Marketing Colloquia

Thursday, January 26, 2012
3:00 PM – 4:20 PM, JMHH 741

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“Advertising Effects in Presidential Elections” joint with Wes Hartmann

Abstract: We estimate advertising effects in the context of presidential elections. This setting not only provides an important empirical context to study advertising's effects, but it also helps overcome two common challenges in previous advertising studies. First, the gap between elections depreciates past advertising stocks such that large advertising investments are concentrated within a relatively short period. Second, the lack of political advertising between elections allows lagged advertising prices to serve as instruments that are safely independent of candidates’ current advertising choices. We analyze data from the 2000 and 2004 general elections using an aggregate discrete choice approach with extensive fixed effects at the party-market level to control for unobservable cross-sectional factors that might be correlated with advertising, outcomes, and instruments. The results indicate significant positive effects of advertising exposures. Advertising elasticities are smaller than are typical for branded goods, yet significant enough to shift election outcomes. For example, if advertising were set to zero and all other factors held constant, three states' electoral votes would have changed parties in 2000, leading to a different president.