively with regards to private contributions from increased inflows of portfolio investment yields and that – unsurprisingly – political parties receive more private funding in election years (Tomashevskiy 2015, 784). But this article represents a rare piece on the determinants of private contributions in comparative politics and does not develop a theoretical argument about the relationship between the electoral calendar and private political contributions further. Furthermore, it does not address the role of incumbent’s ability to call early elections. To the knowledge of the author, no research has been done on how early elections affects party funding. The timing of political contributions and to what extent there is an incumbency advantage in the magnitude of private political contributions have mainly been studied in the two-party US context (McCarty and Rothenberg 2000; Box-Steffensmeier et al. 2005; Fournaises and Hall 2014) where elections dates are generally fixed.

This article specifically theorizes and tests whether government parties has a relative advance in the magnitude of private funding in years of non-scheduled elections in the context of a multiparty system. It thus represents the first study to investigate the effects of early elections on party finance. It builds on an argument that incumbent government parties can use information asymmetry about when elections are to be held to activate party fundraisers and to signal a higher demand for financial contributions to their potential donors in order to gain a relative advantage in private funding. This argument is tested on a novel dataset of Danish political parties’ private funding in the years 1991-2013, where detailed party finance data exists. The results show a strong incumbency advantage in party funding for non-scheduled election years where government parties receive substantial more private contributions than

non-government parties. The results hold significant implications for the wider scholarly and policy discussion about the effect and desirability of incumbent governments' ability to call early elections.

A theory of incumbency advantage in private contributions for early elections

The theoretical argument of this article is that there exists an incumbent party advantage in private contributions in years of early elections which is greater than in years of scheduled elections. This argument rests on the assumption that there exists information asymmetry between government parties and non-government parties with regards to knowledge about the timing of elections in a system which allows the government to call early elections. This asymmetry again spills over in an asymmetry between government and non-government parties with regards to planning fundraising activities as well as the information parties are able to convey to their potential private donors in years of non-scheduled elections.

The behavior of private donors

Let us first take the perspective of private donors to political parties. Private donors want to maximize the impact of their financial contributions, both if their motivation for giving financial contributions is to influence policymakers or to help favorite politicians get elected.⁴ Private contributions are assumed to be most valuable for political parties in election years, when they need discretionary funds for political advertising and general campaign expenses. This should cause private contributors to political

⁴ As in most theoretical models of political contributions (Grossman and Helpman 2001, 225-226).

parties to donate more money to political parties in election years, an expectation which generally fits the observed pattern of private contributions to political parties (Tomashevskiy 2015, 784).⁵ As we assume that private donors are budget constrained, they will need to budget money for political contributions. Given the electoral calendar they will, as a baseline, budget the majority of funds for political contributions for the scheduled election year. But in a political system which allows for elections held before the electoral term formally expires,⁶ the election will not necessarily be held in the year it is scheduled. Everything else being equal, we should then expect political parties to receive fewer private contributions in non-scheduled elections years, since private donors will not have budgeted the same amount of political contributions for non-scheduled election year. Especially, if we assume that private donors are not perfectly liquid during an electoral campaign.

The role of information asymmetry

However, incumbent political parties might know well before non-government parties when the election will be held, if calling early elections is the prerogative of the incumbent government.⁷ This argument rests on the assumption that early elections are often planned strategically by the government parties, who are able to call them, at least some times before they are officially called, which is supported by both previous research as well as anecdotal evidence (Schleiter and Tavits 2016, 836-

⁵ This is also the case in Denmark, where political parties, in the years 1991-2013, received on average over twice the amount of private contributions in election years compared to non-election years.

⁶ In the article mainly referred to as “non-scheduled” or “early” elections.

⁷ In most OECD countries early elections can be called, although the government’s power to call them at its own discretion varies (Goplerud and Schleiter 2016).

837).⁸ Anecdotes about governments strategically calling elections include the Danish election of 2007, which was called about two years before the end of the electoral term at the height of pre-financial crisis economic upturn. This is not to say that non-government parties might not sometimes anticipate an early election but only that everything else being equal, government parties have better knowledge of the timing of early elections, when the incumbent government is able to call them

This greater knowledge of the occurrence and timing of early elections enables government parties to signal to their potential donors⁹ well before an early election is officially called that they presently have a high demand for financial contributions. The parties might even convey that a non-scheduled election is upcoming to their donors. This information should allow the private donors to government parties more time to raise and rebudget money for political contributions in years of non-scheduled election than they would otherwise have had. The donors should be incentivized to antedate their contributions if they know an early election is coming since, as mentioned above, it is reasonable to assume that the donors are interested in donating when the political parties' demand for private funding is highest, which is in election years, both scheduled and non-scheduled.

Thus, assuming not perfect short-term liquidity of private donors to non-government parties, donors to government parties should everything else being equal give more private contributions in non-scheduled election years than donors to non-government parties, since government donors have had

⁸ Of course, early elections are sometimes called due to a unanticipated government crisis or political scandal in which case the incumbency advantage should not necessarily exist.

⁹ For an example, they can contact previous donors to the party.

relatively more time to raise and rebudget funds for political contributions. Consequently, we should expect government parties to receive more private contributions than non-government parties in years of non-scheduled election, when the election is called early by the incumbent government.

Apart from the donor signaling mechanism, another way the information asymmetry about election timing might benefit government parties is through a more purely intraparty and organizational channel. Knowledge about upcoming non-scheduled elections should enable government parties to activate their party fundraisers well before non-government parties can do it. This mobilization includes volunteers which are mainly mobilized during elections. So, the incumbency advantage should be especially pronounced for these type of party fundraisers. This advantage in internal resource mobilization should be an additional reason for why government parties should be more successful in getting private contributions in non-scheduled election years than non-government parties.

Of course, the degree of this advantage in mobilization depends on how much time in advance of the official election announcement the government had decided to actually call early elections and thus the time advantage these parties have had in mobilizing fundraisers. But even if the government party/parties decided to call elections only a few weeks before the early election is officially called, especially if the electoral campaign is only a couple of weeks long, the government party fundraisers might have 50-100 percent more time to do fundraising activities than non-government party fundraisers which is a large relative advantage. Thus, even when the government has not planned the

early election much in advantage, this slight advantage in election timing knowledge might translate into a large relative advantage for government parties with regards to fundraising activities.

Assumptions and conditional factors

The above reasoning rests on the assumption that the government parties' signal to their potential contributors of higher demand for financial contributions and the possibility of an upcoming early election is private information. It is also assumed that the total contributions received by political parties are not immediately observed by the rival parties. These are arguable realistic assumptions given that political parties' accounts, to the extent they are even public knowledge, are usually not made public within the current year. In Denmark for an example, it can take up to two years before the political parties' accounts are made publically available. Even when the publication of political parties' accounts happen much sooner, it will usually not be before the electoral campaign, in which the contributions were spent, is over.

However, if the donors to government and non-government parties are 100 percent identical, we might no longer expect the same degree of information asymmetry between government and non-government parties. In this case, donors receiving a signal from an incumbent party about increased demand for private contributions, and thus might expect that an early election is coming, might simultaneously choose to rebudget their funds to non-government parties. In most political systems this is hardly realistic, especially considering political systems where the main motivation for giving political contributions is to help favorite politicians/parties getting elected. Even in the presence of some multi-

party and multi-bloc donors, we should expect incumbent government parties to mainly signal increased demand for contributions and the possibility of upcoming early elections to donors they are fairly certain will only donate to them. For an example, left-of-center government parties who know an early election is coming might signal this ahead of time to their trade union donors, while a center-right government party who is planning to call an early election might signal an increased demand for contributions to previous donors from business associations, while both types of parties will not signal to centrist interest organizations or firms that usually donate both to the center-right and the center-left parties.¹⁰

However, according the arguments above, in the presence of many multi-party and/or multi-bloc donors, the incumbency advantage in private contributions for early elections shrinks, as incumbent parties are less likely to signal to these donors that an early election might be forthcoming since this information might benefit their opponents as well as themselves financially. Thus, the information asymmetry, and consequently the incumbency advantage in private contribution for early elections, should increase with the exclusiveness of donors to certain parties and decrease the more donors to government parties also donate to rival parties.

With regards to the mobilization of party fundraisers, this mechanism is also variable to other political characteristics. If the electoral campaign is fairly long, perhaps due to constitutionally or other

¹⁰ As an example, in Denmark in 2009, a political funding organization associated with the Danish Bankers' Association donated money both to the Danish major center-right parties as well as the Danish Social Democrats.

procedural requirements, the advantage of having mobilized party fundraisers before the election is officially called shrinks, as non-government parties then have plenty of time during the electoral campaign to mobilize their fundraisers and for their donors to rebudget and raise funds. Thus, the incumbency advantage in for early elections decrease with the length of the electoral campaign.

Hypothesis

Based on the arguments, we should expect a relative advantage in private contributions for incumbent government parties in years of early elections, especially in political systems characterized by high level of exclusiveness of donors to certain political parties, high government election calling power and fairly short electoral campaigns. This leads to the central hypothesis of this article:

H1: Government parties would receive more private contributions than non-government parties in early election years compared to years of scheduled elections.

Case: Danish parties' private contributions

The empirical test of an incumbent advantage in private contributions in years of early elections is based on an analysis of Danish political parties' private funding in the years 1991-2013. Denmark constitutes an interesting case for a test for an incumbency advantage in private contributions for early elections, due to the nature of private funding to political parties in Denmark and the fact that Danish prime ministers have a relative high ability to call early elections and that Denmark has fairly short electoral campaigns if an election is unanticipated. However, key features of the Danish political

system, such as a party system with multiple parties situated largely along a left-right scale, a parliamentary system of government, public funding for political parties, frequent coalition governments, as well as the ability of the incumbent government to call elections, are common in most European democracies. Consequently, the analysis of the Danish case should also be able to shed light on dynamics of early elections and private contributions to political parties which might also be at work in other parliamentary democracies.¹¹ The rest of this section describes the features of the Danish system which are relevant for the theoretical argument about the relationship between early elections and the incumbency advantage in private contributions.

While the majority of party funding in Denmark is public and based on parties' previous vote share in parliamentary elections, private contributions by trade unions, employers' associations, and contributions from private foundations, firms and individuals constitute a non-trivial share of Danish parties' income, especially in years of elections. According to Danish law, there is no upper limit for how many private contributions a political party can receive, no upper limit for campaign spending, and parties only need to publically list the name of a political donor if this donor's contribution exceeds 20,000 Danish kroner. Although listing the total amount of private contributions is mandatory. While some associations and firms donate to a variety of political parties, many Danish parties have historically had ideological and organizational ties with labor market associations which also affect present and previous contribution patterns. Danish trade unions thus typically donate to Danish leftwing parties, especially the Social Democrats, while the employers' associations typically donate to

¹¹ However, certain features of private funding in Denmark are different from some other European and Western democracies such as the strong ideological bias of most large political donors.

the major center-right parties. Danish political parties are thus to some extent able to know the identity of many of their main private donors, which are often exclusive to parties or bloc of parties.

Regarding early elections in Denmark, the Danish prime minister¹² can call for legislative elections at any time during the four-year electoral calendar, which makes Denmark among the countries with the highest government electoral calling power among advanced economies (Goplerud and Schleiter 2016, 435- 436). The Danish electoral law does not specially a specific minimum number of days from the announcement of the elections to the holding of the election but, in order to live up to other formal requirements of Danish elections, the norm is that the elections should announced at least 20-21 days before they is held, which makes the electoral campaign fairly short. So, the combination of very flexible electoral calendar along with the ability of parties to know their private donors, and the fact that major private donors tend to give exclusively to one bloc of parties, should fit the theoretical assumptions for a potential incumbent government advantage in private contributions for non-scheduled elections. The next section describes the data used to test this prediction.

¹² According to the wording of the Danish constitution the power is officially with the monarch but de-facto and according to constitutional norms the power is with the prime minister.

Data and empirical strategy

The data for Danish parties' private contributions comes from the accounts of Danish political parties,¹³ which have been publically available for all Danish parties since 1991.¹⁴ The private contributions analyzed in this study concern those donated to the national central party organization and not individual candidates and local party organizations, where data is generally not publically available throughout the period. The accounts of the Danish political parties are usually audited and since, unlike some political systems, there is no upper limits to how many private contributions can be received, parties face little incentive to hide at least the total amount of private contributions received.¹⁵ Private contributions are defined as contributions from both firms, private associations including labor market organizations and individuals, which include Danish parliamentarians themselves.¹⁶ The private contributions per party-year is measured in 1000 Danish kroner (DKK) and converted into constant 2000 prices using a price index from the government statistical agency, Statistics Denmark.

¹³ New Danish parties enter the sample as data for them becomes available. Parties not represented in the parliament are not part of the sample. The centrist party Center Democrats, which was represented in the Danish parliament until 2001, is not part of the sample.

¹⁴ Data from 2012 and onwards are available on the Danish Parliament's website. I am grateful to Karina Korsira-Pedersen for providing the data from the 1991-2012 period.

¹⁵ Although, the specific contribution from each private donor is usually not disclosed.

¹⁶ Some Danish leftwing parties issue a "party tax" on their parliamentarians, but the level and scope of this technically private contribution are within the control of the party itself, so it is counted as a private contribution for the sake of this article.

The central independent variables of interest are government party status and the occurrence of a legislative election as well as the status of the election. A party is defined as a government party if it is part of a government in January of the given year.¹⁷ A concern might be that the government status of a party might change from January to the month in which the election is held. However, during all election years in the dataset, parties which were in government in January of an election year were also in government at the time of the election. All Danish governments in the analyzed period were coalition governments, so I do not include any controls for whether the government was a single-party or a coalition government.

Regarding elections, In order to test the article's hypothesis, I distinguish between scheduled elections and non-scheduled elections. A scheduled election is defined as an election held within 12 months of the end of the official electoral term. A non-scheduled or early election is an election held in any other period, where private donors presumably will have budgeted relatively less funds for political contributions than in a scheduled election year. In appendix A, I report the results from an alternative coding of scheduled elections, where a scheduled election is defined as an election held in the last calendar year of the electoral term. These results, however, are similar to that of the main analysis.¹⁸

¹⁷ Formal support parties for the current government, such as the Danish Peoples Parties during the tenure of the 2001-2011 center-right coalition, are not coded as government parties, since the theoretical argument rests on the assumption that the information asymmetry arise from being formally part of the government and thus able to directly influence strategic election calling without necessarily invoking a vote of no-confidence.

¹⁸ The core results are also robust to coding a scheduled elections as an election held within 6 months of the end of the official electoral term. Results are available upon request.

To control for the size of the party, which could also be a predictor of both government status and the level of private funding, I control for the number of parliamentary seats the party holds in the Danish legislature based on the last election results. In a later robustness test, GDP growth and unemployment rate from Statistics Denmark are added to control for the general state of the economy, which might also affect the level of private contributions, as well as the incentive to call early elections (Kayser 2005; Riera 2015). As a final control, and as a last robustness test, I also include a dummy for whether a municipal election is held, since the occurrence of municipal elections might also affect the timing of early elections. Descriptive statistics can be found in table 1.

Table 1. Descriptive statistics

Variable	Mean	Std. Dev.	Min	Max	Obs.
Private contribution in constant 1000 DKK	3822.09	6306.02	24.140	33201.17	184
Scheduled election	0.22	0.41	0	1	184
Non-scheduled election	0.04	0.20	0	1	184
Government party	0.27	0.44	0	1	184
Number of seats	20.97	18.98	0	69	184
GDP growth	1.41	2.09	-5.10	5.30	184
Unemployment rate	5.94	2.76	1.90	11.90	184
Municipal election	0.27	0.44	0	1	184

The estimation method is OLS with party-fixed and year-fixed effects to capture a general trend in private contributions to political parties over the analyzed time period.¹⁹ Party-fixed effects enable me to hold the general ideological orientation and historical legacy of the party constant which could include special relationships with wealthy donor organizations. Furthermore, the party-fixed effects analysis captures deviations in private contributions from the party average. However, since both

¹⁹ Results are similar if a time-trend is used instead of year-fixed effects. These results are available upon request.

government status and the number of seats each party controls in the parliament vary within parties over the analyzed time periods, these important variables can still be included in the estimation.²⁰

In order to control for previous levels of private contributions, I also include a lagged dependent variable.²¹ The regression equation can be seen in equation one, where *Gov.* is a dummy measuring whether the party *p* is in government at time *t*. *E* is whether there is an election year and the third term is the interaction between government party status and an election. During the analysis, I distinguish between scheduled elections and non-scheduled elections. *S* is the number of seats the party holds, which serve as a proxy for party size. *C* is a vector of control variables consisting of GDP growth, unemployment rate and the occurrence of a municipal election, which are added in later specifications as controls for the general state of the economy and the occurrence of a concurrent election at time *t*. μ_t are year-fixed effects, γ_p the party-fixed effect and ε is the error term.

$$Con_{.pt} = \beta_1 Con_{.pt-1} + \beta_2 Gov_{.pt} + \beta_3 E_t + \beta_4 Gov_{.pt} E_t + \beta_5 S_{pt} + \beta_6 C_t + \mu_t + \gamma_p + \varepsilon_{pt} \quad (1)$$

Standard errors are clustered at both the party- and year-level in order to account for autocorrelation²² and the fact that election occurrence and the state of the economy are common for all parties within each year.

²⁰ However, the core results do not change with the removal of party-fixed and year-fixed effects. These results are available upon request.

²¹ However, the results are not substantively different with the exclusion of the lagged dependent variable. Results are available upon request.

²² Which a Wooldridge test suggest is an issue.

Results

To test hypothesis 1, and thus the theoretical argument of the paper, in table 2, I test whether a potential incumbency advantage in election year private contributions is larger for early elections compared to scheduled elections. In columns one and two, I first look at the effect of scheduled elections and government status on the level of private contribution. In column one, both government status and the occurrence of a scheduled election increases the level of private contributions. However, only government status is statistically significant at conventional levels. The number of mandates also seems to have a positive and statistical significant effect on the level of private contribution, indicating that as parties increase their seat share, so do they increase their level of private contribution. In column two, the government dummy is interacted with the scheduled election dummy and this interaction is positive, indicating that an election increases the government advantage with regards to private contribution found in column one. However, this interaction is not statistically significant.

Turning to non-scheduled or early elections in column three, neither the non-scheduled election dummy or the government party dummy are statistically significant although they are both positive. However, when these two variables are interacted in column four, the interaction has a positive and strongly statistically significant effect on the level of private contributions. The combination of an early election year (as compared to other years, including scheduled election years) and government status boosts the party's level of private contribution with over 10 million DKK, over twice the amount received in private contribution on average by a Danish party during the analyzed period. This provides substantial evidence in favor of hypothesis 1 and the theoretical argument that the ability of an incumbent

government to know the occurrence of an early election well before other parties gives them a substantial relative advantage with regards to raise private contributions.

However, in column 4, the reference category to non-scheduled election year are all other years, both non-election years and scheduled elections, so in order to compare non-scheduled election years to scheduled elections years, in column five, scheduled and non-scheduled elections are analyzed in the same statistical estimation with non-election year as the reference category. Here, the interaction between a non-scheduled election and the government party dummy is still statistically significant and actually increases in effect size, while the interaction between government party dummy and the scheduled election dummy is not statistically significant, although the effect is still positive but only half the size of the non-scheduled election/government party dummy interaction. A post-estimation Wald's F-test also suggest that the difference between the two interactions' coefficients is statistically significant ($P= 0.03$). Thus, there is substantially evidence in favor of hypothesis 1, government parties receive more private contributions than non-government parties in early election years compared to years of scheduled elections. Consequently, there is evidence of a substantial incumbency advantage with regards to private funding for early election years.

Table 2. Electoral cycle in private contributions by election type

	(1)	(2)	(3)	(4)	(5)
Lagged dependent variable	0.28 (0.19)	0.28 (0.19)	0.28 (0.19)	0.31 (0.17)*	0.32 (0.17)*
Scheduled election	1892.38 (1338.27)	1449.83 (1442.69)	-	-	1237.65 (1535.77)
Non-scheduled election	-	-	1460.64 (1152.31)	-1164.22 (932.90)	-1526.52 (913.19)*
Government party	2669.58 (1415.88)*	747.48 (1173.49)	1892.38 (1343.44)	1427.16 (1251.20)	95.52 (1059.46)
Number of seats	235.04 (125.82)*	220.65 (116.17)*	235.04 (125.66)*	224.37 (129.80)*	207.08 (122.09)*
Scheduled election X government party	-	5098.89 (3683.72)	-	-	5693.56 (3833.22)
Non-scheduled election X government party	-	-	-	10643.76 (1849.38)***	11861.01 (2435.99)***
Party-fixed effects	Yes	Yes	Yes	Yes	Yes
Year-fixed effects	Yes	Yes	Yes	Yes	Yes
Number of observations	175	175	175	175	175
Number of parties	9	9	9	9	9
Within R-squared	0.46	0.65	0.46	0.65	0.69

Dependent variable is private contributions in constant 1000 DKK. Double-clustered standard errors in parentheses.

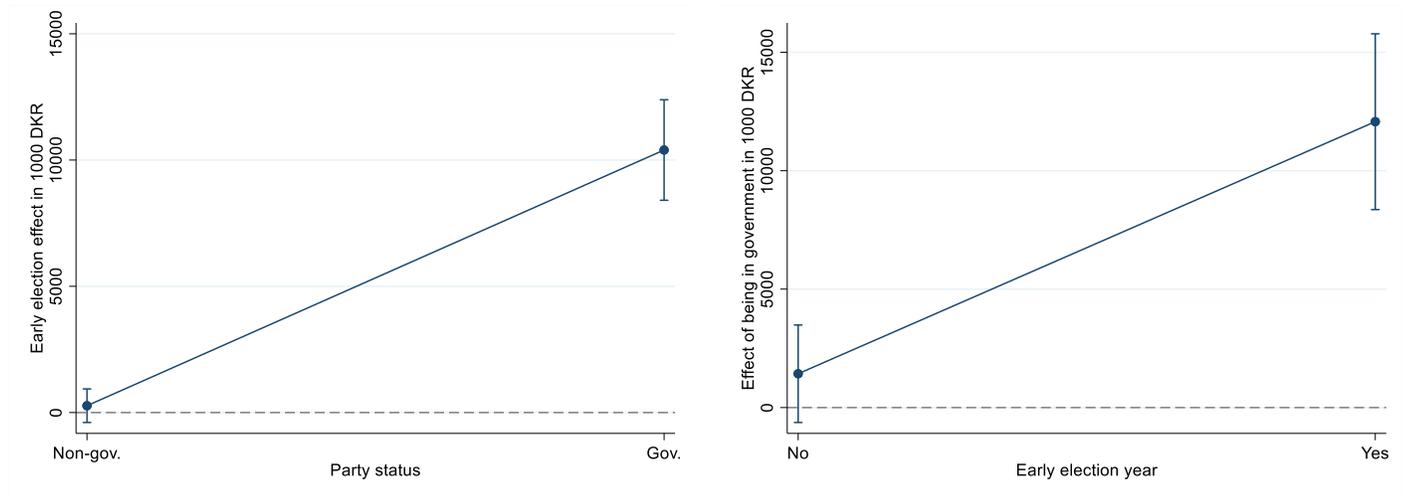
*: p<0.10, **: p<0.05, ***: p<0.01.

The marginal effects of the interaction between early (non-scheduled) elections and government party status is visualized in figure 1, which is based on table 2 column four. It clearly shows the incumbency advantage for early elections. An early election increases political parties' level of private contributions but only for government parties, while government parties receive substantially more private funding than non-government parties but only in an early election year.

Figure 1: The interactive effect between early election and government status

a. *Early election effect conditional on being government party*

b. *Effect of government party conditional on early election*



Note: Vertical lines show 90 pct. confidence intervals.

Robustness test: The role of the national economy and concurrent elections

The above results provide evidence in favor of the theoretical argument that incumbent government parties have a relative advantage with regards to private contributions in non-scheduled elections years. However, the previous analysis does not consider factors which could be endogenous to the occurrence of early elections, such as the state of the national economy at the time of the early elections and the occurrence of concurrent elections.

The state of national economic aggregates such as GDP growth and unemployment might affect the perceived popularity of the incumbent government and thus the incentive of the government to actually call early elections (Kayser 2005; Riera 2015). Increased popularity might also spill over in

government parties receiving relatively more private contributions. Thus, the relationship between early elections and private contributions might be endogenous to the state of the national economy, as incumbent governments might also be more tempted to call early elections if the economy is booming which at the same time also increases their relative level of private contributions.²³

To address these issues, I redo the analysis from table 2 column five and add controls for potential economic confounders of early elections, namely the national unemployment rate and GDP growth. The results are reported in table 3. However, the inclusion of these potential economic confounders does not change the statistical significance or the size effect of the interaction between government party status and non-scheduled election occurrence. Surprisingly, GDP growth seems to have a statistically significant negative effect on private contributions, while the unemployment rate has no statistically significant effect.

²³ It might also be plausible that private contributions to political parties, including government parties, would be greater in economic boom years, if private contributions to political parties can be seen as a consumption good. The question of political contribution as political *investment* or *consumption* is a considerable topic in the study of political contributions, especially in the US (Gordon et al. 2007).

Table 3. Robustness test: Economic confounders

	(1)
Lagged dependent variable	0.32 (0.21)
Scheduled election	49598.18 (1509.57)***
Government party	95.52 (1098.85)
Scheduled election X government party	5693.56 (4262.63)
Non-scheduled election	49626.01 (973.25)***
Non-scheduled election X government party	11861.01 (2510.33)***
Number of seats	207.08 (150.96)
GDP growth	-30449.48 (146.50)***
Unemployment	10694.14 (252.49)
Party-fixed effects	Yes
Year-fixed effects	Yes
Number of observations	175
Number of parties	9
Within R-squared	0.55

Dependent variable is private contributions in constant 1000 DKK.

Double-clustered standard errors in parentheses. *: $p < 0.10$, **: $p < 0.05$, ***: $p < 0.01$.

As a final robustness test, I include a control for the occurrence of a municipal elections. Since Danish municipal elections cannot be held early, incumbent governments could time national elections to municipal elections, as was the case of the Danish national election of 2001, in order to attempt to pool mobilization and campaign resources both from a national and local level. Furthermore, since concurrent elections might mobilize citizens at least with regards to voting (Geys 2006, 652), the occurrence of a municipal election in the same year as a national election might also affect the level of political contributions to national political parties positively through an increased mobilization of party fundraisers and party supporters. Alternatively, the occurrence of a concurrent election at the local level might affect private contributions to the national political parties negatively due to a crowding out

effect. Party supporters might simply choose to contribute some of their budgeted financial contributions to party candidates at the local level rather than the party at the national level. The relationship between municipal election occurrence and early national elections is thus potentially endogenous within the area of private political contributions. The estimation with the inclusion of the municipal election variable is reported in table 4. However, the inclusion of the municipal election variable does not change neither the size effect nor the statistical significance of the non-scheduled election and government party interaction. The municipal election variable itself has a positive size and statistically significant effect on the level of political contributions, while its inclusion actually makes the GDP growth variable turn positive with a strong substantial and statistically significant effect.

Table 4. Robustness test: Municipal election occurrence

	(1)
Lagged dependent variable	0.32 (0.18)*
Scheduled election	2739.79 (1651.37)*
Government party	95.52 (1110.02)
Scheduled election X government party	5693.56 (3947.91)
Non-scheduled election	823.71 (743.48)
Non-scheduled election X government party	11861.01 (2506.83)***
Number of seats	207.08 (128.50)
GDP growth	2290.00 (824.71)***
Unemployment	-48.508 (174.66)
Municipal election	2199.69 (830.26)***
Party-fixed effects	Yes
Year-fixed effects	Yes
Number of observations	175
Number of parties	9
Within R-squared	0.55

Dependent variable is private contributions in constant 1000 DKK.

Double-clustered standard errors in parentheses. *: $p < 0.10$, **: $p < 0.05$, ***: $p < 0.01$.

The empirical evidence in favor of an incumbent party advantage in private contributions in years of early elections thus seems to be robust both when controlling for macro-economic conditions and the occurrence of a concurrent election.

Conclusion

The article has argued that incumbent government parties, in a political system which allows the government to call early elections, can use this asymmetry of knowledge about election timing to gain a relative advance in private contributions compared to non-government parties in years of non-scheduled elections. An analysis of Danish political parties' private funding in the years 1991-2013 provides strong evidence in favor of this argument. There exists a significant government party advantage in private contributions in early election years. The evidence suggests that being able to choose times of real or perceived government popularity and favorable economic cycles are not the only advantages incumbent government parties gain from the ability to call early elections. Whether this funding advantage might contribute to the apparent incumbent vote gains from early elections (Schleiter and Tavits, 2016) is a more open question.

The findings of this article relates to the wider scholarly and normative discussions of the advantages of fixed versus non-fixed election dates, an area which has recently been reformed in both parts of Canada and the UK²⁴ (Leuprecht and McHugh 2008; Schleiter and Belu 2016), and which continues to be the subject of public debate in other democratic countries. The question of government accountability, which normally is cornerstone of the debate on electoral surfing by incumbent governments (Riera 2015, 1146-1147; Schleiter and Tavits 2016, 848), apparently has to be supplemented with the question

²⁴ The early UK election in June 2017 suggests that the British reform might not have de-facto disincentivized the use of early elections.

of resource equality among government and opposition parties and among parties in general. See Potter and Tavits (2015) for a recent piece on this topic.

Future research could explore the generality of the non-scheduled election incumbency advantage in private funding in other countries as well as across countries. While we might expect the findings from the Danish case to generalize to other multi-party democracies where the government has the ability to call early elections, which is the majority of European democracies, the magnitude of the incumbent financial advantage in years of early elections might vary with minor institutional differences across countries.

The relative advantage for government parties in non-scheduled elections found in the Danish case could potentially be much stronger in countries where private funding of political parties plays a larger role. However, the Danish case also have some of the prerequisites for the existence of a particular strong incumbency advantage with regards to private contributions such as high government election calling power, high level of exclusiveness of donors to political parties and a fairly short electoral campaigns. As stated in this article's theory section, political and institutional characteristics of a country might also condition the size of the incumbency advantage for early elections. If the mechanisms for the government party advantage in non-scheduled elections are better time to prepare party campaign fundraising and more time for government parties' donors to raise funding, we should expect the incumbency advantage to decrease with the length of the electoral campaign and increase as private donors become more exclusive to single parties or bloc of parties and vice versa.

In some European democracies with high election calling power and high level of exclusiveness of political donors, such as UK prior to its adoption of fixed electoral terms (Schleiter and Belu 2016), we might thus expect larger or equally large incumbency advantage as in Denmark, whereas in other countries such as Germany, where incumbency electoral calling power is weaker (Goplerud and Schleiter 2016) and ideological political actors such as trade unions and other labor market organizations are not allowed to contribute to political parties, we might expect little or no incumbency advantage for early elections. The theoretical argument and findings of this article thus suggest that political reforms, both targeting the ability of incumbent government to call early elections, the legally required length of electoral campaigns as well as regulation of which organizations and entities are allowed to donate financially to political parties,²⁵ might matter substantively for the potential incumbency advantage in private contributions for early elections.

Additionally, whether the apparent incumbency advantage in private contributions in non-scheduled election years is different between single-party and coalition governments as well as between majority and minority governments could be interesting to investigate in a political system where there is more frequent changes between these government types than in Denmark.²⁶

²⁵ As well as perhaps whether the total amount of private contributions are capped or not.

²⁶ Especially, as these factors also seem related to the prevalence of early elections (Riera 2015).

Since it is reasonable to assume that different type of political donors face different liquidity constraint and vary in their ability to donate in years of non-expected elections, we should also expect the effect of early elections to be heterogonous between types of private donors.²⁷

Finally, it could be entirely possible that the occurrence of early elections are potentially partly endogenous to private contributions. Government parties receiving large private contributions in the middle of the electoral cycle might choose to call early elections to capitalize of this relative advantage in campaign funds,²⁸ which would be a related but alternative way in which the ability to call early elections would translate into an incumbency advantage which regards to private contributions. Testing whether private contributions affect early elections, however, would require much more detailed party funding data, such as private contributions received by political parties at the monthly or daily basis, than is presently available. All these issues could be fruitful venues for further research on party finance and its link to election timing in a comparative perspective.

²⁷ The mechanism for an incumbency advantage in private contributions might also change if the motivation of the donor is to buy access to policymakers. If early elections signal a higher chance of winning for the incumbent, see Schleiter and Tavits (2016), this might make access-oriented donors more likely to donate to the incumbent. I owe this alternative mechanisms to a previous commenter.

²⁸ I am thankful to one of the reviewers for pointing this alternative relationship out.

Conflict of interest statement

The author is not aware of any conflict of interest which might influence the conclusions of this article.

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Appendix A: Analysis with scheduled election coded by calendar year

Table A1. Electoral cycle in private contribution by election type

	(1)	(2)	(3)	(4)	(5)
Lagged dependent variable	0.28 (0.19)	0.28 (0.18)	0.28 (0.19)	0.31 (0.21)	0.31 (0.18)*
Scheduled election	2669.58 (1425.21)*	1621.36 (1246.78)	-	-	1292.67 (1408.56)
Non-scheduled election	-	-	1460.64 (1139.52)	-558.17 (788.72)	-892.32 (977.29)
Government party	1892.38 (1342.73)	1085.08 (1103.86)	1892.38 (1336.91)	1191.60 (1208.04)	95.73 (1050.69)
Number of seats	235.04 (125.75)*	226.09 (123.28)*	235.04 (125.66)*	220.37 (122.34)*	207.237 (119.78)*
Scheduled election X government party	-	4439.34 (3005.66)	-	-	5478.54 (3672.69)
Non-scheduled election X government party	-	-	-	8111.15 (2233.38)***	9263.85 (3413.45)***
Party-fixed effects	Yes	Yes	Yes	Yes	Yes
Year-fixed effects	Yes	Yes	Yes	Yes	Yes
Number of observations	175	175	175	175	175
Number of parties	9	9	9	9	9
Within R-squared	0.63	0.49	0.46	0.51	0.55

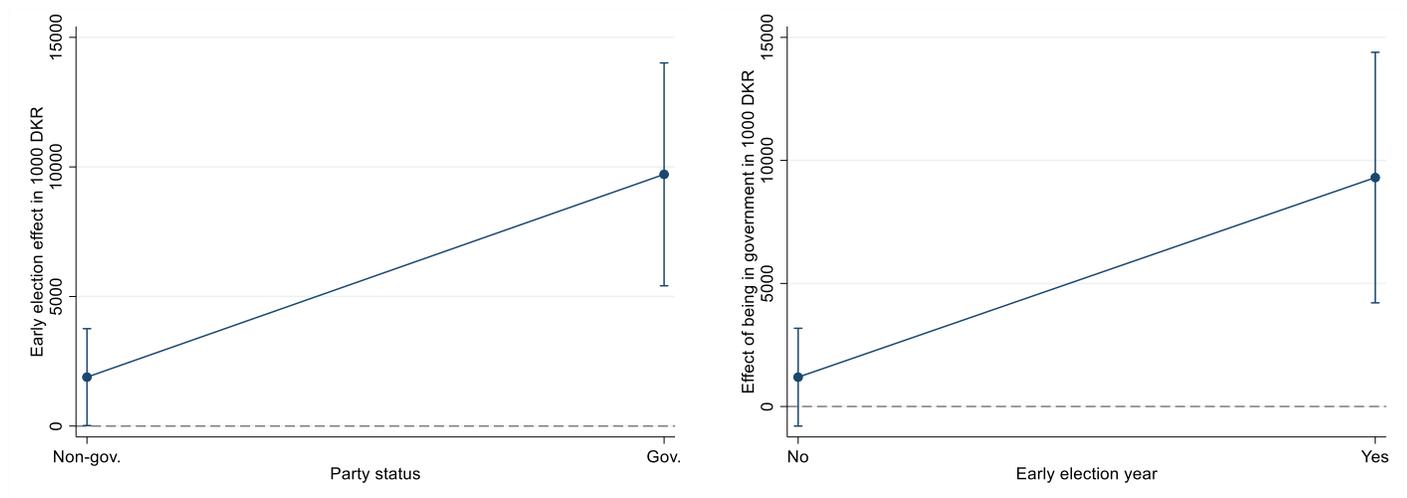
Dependent variable is private contributions in constant 1000 DKK. Double-clustered standard errors in parentheses.

*: p<0.10, **: p<0.05, ***: p<0.01.

Figure A1: The interactive effect between early election and government status

a: Early election effect conditional on being government party

b: Effect of government party conditional on early election



Note: The marginal effects are based on the estimation in table A1, column four. Vertical lines show 90 pct. confidence intervals.

Table A2. Robustness test: Economic confounders

	(1)
Lagged dependent variable	0.31 (0.26)
Scheduled election	48672.64 (1525.92)***
Government party	95.73 (1082.77)
Scheduled election X government party	5478.54 (3932.59)
Non-scheduled election	49232.95 (1030.11)***
Non-scheduled election X government party	9263.85 (4355.28)**
Number of seats	207.24 (153.88)
GDP growth	-29789.95 (157.82)***
Unemployment	10472.34 (261.66)***
Party-fixed effects	Yes
Year-fixed effects	Yes
Number of observations	175
Number of parties	9
Within R-squared	0.55

Dependent variable is private contributions in constant 1000 DKK.

Double-clustered standard errors in parentheses. *: p<0.10, **: p<0.05, ***: p<0.01.

Table A3. Robustness test: Municipal election occurrence

	(1)
Lagged dependent variable	0.31 (0.20)
Scheduled election	2791.31 (1475.47)*
Government party	95.73 (1091.77)
Scheduled election X government party	5478.54 (3858.18)
Non-scheduled election	1448.24 (785.48)*
Non-scheduled election X government party	9263.85 (3441.75)***
Number of seats	207.24 (126.53)
GDP growth	2266.87 (849.18)***
Unemployment	-46.30 (161.12)
Municipal election	2153.82 (884.42)**
Party-fixed effects	Yes
Year-fixed effects	Yes
Number of observations	175
Number of parties	9
Within R-squared	0.55

Dependent variable is private contributions in constant 1000 DKK.

Double-clustered standard errors in parentheses. *: $p < 0.10$, **: $p < 0.05$, ***: $p < 0.01$.