

CLASS JOURNAL

| | | |
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PSC 300

SYRACUSE UNIVERSITY

MONEY AND

POLITICS

SPECIAL INTERESTS

PART 2

COUNTRY RESEARCH REPORT

- Idea: Get someone who does not know anything about money in politics/bureaucracy in that country up to speed of what is going on there

COUNTRY RESEARCH REPORT

- **One way in which money plays a role in politics**
 - e.g. bureaucratic corruption, lobbying, campaign contributions, bribery of politicians...
 - Description how “your” type of money plays a role in the country, what consequences it has
 - Discuss problems that arise
 - Suggest policies addressing problems you have identified

COUNTRY RESEARCH REPORT

- How much does (one form of) money play a role? How does that form play a role?
 - Who are the main actors?
 - How does money enter politics/the bureaucracy?
 - To do the two things above, you will have to provide some background information about the country
 - e.g. give a brief overview of the organization of the bureaucracy or political system in the country (depending on which one you focus on)

COUNTRY RESEARCH REPORT

- **What consequences does the money have?**
 - e.g. on policy, electoral competition, economic growth, citizen attitudes, etc.
 - **Don't describe *all* consequences, focus on the most important one (or two)**

COUNTRY RESEARCH REPORT

- **What policy recommendations do you have?**
 - How do they mitigate the problems you have identified?

COUNTRY RESEARCH REPORT

- You'll need material we covered in class
 - e.g. theories we talked about, findings of overall patterns (is your case typical or atypical, etc.), CPI
- You'll need sources beyond what we covered in class
 - Background information on "your" country, organization of its bureaucracy or political system
 - Research on how money plays a role, who are the important actors, consequences this has
 - Information on potential reforms in progress or that have happened
 - And so on...

COUNTRY RESEARCH REPORT

- You need to provide a source for every piece of information you give
 - Except your policy recommendations (those should follow logically from your discussion of the role that money plays in politics/bureaucracy)

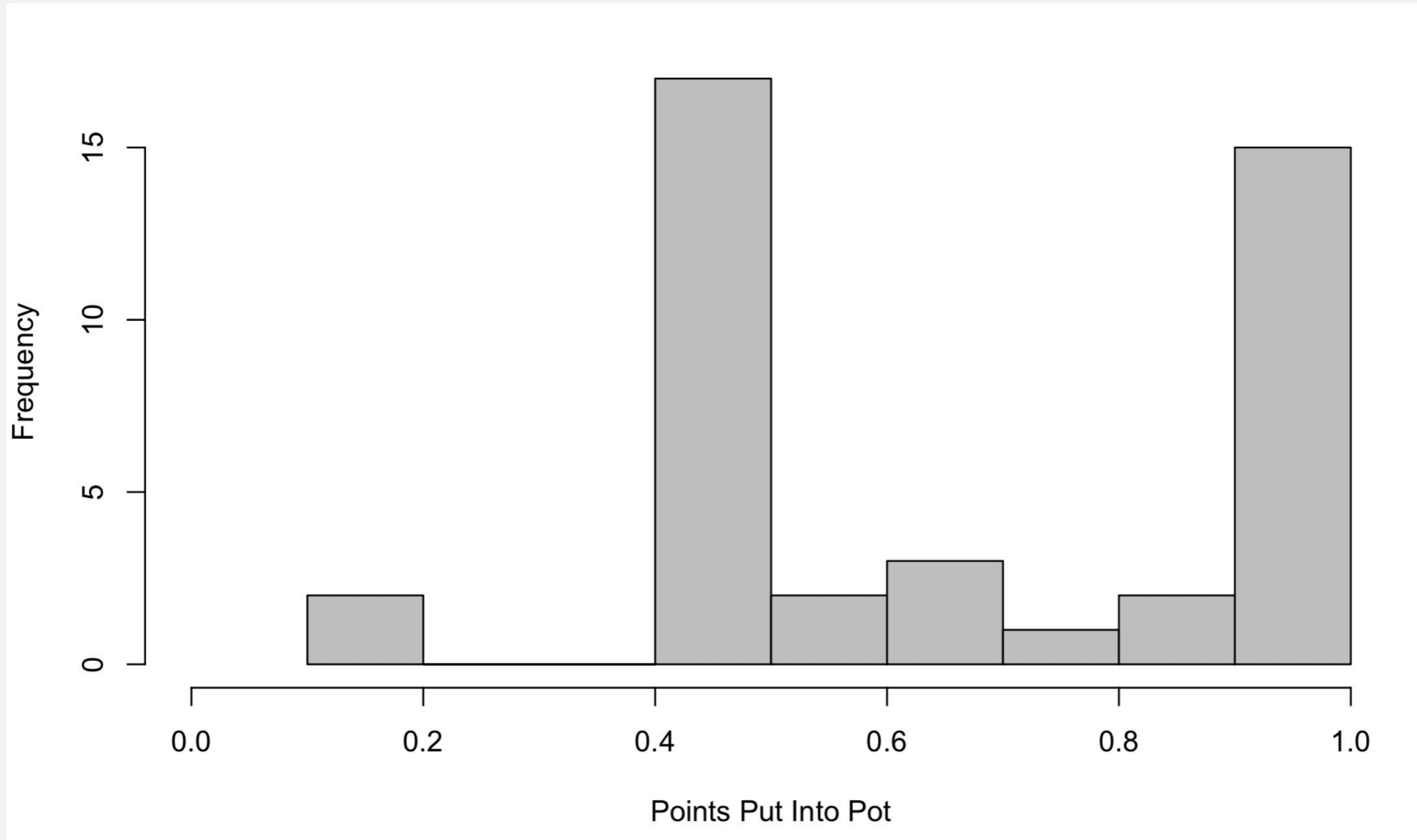
EXAMPLES OF SOURCES

- Books
- Academic journal articles
- Think tank studies
- NGO reports (e.g. Transparency International, local anti-corruption activist organizations)

FIRST PART

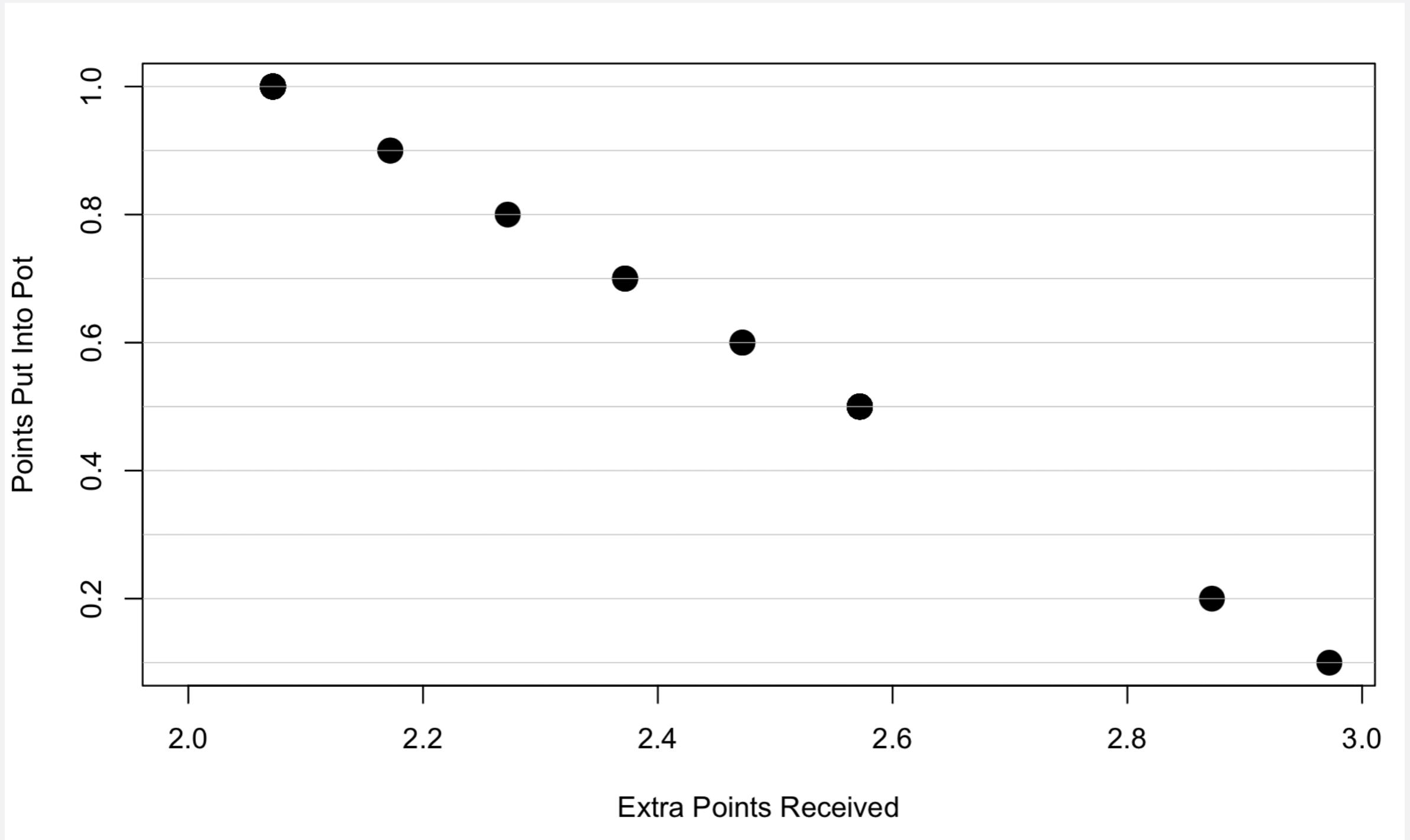
- **Introduction:** Due March 21
- **What it should cover:**
 - **Describe what form of money your report is about in what country**
 - **Briefly elaborate how important that form of money is in your country**
 - **Provide necessary background information about the country and the relevant organizations for what you are discussing**
 - e.g. bureaucracy, parliament, local politics...

RECAP



- Mean: 0.7
- 36% put the whole point into the pot
- Nobody was a complete free rider (ie. played “optimal” strategy)

RECAP

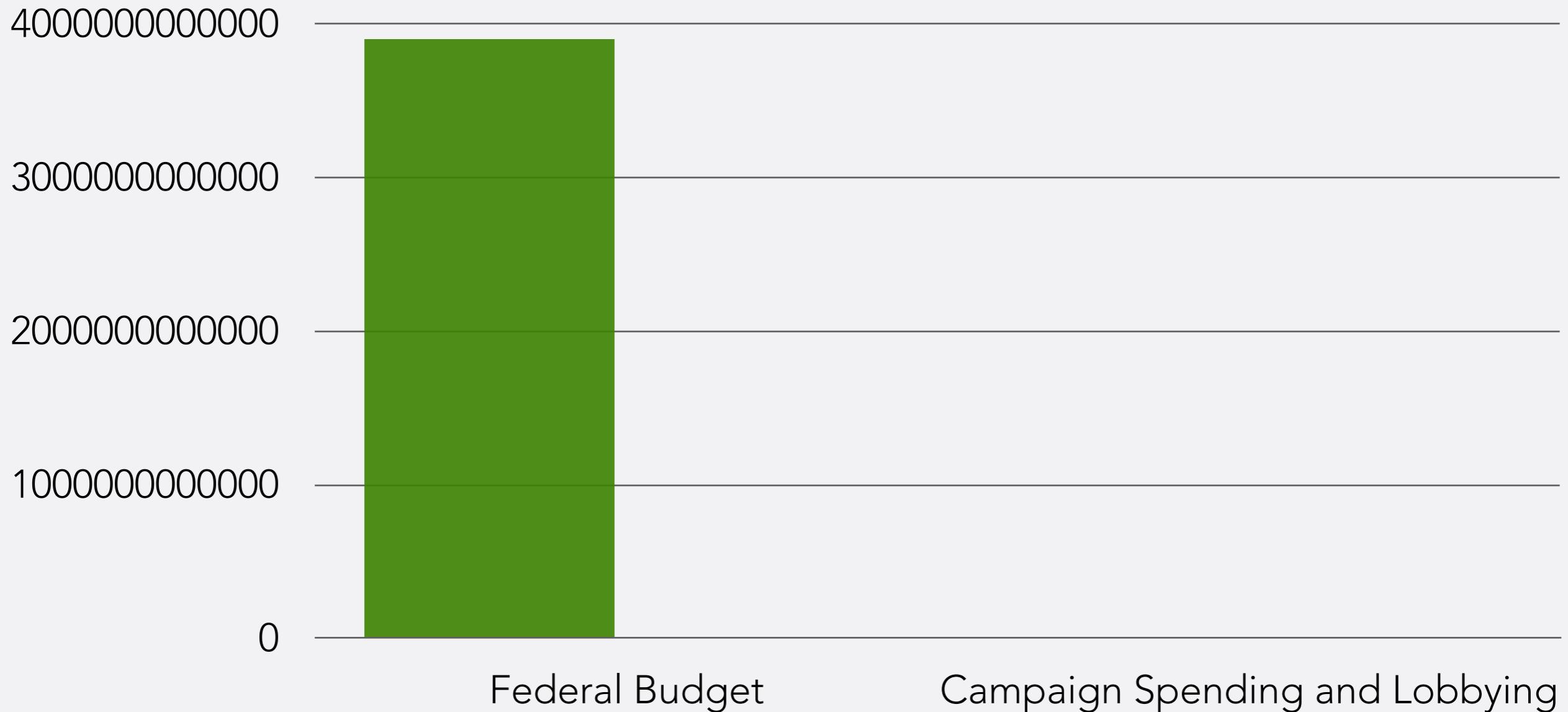


- So everyone gets: Points you kept to yourself + 2.07

WHERE WE ARE

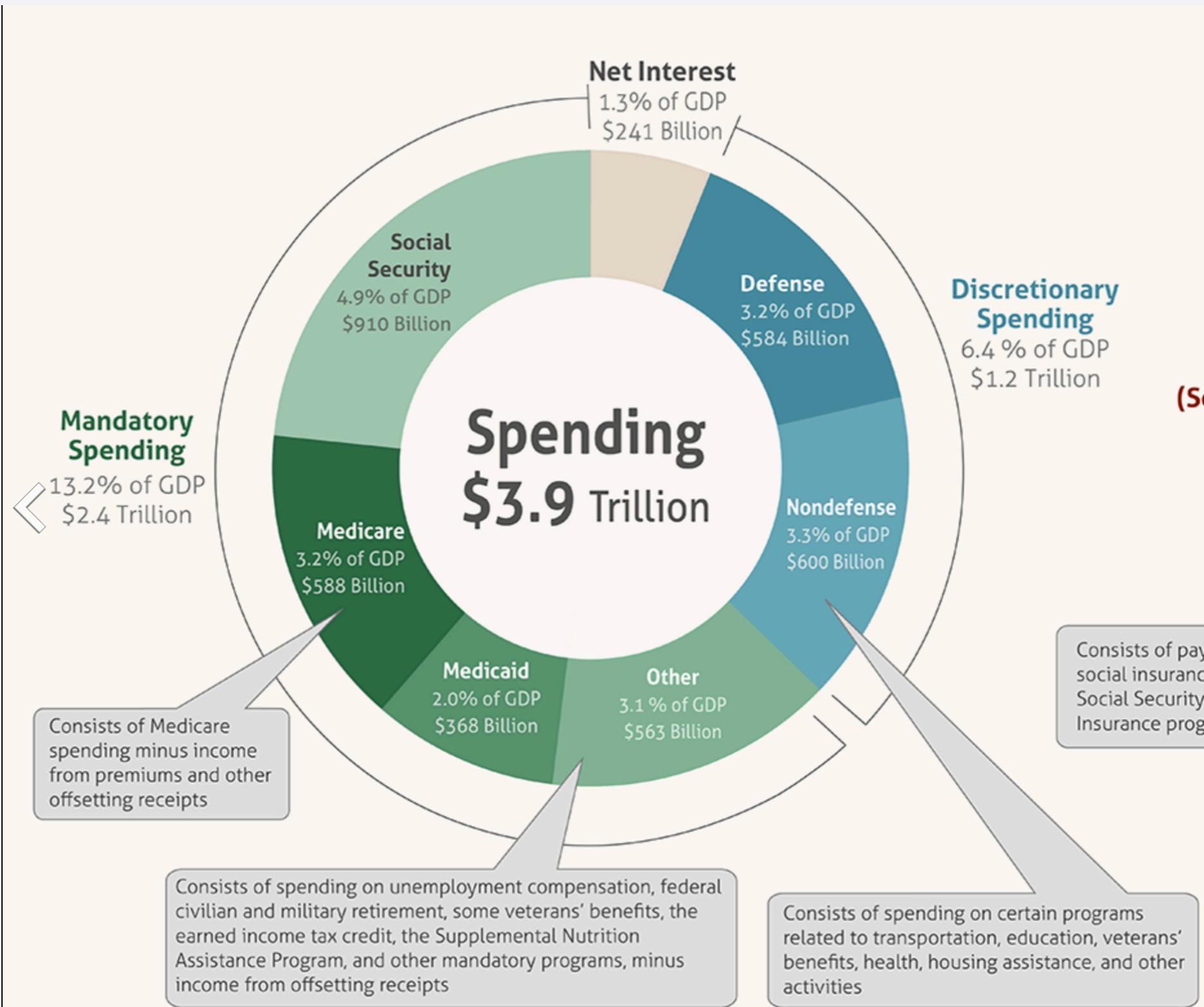
- **Special interests**
 - Who tries to influence politicians?
 - Why do special interests not spend more money on politics?
 - What are the benefits of spending money on politics?

A PUZZLE

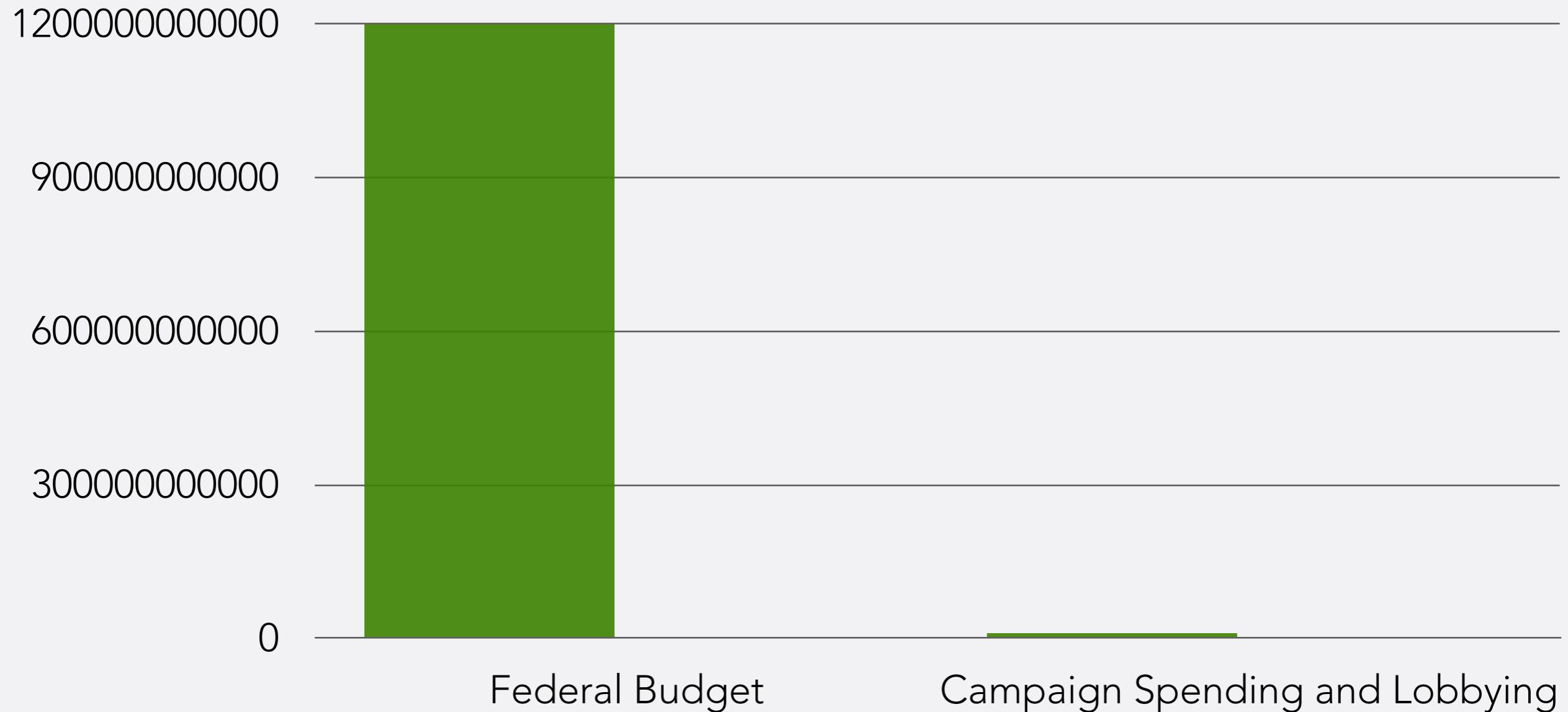


- **Federal budget 2016: \$3.9 trillion**
- **Spending on campaigns and lobbying 2016: \$9.6 billion**

A PUZZLE



A PUZZLE



- **Discretionary Federal budget 2016: \$1.2 trillion**
- **Spending on campaigns and lobbying 2016: \$9.6 billion (0.8%)**

QUESTION

- **Tullock's paradox: Why is there so little money in politics?**
 - Why do the authors say there is little money in politics?
 - What do the authors say is the dominant view why corporations make campaign contributions?
 - What does the evidence they cite say about the dominant view?

A PUZZLE

- Very little political spending given how much money at stake
- Challenges idea that spending money on politics is an *investment*
 - (Modified) all-pay auction

ALL-PAY AUCTION

- One prize
- Can bid anything you want, but you have to pay regardless of whether you get it or not
- Classic all-pay: Highest bidder receives prize
- Modified: No certainty, but bidding more increases chances of success

TULLOCK'S PARADOX

- Model of politics that Tullock's paradox is based on
 - Businesses “invest” in politics: More investment, higher chances of getting what you want
 - Special interests approach politicians, offer them money to influence decision in their favor
 - Idea: Political spending is determined by what special interests want
 - Paradox: Special interests spend too little

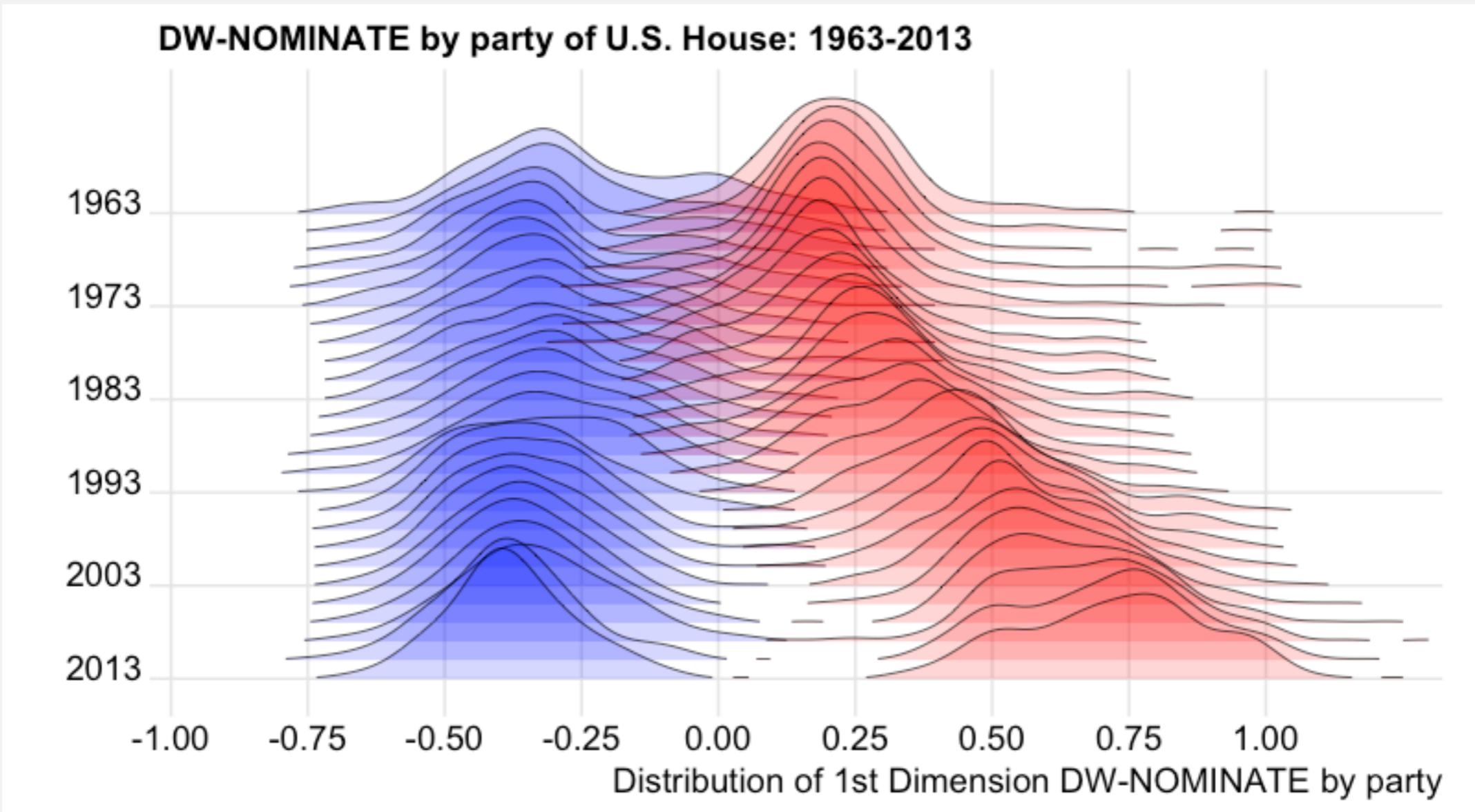
EVIDENCE

- Ansolabehere et al: Review of 36 studies looking at correlation between campaign contributions and votes
 - “In three out of four instances, campaign contributions had no statistically significant effects on legislation or had the “wrong” sign, suggesting that more contributions lead to less support.”
 - How can we measure “legislation” and whether campaign contributions have an effect on it?

POLICY MEASUREMENT

- Some bills are conservative, others are liberal
- The more often a representative votes for a liberal bill (or against a conservative bill), the more liberal he/she is

POLICY MEASUREMENT



- DW-NOMINATE (voteview.com)

POLICY MEASUREMENT

118th Congress (2023-2025) > Senators

Roster ([Graphical List View](#))

| | Name ↑ | Party ↑ | State ↑ | NOMINATE ↑ |
|----|----------------------------|-------------|---------------|------------|
| 1. | WARREN, Elizabeth | Democrat | Massachusetts | -0.751 |
| 2. | BOOKER, Cory Anthony | Democrat | New Jersey | -0.581 |
| 3. | BUTLER, Laphonza Romanique | Democrat | California | -0.556 |
| 4. | SANDERS, Bernard | Independent | Vermont | -0.54 |
| 5. | MARKEY, Edward John | Democrat | Massachusetts | -0.515 |

118th Congress (2023-2025) > Senators

Roster ([Graphical List View](#))

| | Name ↑ | Party ↑ | State ↑ | NOMINATE ↓ ² |
|----|-----------------------------------|------------|----------|-------------------------|
| 1. | SCHMITT, Eric Stephen | Republican | Missouri | 0.981 |
| 2. | TUBERVILLE, Thomas Hawley (Tommy) | Republican | Alabama | 0.936 |
| 3. | PAUL, Rand | Republican | Kentucky | 0.891 |
| 4. | LEE, Mike | Republican | Utah | 0.891 |
| 5. | VANCE, James David | Republican | Ohio | 0.839 |

- <https://voteview.com/congress/senate/-1/text>

EVIDENCE

- **Ansolabehere et al: Campaign contributions have little effect on policy**
 - We'll talk more about this next time
 - So: Little campaign money, little effect on policy

A PUZZLE

- Why is there not more money in politics?
 - What is the alternative view for why people make campaign contributions that the authors propose?

CONSUMPTION

- Ansolabehere et al (2003): Argue that political spending is not an *investment*, but *consumption*

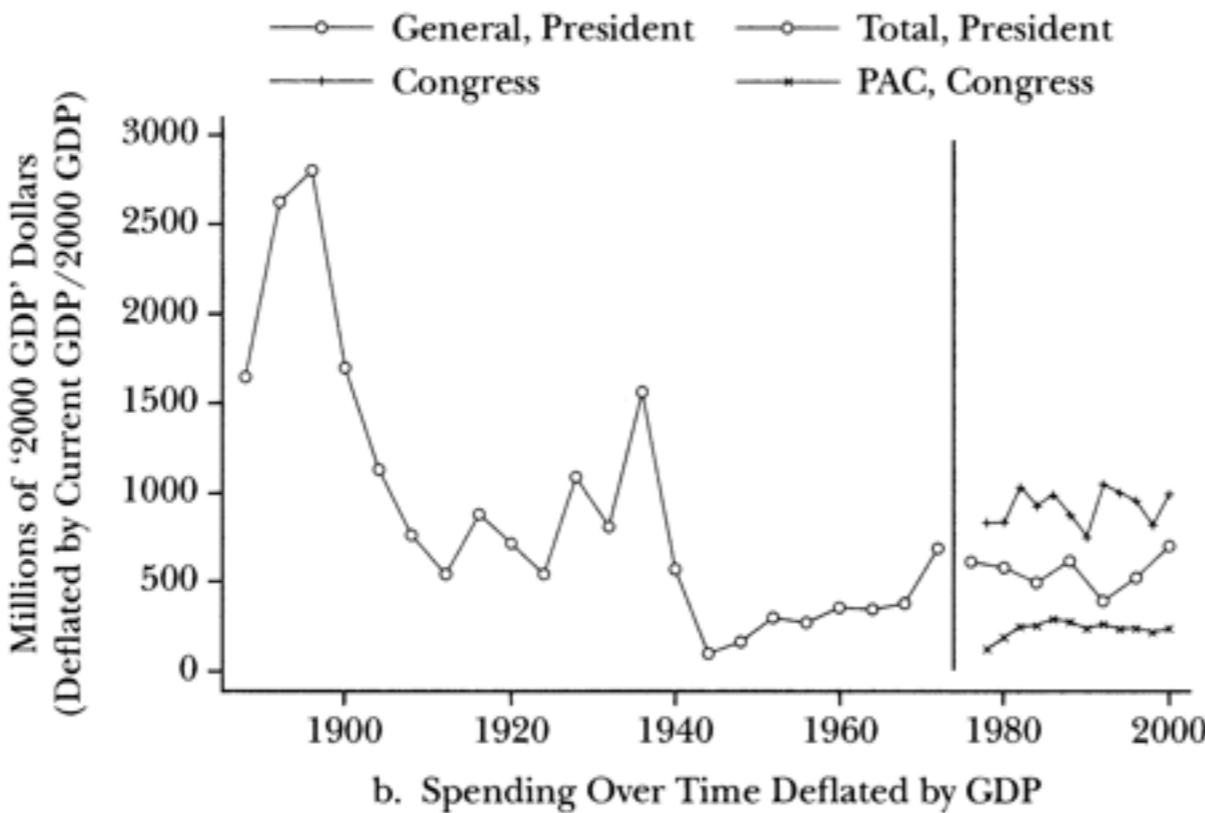
CONSUMPTION

- Political spending as consumption
 - A lot of political spending comes from small donations
 - Trump 2020: 49% of donations from people who give less than \$200 in total (total: \$378 million)
 - Biden 2020: 39% of from people who give less than \$200 in total (total: \$406 million)
 - No expectation that small contributions lead to favors
 - Instead: Makes people feel good because it supports a cause they believe in
 - Similar to charitable giving

CONSUMPTION

- Evidence
 - Top corporate executives
 - Mean total contribution of \$7,500, far below limit
 - Campaign contributions fell after 9/11
 - People donated to charity instead

CONSUMPTION



- More evidence
 - Political donations do not track government spending (which increased)
 - More to get, but not more effort trying to get it

WHY SO LITTLE MONEY?

- Campaign spending as consumption is one explanation
- Other explanations?

FREE RIDER PROBLEM

- Example sugar subsidies: \$5 billion
- Paltry \$192,000 in contributions by sugar industry
- How could free rider problem explain this?

FREE RIDER PROBLEM

- Many sugar producers, subsidies are a public good
- Incentive to free-ride and hope that other companies pony up
- Under-provision of public good

FREE RIDER PROBLEM

- No lobbying against subsidies (even worse free rider problem among consumers)
- Politicians' choice
 - Take little money and pass subsidies
 - Don't take money and not pass subsidies

MAYBE POLICY IS NOT FOR SALE?



Eleanor Holmes Norton

“This is Eleanor Norton, Congresswoman Eleanor Holmes Norton. I noticed that you have given to other colleagues on the Transportation and Infrastructure Committee. I am a senior member, a 20-year veteran and I'm handling the largest economic development project in the United States now (...) I was, frankly, surprised to see that we don't have a record-- so far as I can tell-- of your having given to me, despite my long and deep work, essentially in your sector. I'm simply candidly calling to ask for a contribution. I'm asking you to give to Citizens for Eleanor Holmes Norton, PO Box 70626, DC, 20024.”

MAYBE POLICY IS NOT FOR SALE?



Russ Feingold

"I've had conversations with Democratic givers out here in the Bay Area and I'll tell you, you wouldn't believe the requests they're getting. The opening ante is a million dollars. It's not, gee, it'd be nice if you give a million. That's sort of the baseline. This is unprecedented. And, in fact, one thing that John and I experienced was that sometimes the corporations that didn't like the system would come to us and say, you know, you guys, it's not legalized bribery, it's legalized extortion. Because it's not like the company CEO calls up to say, gee, I'd love to give you some money. It's usually the other way around."

MAYBE POLICY IS NOT FOR SALE?

- Maybe it's politicians asking for money, and special interests feel obliged to give
 - Probably cannot expect favors in return
 - Give enough to not piss off politician, but no more
- Political spending not determined by "investment" decision of companies, but by the needs of politicians
 - Ansolabehere et al. find evidence for his: More campaign contributions in competitive races

VOTERS CONSTRAIN POLITICIANS?

- **What do politicians care about?**

VOTERS CONSTRAIN POLITICIANS

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 - Classic study: Mayhew (1974) *The Electoral Connection*
 - Politicians as “single-minded seekers of reelection”

VOTERS CONSTRAIN POLITICIANS

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VOTERS CONSTRAIN POLITICIANS

- **What do politicians care about?**
 - Classic study: Mayhew (1974) *The Electoral Connection*
 - Politicians as “single-minded seekers of reelection”
- **What do voters take into account when deciding whether to reelect?**
 - Policy
 - Campaign

VOTERS CONSTRAIN POLITICIANS

- Grossman and Helpman (2001): *Special Interest Politics*
- Two types of voters
 - Policy voters
 - Make decision based on policies the candidate stands for
 - “Impressionable” campaign voters
 - Make decision based on how much candidate campaigns (=how much she spends)

VOTERS CONSTRAIN POLITICIANS

- Politician has to decide which policy to implement
 - Policy A that is popular with voters, but unpopular with special interest group
 - More policy voters, but fewer campaign voters (since no contribution)
 - Policy B that is unpopular with voters, but popular with special interest
 - Fewer policy voters, but more campaign voters (since contribution)

VOTERS CONSTRAIN POLITICIANS

- If there are many policy voters, politicians who want to win reelection cannot engage too much in special interest politics
 - They cannot gain enough campaign voters to make up for lost policy voters

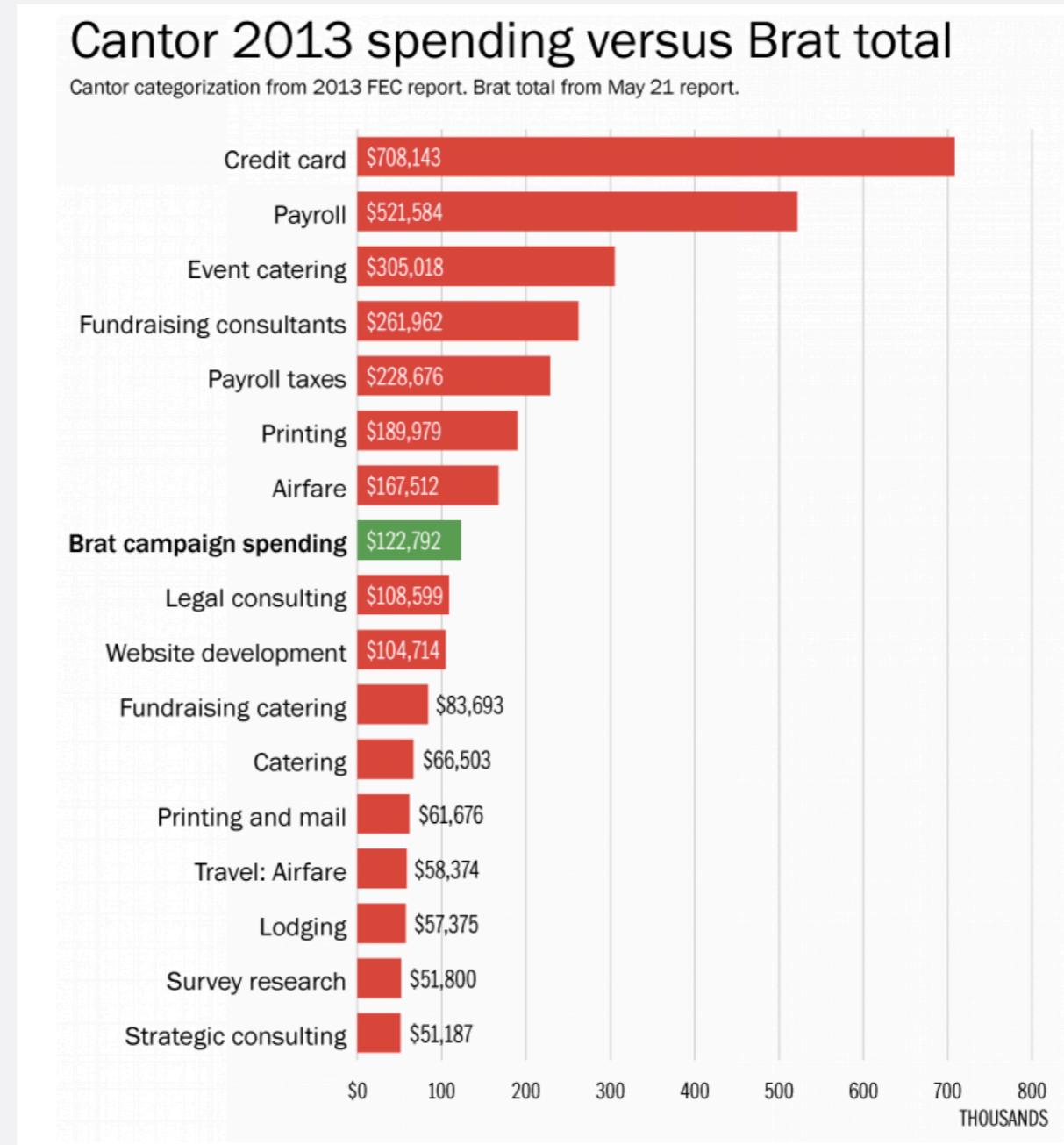
VOTERS CONSTRAIN POLITICIANS



- House majority leader
- 2014 primary
- Opponent: David Brat

Eric Cantor

VOTERS CONSTRAIN POLITICIANS



"Since the beginning of last year, Mr. Cantor's campaign had spent about \$168,637 at steakhouses compared with the \$200,000 his challenger, David Brat, had spent on his entire campaign."

VOTERS CONSTRAIN POLITICIANS

How Big Money failed Cantor

By BYRON TAU and TARINI PARTI | 06/11/2014 12:32 AM EDT



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Big money couldn't save Eric Cantor.

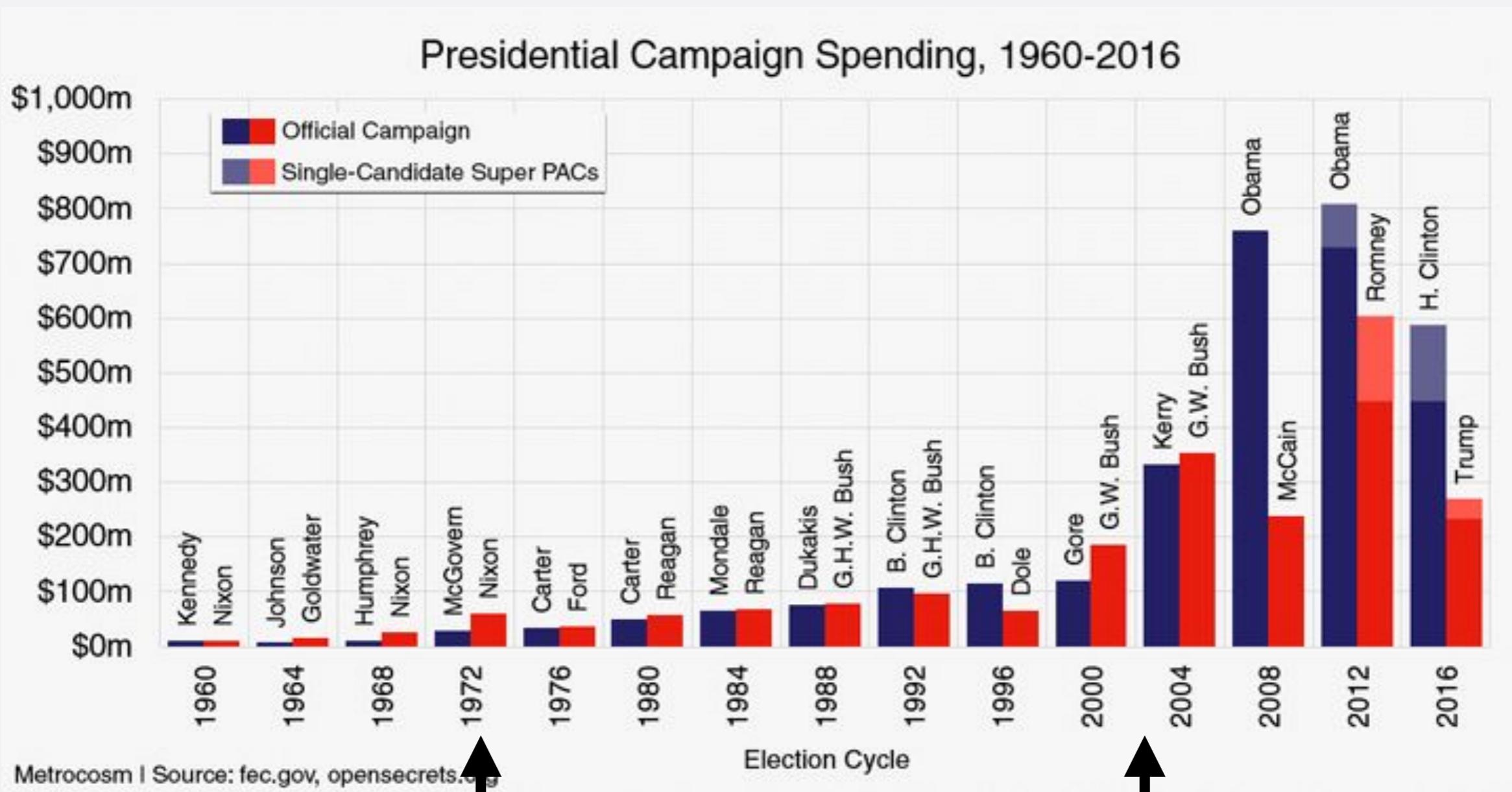
The darling of big Wall Street donors, the K Street business types and the Republican establishment went down in flames Tuesday, all the while crushing his no-name opponent with a 26-to-1 cash advantage in the money race.

Back

WHY SO LITTLE MONEY?

- Several reasons why so little money in politics
 - Many campaign contributions are not motivated by investment considerations, but instead are like charity
 - Free rider problem among industries
 - Politicians “extort” money
 - Voters care about policy

HOWEVER...

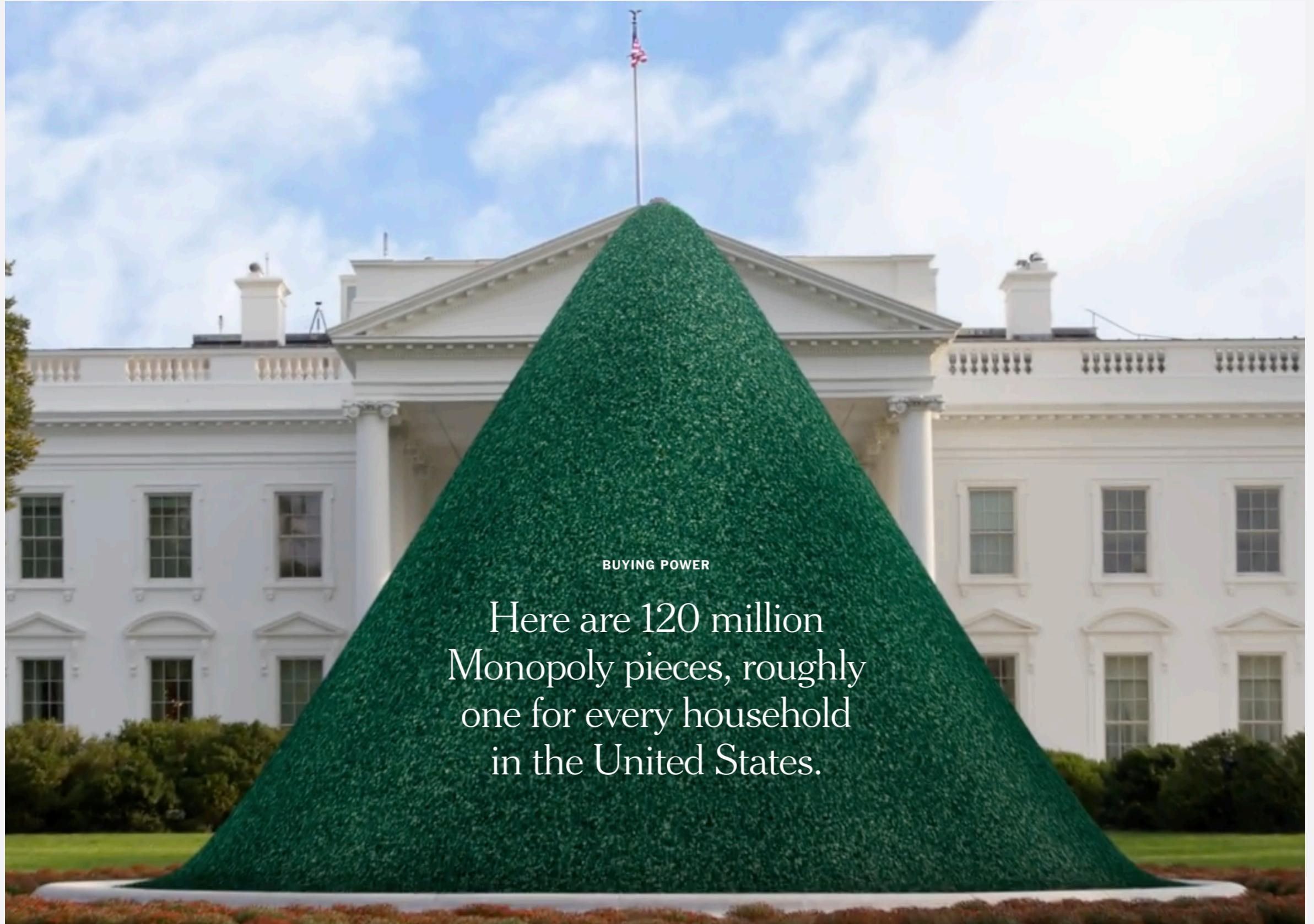


Ansolabehere et al.

OUTDATED?

- **Explosion of spending since writing of Tullock paradox and Ansolabehere et al. article**
- At same time: More spending increasingly done by small number of people

OUTDATED?



BUYING POWER

Here are 120 million
Monopoly pieces, roughly
one for every household
in the United States.

OUTDATED?



Just 158 families have provided nearly half of the early money for efforts to capture the White House.

OUTDATED?

A third of all 2016 campaign cash has come from about 60 donations

It took Ted Cruz three months to raise \$10 million for his campaign for president, a springtime sprint of \$1,000-per-plate dinners, hundreds of handshakes and a stream of emails asking supporters to chip in a few bucks.

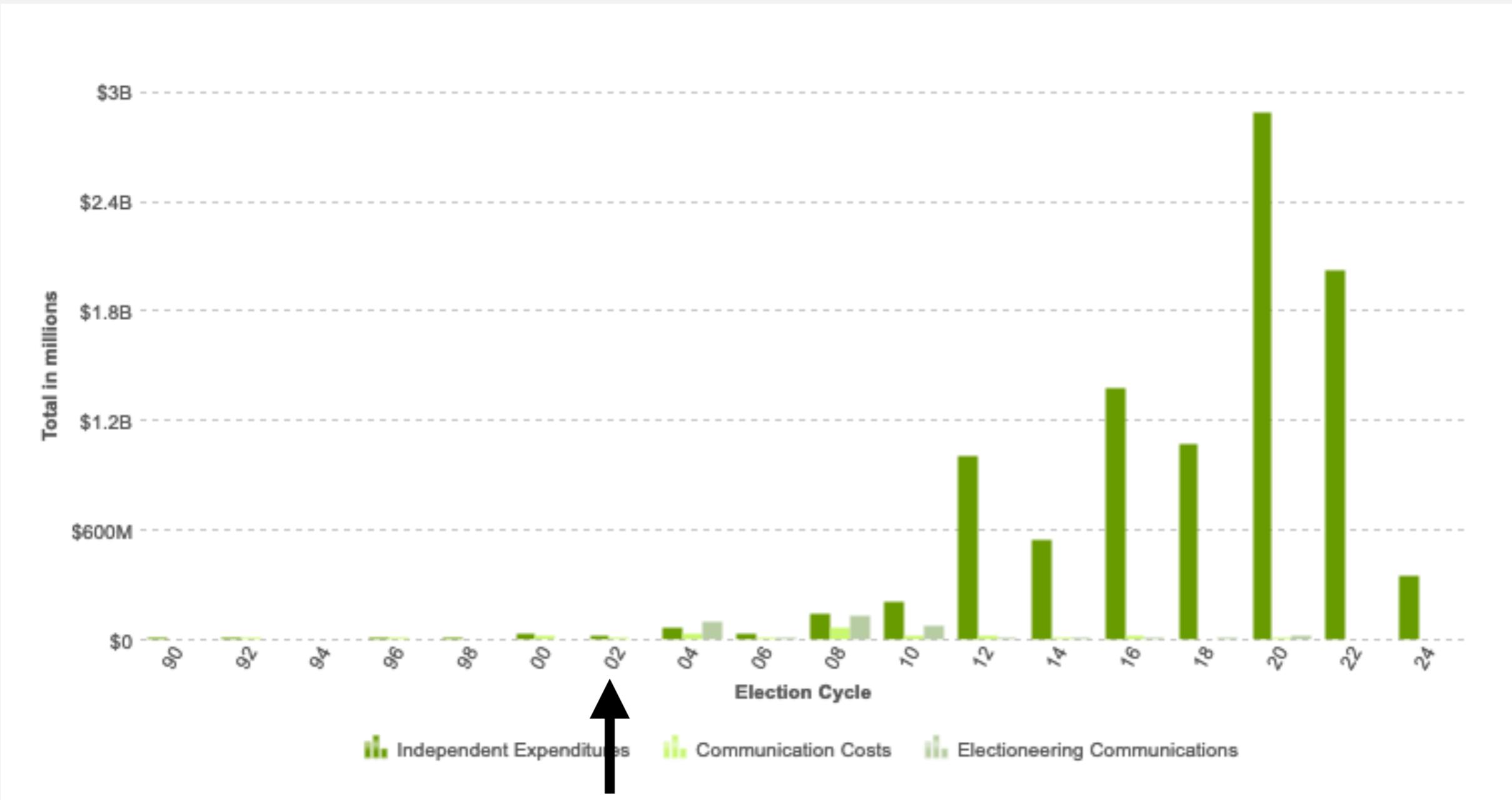
One check, from one donor, topped those results.

New York hedge fund magnate Robert Mercer's \$11 million gift to a group backing the Texas Republican's White House bid put him atop a tiny group of millionaires and billionaires whose contributions already dwarf those made by the tens of thousands of people who have given to their favorite presidential candidate.

OUTDATED?

- “Citizens United vs. FEC”
 - Before 2010: limitations on “express advocacy” and “electioneering communication”
 - Citizens United challenges limits on “express advocacy”
 - 2010 Supreme Court: limitations on both “express advocacy” and “electioneering communication” unconstitutional (violate free speech)
 - No limits at all on “independent” election expenditure

OUTDATED?



Ansolabehere et al.

OUTDATED?

- Maybe need a fresh look at returns to political spending
 - More spending since Tullock and Ansolabehere et al. wrote their pieces
 - There's some issues with old evidence that spending has no influence on policy
 - Next time...