Politics Ain’t Broke, So Reforms Wont Fix It

By Jeffrey Milyo
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The national pastime is not baseball. Americans have a far more enduring passion for grumbling about politics and the venality of politicians. This is probably quite healthy. After all, demagogues and their schemes may be more effectively frustrated by ridicule than rational argument. But perhaps nothing stokes our sardonic impulses more than intercourse of money and politics.

Concern about the role of money in politics is nothing new, and nor are calls for sweeping reform. But public discussion of reform is typically colored only by the latest scandal or political campaign, with little attention to relevant lessons from recent experiences with similar reforms. So reform efforts are best viewed as emotional, reflexive responses to current events, rather than as well-considered policies informed by solid evidence.

The Watergate scandal, for example, led to amendments in 1974 to the Federal Election Campaign Act that established limits on contributions to federal candidates and facilitated public financing of presidential campaigns. Decades later, the Enron scandal revived moribund reform efforts intended to limit “soft money” contributions to parties. This resulted in passage of the 2002 Bipartisan Campaign Reform Act (aka, McCain-Feingold). It’s much the same at state level; public financing of elections in Arizona and Connecticut came in the wake of political scandals.

Now again we see op-ed pages and political stump speeches about the corrosion of our democracy by money. Reform is demanded; the time for talk is over; man the gyrocopters! But the Supreme Court’s constitutional protection of political speech and association often frustrates reform efforts and is seen by would-be reformers as extreme and either naive or malignant.

Campaign finance reformers are themselves demagogues. Arguments for reform appeal to emotion; they are not based on a rational and scientific understanding of democracy. Campaign finance reformers are like witch doctors of democracy, who conjure visions of evil spirits called Soros or Koch. And they offer the panacea of reform. American democracy can be saved, they assure us, but only with a blood-letting of fundamental freedoms.

I’ve studied American political economics for more than 25 years and I think most self-styled
“good government” reformers are wrong about the influence of money. But I am also not neutral, so I should disclose that I am a big fan of the Enlightenment. To me, one of God’s greatest gifts is the scientific method. Another is the U.S. Constitution. And in the spirit of the times, let me also offer this trigger warning: I am about to express moderately happy thoughts about American democracy.

“The last several decades of research suggest that money plays a limited and ambiguous role in our politics.”

Reformers have been playing Whack-a-Mole with moneyed interests for some time. Each successive round of reform is proffered as the solution for what ails us. But the moneyed interests quickly pop back up again from another hole. As a consequence, past campaign finance reform efforts amount to a series of natural experiments suitable for testing whether campaign finance reform works.

Before considering the evidence, let’s look at the background.
First, let’s scrutinize the conventional wisdom about money having a malign effect on politics. Most citizens likely share some of the following concerns: Too much money is spent on elections; elective offices are for sale to the highest bidder; campaign contributions are the functional equivalent of bribes; the nefarious influence of money alienates voters; and drastic reform is necessary to restore democratic integrity. Opinion polls suggest broad support for more regulation of political finances.

But the dirty secret of American politics is that this conventional wisdom is not well-supported by scientific research. The last several decades of research suggest that money plays a limited and ambiguous role in our politics.

Too much money?
The current election cycle will break records for spending. Estimates vary anywhere from a few billion dollars to as much as $10 billion, depending on how broadly one defines political spending over the two-year cycle. This growth continues a trend. Campaign spending has been increasing dramatically in recent years, much faster than inflation. For alarmists, this means the system is awash in money, and the fact that news stories are now about billions rather than millions is considered evidence enough that too much money is being spent. But the
The most elementary question in social science is: Compared to what? What price should be placed on political control of the world’s preeminent power? $10 billion is less than six hundredths of a percentage point of annual gross domestic product. The real puzzle for many scholars is, as noted long ago by Prof. Gordon Tullock, why so little money is spent on U.S. politics?

Back in 2003, a trio of researchers at MIT examined campaign spending through a historical lens. Stephen Ansolabehere, John de Figueiredo and James Snyder showed that while presidential campaign spending has increased as a share of the economy since World War II, the high point of presidential campaign spending was actually in the late 19th century. (Noting that election campaigns don’t soak up as big a proportion of the economy as they did during the Gilded Age may not, of course, bring much solace to reformers).

The same MIT study found that there are two main reasons for today’s increased spending on politics — rising personal income and political competition. Record campaign spending is thus arguably a symptom of the good health of America’s economy and politics. This should give pause to concerns that current spending levels are either unprecedented or harmful.

**Elections are not for sale**

The claim that elections are for sale to the highest bidder is based on two truths; incumbent office holders typically spend more than their opponents do and incumbents are also re-elected at high rates. But it does not follow that high spending produces re-election. Causality flows both ways. The attributes that make candidates appealing to voters also make them appealing to donors, who want to back a winner.

Incumbent politicians are successful candidates with demonstrated appeal to voters and donors. It should be no surprise that voters exhibit some continuity in their preferences by re-electing the same candidate when offered the chance. The main reason not to do so would be as punishment for bad behavior in office. So again, high re-election rates are as much a sign of something positive as not. We would have more reason to be concerned with the health of our democracy if re-election rates were low.

Most scientific studies suggest that money contributes little to a candidate’s chances of success. Put another way, an extra $10 million or more spent to support Mitt Romney would not have unseated President Obama. That’s partly because the extra would be on top of so much existing advertising that the incremental effect would be negligible. If the added spending was enough to be consequential, as it might be if spent on a single congressional
race, for example, it would spur matching spending on the other side. The result, again, would be the same.
Lessons from existing research come from the past, so it’s possible that some future study will discover that the unlimited spending we have now from super-political action committees is somehow more effective than spending has been in the past. But that would be surprising. There is simply very little cogent support for the notion that candidates can significantly change their electoral prospects by simply spending more money.

**Contributions are not bribes**
At first blush, campaign contributions look like bribes. Corporate PACs are formed by regulated industries and by firms dependent on government contracts and subsidies. They employ lobbyists in Washington and in state capitals. These are special interests whose fortunes are greatly affected by government policy. And there is a well-documented correlation between the interests of contributors and the politicians to whom they give. But again, causality flows both ways.
For decades, political scientists have studied the relationship between legislators’ votes and the campaign contributions they receive. The bottom-line is that donors support like-minded candidates. There is little evidence that members of Congress change their behavior in response to special interest contributions. Some evidence exists that contributions may facilitate access to legislators, but again, decades of research shows very limited support for any causal connection between lobbying and the votes of legislators.
However, even if the market for political favors does not usually involve cash payments for specific votes, there could still be more subtle influence buying. One common concern is that legislators adopt positions based on the expectation of reaping future contributions. So it remains possible that special interest financing and lobbying exerts strong influence over the content of public policy.
But scientific evidence for this claim is also weak. Several studies examine the share prices of politically active firms before and after major changes in campaign finance law and find no smoking gun. One would expect that if a firm could buy tax breaks or favorable legislation, then recent Supreme Court decisions upholding prohibitions on corporate soft money contributions to parties, or later, permitting corporate independent expenditures, would dramatically effect profitability and would show up in big stock price movements. But that is just not the case.
In an environment where marginal spending has only negligible impact on electoral fortunes, there is no reason for a candidate to be very grateful for a contribution from a special interest. A few thousand dollars in contributions don’t mean much to a legislator, because that amount has little impact. The risk of being discovered selling out to moneyed interests, by contrast, can make a big difference. So more campaign spending and public cynicism may actually help to hold special interest influence in check.

**Campaign spending does not alienate voters**

A frequent concern of reformers is that campaign spending makes politics polarized and contentious. Voters are seen as delicate flowers that wilt in the heat of partisan bickering. But research doesn’t cooperate with this view. Perhaps the best analysis of the effects of campaign spending on voter attitudes is from a University of Wisconsin study published in 2000. Authors John Coleman and Paul Manna found that greater campaign spending was associated with more knowledge about candidates. Survey respondents were better able to identify candidate positions on the issues and candidate locations on an ideological scale. The authors found no detrimental effects of spending on trust in government or interest in politics. They concluded that campaign spending is more of a “democratic boon than a democratic bane.”

**Campaign finance reforms don’t work**

Past reforms provide an opportunity to test the effects of campaign finance regulations. Upper limits on donations to federal candidates were put in place in 1970s, and limits on soft money contributions to political parties came in 2002. In 2010, the Supreme Court’s Citizens United decision allowed large independent expenditures. The imposition and lifting of limits administered big shocks to the system, but one would be hard pressed to argue that these have fundamentally transformed politics from the perspective of most citizens. The effectiveness of reforms can be tested better at state level. Campaign finance laws governing state elections vary. Some follow the federal model with limited contributions to candidates from individuals and political action committees, along with prohibitions on direct contributions from unions and corporations. Others add public financing for governors or state legislators. At the other end of the spectrum, some states, like my own state of Missouri, take a more laissez-faire approach and allow contributions in any amount and from any source.

State laws have also evolved over time. The result is a rich set of controls and treatments for
identifying causal impact. One can discern whether, for example, stricter regulations reduce political corruption, increase trust in government or dramatically alter the nature of policies. In 2006, I and David Primo, a political scientist at the University of Rochester, published the first scientific attempt to evaluate whether state reforms influence public perceptions of government. We examined individual responses to “political efficacy” questions from the American National Election Survey from 1950-2000. Political efficacy refers to feelings that an individual citizen matters and is gauged with standard survey questions about whether respondents believe that politicians care about what they think or whether politics is too complicated to understand. Overall, we did not find that early state campaign finance reforms had any substantively important impact on feelings of political efficacy.

In a current working paper, I re-visit the analysis with more recent data. I have assembled individual survey responses to more than 50 national opinion polls over the past 25 years. I can examine whether recent state campaign finance reforms have any effect on individuals’ trust in their state government. Again, the answer is no. And this is true regardless of whether one looks at reforms in totality, or at specific reforms, such as limits on corporate contributions to state candidates, or public financing for state legislators.

It is fairly clear that public opinion about politics and politicians is not something that changes when states adopt more or less stringent regulations. Instead, the most important determinant of political efficacy and public trust in government appears to be whether state government is controlled by the same party as the survey respondent.

We all tend to view politics through a partisan lens. I suspect that much of what we interpret as corruption among politicians is really just a manifestation of mistrust of partisans from the other camp. And no amount of campaign finance regulation will cure this.

But really, who cares what people think about politicians? Isn’t the real proof whether campaign reform makes politics less corrupt? Surely, scientific evidence shows that the frequency and depth of political corruption can be reduced by reform. Alas, there are no published systematic studies of the effects of state campaign finance laws on state-level public corruption.

But in a continuing research project, I and Adriana Cordis of Winthrop University address this shortcoming by analyzing state-level corruption over the past two decades. We have found no statistical relationship between state campaign finance laws and corruption convictions among public officials.
But even if state reforms don’t reduce convictions or change public attitudes about politics, surely the real test is whether such laws reduce special interest influence? Isn’t it the case that states with laissez-faire campaign finance environments have different policies than states with more stringent regulations?

Two political scientists from the University of Massachusetts, Raymond J. La Raja and Brian Schaffner, have conducted the most ambitious study of state campaign finance reforms and public policies to date. In a working paper, they examine the effects of state bans on corporate and union political contributions from 1939-2009 on a variety of outcomes of interest, including partisan control of legislatures, incumbent reelection rates and the share of taxes paid by corporations. They conclude that “spending bans have little or no impact on these outcomes.”

All these serious academic studies show that the conventional wisdom about the role of money in politics is highly exaggerated. This is not to say that money has no influence over political outcomes, but money is clearly not the driving force that reformers say it is. Campaign finance reforms do not bring about the changes that reformers hope they will.

But why is this the case?

**Politics without romance**

The assumption underlying most discussions of money in American politics is that the influence of money severely distorts political behavior and policy outcomes. If only money could be eliminated from politics, so the thinking goes, it would be rainbows and puppies all the time. As if supporters of Elizabeth Warren and Ted Cruz would suddenly see eye-to-eye. Not likely.

This delusion is based upon the false notion that there exists a general will that can be implemented by democratic procedures. It is a romantic view of democracy that goes back hundreds of years, but the idea that a group can have a unitary set of preferences like an individual is fundamentally wrong. Groups are composed of individuals with different wills and desires, and different majority opinions can be fashioned from the same group depending on how questions are framed and presented. It is nonsensical to talk of special interests perverting the public interest, because there is no objective public interest to be perverted. The function of democracy is not merely to count the noses of well-informed citizens in order to gauge whether the general will is yay or nay on every policy question imaginable. This assumes that informed and engaged citizens spring into being, like Athena fully armored from
Zeus’s head. Instead, democracy is a process by which largely uninvolved and uninformed citizens become engaged and active in politics. But it takes resources and effort to reach out to citizens, provide information and arguments and organize them. In other words, special interests and their political financiers are the engines of democratic engagement.

Democracy is also an evolutionary and self-correcting process. Policy innovations begin as unpopular ideas with only a few adherents. Only through special interest activity and influence can new ideas be brought to fruition. Free speech is necessary for political entrepreneurs to persuade others to their cause.

And in a free society, citizens will participate with unequal vigor, conviction and success. But when one group of interests becomes ascendant, people with different interests are motivated to organize and check that power. It’s a messy process, but it works because of political freedom, including the freedom of interest groups to organize, lobby and do their best to influence public opinion.

Campaign finance reform is again near the forefront of the public debate. But it would be good to remember that the scientific evidence on the role of money in politics does not support the reformers’ jaundiced view of American democracy. States provide a laboratory for evaluating the effects of campaign finance regulations in practice. The consistent lesson that emerges is that more stringent regulations on political participation do not perform as promised.

In time, more studies will emerge and perhaps the weight of evidence will change. But for now, the dirty secret is that American politics isn’t so dirty after all, at least not in a way that more campaign finance regulation can fix.

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