Campaign Finance Laws, Policy Outcomes, and Political Equality in the American States[*]

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Abstract

There is ample evidence of unequal political influence in the United States. Laws that regulate the financing of campaigns are one attempt to attenuate the role of money in politics and promote more egalitarian policy outcomes. Are campaign finance laws actually effective at enhancing political equality? Using data on state spending priorities from 1961 to 2008, I find that states with stricter campaign finance laws devote a larger portion of their annual budget to redistributive programs. I then examine possible mechanisms and find that stricter campaign finance laws alter incentives for candidates to respond to wealthy constituents by lessening both the total amount of money flowing to candidates as well as the proportion of contributions that originate from business interests. These results suggest that laws that regulate the financing of political campaigns can play an important role in promoting the interests of disadvantaged citizens and enhancing political equality.

Keywords: political equality, campaign finance laws, social welfare policy, U.S. state politics

Political equality is a cornerstone of democratic theory.[1] However, there is increasing concern among scholars, elected officials, and the general public about unequal political influence in the United States and its possible consequences for economic inequality (Jacobs and Skocpol 2005; Bartels 2008; Kelly 2009; Hacker and Pierson 2010; Flavin 2012; Gilens 2012; Kelly and Witko 2012). One common explanation for why citizens with lower incomes exert little influence over the policy decisions made by elected officials is that this group provides relatively few contributions (both in number and amount) to political campaigns compared to more affluent citizens (Schlozman, Verba, and Brady 2012). Laws that regulate the financing of campaigns have been enacted, in part, based on the belief that they can help to attenuate the link between money and political influence (Witko 2005). In other words, besides guarding against explicit quid pro quo bribery, campaign finance laws are also an attempt to lessen the role of fundraising and contributions in political campaigns and ultimately level out the playing field for disadvantaged citizens.

But have campaign finance regulations actually been successful at enhancing political equality? Unfortunately, this question is difficult to answer at the federal level because one uniform set of policies governs races for federal office and changes in laws that occur over time are contemporaneously correlated with many other changes in the political system. By comparison, the fifty states vary dramatically both across states and within states over time in terms of how much, or little, they regulate the financing of campaigns for state elected office

[1] As Robert Dahl (2006, ix) summarizes a major theme of his scholarship: "The existence of political equality is a fundamental premise of democracy." Similarly, Sidney Verba (2003, 663) declares, "One of the bedrock principles in a democracy is the equal consideration of the preferences and interests of all citizens."

(Witko 2005, 2007; Primo and Milyo 2006). For example, some states set no limit on the amount of money an individual can contribute to a single candidate while other states have instituted a public financing system that allocates money to candidates who agree to abide by strict spending limits. Moreover, some states have even oscillated back and forth between fewer and more regulations over time. Taking advantage of this variation allows a researcher to empirically identify what effects, if any, campaign finance laws have on the public policy decisions made by elected officials.

In this paper, I investigate the effect of campaign finance laws on redistributive policy outcomes in the American states. The limited number of studies to date that examine the effect of campaign finance laws on policy outcomes have generally uncovered null results (Cordis and Milyo 2013; La Raja and Schaffner 2013; Werner and Coleman 2013), but no study has considered the effect of these laws specifically on redistributive policy outcomes. These policies, such as spending on public assistance and housing and community development programs, are critically important for the livelihood of low income citizens and can also help to reduce levels of poverty and economic inequality (Kenworthy 1999; Brady 2005; Kelly 2005; Kelly and Witko 2012). Using data on state spending priorities from 1961 to 2008, I find that states that more strictly regulate the financing of campaigns devote a larger portion of their spending each year to redistributive programs. This relationship between stricter laws and more spending holds even after accounting for differences in the ideology and partisanship of a state's citizens and elected officials over time as well as state and year fixed effects. In an examination of possible mechanisms, I also uncover evidence that stricter campaign finance laws can alter incentives for candidates to respond to wealthy constituents by lessening both the total amount of money flowing to candidates as well as the proportion of contributions that originate from business interests in a state. Together, these findings suggest that laws that regulate the financing of political campaigns can play an important role in promoting the interests of disadvantaged citizens and enhancing political equality in the state policymaking process.

Background

A commonly cited reason for why state governments attempt to regulate the financing of political campaigns is to guard against political corruption – the use of public office for private gain (Cordis and Milyo 2013). In *Buckley v. Valeo* (1976), the U.S. Supreme Court cautioned that campaign contributions could be used for quid pro quo arrangements between contributor and candidate. Because governments have a compelling interest in preventing "the actuality and appearance of corruption," the Supreme Court ruled that regulations requiring disclosure of donors and imposing limits on contribution amounts are constitutionally permitted. Guided in part by this ruling, states have implemented a wide range of restrictions and reporting requirements that political campaigns must adhere to when accepting contributions (Witko 2005, 2007; Primo and Milyo 2006). Indeed, even before the federal government implemented expansive campaign finance regulations in the 1970s, several states already had a variety of laws on the books.

Beyond guarding against explicit bribery, a second (and empirically under-examined) reason for regulating the financing of campaigns is to level out the political playing field and prevent wealthy interests from exerting undue influence over public policy decisions.[2] The

[2] In the *Buckley v. Valeo* decision, the Supreme Court did not endorse political equality concerns as a constitutionally valid justification for campaign regulations, writing that "the concept that government may restrict the speech of some elements of our society in order to enhance the relative voice of others is

Supreme Court has cautioned that even perceptions of unseemly influence by moneyed interests could harm the health of American democracy by decreasing citizens' trust and confidence in government. Although political scientists have uncovered little evidence that campaign contributions can outright "buy" the roll call votes of legislators (for a review, see Ansolabehere, de Figueiredo, and Snyder 2003), there is evidence suggesting contributions exert sway behind the scenes by influencing who legislators agree to meet with, what issues they focus on, and how they allocate their scarce time while in office (Langbein 1986; Hall and Wayman 1990; Schram 1995; Makinson 2003; Witko 2006; Baumgartner et al. 2009; Powell 2012). Given widespread concerns about unequal influence in American politics (Hacker and Pierson 2010), campaign finance regulations could potentially play an important role in helping to promote greater political equality.

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wholly foreign to the First Amendment." However, in *Austin v. Michigan Chamber of Commerce* (1990), the Court subsequently ruled that a Michigan law prohibiting corporations from using treasury money to make independent expenditures to support or oppose candidates in elections was constitutional, arguing that "corporate wealth can unfairly influence elections." This decision was ultimately reversed in *Citizens United v. Federal Election Commission* (2010), which struck down restrictions on independent expenditures from corporations and labor unions that attempt to influence the outcome of elections. However, the dissenting opinion in that case draws attention to the implications of the ruling for political equality, writing that "a democracy cannot function effectively when its constituent members believe laws are being bought and sold." Although a detailed discussion of the legal arguments for and against campaign finance regulations on political equality grounds is outside the scope of this paper, this brief review of previous court decisions reveals that significant disagreement remains about if and how political campaigns should be regulated in an attempt to make political influence more equal.

To regulate the financing of campaigns, state governments typically use a combination of three tools: (1) requirements that campaigns disclose the identity of contributors, (2) limits on the amount individuals and organizations can donate to a campaign, and (3) public financing for campaigns on the condition that a candidate abides by spending limits[3] (Witko 2005, 2007; Primo and Milyo 2006). As Witko (2005, 296) explains, "While each of the three is intended to have specific effects on the behavior of various political actors, reformers believe they will work collectively to make elections and representation less subject to the manipulations of wealth, while being more competitive and democratic." Interestingly (and fortunately from a researcher's perceptive), there is dramatic variation in the number and stringency of campaign finance laws both across states and within states over time.[4]

Given the belief that campaign finance regulations can alter the behavior of candidates, a growing literature has utilized this variation across the states to examine their impact on political campaigns. For instance, stricter contribution limits have been shown to lead to fewer

[3] Twenty-six states set limits on the amount of money candidates could spend in a campaign up until those limits were declared unconstitutional in *Buckley v. Valeo* (and recently upheld in *Randall v. Sorrell* (2006)). Instead, states with public financing systems now require candidates to abide by spending limits as a condition for receiving public funds. It is also important to note that the campaign finance regulations under consideration in this paper pertain only to contributions given directly to a candidate for use in his/her campaign. Individuals and organizations still have wide latitude to use their resources to influence the outcome of elections through independent expenditures (Hogan 2005).

[4] Although the general trend has been toward more regulations over time, several states have oscillated between adding and subtracting regulations. As Milyo (2012, 6) observes, "in California, campaign contribution limits have been imposed, removed and imposed; Missouri has experienced two such cycles; and public financing has been passed and repealed in Massachusetts and Kentucky."

uncontested state legislative races and more competitive elections (Stratmann and Aparicio-Castillo 2006; Hamm and Hogan 2008; Stratmann 2010).[5] There is also evidence that public financing systems with spending limits lead to the emergence of more challengers and can help to lower the total costs of campaigns (Hogan 2000; Gross and Goidel 2001; Bardwell 2003; Eom and Gross 2006). Taking stock of this literature as a whole, there is wide ranging evidence that campaign finance laws can have important effects on the behavior of political campaigns.

Beyond these campaign-specific effects, might campaign finance laws have effects on politics more generally? A series of recent studies examine if campaign finance laws affect election outcomes, the in-office behavior of politicians, and the content of public policies. For example, Cordis and Milyo (2013) find little evidence that stricter campaign finance laws lower instances of government corruption while Werner and Coleman (2013) find null results for the effect of campaign finance laws on left/liberal party power and minimum wage laws in the states.[6] Similarly, La Raja and Schaffner (2013) find no relationship between campaign finance laws and partisan control of government or incumbent reelection rates. Given these generally null findings, it seems questionable that state campaign finance laws have any sort of effect on the composition of state governments and the eventual content of public policies.

To date, however, there has been no consideration if stricter campaign finance laws have an effect on redistributive policy outcomes that benefit low income citizens. This omission is unfortunate because previous studies have documented significant differences in opinions

[5] However, Bonneau and Cann (2011) find that stricter campaign finance restrictions can harm challengers in state judicial elections and lead to fewer competitive elections.

[6] They do, however, find some evidence indicating states that more strictly regulate corporate expenditures in campaigns allow for more popular control of corporate governance.

between the rich and the poor on redistributive policies, with citizens with low incomes generally preferring higher levels of government spending on public assistance and community development programs (Gilens 2009; Rehm, Hacker, and Schlesinger 2012; Franko, Tolbert, and Witko 2013; Page, Bartels, and Seawright 2013). Moreover, these policies can be vitally important for the livelihood of low income citizens and can also help to reduce levels of poverty and economic inequality (Kenworthy 1999; Brady 2005; Kelly 2005; Kelly and Witko 2012). To further our understanding about the implications of campaign finance laws for political and economic equality, I investigate their effects on redistributive policy outcomes in the states.

Theoretical Linkages Between Campaign Finance Laws and State Spending Decisions

Why would stricter regulations on the financing of campaigns lead to more generous spending on redistributive policies? Above, I discussed the possibility that regulations on the financing of campaigns can help to level out the political playing field and give a more equal voice to disadvantaged citizens who tend to support higher levels of government spending on public assistance and community development programs (Gilens 2009; Rehm, Hacker, and Schlesinger 2012; Franko, Tolbert, and Witko 2013; Page, Bartels, and Seawright 2013). Below, I detail three possible theoretical pathways by which this "leveling out" in the policymaking process might occur.

First, regulations on how much individuals and organizations can contribute to campaigns and/or a public financing system that limits candidate spending should lead to less total money being injected into the political system (Gross and Goidel 2001). One normative concern about campaign contributions is that they can unduly influence who legislators agree to meet with, what issues they focus on, and how they allocate their scarce time while in office (Langbein

1986; Hall and Wayman 1990; Schram 1995; Makinson 2003; Witko 2006; Baumgartner et al. 2009; Powell 2012). When there are no limits on how much contributors can give and/or no public financing system with spending limits, it is almost assured that more dollars will flow to campaigns. A larger volume of campaign contributions necessarily means more money is needed to get elected/reelected and can lead to legislators and governors who are more beholden to contributors when making policy decisions while in office. Simply put, the more money in a state's electoral system, the more likely it is that wealthier interests will dominate and policies that benefit low income citizens will get comparatively less attention from policymakers. By reducing the total amount of contributions flowing to political candidates, campaign finance regulations have the potential to dampen the role of money in American state politics and allow for greater policy attention to disadvantaged citizens.

Second, campaign finance regulations can alter the composition of contributors to campaigns. It is well established that more affluent citizens (and the groups that represent their interests) are more likely to contribute to political campaigns than citizens with low incomes. For example, Schlozman, Verba, and Brady (2012, 160) find that citizens in the top income quintile are ten times more likely to donate to a campaign than citizens in the bottom income quintile. The disparity in the amount given is even more striking; nearly three-fourths of total campaign contributions come from people in the top quarter of the income distribution while only two percent come from people in the bottom income quintile (Verba, Schlozman, and Brady 1995, 194).[7] Given these documented differences, it is sensible to conclude that state laws

[7] Bonica, McCarty, Poole, and Rosenthal (2013) also point out that 40% of all contributions to federal candidates in the 2012 election came from the top .01 percent of income earners in the voting age population.

setting a maximum amount an individual or organization can give to a campaign are primarily limiting the giving of affluent citizens as opposed to citizens with low incomes. If so, then regulations on how much individuals and organizations can contribute to campaigns may have the effect of "democratizing" giving (Eom and Gross 2007) and lessening the proportion of total contributions that come from wealthy interests. This, in turn, means candidates will receive contributions from a wider cross-section of citizens and, if elected to office, may be more likely to focus their energies on redistributive policies that benefit the poor as opposed to the policies most favored by affluent constituents.[8]

Third, in addition to affecting the amount and composition of campaign contributions, campaign finance regulations may impact who ultimately runs for office. Recent research reveals that citizens from working class and low income backgrounds are strikingly underrepresented in state legislatures across the nation (Carnes 2013). From a political equality and public policy standpoint, this underrepresentation is important because legislators from these backgrounds are more likely to pay attention to and vote for redistributive policies that benefit disadvantaged citizens. As Carnes (2013, 16) observes, "Business regulations are more relaxed, tax policies are more generous to the rich, social safety net programs are stingier, and protections for workers are weaker than they would be if our political decision makers came from the same mix of classes as the people they represent."

One likely reason that citizens from working class backgrounds are so profoundly underrepresented in state legislatures is because of the high entry costs of running for office.

[8] In addition, most states with a public financing system require candidates to demonstrate viability by collecting a small donation amount from a large number of citizens (which broadens the base of contributors).

Most notably, to run and have a legitimate chance of winning a race for house or senate in most states, a candidate must be able to raise a significant amount of funds to publicize their campaign and reach out to voters. For a person from a low income or working class background, using their own money is likely not a viable option. In addition, it is unlikely that they can readily tap into a network of donors to finance their campaign as easily as someone from the professional class. However, regulations on campaign financing can potentially aid candidates from low income backgrounds in two ways. First, lower limits on contributions mean that a candidate must seek out many smaller donations from a large group of citizens instead of simply relying on a few large donations from a small group of wealthy individuals or organizations. Second, states that have public financing systems enormously aid working class candidates because they remove the requirement for them to raise large sums of money from outside donors. So, states that have more regulations on the financing of campaigns may have more state legislators from low income backgrounds who, in turn, are more likely to support redistributive policies (Carnes 2013).

In sum, there are strong theoretical reasons to expect that regulations requiring disclosure of donor information, limiting how much individuals and organizations can contribute to campaigns, and public financing systems that require candidates to agree to spending limits will lead to a greater priority placed on policies that benefit the poor such as public welfare and housing and community development programs. Empirically examining the effect of these regulations has, in turn, important implications for our understanding of political equality in the American states.

Data and Empirical Strategy

To investigate the effects of campaign finance laws on policy outcomes, I use time-series cross-sectional data from the fifty American states for 1961 to 2008. The policy outcome of interest is how states prioritize their yearly spending (Jacoby and Schneider 2001). State spending priorities are operationalized as the share of a state's annual spending that is allocated to a particular budget category, calculated by dividing the amount of spending in the budget category under consideration by the total amount of government expenditures in that state-year. Using the proportion of a state's budget allocated to a particular budget category as opposed to total dollars spent (per capita) avoids two potential methodological problems. First, wealthier states and states that take in more revenue will have more money to spend in all areas of the budget, so comparing raw spending amounts does not accurately evaluate how spending priorities differ or how states make difficult decisions about tradeoffs. Second, inflation requires a researcher to choose how to adjust raw spending amounts across years so they can be compared, with different accounting methods possibly leading to different substantive conclusions. By contrast, the use of a proportional measure of state spending avoids these two potential pitfalls, and allows for meaningful comparisons across states and years.

State spending priorities are calculated using data from the U.S. Census Bureau's "Historical Finances of State Governments" (2010) file which provides detailed information on state spending by program area over time. I am interested in the effects of campaign finance laws on redistributive policy outcomes that benefit disadvantaged groups (Mettler and Stonecash 2008; Franko 2013), which I measure in three different ways. First, the proportion of a state's total spending in a given year that is allocated to Public Welfare.[9] Second, the proportion of a state's total spending in a given year that is allocated specifically to "cash assistance payments" under the broader Public Welfare budget heading.[10] This is intended to measure the priority given to providing direct cash payments to low income citizens within a state. Third, the proportion of a state's total spending in a given year that is allocated to Housing and Community Development expenditures.[11] As a check to ensure that regulations on the financing of campaigns have an effect specifically on redistributive policies and not state spending priorities more generally, I also examine two other spending categories that are typically not considered redistributive: the proportion of a state's total spending in a given year that is allocated to Police

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[9] The Census Bureau defines Public Welfare as: "Support of and assistance to needy persons contingent upon their need. Excludes pensions to former employees and other benefits not contingent on need. Expenditures under this heading include: Cash Assistance paid directly to needy persons under the categorical programs (Aid to Families with Dependent Children) and under any other welfare programs; Vendor Payments made directly to private purveyors for medical care, burials, and other commodities and services provided under welfare programs; and provision and operation by the government of welfare institutions including nursing homes not directly associated with a government hospital. Other Public Welfare includes payments to other governments for welfare purposes, amounts for administration, support of private welfare agencies, and other public welfare services."

[10] Data for this spending item begins in 1962. Data for all other spending categories examined begins prior to 1961 (the first year of my data analysis).

[11] The Census Bureau defines Housing and Community Development as: "Construction and operation of housing and redevelopment projects, and other activities to promote or aid housing and community development."

Protection and to Highways.[12] These five different measures of state spending serve as dependent variables in the five regression models I present below.

The degree to which the financing of political campaigns is regulated is the independent variable of interest and is measured by computing an additive index using data compiled by Jeffrey Milyo (2012; also see Primo and Milyo 2006; Cordis and Milyo 2013). Each state-year is assigned a value that ranges from zero to six, with higher values indicating more regulations placed on the financing of campaigns, based on whether or not it has the following laws in effect:

1. Mandatory disclosure of contributor information
2. Limits on organization (corporation and, in most cases, union) contributions to state candidates
3. Limits on individual contributions to state candidates
4. Public financing for gubernatorial candidates conditional on abiding by expenditure limit
5. Public financing for state legislative candidates conditional on abiding by expenditure limit
6. Public financing system is “clean elections” (participating candidates can raise no outside funds)

In nearly all cases, states that have a given law on the books also have all laws above that on the list. For example, nearly every state-year that provides public funding for legislative candidates (#5) also provides public funding for gubernatorial candidates (#4), limits individual contributions (#3), limits organization contributions (#2), and requires disclosure of contributor information (#1). Fully forty-six of the fifty states changed their value on the additive scale (i.e. changed their campaign finance laws) at least once during the time period under consideration,

[12] The Census Bureau defines Police Protection as: “Preservation of law and order and traffic safety. Includes police patrols and communications, crime prevention activities, detention and custody of persons awaiting trial, traffic safety, and vehicular inspection.” Highways are defined as: “Construction, maintenance, and operation of highways, streets, and related structures, including toll highways, bridges, tunnels, ferries, street lighting, and snow and ice removal.”

which allows for examination of within state effects and offers additional analytic leverage for identifying any possible causal effects of campaign finance laws on policy outcomes.

State spending priorities (the proportion of a state's annual spending allocated to a particular budget area) are regressed on this additive index of campaign finance regulations along with a series of state-year specific variables that may also influence spending priorities. These control variables include measures of citizen and government liberalism, the percentage of seats in the lower house of the legislature controlled by Democrats, whether a state has a Democratic governor, and a measure of party competition; with the expectation that state-years with more liberal citizens, more liberal and Democratic governments, and more competition between the two parties will allocate a greater percentage of their budget to redistributive spending policies (Hill, Leighley, and Hinton-Anderson 1995; Barrilleaux, Holbrook, and Langer 2002; Berry, Fording, and Hanson 2003).[13] In the three models focusing on redistributive policies, I also include a measure of the state's unemployment rate, with the expectation that there will be a greater need and demand for government assistance when unemployment rates are higher.[14] In addition, in the spending on police protection model, I include a measure of a state's

[13] Citizen and government liberalism are based on measurements developed by Berry, Ringquist, Fording, and Hanson (1998). Party competition is based on a four year moving average of the "folded" Ranney (1976) index where higher values indicate greater competition between the two parties for control of state government. The results presented in Table 2 below are substantively similar when I instead measure competition using Holbrook and Van Dunk's (1993) measure of electoral competition within states. I report models using the Ranney measure because it is available for the entire time span of my data whereas the Holbrook and Van Dunk measure is not available until 1970.

[14] I use unemployment rate to account for need and demand for government assistance instead of poverty rate because there is greater variation in unemployment rate within states over time and because

violent crime rate, with the expectation that states with higher crime rates will devote a greater percentage of their budget to police protection. Table 1 reports descriptive statistics and information on the data source for each of the variables included in the analysis.

[Table 1 about here]

The effect of campaign finance laws on state spending priorities is estimated using ordinary least squares regression with panel corrected standard errors (Beck and Katz 1995). Importantly, all models include both state and year (i.e. two-way) fixed effects.[15] State dummy variables are included to account for all time-invariant unit effects like history and culture (e.g., certain states might be more likely to both enact campaign finance laws and spend more on public welfare) and estimate the effect of campaign finance law changes within states over time.[16] Year effects are included to capture temporal trends in spending that uniformly affect all states in a particular year (e.g., changes in federal assistance policy that might alter the states' funding role). In addition, I include a time trend (a variable for "year") to account for the possibility that campaign finance laws, redistributive spending, or both have trended in a uniform direction over time.

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unemployment rate data are collected and reported annually for all states (whereas poverty rates are typically not calculated and reported annually and thus require a researcher to extrapolate the data).

[15] State and year fixed effects are accomplished by including a dummy variable for every state and for every year in the sample (excluding one as a reference category).

[16] The inclusion of state fixed effects also largely accounts for institutional design differences across the states (that tend not to vary over time) such as legislative professionalism, the population size of state legislative districts, and the presence of the initiative process that previous studies suggest as predictors of the stringency of state campaign finance laws (Witko 2007).

Campaign Finance Laws and State Spending Priorities

Do state spending priorities for redistributive policies vary systematically with the degree to which the financing of political campaigns is regulated? This question is evaluated using time-series cross-sectional data from the fifty American states for 1961 to 2008. Table 2 reports the results of five regression models with the dependent variable under consideration (the proportion of a state's annual spending allocated to a particular budget area) listed at the top of each column. For each model, the coefficient for the 0-6 additive index of campaign finance laws is listed in the top row and the coefficients for the state-year control variables are listed in the rows below. All evaluations of statistical significance for the coefficients are conducted using panel corrected standard errors and a two-tailed test.

[Table 2 about here]

The top row of Table 2 reveals that greater regulation of the financing of campaigns is associated with a greater proportion of a state's budget devoted to public welfare (Column 1), cash assistance payments (Column 2), and housing and community development (Column 3). In those three models with redistributive spending policy as the dependent variable, the coefficient for the additive campaign finance law index is positive and bounded above zero at conventional levels of statistical significance ($p<.05$). This finding suggests that campaign finance laws can have important consequences for political equality by influencing the budgeting priorities of state elected officials. Importantly, this effect of campaign finance regulations on redistributive spending holds even after controlling for state-year specific political conditions (citizen and government ideology, partisan composition of state government, and party competition) as well as accounting for the unemployment rate and state and year fixed effects. Turning to the state-year specific conditions, Column 1 reveals that (as expected) greater citizen liberalism, a larger presence of Democratic elected officials, and higher unemployment rates are associated with a greater proportion of a state's budget allocated to public welfare spending.[17] Somewhat surprisingly, Column 2 reveals that more competition between the two parties for control of state government is associated with a smaller proportion of a state's budget allocated to cash assistance spending.

Substantively, the effect of campaign finance regulations on redistributive spending is quite large when compared with the other predictors in the model. Figure 1 reports the predicted change in the percent of a state's budget devoted to public welfare when the variable specified is increased by one standard deviation. The figure reveals that the effect of the campaign finance law additive index on welfare spending is roughly the same as the effect of citizen liberalism and the percentage of Democrats in the state legislature and larger than the effect of a state's unemployment rate. Simply stated, more regulation of the financing of political campaigns leads to a greater prioritization of redistributive spending above and beyond the effects of the ideological and partisan composition (i.e. more liberal and/or more Democratic) of a state's citizenry and elected officials.

[Figure 1 about here]

[17] When all independent variables in the models presented are lagged one year, the results are substantively identical to those reported in Table 2 [see Table A-1 in the Appendix]. Moreover, when each of the six campaign finance laws are modeled separately as independent variables instead of as a composite index, four (limits on individual contributions, public financing for governor elections, public financing for legislative elections, "clean" elections) of the six coefficients are positive and statistically different from zero ($p<.05$).

To check and make sure that the effect of campaign finance laws is isolated to redistributive spending and does not extend to spending more generally, I also conduct a placebo test by examining the relationship between laws and spending for two non-redistributive policies: police protection and highways. The results of these two estimations are reported in Columns 4 and 5 of Table 2 and reveal that there is no statistical relationship between campaign finance regulation and state spending for these two non-redistributive policy areas. These null results provide additional confidence that the effect of campaign finance laws on redistributive spending is not a statistical artifact or a function of a relationship between campaign finance laws and state spending more generally.

Why Do Stricter Campaign Finance Laws Lead to More Redistributive Spending?

Next, I investigate possible mechanisms that might help to explain the relationship between campaign finance laws and redistributive spending that is documented in Table 2. Above, I introduced and discussed three theoretical linkages that explain why more regulations on the financing of campaigns might lead to a greater priority placed on redistributive spending. To recap, these three linkages are that stricter campaign finance laws (1) lessen the influence of political donations by lowering the total amount of contributions given, (2) reduce the proportion (and, therefore, influence) of contributions that come specifically from wealthier constituents, and (3) lower entry costs for candidates from working class and low social status backgrounds who are more likely to implement policies that benefit low income citizens if they are elected to office.

To begin, I examine the effect of campaign finance laws on the per capita contribution amount to political campaigns for state elected office. Data on campaign contributions for state campaigns are taken from the National Institute on Money in State Politics which collects information on contributions to candidates in every state and provides data going back to the mid 1990s.[18] To measure the population adjusted amount of contributions in a state, I aggregate the total amount of money that was contributed by individuals and groups to candidates for state office in all elections from 2000 to 2010 and divide that amount by a state's population in 2000.[19] This calculation creates a per capita contribution measure over that decade ranging from a low of $15.61 in Arizona to a high of $70.02 in Alaska (with a mean of $39.88). I then regress this per capita contribution amount on the 0-6 additive campaign finance index value for states in 2000 and report the result of this cross-sectional estimation in Column 1 of Table 3. The negative and statistically significant coefficient indicates that states with greater regulation on the financing of campaigns have (as we might expect) lower per capita contributions to candidates running for state elected office. Specifically, moving one unit on the additive scale reduces the per capita contribution amount over the decade by more than $4.00 (about one-third of a standard deviation). This evidence suggests that by regulating campaigns, states can lower the total amount of giving to candidates which leaves politicians less reliant on and beholden to large campaign donations and instead allows them to cater to the opinions and needs of a wider array of constituents while serving in office.

[Table 3 about here]

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[18] Data is available at their website: www.followthemoney.org. Although data exists for a handful of states in the early 1990s, there is not data available for all states until the end of the decade.

[19] I use the total amount of money contributed to candidates over the decade (2000-2010) in a state to smooth out year-to-year fluctuations that occur because more offices are up for election, there are fewer uncontested races, etc.

Even in states with a relatively low level of total contributions, wealthier interests may still account for the bulk of those contributions. If so, then we might expect those interests to still exert undue influence on the policy decisions of state elected officials. To evaluate the relationship between campaign finance laws and the composition of campaign donors, I calculate the proportion of total campaign contributions to candidates for state elected office for 2000 to 2010 that come from business interests, defined by the National Institute on Money in State Politics as general business advocacy associations (e.g., chambers of commerce) and individuals and groups engaged in business services, manufacturing, gambling and casinos, food and beverage hospitality, lodging and tourism, liquor and tobacco companies and sales, and retail sales. For 2000-2010, the proportion of total campaign contributions that come from business interests range from a low of 3.24% in Maine to a high of 18.24% in Alabama (with a mean of 5.22%). I then regress the contributions from business interests measure on the 0-6 additive campaign finance law index value for states in 2000 and report the result of this cross-sectional estimation in Column 2 of Table 3. The negative and statistically significant coefficient indicates that states with greater regulation on the financing of campaigns have a lower proportion of campaign contributions that come from business interests. Substantively, moving one unit on the additive campaign finance law scale reduces the proportion of contributions from business interests by about one percentage point (about one-third of a standard deviation).

I also take advantage of the fact that there is data on contributions and campaign finance laws over time to run a state fixed effects model for even-numbered years (when the vast majority of states hold their governor and state legislative elections) for 2000 to 2010. The result of this within state estimation is reported in Column 3 of Table 3 and points to the same conclusion: greater regulation of the financing of campaigns leads to a lower proportion of total campaign contributions from business interests. Together, Columns 2 and 3 indicate that campaign finance regulations alter the composition of campaign contributions in a state and help to level out the political playing field. Legislators in these states then, in turn, have more political flexibility to prioritize laws and policies that benefit disadvantaged citizens.

Finally, do campaign finance laws alter the socioeconomic composition of candidates and state elected officials? Above, I theorized that one possible effect of campaign finance regulations is that they would lower the entry barriers for candidates from working class and low social status backgrounds who are more likely to implement policies that benefit low income citizens if they are elected to office (Carnes 2013). To evaluate this possible mechanism, I turn to data on the occupational background of state legislators compiled by Nicholas Carnes (2012) for 1979 from the Insurance Information Institute and for 1993, 1995, and 2007 from the National Conference of State Legislatures. Specifically, I measure the proportion of state legislators who come from a working class background using legislators who are in the Labor Union occupational category or in the Business (non-manager) occupational category which is defined as "blue collar, other white collar (clerical, sales etc.), and personal services (barbers, hairdressers, cashiers, etc.)." This measure ranges from a low of 0% in five states scattered across three different years to a high of 19.56% in Maine in 1979 (with a mean of 4.44%). I then regress this proportion of legislators who are from a working class background measure on the additive campaign finance regulation index using state fixed effects and report the results in Column 4 of Table 3. The coefficient of interest is not statistically different from zero, indicating that there is no statistical relationship between the stringency of campaign finance laws and the proportion of working class legislators. Importantly, this same null result holds when I instead run four separate cross-sectional models, one for each year the legislator occupational data is available. Moreover, I find no relationship when I regress the percent legislators from working class backgrounds on whether states have a publicly financed campaign system (which we might expect to encourage candidates from limited means to run for office). These results indicate that more campaign finance regulations do not appear to have the effect of promoting a more socioeconomically diverse state legislature.

Taking stock of the three possible mechanisms examined in this section, the analysis suggests that campaign finance laws promote greater spending on redistributive programs by altering both the total amount of campaign contributions in state elections and the composition of contributors. By reducing candidate reliance on large contributions from wealthy interests and generally lessening the role of money in elections, campaign finance regulations give elected officials more flexibility to represent all of their constituents, including those who are the least able to donate to political campaigns (Schlozman, Verba, and Brady 2012).

Conclusion

Political equality remains an essential yardstick for evaluating the quality of a democracy, yet a growing literature documents widespread unequal political influence in the United States with affluent citizens much more likely to see their opinions reflected in government policy than citizens with lower incomes (Bartels 2008; Flavin 2012; Gilens 2012; Ellis 2013; Hayes 2013; Rigby and Wright 2013). One goal of laws that regulate the financing of political campaigns is to attenuate the influence of money and, by doing so, promote a wider consideration of citizens' opinions and interests in the policymaking process. But do campaign finance laws actually accomplish this goal? To date, few studies have documented any discernable effects of campaign finance laws on political outcomes. As an appraisal of the (lack of) empirical findings in the current literature, Bowler and Donovan (2013) aptly entitled a chapter on campaign finance laws in a recent book on electoral reforms "Campaign Finance Reform: A Collection of Null Results." This pattern of null results (also see Cordis and Milyo 2013; La Raja and Schaffner 2013; Werner and Coleman 2013) ultimately calls into question whether campaign finance laws have any effects on how elected officials behave while in office.

By focusing on a different set of policy outcomes, this study contributes to our understanding about the effects of campaign finance laws on political equality. I find evidence that campaign finance laws do have important effects on public policy decisions that matter most for disadvantaged citizens (Mettler and Stonecash 2008; Franko 2013). Specifically, when states more strictly regulate the financing of political campaigns, they tend to devote a larger portion of their spending each year to redistributive programs such as public assistance and housing and community development. This relationship between stricter laws and more spending holds even after accounting for differences in the ideology and partisanship of a state's citizens and elected officials over time and, importantly, does not extend to policy areas that are not typically considered redistributive. In an examination of possible mechanisms, I also uncover evidence that stricter campaign finance laws alter incentives for officeholders to respond to wealthy constituents by lessening both the total amount of money flowing to candidates as well as the proportion of contributions that originate from business interests in a state. Taken together, the results reported in this paper suggest that laws that regulate the financing of political campaigns can play an important role in promoting the interests of disadvantaged citizens and enhancing political equality in the state policymaking process.

More broadly, the wide variation in laws, institutions, and public policy regimes across the states and within states over time provides a unique research opportunity to examine the causes of, and possible remedies for, unequal political influence and policy outcomes.[20] Recent studies of unequal political representation document consistent disparities in influence between the rich and the poor (Bartels 2008; Gilens 2012) but stop short of fully investigating and prescribing possible solutions to the problem. Although political scientists and pundits have speculated for decades about possible remedies for unequal political influence (e.g., Lijphart 1997), empirical examination of this topic remains startlingly limited. To further our understanding, future studies should incorporate additional institutional features in the states to investigate what conditions and arrangements might help lead to greater political equality.

[20] As Ellis (2013, 785) points out, "unequal representation is not necessarily endemic to the American political system, but it is rather exacerbated or diminished by particular institutional and contextual arrangements that affect the quality of representation that rich or poor citizens receive."

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Table 1: Descriptive Statistics for State Data, 1961-2008

Variable	N	Mean	Standard Deviation	Minimum	Maximum	Data Source
Campaign Finance Law Additive Index	2400	2.22	1.24	0	6	(1)
% Spending on Public Welfare	2400	16.24	6.12	3.28	38.77	(2)
% Spending on Cash Assistance	2350[a]	2.94	2.90	0	20.78	(2)
% Spending on Housing and Community Development	2400	0.38	0.63	0	15.09	(2)
% Spending on Police Protection	2400	0.88	0.35	0.01	2.91	(2)
% Spending on Highways	2400	12.89	7.30	2.69	46.06	(2)
Citizen Liberalism	2400	47.56	16.57	0.96	95.97	(3)
Government Liberalism	2400	54.59	20.37	3.74	100	(3)
% Democrats in Legislature	2352[b]	58.14	19.25	12.85	100	(4)
Democratic Governor	2400	0.55	0.49	0	1	(4)
Party Competition	2352[b]	0.85	0.12	0.50	0.99	(4)
Unemployment Rate	2370[c]	5.58	1.94	1.8	17.4	(5)
Violent Crime Rate (per 100,000)	2396[d]	379.84	236.42	14.3	1244.3	(6)

Data sources:

(1) Jeffrey Milyo (2012; also see Primo and Milyo 2006; Cordis and Milyo 2013)
(2) United States Census Bureau's "Historical Finances of State Governments" (2010)
(3) Richard Fording (http://rcfording.wordpress.com/ state-ideology-data/)
(4) Carl Klarner (http://www.indstate.edu/polisci/klarnerpolitics.htm)
(5) Bureau of Labor Statistics (http://www.bls.gov/lau/rdscnp16.htm)
(6) Uniform Crime Reporting program (http://www.bjs.gov/ucrdata/Search/Crime/Crime.cfm).

[a] Data not available for 1961.
[b] Data not available for all years for Nebraska due to non-partisan legislature.
[c] Data not available for Alaska and Hawaii for 1961-1975.
[d] Data missing for New York for 1961-1964.

Table 2: Stricter Campaign Finance Regulations Lead to Greater Redistributive Spending

	(1)	(2)	(3)	(4)	(5)
Spending Measure:	Public Welfare	Cash Assistance	Housing and Community Development	Police Protection	Highways
Timeframe:	1961-2008	1962-2008	1961-2008	1961-2008	1961-2008
Campaign Finance Law Additive Index	0.342* [0.078]	0.133* [0.035]	0.031* [0.015]	-0.003 [0.004]	0.123 [0.069]
Citizen Liberalism	0.027* [0.010]	0.007 [0.005]	0.001 [0.001]	0.000 [0.001]	-0.001 [0.008]
Government Liberalism	0.014 [0.008]	0.003 [0.004]	0.000 [0.001]	-0.001 [0.000]	-0.014* [0.006]
% Democrats in Legislature	0.023* [0.009]	0.028* [0.005]	-0.002 [0.001]	0.000 [0.000]	-0.008 [0.006]
Democratic Governor	-0.142 [0.211]	0.027 [0.122]	0.038 [0.041]	0.037* [0.014]	0.158 [0.178]
Party Competition	-0.917 [0.774]	-1.550* [0.394]	-0.087 [0.141]	-0.106* [0.047]	-0.058 [0.706]
Unemployment Rate	0.140* [0.071]	0.034 [0.039]	-0.035* [0.012]	--	--
Violent Crime Rate	--	--	--	0.000* [0.000]	--
Time Trend (Year)	0.231* [0.005]	0.020* [0.003]	0.015* [0.001]	-0.001* [0.000]	-0.383* [0.004]
Constant	-448.411* [9.386]	-40.317* [5.366]	-29.345* [1.841]	2.932* [0.621]	772.140* [6.314]
State Effects?	Y	Y	Y	Y	Y
Year Effects?	Y	Y	Y	Y	Y
R^2	.80	.60	.46	.74	.89
N	2,322	2,322	2,322	2,348	2,352

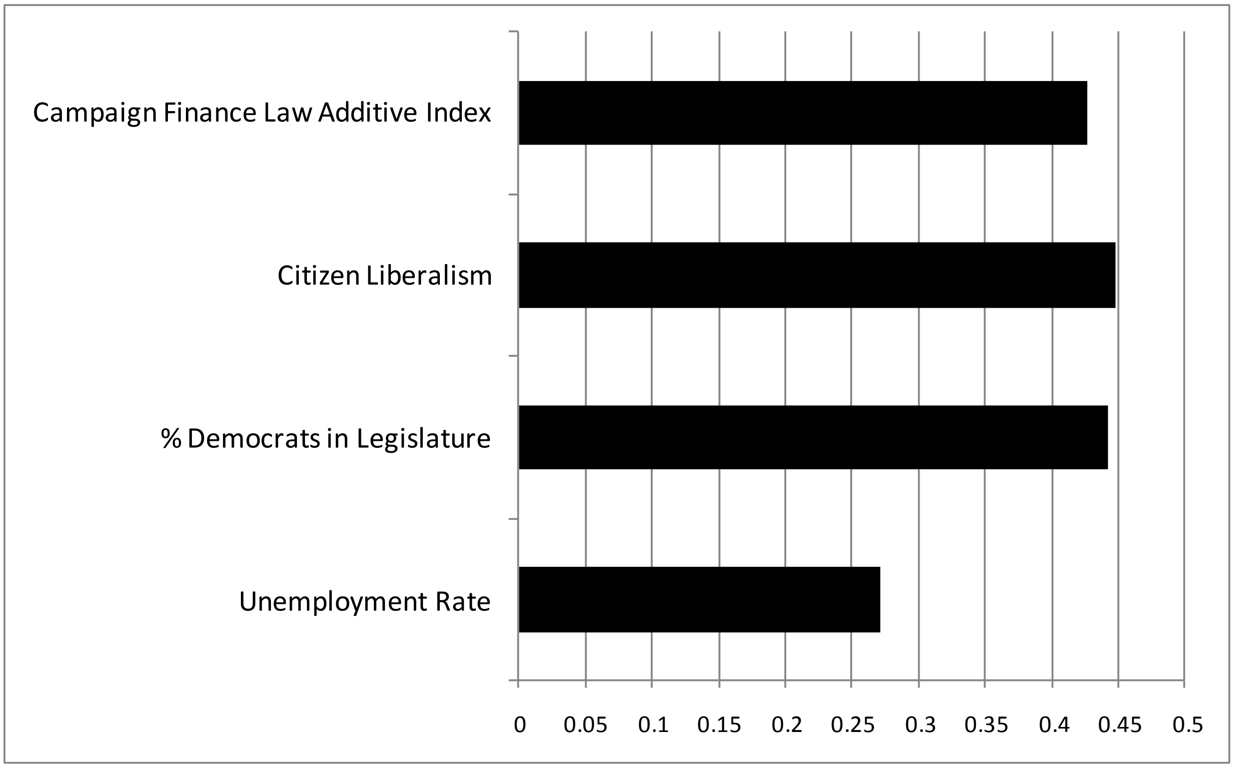
Dependent variable is the percentage of annual state spending that is devoted to the budget area listed at the top of the column. Cell entries are ordinary least squares regression coefficients with panel corrected standard errors reported beneath in brackets. * denotes $p<.05$ using a two-tailed test.

Table 3: Investigating Mechanisms Linking Campaign Finance Laws and Political Equality

	(1)	**(2)**	**(3)**	**(4)**
Dependent Variable:	Contributions Per Capita	% Contributions from Business Interests	% Contributions from Business Interests	% Legislators from Working Class Background
Timeframe:	2000-2010 (aggregated)	2000-2010 (aggregated)	2000-2010 (even years)	1979, 1993, 1995, 2007
Analysis:	Cross-sectional	Cross-sectional	Time-series cross-sectional	Time-series cross-sectional
Campaign Finance Law Additive Index	-4.099*	-0.998*	-0.825*	-0.542
	[1.401]	[0.358]	[0.214]	[0.343]
Constant	52.344*	8.257*	6.638*	2.218*
	[4.581]	[1.170]	[1.321]	[0.380]
State Effects?	N	N	Y	Y
R^2	.15	.13	.81	.58
N	50	50	285	200

Dependent variable listed at the top of each column. Cell entries are ordinary least squares regression coefficients with standard errors (panel corrected for Columns 3-4) reported beneath in brackets. * denotes p<.05 using a two-tailed test.

Figure 1: Substantive Effects on Public Welfare Spending



Bars are the predicted effect of increasing the specified variable one standard deviation on the percentage of a state's annual budget devoted to public welfare spending (computed using the coefficients reported in Column 1of Table 2).

Appendix

Table A-1: Independent Variables from Table 2 Lagged One Year

	(1)	(2)	(3)	(4)	(5)
Spending Measure:	Public Welfare	Cash Assistance	Housing and Community Development	Police Protection	Highways
Timeframe:	1962-2008	1963-2008	1962-2008	1962-2008	1962-2008
Campaign Finance Law Additive Index $_{t-1}$	0.301* [0.080]	0.129* [0.038]	0.035* [0.016]	-0.001 [0.004]	0.129 [0.068]
Citizen Liberalism $_{t-1}$	0.027* [0.010]	0.014* [0.005]	0.002 [0.001]	0.001 [0.001]	-0.002 [0.008]
Government Liberalism $_{t-1}$	0.023* [0.008]	0.002 [0.005]	0.002 [0.001]	-0.000 [0.000]	-0.008 [0.006]
% Democrats in Legislature $_{t-1}$	0.018* [0.009]	0.030* [0.005]	-0.002 [0.001]	0.001 [0.000]	-0.009 [0.006]
Democratic Governor $_{t-1}$	-0.341 [0.205]	0.042 [0.124]	0.026 [0.042]	0.021 [0.014]	0.057 [0.176]
Party Competition $_{t-1}$	-0.968 [0.789]	-1.844* [0.418]	-0.240 [0.147]	-0.067 [0.047]	-0.139 [0.694]
Unemployment Rate $_{t-1}$	0.211* [0.070]	0.095* [0.040]	-0.039* [0.012]	--	--
Violent Crime Rate $_{t-1}$	--	--	--	0.000* [0.000]	--
Time Trend (Year)	0.241* [0.005]	-0.116* [0.003]	0.015* [0.001]	-0.001* [0.000]	-0.393* [0.003]
Constant	-468.730* [11.151]	233.613* [6.564]	-28.831* [2.200]	3.184* [0.667]	791.639* [5.891]
State Effects?	Y	Y	Y	Y	Y
Year Effects?	Y	Y	Y	Y	Y
R^2	.81	.60	.46	.74	.89
N	2,273	2,273	2,273	2,299	2,303

Dependent variable is the percentage of annual state spending that is devoted to the budget area listed at the top of the column. All independent variables are lagged one year. Cell entries are ordinary least squares regression coefficients with panel corrected standard errors reported beneath in brackets. * denotes p<.05 using a two-tailed test.