7

Consequences for Democracy

The previous chapters were a deep dive into the ways in which politicians use money. They showed that enrichment while in office, campaign spending, and enrichment after leaving office through golden parachute jobs are not simply idiosyncratic ways for money to enter politics. Instead, I have demonstrated that the different types are part of a common system; that they are partially fungible and therefore interdependent; that politicians use them in the ways that optimally serve their goals, subject to the legal and electoral campaign environments they operate in; and that a change in one form has second-order effects on other forms. But the implications of a system view of the types of money in politics do not stop here. I have argued that each form can affect various aspects of *how democracies function*. Thus, if money stops flowing in one way and instead shows up in another, this has important *third-order effects*. In this chapter, I test this final part of my argument.

First, I show that how money enters politics influences *voters' perceptions of politics*. An extensive literature demonstrates that money in politics has a negative effect on citizens' trust in government and democracy (e.g. Della Porta, 2000; Anderson and Tverdova, 2003; Chang and Chu, 2006; Solé-Ollé and Sorribias-Navarro, 2018). However, past studies have mostly examined the impact of corruption writ large, without distinguishing between different forms. I use a pair of survey experiments to show that citizens react differently depending on the type of money. In the first survey experiment, I demonstrate that Indian voters are clearly and consistently more lenient toward politicians who received money for a political favor when they used it to buy votes rather than for personal enrichment. The second survey experiment shows that US voters are significantly less critical of a politician when told that he or she accepted

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several hundred thousand dollars in campaign contributions than after learning that he or she later earned the same amount working for a special interest group. Thus, a change in one form of money in politics, which in turn leads to changes in the other forms, has the third-order consequence of affecting how voters view politicians. I demonstrate that this helps explain puzzling findings reported in prior research.

In a second step, I show that *how* money enters politics also shapes *who wins elections*. Of the three types, campaign money is unique: rather than having a direct personal benefit, it indirectly helps politicians win votes and stay in office. Conditions that increase the amount of money in the form of campaign spending can thus affect the outcomes of elections, particularly if some candidates and parties systematically have more access to money than others, as is almost always the case. And as we have learned in the previous chapters, an increase in campaign spending can be brought about by changes in *other* forms of money. In Chapter 5, I provided evidence that stricter regulation of golden parachute employment in US states led to more campaign contributions to Republican candidates. Here, I show that the third-order effect of cooling-off laws is that they systematically shift electoral favors toward that party.

These downstream consequences add another layer of implications to my theory. It is not just that a decrease in one form of money leads to an increase in other forms. These shifts in how money enters politics have knock-on effects on how democracies function. This has received little attention to date.

7.1 VOTERS: HOW MONEY ENTERS POLITICS AFFECTS ATTITUDES

Citizens' trust in politicians plays an important role in the stability and health of a democracy. One of the major factors undermining this trust, especially in recent years, has been a widespread conviction that money has too much influence on politics and politicians. But not all types of money are created equally. In Chapter 3, I argued that there are reasons to expect that voters have more of a problem with money in politics when politicians use it to enrich themselves, either in office or after leaving it. In this section, I test whether this is indeed the case. In a given context, only two forms of money are typically present. I therefore first examine how voters view self-enrichment vis-à-vis campaign spending, and then what voters think about golden parachute employment vis-à-vis campaign money.

Self-Enrichment and Campaign Spending

First, I examine how voters view enrichment in office as opposed to using money for campaign spending. Chapter 4 demonstrated that both forms of money in politics are common in India. I therefore embedded an experimental manipulation in a larger face-to-face survey administered in the National Capital Territory of Delhi in 2014. A representative sample of voters was interviewed in Hindi by trained interviewers from a Delhi-based polling company.[1]

To examine whether it makes a difference to voters whether a politician uses money for personal enrichment or to enhance their reelection chances, respondents were randomly assigned to receive one of two questions. The first group was read the following text:

> Imagine a politician who received money from a company for a political favor. He used this money to personally enrich himself. What do you think the consequences should be?

The other half of the respondents was given this prompt:

> Imagine a politician who received money from a company for a political favor. He used this money to buy votes in an election. What do you think the consequences should be?

The only difference between the two statements is that the politician uses the money for a different purpose. Both texts are formulated in a neutral manner that does not provide too much, and possibly leading, information. For instance, the vote-buying question does not stress who the recipients are or what benefits they receive. Instead, it simply refers to vote buying, which is illegal under Indian law, as is accepting money for self-enrichment in exchange for a political favor. In line with the convention in the literature, I use a fictional rather than a real politician.[2] While this leads respondents to evaluate an abstract situation, it ensures

[1] Respondents were selected using the following protocol. First, ten of Delhi's seventy assembly constituencies were chosen randomly. Then, five polling stations from each constituency were sampled by dividing the total number of stations in the constituency by five and then randomly drawing a number smaller than or equal to the result of the division. The first five multiples of the drawn number indicate the sampled polling stations. Finally, for each polling station, twenty voters were selected from the official electoral roll using the same procedure as for the polling stations. A total of 993 interviews were conducted.

[2] I use a hypothetical male politician since the vast majority of Indian politicians are men.

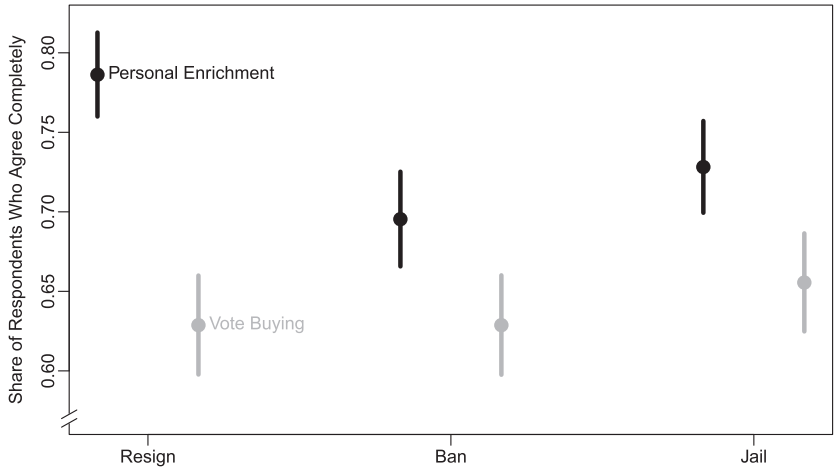

FIGURE 7.1 *Voter reaction to personal enrichment and vote buying in India.* Share of respondents who agree completely with the punishment statement, depending on whether they received the personal enrichment treatment (black) or the vote buying treatment (gray). Point estimates and 95 percent confidence intervals

that an actual politician's partisanship, religion, or caste do not confound the results.

Respondents were then asked whether they agreed completely, agreed, neither agreed nor disagreed, disagreed, or disagreed completely with the following three possible punishments for the offending lawmaker:

- A politician who took money for political favors to [buy votes/enrich himself] should have to resign from his position.
- A politician who took money for political favors to [buy votes/enrich himself] should be banned from contesting future elections.
- A politician who took money for political favors to [buy votes/enrich himself] should be sentenced to time in jail.

Because the respondents were randomly assigned to receive either the vote buying or the personal enrichment treatment, all personal characteristics should, on average, be the same between the two groups. We can thus analyze whether voters are more or less tolerant depending on what the money is used for by simply comparing the proportions in the answer categories.

Figure 7.1 shows the share of respondents who *agree completely* with the punishment statements for the personal enrichment treatment (black) and the vote-buying treatment (gray). The figure makes clear that

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TABLE 7.1 *Effect of the vote-buying treatment on support for punishment in India.* Coefficient of vote-buying treatment indicator in OLS regressions. Controls not displayed

	Resign	Ban	Jail
Vote-Buying Treatment	0.285***	0.201***	0.178***
	(0.063)	(0.062)	(0.060)

*$p < 0.1$, **$p < 0.05$, ***$p < 0.01$. N = 926 (Resign), 918 (Ban), 913 (Jail). All regressions include assembly fixed effects. Controls: age, gender, religion, education, scheduled caste or tribe, other caste, number of adults in household, number of children in household, income. Robust standard errors clustered by polling station in parentheses.

tolerance of politicians who accept money for political favors is low, regardless of how it is used. In both conditions and across all statements, a large share of respondents agree completely that a politician who engages in such behavior should be punished.[3]

Despite the high level of overall disapproval of the politicians' behavior, respondents in the vote-buying treatment were consistently more tolerant than those in the personal enrichment treatment: 79 percent completely agreed that the hypothetical lawmaker should have to resign from his position if he used the money for himself, compared to only 63 percent of those who were told the money was used to buy votes. There were also statistically significant differences between the two treatments in support of a ban on contesting future elections (70 vs. 63 percent) and a jail sentence (73 vs. 66 percent).

To make sure that small imbalances between the treatment and control groups for a few covariates are not driving the results, Table 7.1 reports the coefficients of the vote-buying treatment indicator from Ordinary Least Squares (OLS) regressions with a set of controls and constituency fixed effects. The dependent variable takes a value of one if the respondent agrees completely with the proposed punishment, and five if he or she disagrees completely, so higher values indicate greater tolerance of vote buying. The coefficients can be interpreted as the differences in means between the two treatments, controlling for demographic and constituency effects. They are between 0.178 (jail) and 0.285 (resign) on a scale from one to five, and significant at the 1 percent level.[4]

[3] One likely reason for this is that the survey took place shortly after the anti-corruption Aam Aadmi Party took over the state government in Delhi, so the topic had high salience among respondents.

[4] For further analyses, see Weschle (2016).

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We now have the first piece of evidence that *how* politicians use money affects citizens' attitudes toward them. Voters in India are more critical of legislators who accept money in exchange for political favors if they use it for their personal enrichment. They are less critical when the money is used for campaigning purposes, even though this is done through the less than normatively ideal practice of vote buying.

Campaign Spending and Golden Parachutes

What if, instead of enriching themselves in office, politicians make money after leaving it by taking up a golden parachute job? How do voters react to political and personal money then? As I showed in Chapter 5, campaign spending and post-office jobs are common in the United States, so I conducted a survey experiment on a sample of US adults.

Participants were recruited through the Mechanical Turk platform and received a small amount of money to participate.[5] They were given a short description of a hypothetical member of Congress and then asked to evaluate him.[6] The first part of the description was the same for everyone:

> Imagine that you live in a neighborhood similar to your own but in a different state. The member of Congress of that district is called John Davis. During his time in office, he has secured federal funding to improve the district's infrastructure, and he has put efforts into trying to attract companies into the district.

This description establishes a positive first impression of the politician, highlighting his efforts as well as showing that he has delivered results for the district. The second part of the description then introduces a counter-frame (Chong and Druckman, 2013) by informing respondents that he has taken a significant amount of money. Half of the respondents were randomly chosen to receive the following text:

> Representative Davis also has accepted several hundred thousand dollars in campaign and PAC contributions from special interests.

[5] A total of 984 questionnaires were completed. Around the time I conducted the survey in the fall of 2018, it was reported that a sizable share of respondents recruited through Mechanical Turk were able to circumvent the location filter and pretend to be based in the United States (Kennedy et al., 2020). As a precaution, I therefore checked participants' IP addresses and prevented anyone who was not located in the United States or who used a virtual private server from accessing the questionnaire (see Burleigh, Kennedy, and Clifford, 2018).

[6] I again use a male hypothetical politician since the vast majority of US legislators are men.

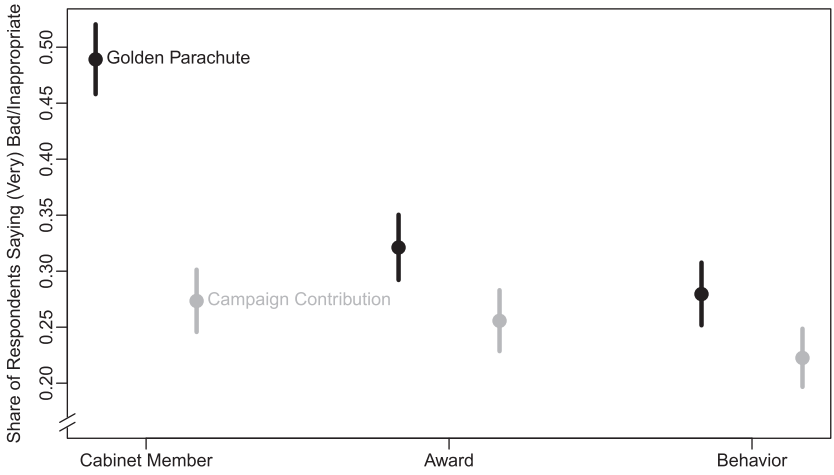

FIGURE 7.2 *Voter reaction to golden parachute jobs and campaign spending in the United States.* Share of respondents that said the politician would be a (very) bad choice or acted (very) inappropriately, depending on whether they received the golden parachute treatment (black) or the campaign spending treatment (gray). Point estimates and 95 percent confidence intervals

The other half was given this information:

Representative Davis has left office and accepted a position as a lobbyist for special interests, earning a salary of several hundred thousand dollars.

Both statements mention the same amount of money and only differ in *how* the congressman benefits from it. The respondents were then asked three questions about the politician, which tap into three dimensions of voter reactions:

- "Representative Davis is being considered for a role as a member of the cabinet. How good of a choice do you think he is?" Possible answers: A very good choice, a good choice, neither a good nor a bad choice, a bad choice, a very bad choice.
- "Representative Davis has been nominated for an award honoring dedicated public servants in his state. How good of a choice do you think he is?" Answers: A very good choice, a good choice, neither a good nor a bad choice, a bad choice, a very bad choice.
- "How appropriate do you think Representative Davis' behavior was?" Answers: Very appropriate, appropriate, neither appropriate nor inappropriate, inappropriate, very inappropriate.

Figure 7.2 displays the share of respondents that think the politician is a bad or very bad choice for the cabinet position and public service award as well as the share that think his behavior was inappropriate or very inappropriate. The results for the golden parachute (campaign contribution) treatment are in black (gray). In all analyses, I use entropy balancing to weigh the observations so that the composition of the convenience sample resembles that of the population (Hainmueller, 2012; Franco et al., 2017).[7]

As I found for Indian voters, disapproval of the politician among Americans is higher if the money was used for personal gain rather than campaigning. Fewer than 30 percent of respondents who were told the congressman received hundreds of thousands in campaign contributions thought he would be a bad or very bad candidate for a cabinet position; this increased to nearly 50 percent among respondents who heard that he became a lobbyist. Respondents were also more likely to think the congressman was not a good choice for a public service award when he took a golden parachute job, and to state that his behavior was inappropriate or very inappropriate.[8]

Table 7.2 shows the results of regressing the respondents' answers on the campaign contribution treatment and a set of controls. The dependent variable takes a value of one if the respondent indicated that the congressman was a very bad choice or behaved very inappropriately, and five if they thought he was a very good choice or behaved very appropriately. All three coefficients are positive and statistically significant, indicating greater tolerance of the politician when the money is used for campaign purposes. Again, the coefficients can be interpreted as the differences in means between the two treatments. They are between 0.369 (award) and 0.540 (cabinet member) on a one to five scale.

This is the second piece of evidence that *how* money enters politics is important to voters. US citizens are more likely to think a politician's behavior was inappropriate and that they are not a good candidate for a future political role or a public service award if they take a golden

[7] After reweighing, the sample resembles the population in the marginal distribution of the following variables: gender, race, ethnicity, age, education, income, and marital status.

[8] Note that the disapproval of the politician is surprisingly low throughout. This may reflect that campaign contributions to individual politicians and golden parachute jobs are legal in the United States, whereas both forms of money examined in India are illegal. In addition, and unlike the survey experiment in India discussed earlier, the description of the member of Congress included a number of positive characteristics that suggested he was hard-working and effective.

TABLE 7.2 *Effect of the campaign spending treatment on answering in an unfavorable way in the United States.* Coefficient of campaign spending treatment indicator in OLS regressions

	Cabinet Member	Award	Behavior
Campaign Contribution Treatment	0.540***	0.369***	0.473***
	(0.112)	(0.131)	(0.124)

*$p < 0.1$, **$p < 0.05$, ***$p < 0.01$. N = 984. Controls: age, gender, education, civil status, race, hispanic, employment status, partisanship, registered to vote, liberal–conservative scale, income, follow politics. Robust standard errors in parentheses.

parachute job than if they raise money for their campaign. Taken together, both survey experiments show that voters are more critical when money benefits politicians personally.

7.2 WINNERS: HOW MONEY ENTERS POLITICS AFFECTS ELECTION OUTCOMES

The second downstream consequence of how money enters politics that I discussed in Chapter 3 was election outcomes. Some politicians and parties have more access to money than others. If they use this for self-enrichment or if it comes in the form of golden parachute jobs, these asymmetries merely mean that some politicians get richer than others. But if money is mostly spent on campaigning, then these asymmetries can influence who wins elections.

Several prior studies have demonstrated that campaign spending regulations affect election outcomes. For example, since incumbents usually find it easier to raise funds, more permissive campaign finance laws tend to entrench them (see Hogan, 2000; Milligan and Rekkas, 2008; Avis et al., 2021; Fouirnaies, 2021). Similarly, because right-of-center parties benefit from more money, less stringent regulations help them electorally (see Hall, 2016; Klumpp, Mialon, and Williams, 2016; Abdul-Razzak, Prato, and Wolton, 2020). A more equitable distribution of campaign funds generally leads to more electoral competition (Potter and Tavits, 2015). Of course, politicians are aware of this fact and try to shape campaign finance regulation to their benefit (see e.g. Kochanek, 1987; Grzymala-Busse, 2007).

The argument and evidence presented in this book suggests that it is not only the direct regulation of campaign spending that affects election outcomes; instead, *any* change in the regulation of money in politics can

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shift the balance of power. In Chapter 5, I demonstrated that a change in the legal environment that makes golden parachute employment more difficult has the first-order effect of leading to fewer politicians heading for the private sector, and the second-order consequence of shifting campaign contribution patterns. Here, I examine the third-order effect of cooling off laws on election results.

Cooling Off Laws Affect Who Wins Elections

When a US state introduces a cooling off law, the first-order consequence is that fewer politicians take up a golden parachute job. This is especially true for legislators from the right-of-center Republican Party, who become more than 6 percentage points less likely to move into the private sector. The second-order effect is a 4.5-percentage-point increase in campaign donations to Republican candidates (see Chapter 5). According to my argument, the third-order effect should be that Republicans become more likely to win.

To test this prediction, I estimate the following difference-in-differences model:

$$y_{dst} = \beta \text{ Cooling Off Law}_{st} + \mu Z_{st} + \gamma_s + \delta_t + \xi_s t + \varepsilon_{dst} \qquad (7.1)$$

I use two different dependent variables. In one specification, I use the two-party Republican vote share in district d in state s in year t. In the other, I use a binary indicator that takes a value of one if the Republican candidate wins, and zero if he or she loses.[9] As before, the data cover the period from 1990 to 2012.

The main independent variable is a dummy that equals one if a state had a cooling off law in a given year, and the coefficient of interest is β. As state-level controls in Z_{st}, I include whether the state has a public campaign finance system, whether it had term limits, and whether it had bans on direct as well as indirect corporate and union campaign spending.[10] Again, there is a set of state fixed effects γ_s and a set of year fixed effects δ_t, as well as state-specific time trends $\xi_s t$. Parameter estimates are reported with robust standard errors clustered by state.

Table 7.3 illustrates how cooling off laws affect electoral competition. When a state introduces such restrictions, the two-party vote share

[9] Information on election results is taken from the State Legislative Election Returns dataset (Klarner, 2013; Klarner et al., 2013).

[10] I exclude very lopsided races, defined as those with a margin of victory of more than 25 percent.

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TABLE 7.3 *Effect of cooling off laws on Republican vote share and win probability.* Coefficient of the effect of a law requiring a cooling off period on the percentage of the Republican two-party vote shares and win probabilities

	Share Republican Votes	Republicans Win
Cooling Off Law	0.010***	0.079***
	(0.003)	(0.020)

*$p < 0.1$, **$p < 0.05$, ***$p < 0.01$. N = 16,343. All regressions include state and year fixed effects and state-specific time trends. State-level controls: term limit law, public campaign finance, ban on union campaign contributions, ban on corporate campaign contributions, ban on union independent spending, ban on corporate independent spending. Robust standard errors clustered by state in parentheses.

for Republican candidates increases by about 1 percentage point. While this may not sound like a large effect, the average two-party vote share for Republicans in the sample is 50.3 percent, and many election races are decided by a few points. Thus, a 1-percentage-point shift could significantly influence who wins a seat.

And indeed, the second column in Table 7.3 reveals that after a cooling off law takes effect, Republican candidates are almost 8 percentage points more likely to win a seat. This is a large effect that has the potential to systemically shift majority control in favor of one party. And given that twenty-one of fifty states introduced cooling off laws during the observation period, they potentially played an important, and so far unrecognized, role in the improvement of Republicans' electoral fortunes since the 1990s.

To be clear, the effects observed in Table 7.3 are unlikely to all run directly through the second-order effect of increased campaign money. It is well known that there is a large (personal) incumbency advantage in the United States, and that seats are much more likely to flip to the other party when the incumbent does not run again (see e.g. Gelman and King, 1990; Gaddie and Bullock, 2000; Ansolabehere and Snyder, 2002; Fowler and Hall, 2014). Thus, if Republican legislators are less inclined to leave office for a golden parachute job, there are fewer open-seat elections, meaning fewer opportunities for Democrats to win them. This likely also contributes to the effects observed in Table 7.3. But of course, a good part of the incumbency advantage is due to the fact that sitting legislators benefit from more campaign money (Fouirnaies and Hall, 2014).

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Either way, the findings in this section have broader implications beyond the context of US state elections. In a general sense, they show that changes to one form of money have third-order consequences for who wins elections. If less money flows to politicians for their personal benefit, more will come to them as campaign spending, which is to their political advantage. The overall effect is that less money in politics for personal benefit tilts electoral competition in favor of parties and candidates that have more access to money.

7.3 SUMMARY AND IMPLICATIONS

The results presented in this chapter have far-reaching implications. They suggest that the consequences of changes in the environment that affect how money enters politics are more widespread than previously thought.

First, we already knew that if money plays a large role in politics, it chips away at voters' trust in politicians and the political system. I have shown here that it also matters to voters *how* money enters politics. In two very different contexts, survey respondents who were randomly assigned to hear about a politician who used money for their personal benefit were more critical than those who heard about a politician who used the same amount for campaigning. If money does enter, it is thus especially harmful for the public's confidence in politics if it does so in a way that personally benefits lawmakers.

This finding has important implications. For instance, a central puzzle in the literature is why corrupt incumbents are sometimes voted out of office, but at other times are not.[11] One of the reasons for these inconsistent findings is that prior studies typically examine the effect of generic corruption allegations and do not differentiate between the exact forms of abuse. The fact that voters are more forgiving when money is used for electoral purposes and less tolerant when it involves self-enrichment helps explain why some politicians are punished while others are not.

Second, I showed that it is not only regulation which directly affects campaign spending that influences who wins elections; laws that pertain to *other* forms of money in politics also have an effect. This kind of third-order downstream consequence has not yet featured in public discussions of money in politics. For example, calls for stricter regulation of post-office employment in the United States are especially pronounced among

[11] See e.g. Golden (2010); Winters and Weitz-Shapiro (2013, 2017); Golden and Mahdavi (2015); Schwindt-Bayer and Tavits (2016); Chang and Kerr (2017); De Vries and Solaz (2017); Bauhr and Charron (2018); Solaz, De Vries, and de Geus (2019).

Democrats. However, the findings reported in this chapter show that such rules can have the unintended consequence of undermining their own party's electoral standing. If *any* reform of money in politics can affect who wins elections, this should form part of public discussions of the merits and problems before the electoral balance is altered.

Clearly, these two factors do not constitute an exhaustive list of third-order consequences. Yet the empirical results make clear that current debates about money in politics are incomplete at best. In the next chapter, I thus conclude by calling for an *evolution in the conversation about money in politics*.