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Contribution Limits and Disparity in Contributions between Gubernatorial Candidates

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Campaign contribution limits have been a common feature of campaign finance reform efforts in most states. Despite their apparent popularity, campaign contribution limits have been criticized in academic literature. In particular, it has been suggested that contribution limits are likely to increase the disparity in contributions among candidates in general and the disparity between incumbents and challengers in particular. In this article we subject this important criticism of campaign contribution limits to empirical testing. Analyses of both the number of contributors and the dollar amount of contributions to gubernatorial candidates suggest no support for an increased bias in favor of incumbents resulting from the presence of contribution limits. If anything, contribution limits can work to reduce the bias that traditionally works in favor of incumbents. Also, contribution limits do not seem to increase contribution disparity between candidates in general. Results hold for different subsets of contributors: all contributors, particularistic contributors, and corporate contributors.

One of the major motivations behind the 1974 Federal Election Campaign Act was the desire to reduce the influence of so-called "special interests." The use of campaign contribution limits was seen as an important mechanism to achieve this goal. Similar motivations led the vast majority of the states to also impose contribution limits. In fact, other than reporting and disclosure requirements, campaign contribution limits have been the most common feature of campaign finance reform efforts in the states over the last 30 years.[1]

Despite their apparent popularity, campaign contribution limits do have their critics. Some have been concerned with the enforcement of the law (Sorauf 1992; Malbin and Gais 1998). Others have expressed concern that contribution limits place unnecessary burdens on candidates (Sorauf 1992). And, perhaps most importantly from a theoretical perspective on democratic elections, critics have argued that campaign contribution limits are likely to increase the advantages already held by incumbents (Aranson and Hinich 1979; Hinich 1977; Box-Steffensmeier and Dow 1992; Cox and Magar 1999; and Snyder 1990, 1993).

In this article we subject this important criticism of campaign contribution limits to empirical testing. We examine 57 gubernatorial elections (27 involving incumbents) from 1990 to 2000 in 41 states.[2] Analyses of both the number of contributors and the dollar amount of contributions suggest no support for an increased bias in favor of incumbents resulting from the presence of campaign contribution limits. If anything, contribution limits can work to *reduce* the bias that traditionally works in favor of incumbents. Also, contribution limits do not seem to increase disparities between gubernatorial candidates in general. Finally, the results hold for different subsets of contributors: all contributors, particularistic contributors, and corporate contributors.

THEORY AND LITERATURE

The Watergate scandal of the 1970s forced the issue of campaign finance to the center stage of public discourse. Since Watergate, the passage of hundreds of state and federal laws has served, if nothing else, to keep issues associated with campaign finance at the center of debates on campaign reform. The passage of McCain-Feingold in 2003 represented one more attempt to make fundamental changes in the way federal elections are financed.[3]

Contribution limits are often seen as a central component of reform efforts. In the realm of public discourse, proponents

[1] By 1998, 43 states placed some contribution limit on corporate contributions; 42 placed some limit on labor union contributions; 37 placed a limit on PAC contributions; and 36 states placed some limit on individual contributions. By 1998, 13 states and 22 states banned labor union and corporate contributions respectively.

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[2] It is possible to use power analyses to evaluate the probability of a Type II error for a given sample size. Power calculations for the analyses in this paper indicate that there is sufficient power to tell the proportional effect of contribution limits on disparity, especially between incumbents and challengers where the number of observations is 27. Given the proportional effect of contribution limits and estimated standard deviation of disparity, the chance of finding a significant difference in disparity is 90.89 percent for the number of total contributors and 91.42 percent for the amount of contributions using a 5 percent significance level with 27 observations. All power analyses of disparity measures presented in this paper assume a proportional effect for contribution limits. See Rosner (2000) for the power of a test.

[3] This legislation doubled contribution limits for most contributors to federal elections.

3.79. Corporate contributors, as investors, are simply more likely to invest, in terms of numbers and total amounts, when the incumbent's party is strong in a state.

CONCLUSION

Campaign finance reform is likely to be part of the public discourse for the foreseeable future. And, academic research continues to inform this debate. In this article we subjected one of the most important criticisms of campaign contribu tion limits to empirical analysis. Contrary to much previous work, we found no support for the argument that contribution limits increase the bias in contributions in favor of incumbents (H_1 to H_4). If anything, contribution limits can work to decrease the bias that traditionally works in favor of incumbents. Further, contribution limits do not seem to increase the disparity in contributions between gubernatorial candidates in general. Results hold for different subsets of contributors: all contributors, particularistic contributors, and corporate contributors.

The analysis of particularistic contributors, those who want to influence policy, is especially interesting because it is these types of contributors whose behavior has generally been thought to be most affected, in favor of incumbents, by contribution limits (H_3 and H_4). Our analysis indicates just the opposite. In terms of both the number of contributors and the total amount of contributions, contribution limits appear to decrease the disparity between incumbents and challengers and the disparity between candidates in general.[29]

Why is it the case that contribution limits do not seem to increase the disparity between candidates in general and the disparity between incumbents and challengers in particular? Three possibilities can be suggested. In the presence of contribution limits, many contributors may favor a "buying insurance" strategy by giving to both candidates. Hogan (2000) may be correct that limits only limit incumbent spending and not challenger spending. Or, the total effect of contribution limits may be substantially greater for incumbents than for challengers (Stratman and Aparicio-Castillo 2001; and Lott 1987). While answers await future research, it seems clear that, at least in the context of gubernatorial elections, opponents of contribution limits do not seem justified in their argument that contribution limits are only incumbent protection laws that increase disparities between incumbents and challengers.

[29] Some might suggest that it is inappropriate to rely upon significant tests in analyses such as those in this article because we do not have a random sample. Such a perspective would lead to conclusions even less supportive of the critics' view of contribution limits. Five of the eight coefficients for our contribution limit variables are negative indicating a leveling effect for contribution limits. Both of the coefficients for the analysis of particularistic contributors and both of the coefficients for the analysis of corporate contributors were negative and these are the very coefficients where there was the strongest theoretical expectation of positive coefficients.

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