

# Does Money Equal Victory?

“Campaign Funding and Elected Officials: The Direct Effects of the Amount of Campaign Funds on the Outcome of the Election”

## **I. Identification of Policy Problem and Background Information**

Many different forms of resources are needed to be competitive within the political arena. Every person that intends to run for an elected position realizes that campaign financing will play a major role in his or her success. The main focus of this research paper will be to investigate how large an ingredient financing is to the success a prospective campaign. Many questions surrounding campaign financing are usually answered first in the planning of a campaign for elected office. The question of who one knows and how much money do they have to donate becomes a much more important question than before. Some elected officials even modify their platforms in order to successfully raise enough capital for their election race. An even larger problem that could arise from this type of fundraising is the ethical question of “Once in office, are you required to give back to those who made contributions?” Does this leave room for anyone to just buy their way into an elected office, or are there other variables such as ideas and values or past accomplishments that play a role? This question of the relationship between the level of campaign financing and the outcome of an election is the cornerstone of this research project. This project will explore the following hypotheses: that total votes are explained by campaign expenditures, election victories are explained by campaign expenditures, election victories are explained by campaign

expenditures and incumbency, and the amount of campaign funds raised are explained by the population of the district with the same party affiliation as the candidate.

Politics and government have always played an important part of my life. Being an elected official myself, as Executive Vice President of the UCF Student Government Association, I have certain insights into smaller campaigns and would like to explore if the relationships that involve campaign financing in my elections also holds true for both state and national elections. I have personal data from four different elections, two senatorial elections and two presidential elections. In the senatorial elections, I spent \$35 to my opponent's \$20 the first time and \$15 to my opponent's \$10 the second time. In the Presidential Elections, I spent \$1100 to my opponent's \$1700 in the first election and \$1300 to my opponent's \$800 in the second. In the races where I outspent my opponent, I was victorious and in the races where I was outspent, I came up short of victory. Even though many thought my ideas and accomplishments outweighed my opponents, they still received more votes. Was their victory a direct result of the amount of funds expended or was there other factors involved?

Campaign Financing has always been a highly debated subject within the government and reform groups. Many different organizations have evolved to fight government corruption as related to campaign fundraising and special interest campaign funds. A non-profit lobbying organization, Common Cause, publishes investigative studies on the effects of funds involved in politics and works to reform campaign financing laws and regulations. The Common Cause National Governing Board stated that they "want to make government more honest and accountable." Many special interest groups have lobbied in the other direction to maintain current financing

regulations. They believe that holding elected officials financially accountable is a good way to maintain that all interests are heard. One of the studies conducted by Common Cause showed that over the last seven years, consumer credit interests contributed more than \$63 million dollars to candidates, of which \$41.5 million went to Republicans and \$21.5 million to Democrats.

These laws that could potentially affect the amount of campaign funds each candidate could obtain are best outlined by an article written by Jan Witold Baran Wiley, Rein and Fiedling Law Firm. With our United States Federal System, campaign finance regulations are legislated by both the federal government and the states. This causes a difference in campaign funding between federal elections and state elections. The regulation of federal election campaigns is primarily governed by the Federal Election Campaign Act of 1971 (FECA) and the amendments made since. Definitions for contributions, expenditures and candidates are all outlined in this act. A contribution is “anything of value” which is made “for the purpose of influencing any election.” Expenditure has the same definition as contribution but is used primarily to define the money spent by campaigns. A candidate is anyone who raises over \$5000 in contributions or spends over \$5000 in expenditures. The FECA does not allow certain individuals or groups to make contributions or expenditures. These groups include corporations and labor unions which can not contribute to federal candidates. Instead political action committees (PACs) are formed by these groups which make contributions to candidates. Contributions from government contractors are also not allowed under the FECA. Contribution limits have also been placed on federal election campaigns. These limits include \$1000 for individual and \$5000 for PAC per election to a candidate and an

annual contribution limit for individuals of \$25000. All of this campaign funding information is required by law to be disclosed by each candidate committee, party committee, and PACs in periodic reports with the government. These reports are the basis for the data collected in this research experiment.

The elections that this research project will focus on are the US Congressional Seats in Florida and the Florida Senate. This will allow for data sets at both the federal and state level. Florida currently has 25 seats out of 435 seats in the House of Representatives, each seat having an election every two years. In the elections that were studied in this project, Florida only had 23 seats. This difference is due to the increase in population size of the state and the reallocation of congressional seats based on the 2000 US Census. The Florida Senate contains 40 seats. Elections for these seats occur every two years but only half of the seats are up for election, meaning the elected official maintains the seat for four years. The seats are separated for elections by odd number and even number seats. If the district has changed since the last election, all of the seats affected have elections even if it is not that numbers turn. A major difference however is that the Florida Senate has term limits for its elected officials. Term limits for the Florida Senate are eight years meaning two terms. This background information of campaign financing and elections will serve to better understand the relationship between funding and the outcomes of the above elections.

## **II. Literature Review of Theoretical / Modeling Analyses on the Problem**

There have been many previous studies linking voting behavior to campaign expenditures of candidates. The Public Choice literature has conducted many models involving two party competition and probabilistic voting. The quality of a vote is looked

at by Dennis Mueller in Public Choice II. He states that “probabilistic voting presumes uncertainty on the part of candidates about voter preferences, or on the part of voters of candidate positions.” This information brings into question the degree of information available to voters. If the voters are unsure of why they are making their voting decisions than how can any factors directly influence a voter’s decision is a debate that stems from this research. Brennan and Buchanan (1984) argue that voting is an expressive act not an instrumental one, because the each vote is not instrumental in bringing about the final outcome. Since each individual vote only carries a small weight many different thoughts can play into a voter’s decision, such as peer pressure or campaign materials and slogans.

Mueller uses the model of a candidate’s objective function to maximize votes written as the following:

$$V_c = f ( P_c, P_o, C_c, \dots )$$

Where  $V_c$  are the votes expected for candidate  $c$ ,  $P_c$  is the position (platform) of  $c$ ,  $P_o$  is the platform of the opponent, and  $C_c$  are campaign expenditures of candidate  $c$ . The ellipsis following  $C_o$  indicates that other variables may be relevant. This function could be utilized in pre-campaign planning.

Mueller also gives examples of motives people have behind campaign contributions. One might contribute to a candidate that has similar views on the quality or quantity of a public good, meaning an ideological motive, or one might contribute to a candidate that will seek legislation that would directly enhance their wealth. These motives can be described by the function:

$$O_i = \prod_c (V_c - V_o) g(P_c) + (1 - \prod_c (V_c - V_o)) g(P_o) - C_{ic} - C_{io}$$

Where  $\Pi_c(V_c - V_o)$  is the probability that candidate  $c$  will win, a function of the difference in the expected votes for  $c$  and  $o$ , and  $g(P_c)$  and  $g(P_o)$  are the expected profits or utility from the platforms of  $c$  and  $o$ .

The individual voter is the last piece of the puzzle. Their expected utility depends on the platform of the candidate and the level of campaign expenditures. The following function explains the behavior of voters:

$$U_{vc} = \mu(P_c, C_c, C_o), U_{vo} = \mu(P_o, C_c, C_o)$$

Where  $U_{vc}$  is the utility that voter gets from candidate  $c$ ,  $\mu(\ )$  is the voter's tastes for government programs, and the other variables are the same as above. These models show that the votes for a candidate are a function of his campaign expenditures and those of his opponent, as well as his platform, and composition of voters in his or her electoral district. The next step is to establish the amount of weight each of these variables have on the outcome of an election.

The variable that this research is concerned with is the amount of campaign expenditures and its affect on the outcome of the election. Mueller uses the assumption that politicians are rational individuals seeking to maximize their votes. He states that "If money did not buy votes, why would anyone spend it." The empirical evidence to date confirms the hypothesis that money does buy votes especially for the challenger. Since incumbent candidates have already expended campaign funds for previous elections their cumulative campaign expenditure would begin at a greater level than a challenger in an election. Campaign expenditures familiarize the public with candidates and the built up goodwill of incumbents can be explained by this cumulative campaign expenditure. To truly test this hypothesis a challenger would have to spend an amount greater than that of

the cumulative campaign expenditures by the incumbent. Many studies have shown that very few incumbents ever lose an election and therefore many spend the least amount possible to keep their goodwill with the public. Mueller concludes with the “evaluation of the results that to date are strong enough to sustain the plausibility of the hypotheses that (a) candidates spend money to win votes, and (b) contributors give money to obtain more preferred political outcomes.”

“The Effects of Campaign Spending in Congressional Elections” by Gary Jacobson looks at the aggregate relationship between spending and congressional election results. He also further explores the relationship between campaign spending and the behavior of voters. Jacobson’s article shows there is a greater degree of correlation between a challenger’s expenditures and the outcome of an election than an incumbent’s expenditures. In fact, excessive spending by an incumbent can have a negative effect on the outcome of an election. Jacobson conducts a similar analysis to the one contained in this research project for the 1972 and 1974 US House of Representatives election. The main difference is that his analysis focused on the entire House while this research will only look at Florida’s seats. An ordinary least squares regression equation was estimated in his research as follows:

$$CV = a + b_1CE + b_2IE + b_3P + b_4CPS + e$$

Where CV is the challenger’s votes, CE is the challenger’s campaign expenditures in thousands of dollars, IE is the incumbent’s campaign expenditures in thousands of dollars, P is the challenger’s party, CPS is the strength of the challenger’s party in the district, a is the intercept, b’s are the regression coefficients, and e is the error term.

Using these elections, Jacobson concluded that challengers are expected to gain a small

amount over 1 percent of the vote for every \$10000 spent. He also showed the correlation between incumbent expenditures and the challenger's vote is positive, leading to the statement, "the more incumbents spend, the worse they do." The experiment contained within this research project will mainly use total expenditures by candidates and only briefly explore the relationship between incumbency and votes. Both of the above studies, Mueller and Jacobson evaluate the fact that there is a direct relationship between campaign financing and the outcome of the election.

### **III. Presentation of Analysis and Main Findings**

The objective of this analysis is to discover if there is a direct relationship between the degree of campaign financing and the outcome of an election. The main hypothesis of focus for this research is that the outcome of a given election is explained by one variable, the amount of campaign expenditures. The regression equations that will be utilized to test the four hypotheses are as follows:

$$VO = a + b_1EXP$$

$$V = a + b_1EXP$$

$$V = a + b_1EXP + b_2I$$

$$REV = a + b_3PPA$$

Where VO is the votes obtained by a candidate, V is that the candidate was victorious, REV is the amount of campaign funds raised, a is the intercept, and  $b_1EXP$  is the regression coefficient for campaign expenditures,  $b_2I$  is the regression coefficient for incumbency, and  $b_3PPA$  is the regression coefficient for the population of the district with the same party affiliation. The below data and data from previous studies shows that campaign expenditures play a large role in the outcome of an election, but are not the

only factor of determination. This research examined the State of Florida and two different types of elections, The US Congressional seats in Florida and the Florida Senate. General Elections for the years of 1996, 1998, and 2000 were used for collection of data. The data for the US Congressional seats in Florida was collected from the Federal Election Commission, the Federal Election Commission Financial Activity of House Campaigns, and the Florida Department of State Division of Elections Voter Registration Information. This data for the Florida Senate was collected from the Florida Department of State Division of Elections, the Florida Department of State Division of Elections Campaign Finance Database, and the Florida Department of State Division of Elections Voter Registration Information. A total of 69 US House elections, 23 seats each election period, and 138 candidates were analyzed. The candidate information included the amount raised, amount spent, total votes, if the candidate was an incumbent, if they won or lost, party affiliation, and the voting population of the district with the same party affiliation. The following is a summary of the regression analyses performed on the US House elections.

General Election Cycle	2000	1998	1996
Regression Equation	Obtained Equation	Obtained Equation	Obtained Equation
$VO = a + b_1$	$VO = 86757.90 + 0.0562EXP$	$VO = 2690.60 + .1338EXP$	$VO = 78651.79 + 0.1291EXP$
$V = a + b_1$	$V = 0.3986 + 2.77E-07EXP$	$V = 0.1799 + 1.82E-06EXP$	$V = 0.1799 + 1.82E-06EXP$
$V = a + b_1 + b_2$	$V = 0.0745 + 1.33E-07EXP + 0.8671$	$V = 0 + 0EXP + 11$	$V = -0.0186 + 7.08E-07EXP + 0.73161$
$REV = a + b_3$	$REV = 107189.29 + 2.92PPA$	$REV = 24042 + 2.35PPA$	$REV = -57138.40 + 2.77PPA$

All of the t statistics for the regression coefficients were greater than 1.64 denoting that these coefficients are significant at the 10% level. The R squared values for the relationship between votes and amount expended were 14%, 37%, and 26% respectively.

The R squared values for the relationship between victory and amount expended were 6%, 54%, and 54% respectively. The R squared values for the relationship between victory, amount expended, and incumbency were 78%, 100%, and 90% respectively. This shows that amount expended explains a large percent of the total votes and outcome of an election for US Congressional seats in Florida, but that the role of incumbency and cumulative campaign expenditures plays an even larger role.

A total of 63 state senate elections, 21 seats each election period, and 126 candidates were analyzed. The candidate information included the amount raised, amount spent, total votes, if the candidate was an incumbent, if they won or lost, party affiliation, and the voting population of the district with the same party affiliation. The following is a summary of the regression analyses performed on the state senate elections.

General Election Cycle	2000	1998	1996
Regression Equation	Obtained Equation	Obtained Equation	Obtained Equation
$VO = a + b_1$	$VO = 11894.92 + 0.1484EXP$	$VO = 1328.66 + 0.0975EXP$	$VO = 17103.06 + 0.1265EXP$
$V = a + b_1$	$V = 0.1587 + 1.60E-06EXP$	$V = 0.2010 + 2.42E-06EXP$	$V = 0.2039 + 1.88E-06EXP$
$V = a + b_1 + b_2$	$V = 0.1172 + 1.48E-06EXP + 0.4589I$	$V = 0.1685 + 1.84E-06EXP + 0.3999I$	$V = 0.1936 + 1.32E-06EXP + 0.3776I$

All of the t statistics for the regression coefficients were greater than 1.98 denoting that these coefficients are significant at the 5% level. The R squared values for the relationship between votes and amount expended were 55%, 43%, and 32% respectively. The R squared values for the relationship between victory and amount expended were 43%, 47%, and 42% respectively. The R squared values for the relationship between victory, amount expended, and incumbency were 53%, 56%, and 49% respectively. This shows that amount expended explains a large percent of the total votes and outcome of an

election for the Florida Senate; however the role of incumbency and cumulative campaign expenditures does not play as large a role as in the US House elections. This could be due to the fact that the state senate has term limits, which would hinder the amount of past campaign expenditures. The analyses of this research project are consistent with prior studies conducted and the results from the 2000, 1998, and 1996 elections are significant.

#### **IV. Appraisal of Current Research and Proposed Avenues for Future Research**

The research done for this project effectively addressed the main focus that campaign financing is a factor to the success of a political campaign. The research did not specify that financing is the largest ingredient to victory. The research conducted in this project is viable and could be obtained by other researchers. The information collected was all found on government monitored databases regulated by law. The information is accurate and timely due to the nature of current campaign finance laws. The hypotheses are correlational and relate to the conceptual framework of the research problem. All of the data collected for evaluation was relevant to the research hypotheses and did not travel outside the scope of the research problem. This does lead to some limitations of the study due to only certain campaign finance variables being evaluated instead of including other variables such as candidate platform and goodwill of the public. The regression models utilized in this research are statistically significant and show a direct relationship between campaign financing and the outcome of elections. The R square for the regression models was fairly high illustrating that votes and outcome of an election are a function of campaign expenditures. However, the regression models did not show that the amount of campaign expenditures is the only factor in an outcome of a particular

election. Additional research would be useful to completely test the hypotheses and regression equations. The role of campaign expenditures for other states could be investigated to ensure that Florida elections, as related to campaign financing, are not anomalies. Also, aggregate spending by incumbents could be introduced into the spending analysis. Prior research tried to explain the voting behavior and decision making by individuals, which would have helped explain the correlation between campaign financing and the reasons behind a vote cast. This additional research should be sufficient in taking this research project to the next level.

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