

## Family Ties as Corporate Power

### Abstract:

Policies interact with underlying social organizations, which may deflect their goal. One example is legislation seeking to curtail business power. Can campaign finance regulation curb the political influence of economic actors? We identify a factor that may hinder its effectiveness---the social structure of organizations. We argue that such regulation creates cooperation dilemmas in firms' leadership and propose that a specific feature of organizations---family ties---help solve them. We evaluate this argument by studying a ban on corporate contributions in Brazil, using granular data on family ties in Brazilian public companies. We show that, following the ban, members of firms' controlling families substitute individual for corporate contributions. Furthermore, we document the presence of peer effects in the contributions of family members, suggesting that family ties transmit influence. These bifurcated effects illustrate how organizational structure can be a source of de facto power and contain a cautionary tale for policymakers.