MONEY AND POLITICS

WHAT ARE THE CONSEQUENCES OF MONEY IN POLITICS? PART 2

RESEARCH PAPER

- Some background on country & venue (politics, bureaucracy, …)
- Description of your type of money: actors, how does money flow, what consequences does it have?
- Discuss problem that arises as a consequence of "your" type of money
  - analysis of problem, not just description of case
- Provide policy recommendation

RESEARCH PAPER

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RESEARCH PAPER

- Work backwards from the problem you identify (and propose policy recommendations to solve)
- Background and description of type of money should lead up to the problem you identify
- Incorporate theories and empirical studies
  - That we have discussed or that you found on your own
- Talk to me and/or Aysenur

COMMENTS FROM AYSENUR

- Many interesting cases and questions
- Good job on giving context and explicitly stating research question
- Areas for improvement
  - Connect your case with broader themes we discussed in class
  - Incorporate readings more (esp. when defining concepts such as corruption or lobbying)
  - Descriptions of existing laws and regulations was often a bit too vague
  - Citations: Incorporate citations, use in-text citations, have a bibliography at the end

WHERE WE ARE

- What are we talking about?
- Who is involved in money and politics, why, and how?
- What determines money in politics?
- What are the consequences of money in politics?
- How can we reduce money in politics? Should we?

LAST TIME

- Consequences of bureaucratic corruption
  - Effect of corruption on business
  - Effect of corruption on individuals
  - Effect of corruption on society
- Then: Consequences of money in politics on policy, political competition

FINISH GIN UP

- Consequences of bureaucratic corruption
  - Effect of corruption on business
  - Effect of corruption on individuals
  - Effect of corruption on society
- Then: Consequences of money in politics on policy, political competition

TRUST IN GOVERNMENT

- **Widespread corruption might erode legitimacy of regime, make people lose faith in political institutions and democracy**

TRUST IN GOVERNMENT

Does Corruption Information Inspire the Fight or Quash the Hope? A Field Experiment in Mexico on Voter Turnout, Choice, and Party Identification

Alberto Chong, University of Ottawa
Ana L. De La O, Yale University
Dean Karlan, Yale University
Leonard Wantchekon, Princeton University

- 2009 municipal elections in Mexico
- Distribution of flyers in certain precincts
- Experiment
  - Control districts: nothing
  - Placebo districts: Information on mayor's responsibilities, funds available to him/her
  - Treatment districts: Same information + percentage of resources mayor spent in corrupt way

TRUST IN GOVERNMENT

Does Corruption Information Inspire the Fight or Quash the Hope? A Field Experiment in Mexico on Voter Turnout, Choice, and Party Identification
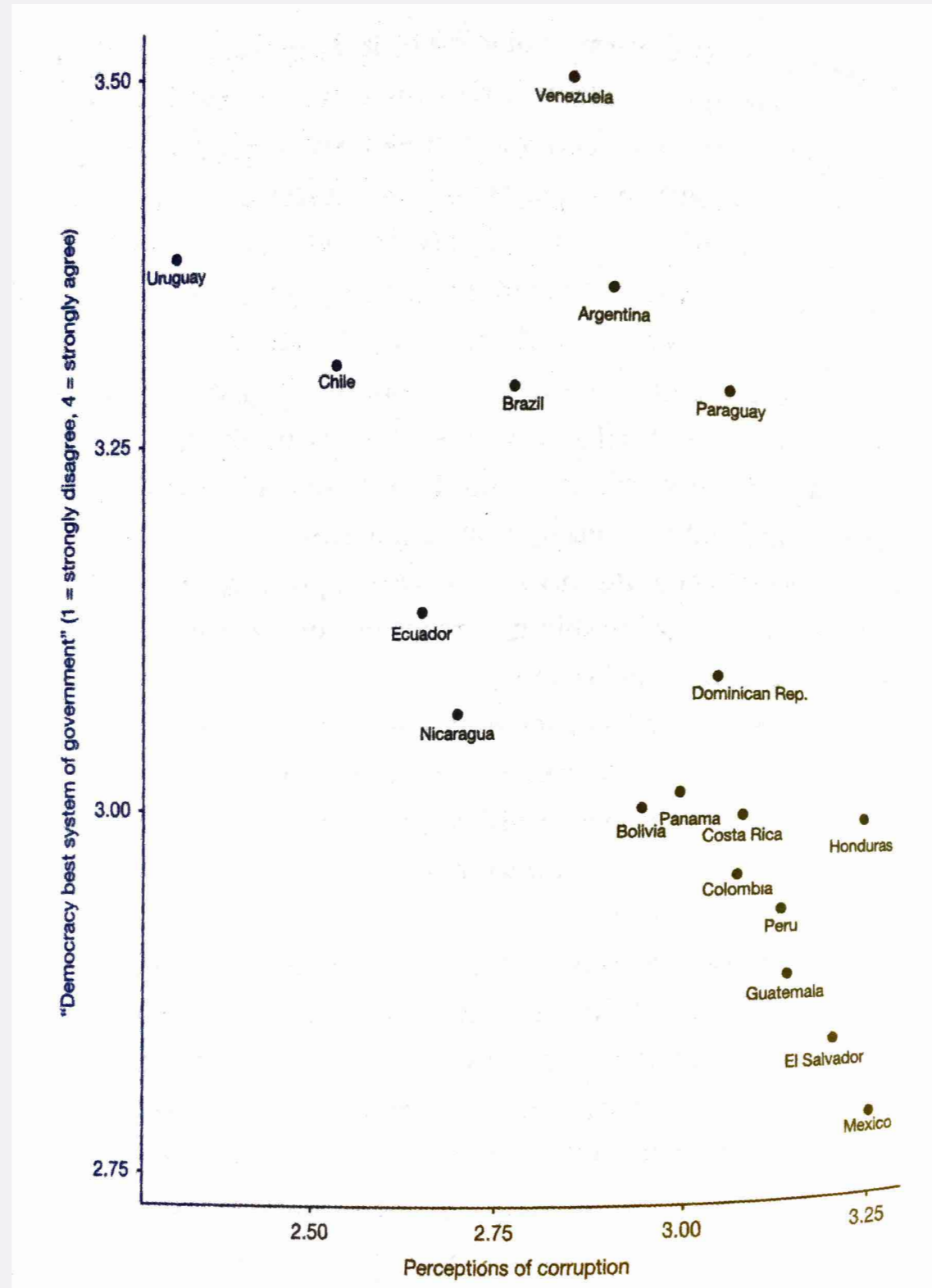
Alberto Chong, University of Ottawa
Ana L. De La O, Yale University
Dean Karlan, Yale University
Leonard Wantchekon, Princeton University

- Electoral results at precinct level
  - Corruption treatment lead to:
  - 2.5% decrease in votes for incumbent party
  - 2.5% decrease in turnout

TRUST IN GOVERNMENT

ECONOMIC GROWTH

CORRUPTION AND GROWTH*

PAOLO MAURO

- 68 countries
- Dependent variables: Investment in country, average GDP per capita growth (1960-1985)
- Independent variables: Various indicators of corruption (by Economist Intelligence Unit), put into "bureaucratic inefficiency" index
- Findings:
  - More corruption = less investment
  - More corruption = less growth

TODAY

- Consequences of bureaucratic corruption
  - Effect of corruption on business
  - Effect of corruption on individuals
  - Effect of corruption on society
- Consequences of money in politics on policy
- Consequences of money in politics on political competition

CONSEQUENCES

- Government passes many policies
- Whose preferences *should* they reflect?
- Whose preferences *do* they reflect?

CONSEQUENCES

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Monkey Cage

Rich people rule!

Echo Chambers
Blogging global opinion, clearly

Study: US is an oligarchy, not a democracy

TPM
Send Comments & News Tips

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TPM LIVEWIRE

Princeton Study: U.S. No Longer An Actual Democracy

TAKE A STEP BACK...

- **What does it mean to be a democracy?**

DEMOCRACY

- "Minimalist" definition: Przeworski et al. (2000)
- A country is a democracy if…
  - government offices are filled by *contested* elections
  - incumbents can lose elections
  - if incumbents lose elections, they leave office as the rules dictate

DEMOCRACY

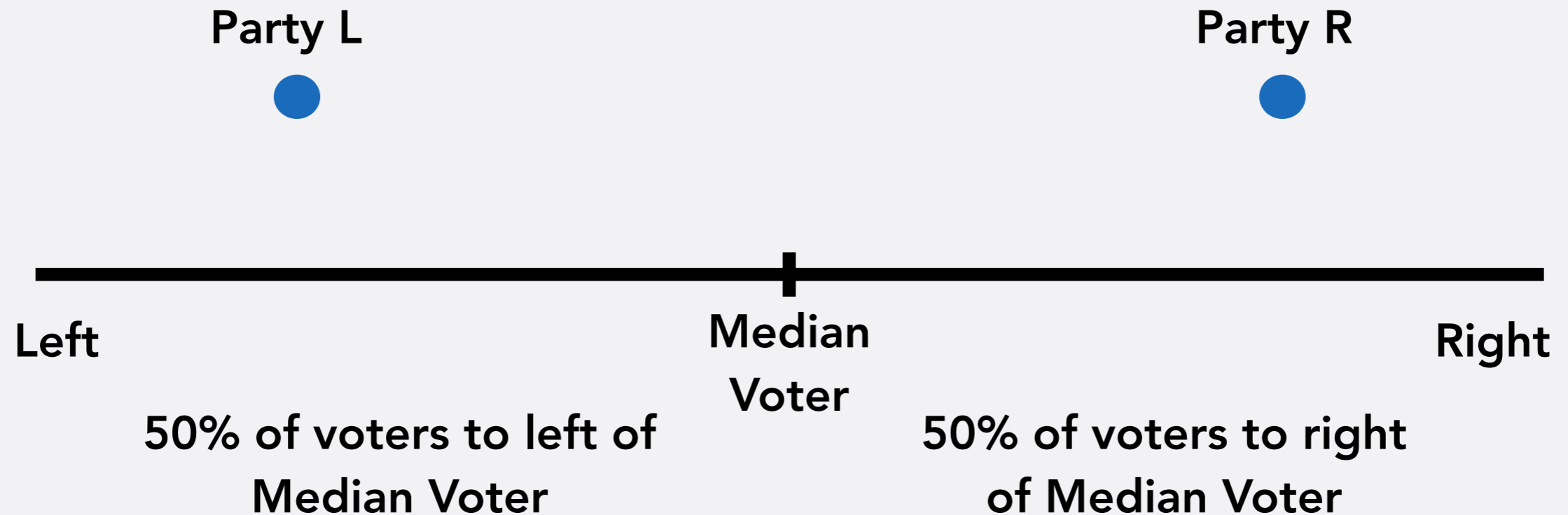- **More expansive conception of democracy**
  - Congruence between government policy and "will of the people"
  - Policy output
  - Fuzzy: what exactly is the "will of the people"?

SPATIAL COMPETITION

Party L   Party R

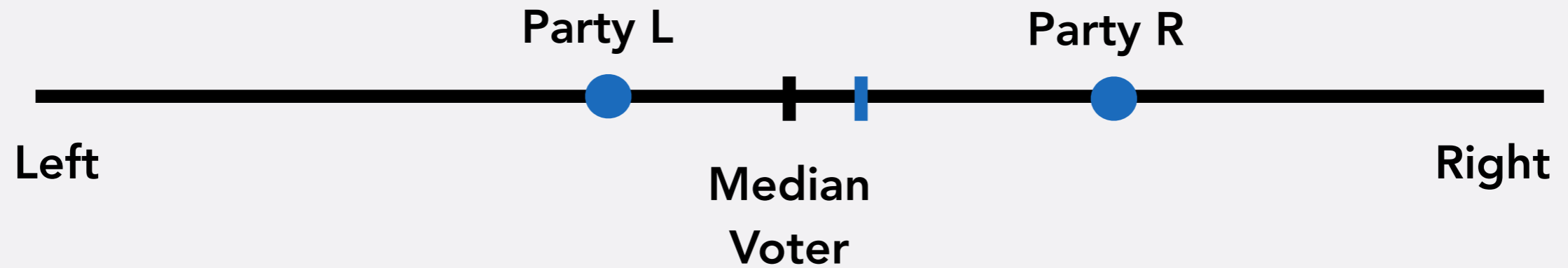Left   Right

- **Idea: Voters (red) have positions on a line (e.g. left-right, liberal-conservative)**
- **Parties (blue) also take a position on that line**
- **Voters vote for the party that is closer to their position**

SPATIAL COMPETITION

Party L

Party R

Left

Median Voter

Right

50% of voters to left of Median Voter
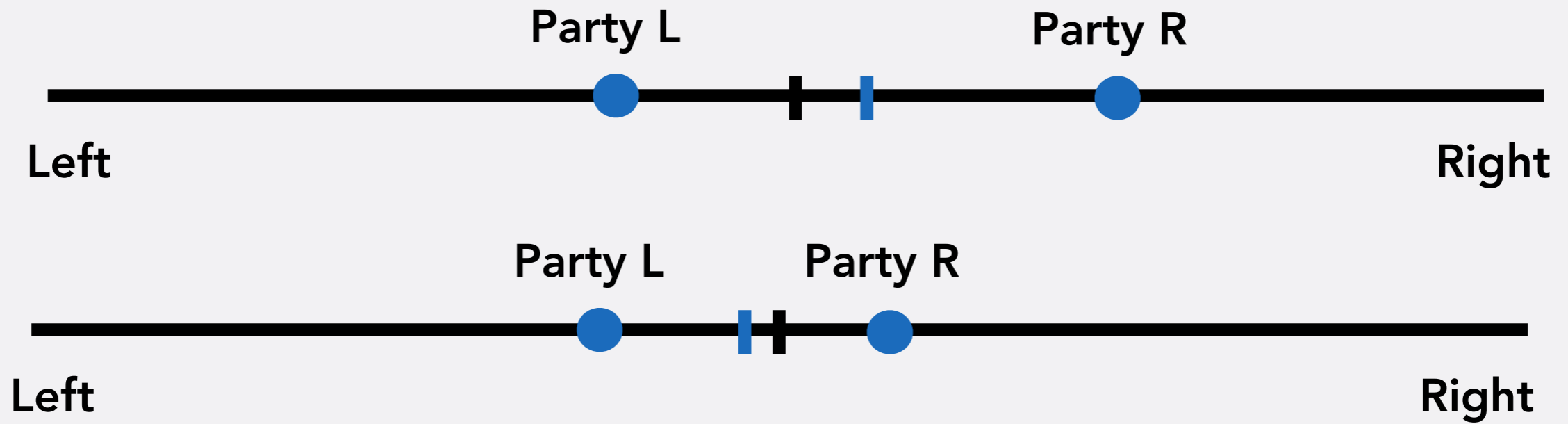
50% of voters to right of Median Voter

- **Winning the median voter = winning the election**
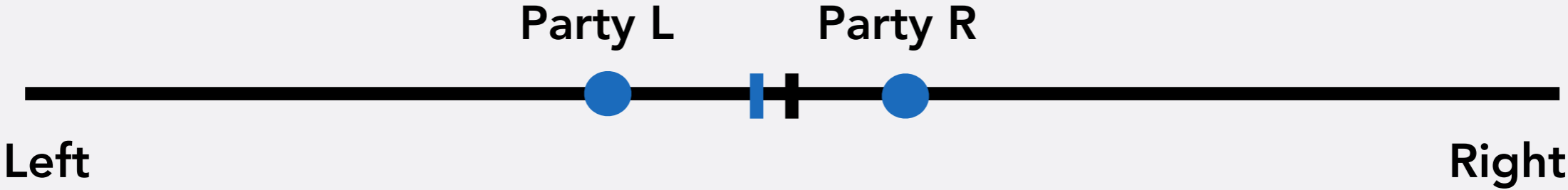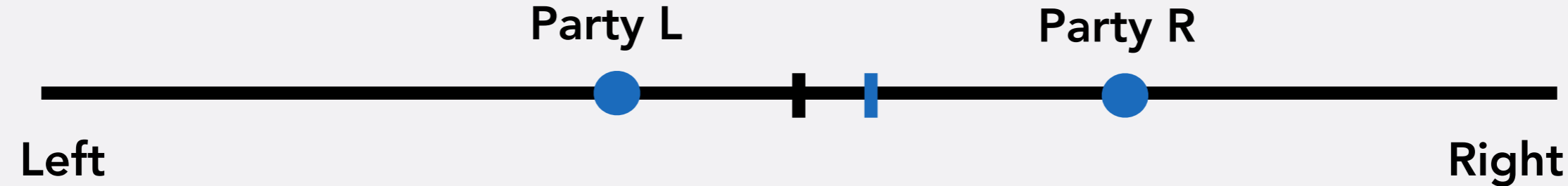- **Where should the parties position themselves?**

SPATIAL COMPETITION

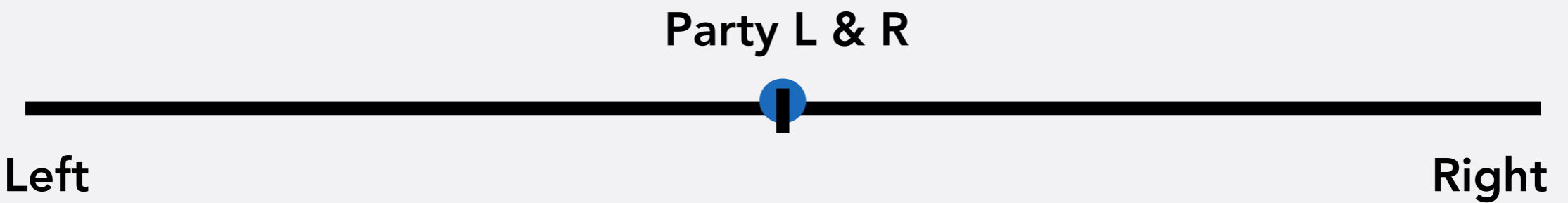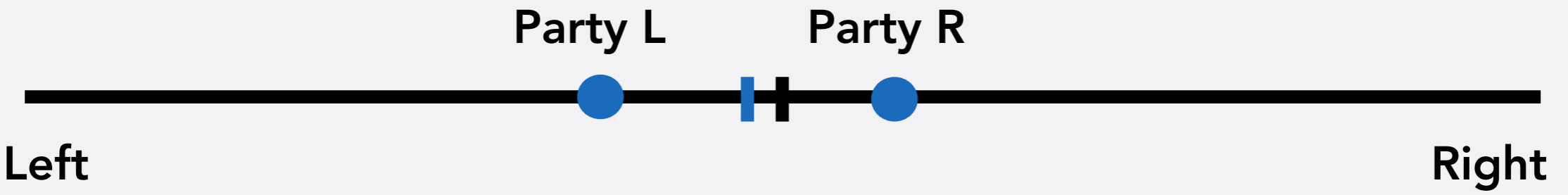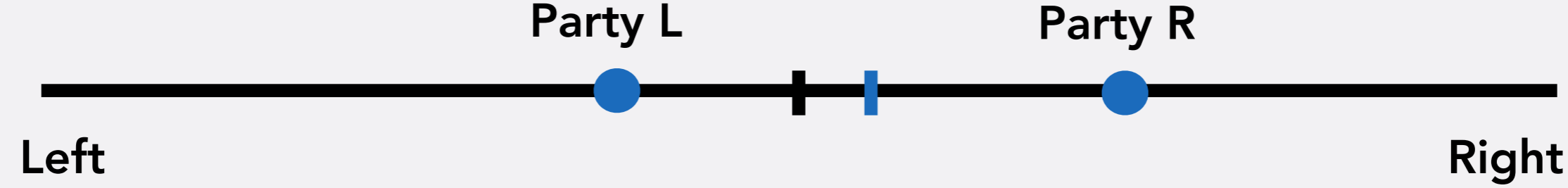- **Blue: Middle between the two parties**

SPATIAL COMPETITION

Party L

Party R

Left

Right

Party L

Party R

Left

Right

SPATIAL COMPETITION

Party L Party R

Left Right

Party L Party R

Left Right

Party L Party R

Left Right

SPATIAL COMPETITION

Party L   Party R
Left   Right

Party L   Party R
Left   Right

Party L Party R
Left   Right

Party L & R
Left   Right

SPATIAL COMPETITION

- ## Downs (1957): Median voter theorem

Party L & R

Left   Median   Right
                                                   Voter

50% of voters to left of   50% of voters to right
Median Voter   of Median Voter
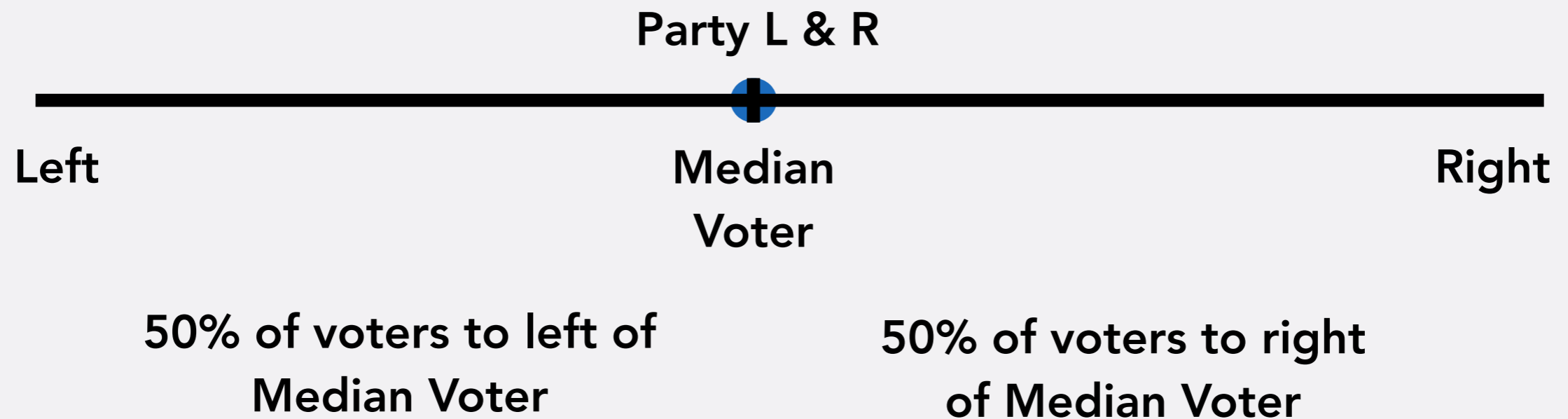
- ## Parties should converge to position of median voter

MAJORITARIAN ELECTORAL DEMOCRACY

- Congruence between government policy and the policy preference of the median voter
- Say a policy issue comes up (e.g. cut corporate tax rate)…
  - If the median voter is in favor, it should pass
    - Equivalent: If majority is in favor, it should pass
  - If the median voter is not in favor, it should not pass
    - If majority is against it, it should not pass

MAJORITARIAN ELECTORAL DEMOCRACY

- *Normative* ideal for many: That's how we want democracy to work
- Many also argue that this is an accurate *description* of how politics works

DEMOCRACY

- **Economic-Elite Domination**
  - Hardly anyone's idea of a normative ideal: Not how people *want* politics to work
  - Instead: A *descriptive* theory of how politics works
  - Stands in contrast to description of (American) politics as a majoritarian electoral democracy
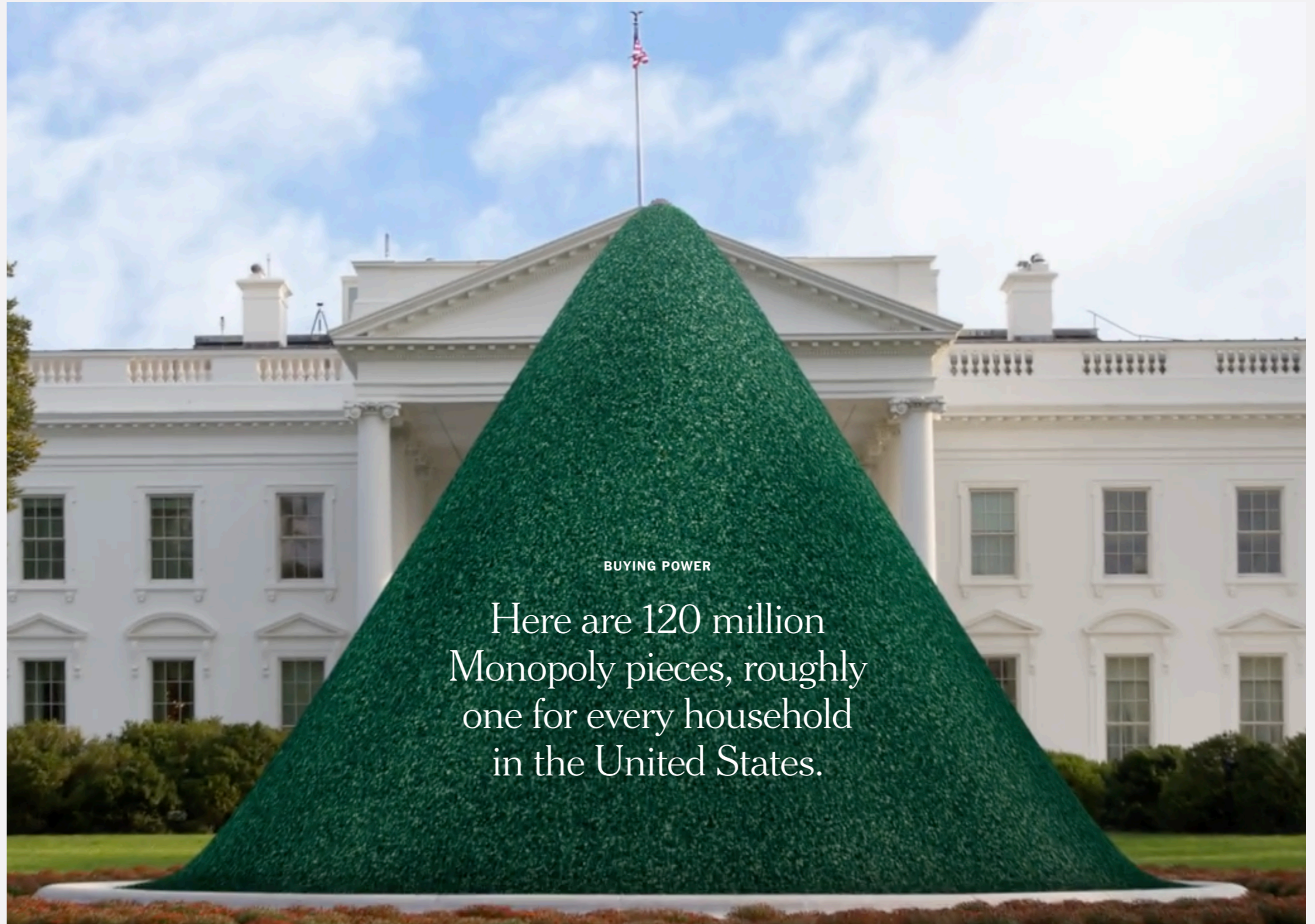
ECONOMIC-ELITE DOMINATION

- **Theory: Government policy does not follow the median voter, but is dominated by individuals with a lot of money**
  - "economic elites"

ECONOMIC-ELITE DOMINATION

Rank	Contributor	Total Contributions	Total Hard Money	Total Outside Money	To Democrats	To Republicans
1	**Jeffrey S. & Janine Yass** *Susquehanna International Group* Haverford, PA	$46,748,081	$329,800	$46,418,281	$1,500	$46,741,581
2	**Timothy Mellon** *Retired* Saratoga, WY	$41,023,700	$20,400	$41,003,300	$3,300	$21,012,800
3	**Richard & Elizabeth A. Uihlein** *Uline Inc* Lake Forest, IL	$38,041,688	$2,743,270	$35,298,418	$0	$38,021,388
4	**Kenneth C. Griffin** *Citadel LLC* Chicago, IL	$30,471,884	$971,884	$29,500,000	$0	$30,461,884
5	**Rob Bigelow** *Bigelow Companies* Las Vegas, NV	$20,000,500	$0	$20,000,500	$0	$20,000,500
6	**Reid Garrett Hoffman** *LinkedIn* San Francisco, CA	$15,234,804	$1,651,304	$13,583,500	$10,719,804	$250,000

- 2023-24. https://www.opensecrets.org/overview/topindivs.php

ECONOMIC-ELITE DOMINATION

BUYING POWER

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

ECONOMIC-ELITE DOMINATION

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

ECONOMIC-ELITE DOMINATION

- **If a small economic elite dominates policy, how can a party win an election?**
  - **They do need 50% to win!**

ECONOMIC-ELITE DOMINATION

- **Grossman and Helpman (2001):** *Special Interest Politics*
- **Two types of voters**
  - **Share p: policy voters**
    - Make decision based on policies the candidate stands for
  - **Share 1-p: "impressionable" campaign voters**
    - Make decision based on how much candidate campaigns (=how much she spends)

ECONOMIC-ELITE DOMINATION

- **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)

ECONOMIC-ELITE DOMINATION

- Theory of majoritarian electoral democracy assumes everyone is a policy voter
- But if share of campaign voters is large, politicians need a lot of campaign money
- Get this through policies popular with special interests, but unpopular with voters
- But that's an ok trade-off for politicians, since there aren't that many policy voters!

THEORIES OF POLITICS

- **So far: Voter-focused**
  - **Majoritarian electoral democracy**
  - **Economic-elite domination**
- **Now: Focusing on interest groups**
  - **Majoritarian pluralism**
  - **Biased pluralism**

MAJORITARIAN PLURALISM

- Voters usually do not know much about specific policy issues
  - Maybe too much to ask that policy represents will of average citizen, if the average citizen does not know much about the policy options
- Alternative: What matters is what interest groups representing voters in Congress want

MAJORITARIAN PLURALISM

- **Baumgartner et al (2009)**
- **98 policy issues before Congress for 8 years**
  - Why lobbies on those issues?
  - What are they lobbying for?
  - What ends up happening to policy?

MAJORITARIAN PLURALISM

- On the 98 policy issues
  - No correlation between spending on lobbyists and success (=policy moves in their direction)
- Their reason: There is lobbying on both sides, they often mostly cancel each other out
  - It's rarely about corporate vs. citizen interests
  - Instead: some corporations support, others oppose, same with citizens groups

BIASED PLURALISM

- Problem with majoritarian pluralism: Collective action problem
- Argument: Interest group representation in Congress not representative of population
  - Biased towards those with more money

BIASED PLURALISM

Ranked Sectors

Sector	Total
Health	$745,396,217
Finance/Insur/RealEst	$596,734,389
Communic/Electronics	$574,256,679
Misc Business	$557,934,403
Energy/Nat Resource	$395,497,086
Other	$326,724,162
Transportation	$311,891,287
Ideology/Single-Issue	$200,676,981
Agribusiness	$177,251,252
Defense	$136,845,689
Construction	$64,081,138
Labor	$53,087,464
Lawyers & Lobbyists	$19,008,345

Export to CSV

- https://www.opensecrets.org/federal-lobbying/ranked-sectors

TESTING THE THEORIES

	Voters	Interest Groups
Majoritarian	?	?
Biased	?	?

DISCUSS

- **How do Gilens and Page test these four different theories?**
  - **How do they measure the policy preferences of the average voter, the economic elite, and of interest groups?**
  - **How do they measure policy outcomes?**
- **What do they find?**

MEASURING POLICY PREFERENCES

- Voters
- National survey questions asking if favor/oppose proposed policy change
  - ~1,800 questions (1981-2002)
  - Average/median voter: preference of median income voter
  - Economic elite: preference of voter whose income is 90th percentile

MEASURING POLICY PREFERENCES

- Interest groups
- For same issues where national survey questions available: Look at "Power 25" interest groups + 10 industries with highest lobbying expenditures
  - Number of those favoring policy change
  - Number of those opposing policy change
  - Create index of balance of interest group alignments

MEASURING POLICY OUTCOMES

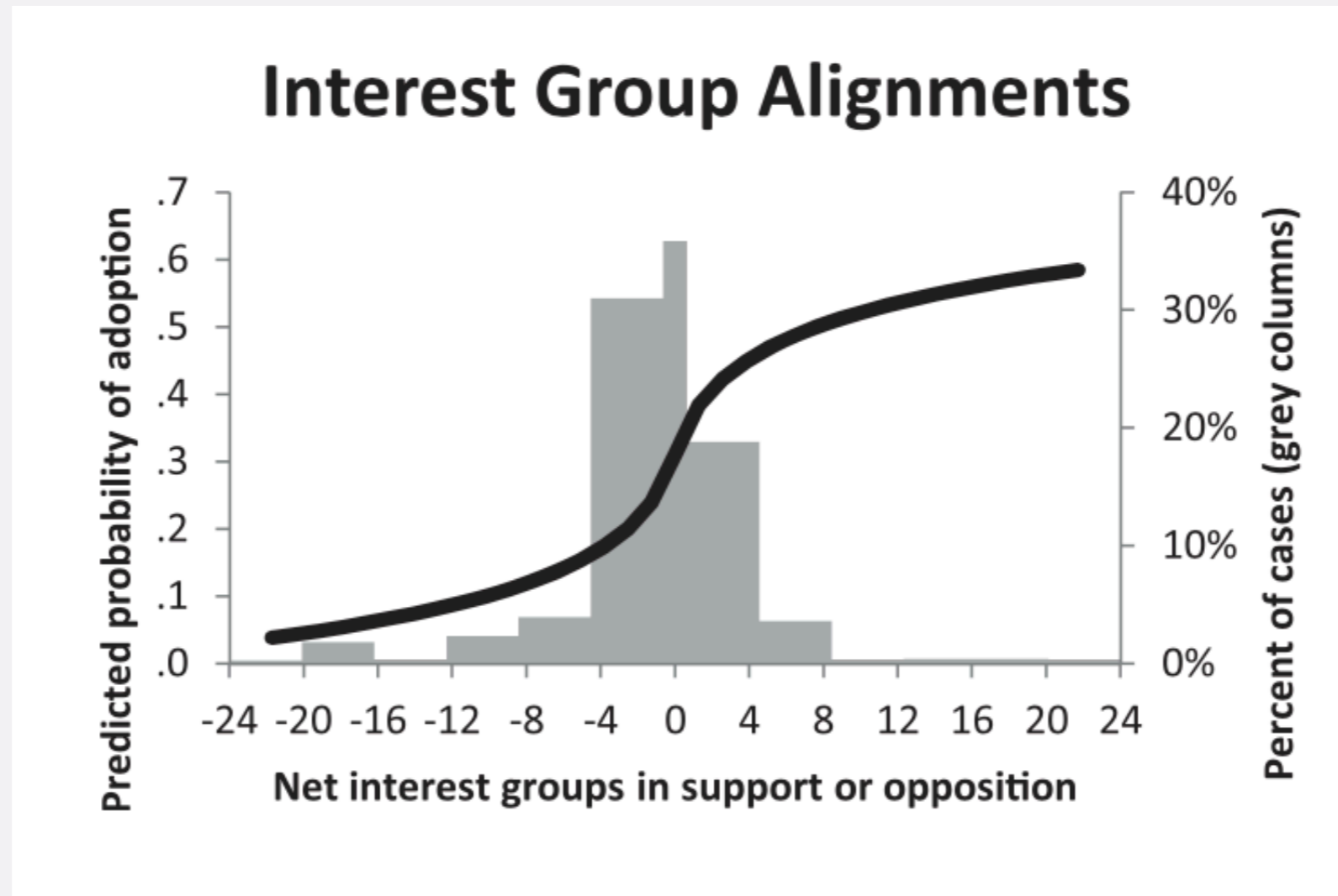- Policy change
- Do the proposed policy changes become law?

FINDINGS

Average Citizens' Preferences

FINDINGS

Economic Elites' Preferences
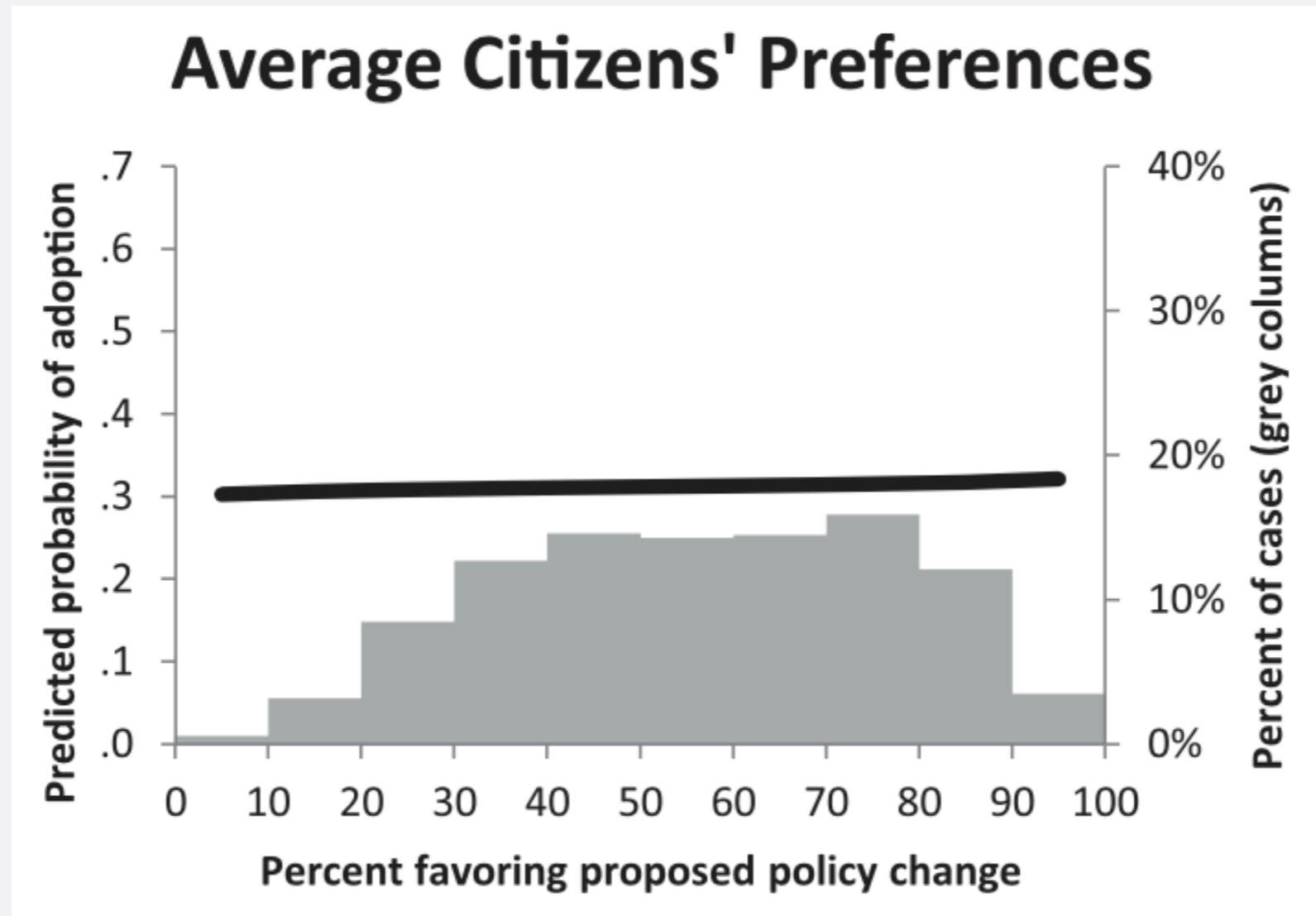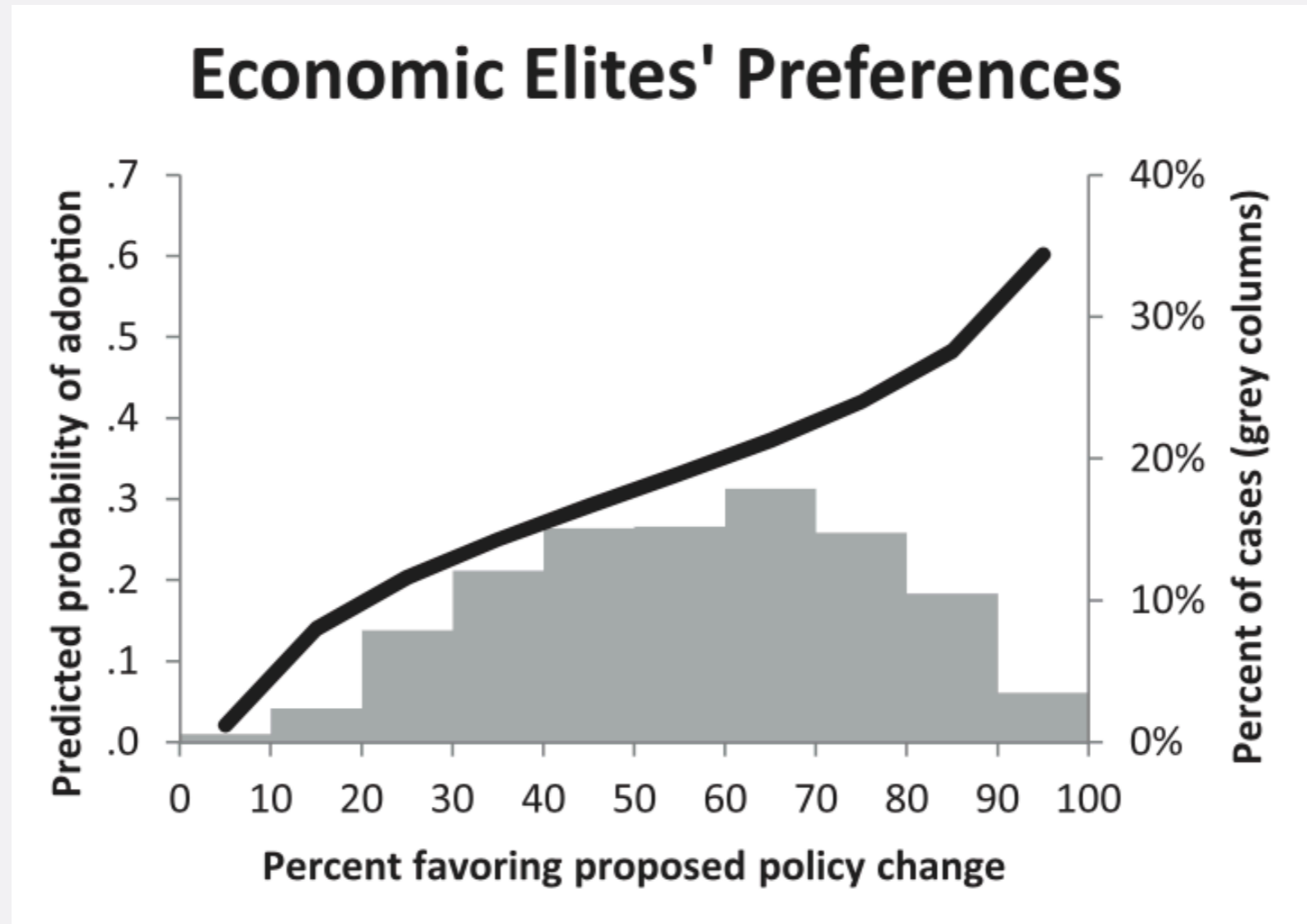
FINDINGS

FINDINGS

- Interest groups
- Both mass-based and business interest groups have effect on policy
  - But the latter more than the former

TESTING THE THEORIES

	Voters	Interest Groups
Majoritarian	✘	✔
Biased	✔	✔

FINDINGS
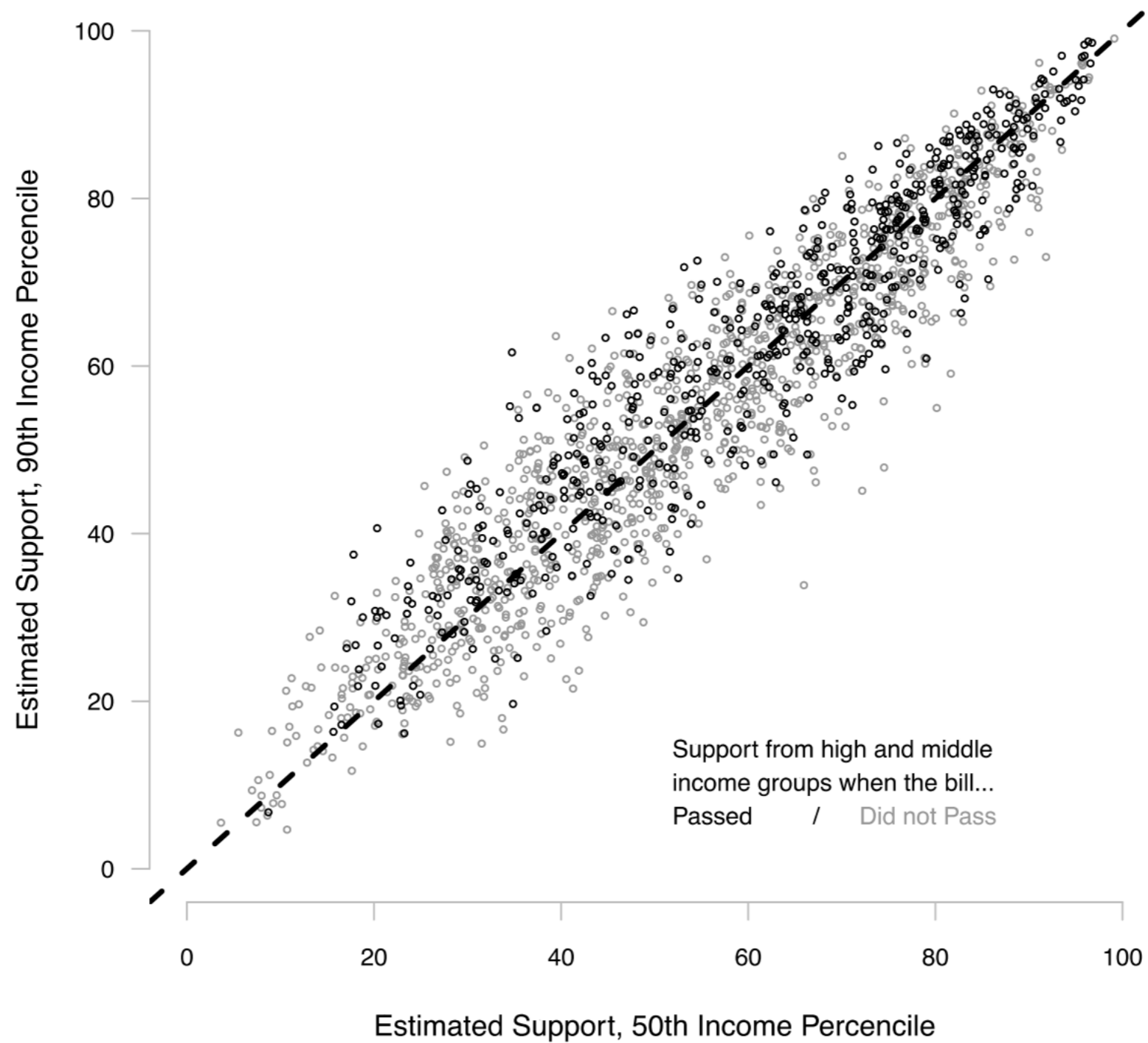
- So, is the US an oligarchy?
- How convincing are these results?
- What are objections to their analysis?

CRITIQUES

- Analysis they do:
  - Look at people with average income: What % are in favor of policy change
  - Look at people with income in 90th percentile: What % are in favor of policy change
- Estimate effect of each on probability that bill passes
- But: Does not tell us how often average and elite voter *disagree*

CRITIQUES

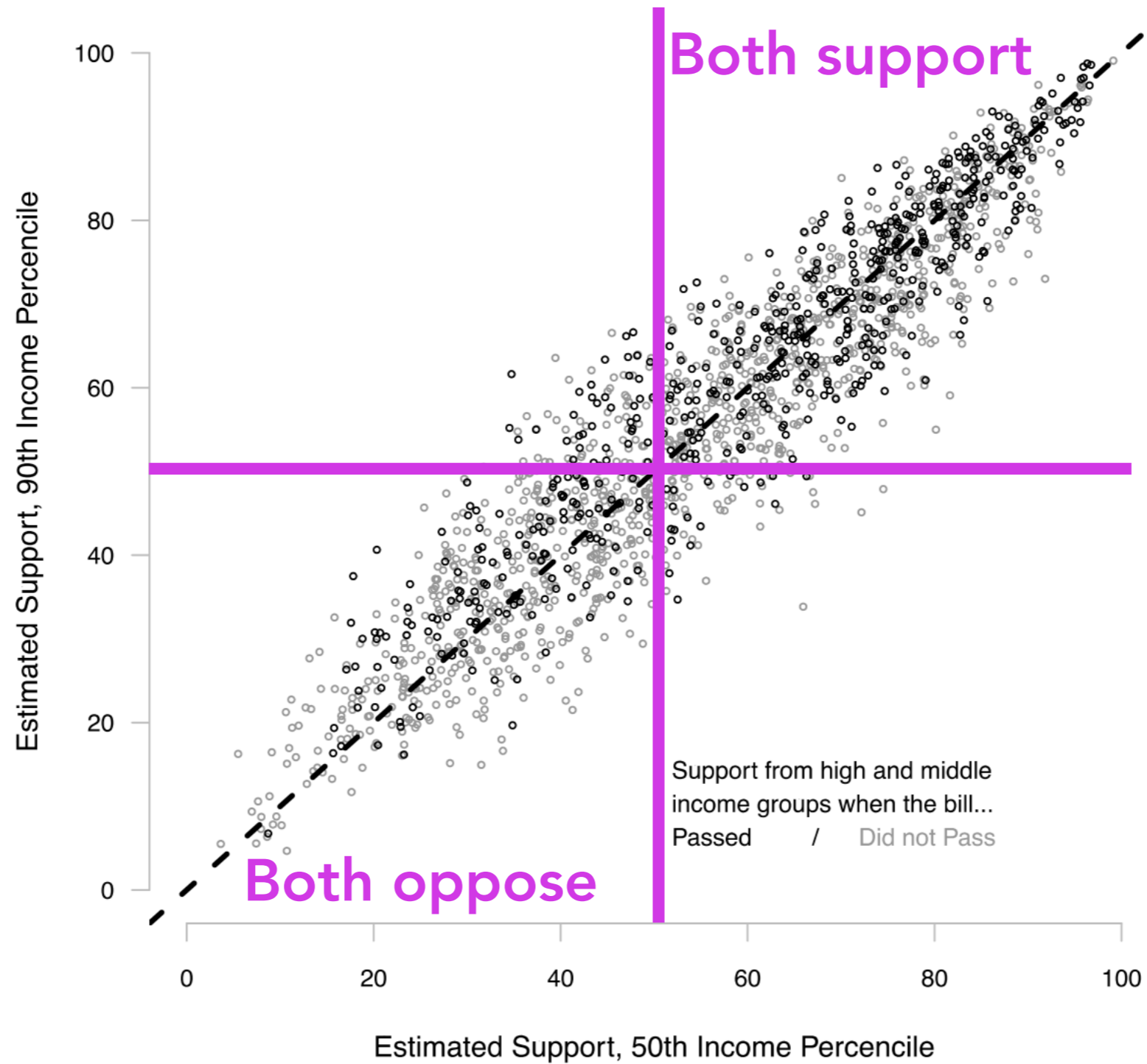**Figure 1.** *Policy Support for People with High and Middle Incomes, 1779 Issues*

Support from high and middle income groups when the bill...
Passed   /   Did not Pass

Estimated Support, 90th Income Percencile

Estimated Support, 50th Income Percencile

Branham, Soroka, and Wlezien (2017)

CRITIQUES

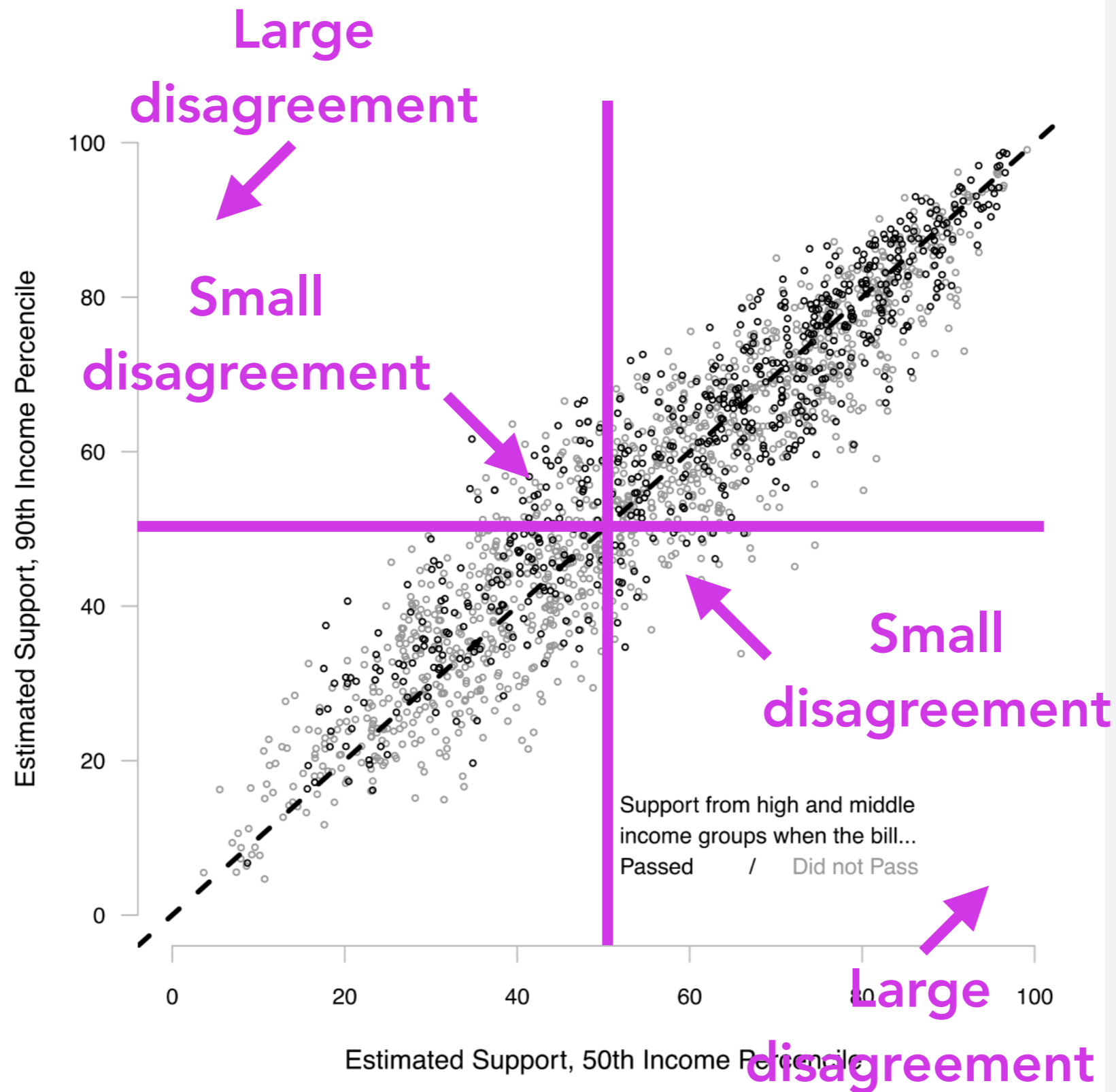Figure 1. *Policy Support for People with High and Middle Incomes, 1779 Issues*

- **Of 1779 bills, only for 185 (~10%) is there disagreement between average voter and economic elite**

CRITIQUES

Figure 1. *Policy Support for People with High and Middle Incomes, 1779 Issues*

CRITIQUES

- **For 185 issues with disagreement between average voter and economic elite**
  - Average public opinion gap is ~10%
  - So on average 45-55 or 55-45

CRITIQUES

- In those 185...
  - elites got their preferred policy in 53% of cases
  - average citizens got theirs in 47% of cases

CRITIQUES

- ## Why do Gilens and Page find what they do then?
  - They look at *magnitude* of differences in support
  - Their finding could be due to the following: if 90% of economic elites support policy and 70% of average voters, it's more likely to pass than if both elites and average voters support it with 70%

SO…

- There are clear *theoretical* reasons to believe that spending a lot of money on politics should affect policy
- But: It's difficult to pin down whether money has an effect on policy *empirically*
  - Even such a huge project as the Gilens and Page one has trouble

LOOK ELSEWHERE

- Gilens and Page look at policies that were important enough to the public so survey questions were asked
- Issues that voters care about are the least likely to be successfully influenced by moneyed special interests
  - Politicians less likely to vote against preferences of average voter when the average voter really cares about the policy