What Does Academic Research Tell Us About the Role of Money in American Politics?

*By Jeffrey Milyo**

Proponents of campaign finance reform argue that money plays a central and nefarious role in American politics. Even the most modestly informed citizen is familiar with the argument that campaign spending determines electoral outcomes, and that this forces candidates to sell out to moneyed interests, which in turn alienates the general public. Consequently, even though more stringent campaign finance regulations may impinge on certain freedoms, so the familiar argument goes, such laws are necessary to restore a healthy democracy. Opponents of reform take issue with this last point, but rarely challenge the premises that underlie the reformers case. However, each element of this argument — that money drives electoral outcomes, contributions are like bribes, voters are alienated by the role of money in politics and campaign finance reforms will improve the workings of democracy — are either contradicted or unsubstantiated by decades of scholarly research.

Perhaps in no other area of public policy are political and legal decisions made in such complete ignorance of the basic facts and findings of relevant research. For example, in the last decade, increased campaign spending at the Federal level has been associated with more political competition, increasing trust in government, and no decrease in voter turnout. These simple trends run counter to the familiar claims about money in politics, but more importantly, so do the findings of more sophisticated analyses. Below, I summarize some of the lessons for reform from academic research on the influence of money in elections, policymaking and perceptions about the legitimacy of government.

Political Competition

Every two years, public interest groups and media pundits lament the fact that winning candidates in the national elections typically far outspend their nearest competitor. From this, it is inferred that campaign spending drives electoral results, and in turn follow a host of other perceived ills with American democracy. Given the importance of the claim that campaign spending determines electoral fortunes, it is shocking that so many legal and political analysts are unaware that decades of social science research reach the opposite conclusion.

Most studies of the electoral effects of campaign spending examine House or Senate elections. No such study has ever found more than only modest effects of campaign spending on the prospects of candidates. Of course, the state of knowledge in social science is not best measured by counting studies with one result or another, but by focusing on the most sophisticated studies and ignoring those that are rife with logical errors. After screening for high quality analyses of elections, the typical finding is that the marginal effects of campaign on the probability that a candidate wins are statistically indistinguishable from zero.

How can this be so? The best explanation to date is that competent candidates are adept at both convincing contributors to give money and voters to give their vote. Consequently, the finding that campaign spending and electoral success are highly correlated exaggerates the importance of money for a candidate's chances of winning. In order to isolate this causal relationship, social scientists hunt for quasi-experiments that isolate the treatment effect of campaign spending. For example, Senator Corzine (D-NJ) was elected to the Senate in 2000, after defeating a weak Republican opponent and spending over $60 million of his own personal fortune. While this episode was widely cited as an instance of the ability of wealthy candidates to buy a Senate seat; in fact, it illustrates the opposite.

Despite his record campaign spending, Corzine ran behind the average House Democrat in New Jersey and behind the Democratic nominee for president, Al Gore, despite the fact that Gore did very little campaigning in the strongly Democratic state. There is even some evidence that Corzine's wealth was a liability, given that many yard signs urged his Republican opponent to "make him spend it all!" This anecdote illustrates a more general finding: wealthy candidates for office tend to fare no better than other candidates, all else constant. This is because the ability to spend out of one's own personal fortune is unrelated to the ability to appeal to voters.

Related findings abound. For example, large campaign war chests carried over from the previous election do not deter challengers and confer no electoral advantage to incumbents. Similarly, large fund-raising windfalls attributable to a change in committee assignment, or changes in campaign finance laws have been shown to be unrelated to candidates' electoral fortunes. Nevertheless, no serious scholar would argue that campaign spending is unimportant. These findings do not imply that anyone running for elective office would do as well spending several million dollars as not. Instead, the appropriate conclusion is that for any political race between two candidates, the outcome of that race would not be different had one of those candidates been able to spend a few hundred thousand dollars more (or less) than they actually were able to spend.

Another caveat is in order; studies of Federal elections are not informative of the effects of different campaign finance regulations, since there have been so few important changes to Federal law (until recently). However, there is considerable variation in campaign finance laws across states and even over time within states. This variation provides a laboratory for analyzing the effects of various regulations on electoral outcomes. For example, states with public financing of elections have fewer unopposed incumbents and more minor party candidates. However, public financing does not reduce the re-election rates of incumbent legislators or governors, so can not be said to increase political competition in that sense. In contrast, limits on campaign contributions from organizations (e.g., business and labor unions) are associated with increased turnover among state incumbents, while limits on individual contributions have the opposite effect. However, once limits on contributions are in place, small changes in the limits themselves are not associated with any changes in electoral competition in state races.

Nearly thirty years of academic research on campaign spending points to one conclusion; money is not the driving force in American elections, and most campaign finance regulations are not associated with increased political competition. The one exception to this is the finding that limits on contributions from organized interests are associated with more competitive state races. This might suggest that the new prohibition on soft money will increase political competition, but limits on contributions to parties are not the same as limits on contributions to candidates. Political parties allocate their resources strategically to maximize the number of winning candidates from the party. To the extent such additional resources help candidates win votes, the soft money prohibition may reduce competition at the Federal level. However, if previous research is to be believed, the loss of soft money should have no noticeable effect on the competitiveness of Federal elections.

Policy Consequences

Are campaign contributions the functional equivalent of bribes? The conventional wisdom is that donors must get something for their money, but once again decades of academic research on Congress has failed to uncover any systematic evidence that this is so. Indeed, legislators tend to act in accordance with the interests of their donors, but this is not because of some quid pro quo. Instead, donors tend to give to like-minded candidates. Of course, if candidates choose their policy positions in anticipation of a subsequent payoff in campaign contributions, this is a distinction without a difference. However, studies of legislative behavior indicate that the most important determinants of an incumbent's voting record is constituent interests, party and personal ideology. In election years, constituent interests become more important than in non-election years, but overall these three factors explain nearly all of the variation in incumbent's voting records.

Most informed citizens react to these findings with incredulity. If campaign contributions don't buy favors, then why is so much money spent on politics? In contrast, scholars of American politics have been trying for decades to disabuse the public of this misconception. In addition to the studies described above, consider that large firms spend 10 times more on lobbying than on campaign contributions (from affiliated PACs, individuals or soft money). In addition, political expenditures by firms tend to be a fixed proportion of net revenues and do not rise and fall as relevant issues move on or off the policy agenda. Neither of these facts is easily reconciled with the notion that campaign contributions are the functional equivalent of bribes. Of course, neither does this imply that campaign contributions are completely inconsequential, only that the conventional wisdom overstates the importance of contributions.

One concern with these studies is that evidence of the policy consequences of campaign contributions may not be manifest in the roll-call votes of legislators. Scholars have long recognized that the relevant action may take place behind closed doors, where the content of legislation is determined. This is a much more difficult proposition to test, but at least one recent study has found no relationship between campaign contributions and the activities of legislators within committees. More convincing would be evidence that states with more laissez-faire campaign finance regulations adopt substantively different policies. Unfortunately, to date, no such study has been conducted. However, the experience of California politics may contradict the claim that campaign contributions buy policy favors for moneyed interests. Until recently, California placed no limits on the size or source of campaign contributions to candidates for state office; however, for decades California has produced some of the most progressive state policies.

Nevertheless, systematic investigation of the policy consequences of campaign finance laws should be a high priority for future academic research.

Legitimacy of Government

The nefarious role of money in politics is often cited as the reason for low voter turnout and a lack of trust in government in America. To be sure, if you lived in a superficially democratic society where the wealthy or well-connected can effectively buy policy or even buy elective office, who could blame you for becoming disaffected? Popular wisdom holds that campaign finance is the cure for political corruption and voter alienation; once again, there is little evidence to support this oft-repeated claim.

The relationship between campaign finance and legitimacy has received very little attention from social scientists. For example, there have been no studies of the relationship between political corruption and state campaign finance laws, nor have there been any studies of the relationship between campaign finance laws and either trust in government or voter turnout. Nevertheless, other evidence suggests that it is doubtful that campaign finance reform will affect either trust or turnout. For example, campaign spending is associated with both more informed voters and higher turnout. This suggests that limits on campaign spending may have the unintended consequence of reducing voter participation. Further, surveys of voter and non-voters reveal that the decision to vote is unrelated to opinions about the role of money in politics or the legitimacy of government. Instead, non-voters are simply less likely to view voting as an important duty.

There is an on-going debate about whether negative campaign advertisements reduce voter turnout, but most studies now find no such relationship. In addition, there is no evidence that negativity is associated with either increased campaign spending, nor is there any evidence that campaign finance reforms will influence the tone of campaigns. However, the question of whether campaign tone influences trust in government has not yet been studied.

Conclusion

Political and legal decision makers have for too long considered the role of money in politics to be self-evident; this has led to a widespread and pervasive misunderstanding of the likely costs and benefits of campaign finance reform proposals. But political institutions are no less subject to scientific inquiry than are social or economic institutions. The consensus among academic researchers is that money is far less important in determining either election or policy outcomes than the conventional wisdom holds. To be sure, more attention has been given to the role of money in elections that to other relevant questions. But the argument for reform unravels if campaign spending does not determine electoral outcomes. Given that campaign spending has so little impact on elections, it follows that limited campaign contributions to candidates do not elicit much in return. Further, since campaign contributions are for the most part inconsequential, policy outcomes are not distorted by moneyed interests. Further, to the extent that citizens have some sense of these realities, campaign finance reforms are also unlikely to improve the perceived legitimacy of government.

There is even some reason to be concerned that ill-considered reforms will have important unintended consequences. For example, limits on individual contributions are associated with reduced political competition, which is in turn associated with reduced turnout. Further, exposure to campaign advertising makes voters more knowledgeable about candidate positions, which is not only desirable itself, but also associated with increased voter turnout.

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