

# Revaluing PAC Contributions to House Incumbents:

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## A Test of Partisan Cartel Theory

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**Draft: Comments Appreciated**

A crucial assumption for partisan theories of legislative organization is that majority status facilitates significant control over procedure. This article seizes the opportunity presented by recent majority status shifts in the U.S. House to revisit the value of majority status to political action committees (PACs).

## Introduction

The importance of the benefits conferred to the majority party is familiar to those who study legislative organization. In theory these benefits apply to the party with majority status in the legislature as well as during election due to their ability to control policy, the literature has focused almost exclusively on those benefits within the legislature. Cox and McCubbins (1993, 2005) argue that the primary way a party with majority status controls policy is through creating a party cartel which is able to control offices delegated with authority to control the legislative process thereby affecting legislative outcomes. Their general argument is in line with other partisan theories of legislative organization and plainly stated as: the party with a majority in Congress is able to control policy output if representatives delegate their responsibilities to the party (Aldrich and Rohde 2001; Cox and McCubbins 1993, 2005; Kiewiet and McCubbins 1991; Rohde 1991).

Theories of legislative organization, partisan or non-partisan, stem from the straight-forward assumption that members of Congress value reelection (Mayhew 2004). If parties matter, if majority status is beneficial, then it is important to come to terms with *how* these facets of legislative organization benefit an incumbent during elections. One way the literature has attempted to address this issue is in scrutinizing the donation activities of Corporate and Labor political action committees (PACs) to grasp whether the party with majority status, rather than a political party in itself, is worth contributing additional money to incumbents (Cox and Magar 1999; Rudolph 1999; Taylor 2003). Donations can be used for electorally useful activities such as advertising, travel, and providing for campaign staff and offices.

The relevance of donation shifts when majority status changes are noticeable in aggregate form. In the political cycle for 109<sup>th</sup> and 110<sup>th</sup> House, Corporate Political Action Committees (PACs) have spent

over \$3.6 million donating to incumbents for the US House with 41% of contributions going to Democrats. During the same time period, Labor PACs have spent over \$4.1 million and contributed 93% to incumbent House Democrats. Republicans receive about 10% of total contributions from Labor PACs in the 109<sup>th</sup> and about 2% in the 110<sup>th</sup> when Democrats had majority status. Corporate PACs contribute about 70% of total donations to Republicans in the 109<sup>th</sup> and about 49% in the 110<sup>th</sup> when the Republican Party had minority status. In 1994, similar aggregate shifts to the Republican party were noted (Cox and Magar 1999).

One explanation for why individual PACs donate to challengers or incumbents who think PACs access-*seek* is defined as when PACs or individual donors give money in exchange for contact with members of Congress and their staff to discuss relevant issues which may be tied to policy outcomes (W. Brown and Paik 1993; Calderia and Wright 1998; Epstein and O'Halloran 1995; Herndon 1982; Lowery and Brasher 2004; Smith 1984). Alternatively, other scholars account for PAC contribution behavior with the practice of vote buying which is a behavior where PACs or individual donors give money in line with their ideological preferences (Currinder 2003; Fleisher 1993; Romer and Snyder 1994; Wilcox 1990). If we are to buy that majority status is valuable to PACs then the literature stipulates that we must also buy that these interest groups will pursue pure access-seeking contribution strategies (Cox and Magar 1999; Rudolph 1999; Taylor 2003). The question underlying the access-seeking assumption made by these scholars is whether a party member is able, even if they are willing to discuss important issues with PACs, to pursue favorable policy outcomes for various PACs who donate.

Favorable policy outcomes are important to PACs. It has been demonstrated that committee members and committee chairs receive disproportional donations from PACs when those legislators have influence over salient policy (Grenzke 1989; Grier and Munger 1991, 1993; Hall and Wayman 1990; Kroszner and Stratmann 1998; Romer and Snyder 1994) and are effective at turning the bill into a law

(Box-Steffensmeier, Arnold, and Zorn 1995; Esterling 2007). If members represented by a Corporate PAC are shareholders or employees or have other vested interests in the company represented, additional regulations which increase the cost of compliance will reduce profit and therefore decrease the individual utility the PAC members receive from said company. Similarly, a Labor PAC representing a certain Union could have their working conditions affected by regulations such as that governing workplace safety. Policy output can affect the utility of individuals who contribute to PACs so it makes sense that donations from these groups are used in attempting to secure favorable policy.

The logic that partisan theories of legislative organization rely on a reelection assumption therefore they must affect election outcomes in some way to be meaningful is linked to the contribution patterns of PACs in relation to facets of legislative organization which leverage the outcomes of policy. Facts are demonstrated which suggest that PACs respond to a party's control of the majority. I then stress the importance of the access-seeking assumption made by Cox and Magar (1999), among others (Rudolph 1999; Taylor 2003), which stipulates that favorable policy goes to the highest bidder; noting that PACs do care very much about policy. This argument provides grounds for taking a second-look at the assumption that PACs employ the strategy of pure access-seeking.

This essay addresses the question: do PAC contributions change from one party to the other party when majority status changes? If this question is answered in the affirmative then it is logically consistent to conclude that all PACs pursue a strategy of pure access-seeking. I answer this question by choosing to replicate and extend Cox and Magar (1999)<sup>1</sup>.

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<sup>1</sup> Replication is pending acquisition of the appropriate data. For now, I use a stand-in by using the hypotheses from Cox and Magar (1999) but not their exact empirics because I do not have the data. Furthermore, the shift in majority party status in 1994 is not addressed in this draft. As a result of data limitations I use the authors hypotheses but only for the 2007 shift.

The approach used by Cox and Magar (1999) to merge predictions made about majority party control in partisan cartel theory with PAC donations to the majority party relies on scholarship from Denzau and Munger (1986) as well as Grier and Munger (1991, 1993). These scholars view legislators' ability to provide favorable policy as a function of cost. They assume that PACs will contribute to gain favors in line with their economic interests from the representative who costs the least (Denzau and Munger 1986; Grier and Munger 1991, 1993). Cost to the legislator to provide favors to a PAC is determined by three factors: a member's committee assignments or 'institutional capital', the preferences of constituents in their district or 'electoral constraints', and the anticipated competitiveness of the upcoming election or 'electoral marginality'. Cox and Magar (1999) hone in on the institutional capital aspect of this model, put forward by Denzau and Munger (1986) along with Grier and Munger (1991, 1993), in claiming that any additional institutional capital possessed by a member should lower their cost and increase their amount of PAC contributions; *ceteris paribus*. Majority status is understood as a form of institutional capital similar to sitting on a certain House committee. Therefore, Cox and Magar (1999) assert that acquiring majority status will increase the amount of PAC contributions received by a member.

The assertion that PACs value majority status and not simply party label provides testable hypotheses. Cox and Magar (1999) hypothesize that **“those gaining majority status [will] receive more from business PACs, those losing majority status [will] receive less, other things constant”** (p.302). Deriving this specific hypothesis for partisan cartel theory is not logically consistent.

If Cox and Magar (1999) choose to assert that the total amount of PAC contributions received by a member from Corporate, Trade, or Labor PACs will increase then they cannot simultaneously assert that majority-party status is a form of institutional capital where “other things equal, *any* institutional capital that a member possesses should allow that member to supply favors at a lower cost” (Cox and

Magar 1999, 301). A lowered cost for a member should increase the levels of PAC contributions (Denzau and Munger 1986; Grier and Munger 1991, 1993). An inference drawn about the total amount of contributions cannot hold other things equal in asserting that a variable is important. The total amount of contributions for a member is affected by the totality of other factors not one factor, majority-party status, while other factors are theoretically held equal.

I dispute this conclusion by revisiting Cox and Magar (1999) and replacing their assumption that PACs pursue a pure access-seeking strategy with the assumption that PACs reward their preferred party but choose to access-seek as a strategic trade-off to having additional policy impact; I refer to this approach as a mixed strategy (Whaley and T. Brown 2012).

Whaley and T. Brown (2012) view Corporate PACs as having a choice between donate or not donate to a candidate. This specific argument applies to both challengers and incumbents. These aspiring House members may either be a Preferred or Non Preferred candidate by the corporate PAC choosing to donate.

Krasno & Robinson (2011) in addition to Burris (2005) argue that preferences are a function of the aggregate preferences of individuals running the company and are indeed often separate from the corporation's interest in generating revenue. The exact source of preferences is beyond the extent of this paper and it is adequate to say that ideological preferences exist.

The utility of the Corporate PAC is contingent on the probability a candidate has of winning election. If the incumbent or challenger loses the election then they cannot affect policy; which is viewed as the proximate goal for Corporate PACs in this model.

Given the primary goal of favorable policy, Corporate PACs donate using a mixed strategy in races where the probability of winning is about equal the preferred and non-preferred candidate should

receive about equal amounts of contributions from Corporate PACs which is consistent with access-seeking behavior. If the probability of winning is largely in favor of the preferred candidate then the behavior is much more consistent with vote-buying. Arguing that PACs pursue a mixed strategy stresses the importance of electoral constraints to members. Mixed strategy states that a PAC will display behavior consistent with access-seeking & vote-buying but asserts that the amount will be greater for the preferred party.

This paper does not consider the role of challengers and instead follows Cox and Magar (1999) in seeking to understand if PAC contributions shift from one party's incumbents to the other party's incumbents when majority status changes. Instead of the probability of winning, the model used by Whaley and T. Brown (2012) must consider the probability of favorable policy output. The same factors Cox and Magar (1999) borrow from Denzau and Munger (1986) in addition to Grier and Munger (1991, 1993) are thought to affect the probability of winning: institutional capital, electoral constraints, electoral marginality. The distinction I make from Cox and Magar (1999) is that each one of these factors must be considered together in order to assess the total amount of contributions to a House member. Specifically, electoral constraints should prevent party members of providing favorable policy on certain issues. The constituents in a highly Democratic district would most likely punish their representative for passing policy consistent with highly Republican preferences. However, it is also likely that some interests, such as Corporate, overlap in districts which may provide factory jobs to constituents. In sum, I argue that PACs will pursue a mixed strategy where access-seeking is constrained by the probability of garnering favorable policy output.

I apply the insight that PACs will pursue a mixed strategy when choosing to switch donations from one party to the other party when majority status changes. I employ the exact specifications Cox

and Magar (1999)<sup>2</sup> used to test the value of majority party status. Evidence which would falsify my assertion that PACs use a mixed strategy would be donation patterns which do not vary from being consistent with pure access-seeking to pure vote-buying over time. In short, the value of majority status is diminished when the probability of a PAC garnering favorable policy output decreases. Consequently, I hypothesize that the ***preferred party will receive more money than the non-preferred party when holding majority status***. In other words, I contend that the value of majority status is a response to the party preference of PACs. Cox and Magar (1999) make a case that majority status is worth more money to access-seeking PACs.

I test my prediction by revisiting the analysis done by Cox and Magar (1999) and updating their model to account for my theoretical reconsideration of their pure access-seeking assumption. The use of their model and variables coded on their terms represents an honest attempt at theoretical improvement. I start in Section 2 by explaining the research plan, and why I stress the importance of replication and extension. The results of this study are presented in Section 3 which includes testing hypotheses on the 2007 switch in majority status from Republican control to Democratic control which contrasts the 1994 replacement of the Democratic Party with the Republican Party as majority status-holders. As a final point, in Section 4 I bring this essay to a close by discussing potential objections to my findings as well as noting their importance to the literature.

## Research Strategy

Pending completion of Cox and Magar (1999)

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<sup>2</sup> This draft uses a stand-in model to test the hypotheses. The appropriate data and empirical model will be used when I resolve the data issues.



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## Results

Please see the stand-in models for those used by Cox and Magar (1999). These models are a test of the current hypotheses and will be presented in workshop. The actual models will be used upon completion of coding.

## Discussion

Pending

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