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Campaign Finance and Political Polarization

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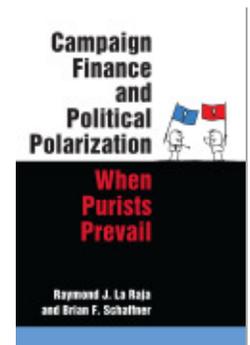
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Campaign Finance Laws, Purists, and Pragmatists: Who Benefits?

Politics in Washington appears hopelessly polarized. The widening ideological gap in the U.S. Congress has received most of the attention (McCarty, Poole, and Rosenthal 2006; Rohde 1991), but similar dynamics have been playing out in many state legislatures (Shor and McCarty 2011). While the consequences of such polarization are not always clear, there seems little doubt of one effect: partisan rancor in legislatures has increased dramatically. In recent decades we have observed an unusual degree of policy gridlock and the deterioration of Congress as a deliberative body (Mann and Ornstein 2012). A complete lack of compromise appears to block government from acting on pressing issues such as immigration or tax reform, which are widely acknowledged in both parties as ripe for policy transformation.

The problems do not stop there. A strong case has been made that policy gridlock exacerbates wealth inequality through a basic failure to adjust policies to new economic and demographic realities (Hacker and Pierson 2010; McCarty, Poole, and Rosenthal 2006). Perhaps most worrisome for the long-term health of American democracy is the possibility that our institutions do not adequately represent citizens, with parties standing for highly ideological policies that are at odds with the preferences of the vast majority of voters (Fiorina, Abrams, and Pope 2005).

Why We Write

As close observers of American politics, we worry about polarization and its potential impact on the democratic process. That is why we are writing

this book. We see no magic remedy for this problem, but we can help identify underlying causes, which might lead to fruitful reforms. Our experience in analyzing elections and governing suggests to us that a link might exist between the ideological distancing of the parties and the weakened state of party organizations in the United States. In an era when money is an essential electoral resource, party organizations have often struggled to finance politics because campaign finance laws and court jurisprudence constrain political parties more tightly than they limit interest groups or individual donors.

Party-Centered versus Candidate-Centered Financing

Given our concerns, the question posed in this book is a practical one, although it is informed by theory and research about political parties. Would a party-centered campaign finance system improve our politics? In other words, we ask whether rules giving political parties more freedom to raise and spend money on candidates would attenuate the excesses of ideological polarization between the major political parties.

We present our detailed response to this question in the remaining chapters of this book. Our argument is that financially strong party organizations should reduce party polarization. It may seem odd that making parties stronger organizationally would abate their programmatic intensity, but we will present evidence that this is so. As we explain in the following chapters, party organizations behave somewhat differently from other political actors in the campaign finance system. Specifically, parties are the sole political organizations whose primary goal is to win elections. We will argue that this unique characteristic forces parties to exercise a moderating effect on those who win office. One of the main thrusts of our argument will be that the introduction of party-friendly campaign finance laws would moderate the distancing of the major political parties in Congress and the states.

Aside from seeming paradoxical, our position may not be popular. Political parties are not the most admired institutions in American life. According to a recent poll by Rasmussen, 53 percent of U.S. voters think that neither party in Congress is the party of the American people.¹ The disdain for political parties is an American tradition dating to the Founding and expressed anxiously by George Washington in his Farewell Address; Washington admonished his compatriots to shun the “incongruous projects of faction,” which often serve “a small but artful and enterprising minority of the community.”²

Despite Washington's urgent call to avoid organizing by faction, political parties soon became mainstays of American democracy. However, their place in the political culture took a decidedly negative turn during the Progressive era of the early 20th century when political reformers recast political parties as institutions that damaged democracy and governance (Milkis 2009; Milkis and Mileur 1999; Rosenblum 2008). To this day, the image of the corrupt party machine lives on, even during an era when machines and party bosses are rarities. Many citizens continue to visualize these quasi-public organizations as doing business behind closed doors and interposing themselves between voters and candidates in ways that thwart the will of the people. The idea of empowering these organizations, which have been the object of distrust during the past 100 years or so, may seem uncomfortable to many readers.

Our position may also be unpopular because our findings suggest that increasing or entirely removing limits on how much money party organizations can raise and spend would be a step toward reducing polarization. As we will see in chapter 6, this is quite at odds with the opinion of a significant segment of the public, which supports the imposition of low contribution limits on groups such as political parties—or even the prohibition of contributions by such groups entirely. This opinion reflects the understandable fear that allowing parties to raise a lot of money will increase the potential for corruption, or at least afford moneyed interests an undue influence contrary to the public interest. There is the perception that allowing parties to take large donations increases the risk that wealthy individuals and special interests will have their way in statehouses across the nation. This very concern was at the heart of arguments for Congress to pass the Bipartisan Campaign Reform Act (BCRA) of 2002, better known as the McCain-Feingold Act, which banned so-called party “soft money.”³

We are sympathetic to such concerns and we acknowledge that our book cannot completely address the problem of corruption and undue influence.⁴ However, we will make the argument that the intense focus of campaign finance policy on preventing corruption has blinded policymakers to the broader effects of these policies on the political system. We will argue that a zealous anticorruption approach can lead to unintended negative consequences. We will make the case that this approach reflects an overly romanticized view that democracy is solely about individual citizens having a direct and equal voice in public affairs (Pildes 2015). A less naïve view is that democracy functions primarily through intermediary organizations—like parties, interest groups, and the media—that help inform, mobilize, and channel citizen preferences (Cain 2014). We make the point that the anticorruption

strategy, which seeks to “level down” contributions through low limits, has had the ironic effect of pushing political money toward obscurely named groups, sometimes called “super PACs,” that now pervade federal and state campaigns. We are concerned because such groups lack transparency and accountability. But we have another major concern.

Campaign Finance Reforms and Polarization

A major hypothesis in this book is that laws that push money away from party organizations to partisan interest groups have accentuated the highly polarized political environment in many American states. We expect too that our findings can legitimately be generalized beyond the states to the U.S. Congress, where many of the same polarizing forces are clearly at work. Through our discussion of the research and observations supporting this hypothesis, we hope to broaden the policy debate beyond a narrow focus on preventing corruption, without repudiating longstanding efforts to maintain integrity and equality in the political system through campaign finance reform.

Our study depends on a system-level approach that is attentive to the broader flows of political money rather than the one-to-one exchanges that occupy most research on the political influence of donors. Instead of studying the dyadic relationship between donors and officeholders (e.g., to see if money buys votes or effort), we propose a holistic framework that applies itself to what is referred to as the “hydraulics” of campaign finance rules. In our view, regulations do not tend to keep money out of politics but mostly redirect its currents through different channels. We have mentioned the super PACs that raise and spend millions of dollars outside the formal structure of campaign finance laws.⁵ These groups arose, in part, because the limits on contributions to candidates and parties were tightened with the BCRA of 2002. Money constrained from flowing directly to candidates and parties was squeezed in another direction.

Historical data also suggest that the relationship between campaign finance laws and campaign spending in U.S. elections is surprisingly inelastic. One study shows a roughly linear relationship over time between GDP and election-related spending, suggesting in economic terms that campaign spending is akin to a consumption activity (Ansolabehere, deFigueiredo, and Snyder 2003). In other words, spending is relatively immune to laws that attempt to restrain it. Campaign finance laws may change the paths that money takes, but the total amount in the system appears to depend on other

factors, such as the availability of money, the electoral stakes, and political competition (Hogan 2000).

The crux of our argument is that, although laws fail to stop the flow of money into politics, they do affect the channels through which it flows. By constraining one set of players—namely party committees—campaign finance laws force candidates to rely more heavily on other sources of funds. These funds may come from individuals, interest groups, and a variety of “party-like” organizations that emerge to replace the formal parties. These nonparty actors may all be partisans in the broader coalition, but their priorities differ from those of the party organization. And as we will see, by making candidates more reliant on nonparty supporters than on party committees, the rules have broad effects on the electoral system and governing. We will demonstrate that one of these effects is to push candidates away from the center and toward the ideological poles.

In our view, the architecture of campaign finance laws in most American states is not party-friendly. The laws have institutionalized a “candidate-centered” system of financing, which encourages candidates to reach out to nonparty sources for funds. At the same time, the role of party organizations has been circumscribed; they are permitted to give only relatively small amounts of money to candidates precisely because reformers fear that party organizations might be used as conduits to funnel large contributions to them. As we have noted, the unintended consequence of imposing lower limits on parties is that candidates seek a greater share of donations directly from highly ideological individual and group donors.

Perhaps more consequentially, under this system “the center cannot hold”: the party coalition unbundles organizationally. That is, partisan factions that compose the party, including party-aligned issue groups (e.g., environmental groups, gun rights advocates, etc.), choose to engage directly and independently in elections rather than work through the umbrella of the formal party organization. In this way, constraints on parties enable partisan interest groups to assume a larger and less constrained role in elections. The dynamic is especially acute in states where control of the legislature hangs in the balance and where partisan organizing is imperative. The outcome is to tilt the playing field toward ideological candidates favored by “policy demanders,” and to put pressure on moderate officeholders to defend highly ideological policy positions or risk loss of financial support.

To be clear, we are not arguing that the candidate-centered campaign finance system *caused* partisan polarization. There has been much else going on, and scholars continue to unravel the dynamic that spurred the distancing of the parties. In the category of “causes” one might include changes in

demography and technology, or any range of institutional transformations, including how candidates are nominated by an increasingly ideological partisan electorate.⁶ We also recognize that the nationalization of policy issues may have allowed ideological debates to seep into the politics of statehouses where such debates were muted before.

Our theoretical argument about partisan polarization builds on an emerging scholarly view of political parties as an extended network of partisan activists who care deeply about some contentious issues (Bawn et al. 2012). These activists have worked through interest groups and party-affiliated organizations to press their cause with candidates and officeholders. They are influential because they volunteer for campaigns, attend conventions, provide expertise, make endorsements, mobilize their constituencies in primary elections, and raise money. Many of them run for office too. The financing of campaigns is but one element in their drive to shape the direction of party politics and policies. But we think it is an important one, given how critical money is in financing modern campaigns.

For this reason, we think campaign finance laws matter greatly.

Political Parties and Democracy

We start with the premise that political parties are key institutions in a democracy because they help mediate between citizens and governing elites. In theory and practice, parties help link government to citizens by recruiting candidates, waging campaigns that inform and mobilize voters, and ultimately organizing the government to implement broadly supported policies. Voters generally comprehend what the major American parties stand for with respect to principles about the role of government, and they have the opportunity during elections to hold party candidates accountable for campaign promises and policy outputs. Because the party wants to control government, it is motivated to tailor policies that will attract votes and win elections. Moreover, parties typically serve as interest aggregators that pull together various factions into a coalition that pursues broader public purposes than any single faction. In this way, parties help to overcome the inherent fragmentation of interests in a diverse country by forging alliances among constituent groups; this gives the parties legitimacy in claiming to govern for the common good.

To be sure, political parties have a controversial history, rife with examples of monumental corruption and “back-room deals” that serve narrow interests rather than the wider public. But, on the whole, the major American

political parties have tended to be broad-based entities with mechanisms strong enough to hold political elites accountable. Despite shortcomings, their enduring party “brand” and institutionalized roles across all levels of government have promoted stability, collective action, and responsiveness in the American political system.

Many contemporary observers seem to blame the parties themselves for pushing politics to the extremes. A common (if inaccurate) argument is that parties have insulated themselves through redistricting so they do not have to be responsive to the broader electorate.⁷ Two noted economists specifically indict the so-called party duopoly on campaign money for the current climate of hyperpartisanship in American politics and the failure of government to tackle problems (Hubbard and Kane 2013). They claim that the FECA reforms of 1974 enriched the parties and cut money off from individual candidates and groups that might have challenged party orthodoxy. For them, the decision in *Citizens United v. FEC* allowing corporations and unions to spend without limits ended a “four decade period of repression of independent voices” (133).

We believe that such thinking reflects a one-dimensional understanding of political parties. In particular, critics who fear financially well-off political parties fail to understand that “the party” is made up of many factions and is hardly monolithic in its pursuit of political goals. Some factions focus intensely on influencing specific policies while others tend to engage in the game of winning elections. We think parties behave differently based, in part, on which factions control resources within the party. In our view, parties (like any organization) survive and thrive based on the availability of resources, and the factions that provide those resources have more power over the direction of the broader party.⁸ Importantly, for our argument, the *rules* on how people control and use resources affect the leverage of various factions within the party.

Two Conceptions of Political Parties

Our theory of resource dependency is informed by two different conceptions of political parties. One view sees parties primarily as unitary actors, controlled by “insiders” who seek electoral gains that will give them power and its perquisites. The other view sees parties controlled mostly by “outsiders” who work through issue coalitions to advance policy objectives. At this point, it would be helpful for us to explain more clearly what we mean by “parties” and how these two conceptions of parties inform our analysis.

PARTIES CONTROLLED BY INSIDERS

There is a lengthy scholarly tradition that views political parties as controlled largely by leaders inside the party organization (Michels 1949; Ostrogorski and Clarke 1902). These party leaders might emerge in the legislature, as is common in the United States today, or they might be unelected party bureaucrats, as in much of Europe. Historically, 19th-century party committees in the United States, like those in Europe, were controlled by non-elected officials. These were the local party “bosses” of the machine era. With the weakening of local organizations during the Progressive era, party leaders in legislatures have assumed more responsibility for recruiting candidates and supporting them in elections.

The primary vehicle for partisan activity remains the party organization, although the contemporary party is less oriented than in earlier years toward providing patronage to campaign workers in exchange for their support. Moreover, the modern party organization is chiefly a technical operation for waging political campaigns rather than a broader source of social activity, as it was in the past.⁹ To be sure, the party continues to hold meetings and conventions to rally activists around party platforms and (in some states) preprimary nominations; but day-to-day activities are carried out by experienced campaign professionals, called “executive directors,” appointed by a party chair. The party chair, in turn, is accountable to an executive party committee that includes elected officials, donors, and activists.

The main objective of insiders is typically to use the party committee to win elections. Only by winning elections and pursuing majorities can insiders hope to gain the power and wherewithal to reward supporters. For this reason, insiders have a deep interest in seeing the party organization survive as a means of securing control of government. Certainly insiders can create nonparty entities to help advance their electoral goals (and they often do), but they generally prefer the vehicle of the formal party organization to deploy electoral resources. The organizational label conveys a sense of public legitimacy among voters and gives its leaders legal status to place candidates on the election ballot. Moreover, the organization can exploit the historical loyalties of donors and activists from all factions who identify strongly with the party.

Insiders often contend with other factions for control of the party organization. It is typical of modern parties to allow for elections in which activists can run for positions on the executive committee. However, when insiders control the party apparatus completely (as they did in the 19th century), the organization is dedicated almost exclusively to serving the goals of insiders,

which means winning elections. Elections are the path to securing power and status. And by controlling government, leaders can reward followers with material benefits such as jobs, high-level appointments, contracts, and other forms of favoritism. These rewards, in turn, enable leaders to foster the commitment of followers who sustain the organization with their contributions of labor, money, or knowledge.

We consider the insiders to be the *pragmatist* faction of the party with a decidedly Hobbesian view of the world in their quest for instrumental power. The pragmatists are materialists and assume that individuals have a basic animal nature, which compels self-interested behavior. For this reason, the insider creates mutually beneficial arrangements to satisfy those willing to join the party coalition against rivals who might take benefits away. The rampant bargaining and horse-trading that inevitably ensue may appear unprincipled, but the byproduct tends to satisfy large constituencies that help the party to win elections. This dynamic is captured nicely in the words of famed 19th-century Tammany Hall boss, George Washington Plunkitt:

When the voters elect a man leader, they make a sort of contract with him. They say, although it ain't written out: "We've put you here to look out for our Interests. You want to see that this district gets all the jobs that's comm' to it. Be faithful to us, and we'll be faithful to you."¹⁰

The party-as-insider approach offers several different models that vary by the degree to which the party focuses exclusively on electoral goals at the expense of policy goals. The classic model, for example, understands parties as "unitary teams" that are overwhelmingly concerned with winning elections. This approach is best reflected in Anthony Downs's economic theory of democracy in which party teams move toward the median voter to maximize electoral opportunities, assuming that the ideological distribution of voters is single-peaked (Downs 1957). In the Downsian perspective, the party is simply a collection of people who seek office solely in order to "enjoy the income, prestige and power that goes with running the governing apparatus." Downs's theory has motivated a significant body of empirical research on party behavior. His approach, however, has been weak in explaining the puzzle of why parties diverge from the median voter. While Downs acknowledges the role of core activists in shaping a distinctive party brand, he fails to convincingly explain why the parties would move considerably away from the center.¹¹ This weakness has become more glaring today as we observe two highly distinctive and distant U.S. parties.

A second insider model also sees parties as unitary actors but with distinctive policy preferences. The teams are not exclusively seeking to win, but want to implement policies they strongly prefer. This is emblematic of the conception of party proposed by Edmund Burke in the 18th century, that parties are “a body of men united for promoting by their joint endeavors the national interest upon some particular principle in which they are agreed.”¹² In Burke’s view, members mostly agree about the governing or policy direction of the party. Given solidarity on principles and the electoral resources of the party organization, the insider party has significant bargaining advantages over narrowly backed interest groups. The party can avoid the “drift” in governing that occurs when officeholders are incessantly picked off by special interests or seized by local prejudices. At the same time the party is inured from being pulled too far to the extremes by issue factions whose policies could undermine the insiders’ broad governing philosophy in pursuit of the common good.

This model of a “responsible party” is exactly the one extolled by the American Political Science Association (APSA) in its 1950 report on strengthening American political parties.¹³ At the time, scholars feared the parties were too loosely organized and decentralized to address major challenges facing the nation. The authors would be pleased to learn that the party system has strengthened since the report was issued, but its responsible model of political parties at the national level is not necessarily what we have today. We argue instead that contemporary national parties have been controlled increasingly by narrow interest factions—the ones that George Washington may have feared—that do not necessarily sustain the Burkean goal of putting forth a coherent governing philosophy in the national interest.

A third model of the insider approach sees parties as more heterogeneous than the other two models. This is the party-in-service model theorized by John Aldrich (1995), which argues that the party comprises ambitious officeholders who campaign on their own individualistic terms. The institutional party helps to solve collective action and social choice problems by managing the coordination of members on legislation and political campaigns. It is not necessary, however, for party officeholders to agree on all policies; only that they agree to stick together as a long-term coalition to help pass their different policies. Moreover, officeholders do not necessarily have to champion the same causes when they campaign—they can pursue their own set of home style issues in getting reelected (Cain, Ferejohn, and Fiorina 1987; Fenno 1978). At the same time, however, they can use the campaign services offered by the party organization (voter files, consulting, etc.) to help mobilize electorates. In this fashion, the party sticks together for activities

that require collective action, but allows considerable discretion to insider officeholders to use the party apparatus to the degree they need it to advance personal goals.

The strength of the party and its leadership varies depending on agreement over policy preferences. As members become increasingly similar on policy preferences they will give power to leaders in the legislature to enforce party discipline that aids in passing legislation overwhelmingly favored by party members (Rohde 1991). Conversely, greater heterogeneity of preferences leads to a decentralized power structure in the legislature, which typically results in shifting legislative coalitions, including bipartisan law-making. The important distinction in Aldrich's approach is that the party primarily serves the goals of the personal ambitions of individual legislators rather than the goals of a unified party leadership.

In each of the three models the party organization serves the pragmatic insiders who want to stay in power or acquire more power. Elections have high stakes because the insiders have something tangible to lose: an incumbent legislator might fail in a bid for reelection, or a party boss might lose access to patronage and other spoils. For this reason, insiders have strong incentives to avoid extremism that might jeopardize seats in the legislature. In general, when insiders control a significant share of electoral resources, they will use them in ways that keep the party close to the median voter, thereby precluding high variance in ideology that might hurt the party brand. While the parties are "big tents," keeping low variance on party positions is essential for conveying clear information to voters (Snyder and Ting 2002). Consequently, when the political environment favors strong party organizations (e.g., depending on rules, culture, etc.), the pragmatist insiders will use their control of the party to screen out extremist candidates and convey a slightly off-center partisan message to attract persuadable voters. The clear implication of the insider conception of parties is that they will use party organizations in ways that attenuate partisan polarization. Moderation is a byproduct of their pursuit of power.

PARTIES CONTROLLED BY OUTSIDERS

A second theoretical approach views parties as entities controlled by groups and activists outside the formal party structure. This emergent view, which is attributable primarily to scholars associated with UCLA's political science department, provides an important challenge to traditional models of parties.¹⁴ The proponents of the UCLA approach argue that theories based on Downsian electoral incentives fail to explain the strong ideological

divergence of parties. Even a watered-down version of Downs's theory that makes room for policy-motivated activists is not a convincing explanation for why political parties take strong—indeed risky—policy positions that are often at odds with the preferences of most voters.

The group-centric approach gives greater attention to the role of interest groups and activists in parties. Indeed, theorists espousing this view argue that groups and activists *constitute* the party. Such partisans do not merely provide shades of color for the party brand (as Downs or Aldrich would have it), but forge its very principles and governing agenda. The party, then, is not a big-tent coalition reflecting blocs of voters, but a dense core of committed issue activists and networked groups with relatively narrow policy goals. By helping to elect candidates who bear the party label, these policy demanders seek to capture and use government to achieve their distinctive policy goals.

The goals are typically ideological, although they do not have to be. They range from high-minded idealism, such as a commitment to protecting the environment or the unborn, to material self-interest, such as pushing for pro-growth policies that serve particular business interests. Not surprisingly, the goals often reflect a mix of idealism and self-interest. Thus, a conservative group like the Club for Growth, which favors limited government and low taxes as a means to achieving national prosperity and freedom, attracts business elites who would benefit materially from such policies. More typically, however, the dominant issues form the basis of the so-called “Culture War,” which pits political elites—social liberals and social conservatives—against each other on a range of issues (Hunter 1991; Lindaman and Haider-Markel 2002).

The standoff between activists on the pro and con sides of these issues shapes the contours of partisan strife in the political system. For example, narrowly focused abortion rights groups such as NARAL in the Democratic coalition oppose conservative Christians in the pro-life movement who constitute a faction in the Republican Party. Similarly, the organization Defenders of Wildlife, which seeks to protect gray wolves and other endangered species, faces off against hunters and ranchers who oppose government intervention. Critically, the groups do not typically represent broad segments of the population, but small, cohesive memberships or constituencies focusing intensely on narrow policy issues.

The glue that holds the groups together as partisans is not mutual admiration but necessity. The issues they embrace are often disparate, seemingly disconnected. Ironically, this disconnection helps activist coalitions stick together because factions focusing on different issues can avoid internal battles over broader policy.¹⁵ Since no single group could achieve the task

of taking over government alone, they form “long coalitions” that stay unified under a party label. Through the umbrella of the party they are able to coordinate an agenda of mutually acceptable policies. These policies are not at the top of the list of concerns for the broader public, but politicians give them disproportionate attention because the political system rewards groups that are highly organized, provide electoral resources (members, money, expertise), and lobby intensely over the long haul (Grossmann 2012).

Importantly, these groups and activists do more than simply lobby like a special interest; rather, they behave collectively like a party coordinating their actions in recruiting, nominating, and electing candidates who favor their policy positions. Groups do this because a traditional lobbying strategy on their core issues would not yield the same results. As with any lobbying effort, groups would encounter the principal–agent problem whereby freestanding politicians might shirk or cut side deals that would undermine the groups’ goals. At the same time, incumbents might be reluctant to take electoral risks on issues that could jeopardize their standing among core constituencies in the district.

The surest strategy for groups is to help elect people who agree with them. By serving as gatekeepers for those who enter office, the policy demanders in the coalition largely shape the priorities of legislators. The key strategy of the long coalition is to coordinate on candidate vetting and support. If a challenger or open-seat candidate meets its approval, the coalition converges to support the candidate and markedly improves her prospects of winning the seat (Desmarais, La Raja, and Kowal 2014).¹⁶ To the casual outsider, the “party” is nowhere to be seen because the action—endorsements, fundraisers, voter mobilization, and so on—takes place outside the formal party organization (Masket 2009).

The group-centric approach offers a powerful explanation for why parties are polarizing ideologically. Adherents of this approach can point to highly influential groups of citizens who constitute the party and who are disproportionately ideological relative to American voters. They are emblematic of what Fiorina and Abrams (2009) call the “the purists,” a term they borrow from Wildavsky (1965) and one that we will use in this book. These two classes of party activists were first conceptualized by James Q. Wilson more than a half-century ago in his prescient book, *The Amateur Democrat*. Wilson termed those concerned primarily with the outcomes of winning and losing the “professionals,” and those who care intrinsically about ideas and principles the “amateurs” (Wilson 1962). Essentially, the amateurs—whom we call purists—have come to dominate public life because of the decline of material incentives that once attracted poorer Americans to participate

in electoral politics (Fiorina and Abrams 2009). Civil service reforms at the turn of the 20th century winnowed the patronage that attracted material-oriented followers to the party. The consequence is that the party includes fewer activists drawn from the ranks of people having a personal stake in political participation relative to those who have lifestyle or moral concerns. For this reason, the group-centered party has been more willing to take electoral risks by staking out extreme positions.

If party insiders are materialists, then party outsiders might be considered idealists. Rather than focus on the world as it is, they prioritize principles and values over concrete realities. Kant, not Hobbes, is their lodestar. To be sure, we are oversimplifying our distinction between insider pragmatists and outsider purists; we concede that motives often overlap. But we tend to agree with Fiorina that the purists now have more clout in party affairs. And this explains some of the gridlock in Congress. While Hobbesian pragmatists concerned with material gains are more likely to compromise when necessary to get half a loaf, Kantian purists are less likely to do so. Compromise devalues the moral underpinnings of their commitments and dissipates the passion of followers. Better to lose a standoff and use that fear-inducing loss to raise more money from membership, than to allow politicians to compromise far short of the policy goals sought by activists.

Let us be clear that we are not arguing that polarization is simply the consequence of changing the reward system for partisans. Demographics and changing technology play a role as well. For example, because of government programs and a larger middle class, fewer citizens today need the material rewards or social services that party organizations once offered. Additionally, contemporary campaigns require capital more than labor, which makes donations from wealthier segments of the population more important than previously. On the left, donor activists are concerned with promoting social issues like abortion and the environment, which are not necessarily top priorities for low-income voters. On the right, in contrast, donors appear concerned with promoting limited government and championing economic policies that are not necessarily desired by the middle-class constituencies that Republicans claim to represent (Bartels 2008; Gilens 2005; McCarty, Poole, and Rosenthal 2006).

An important part of the argument in the group-centric approach is that activists are able to pull parties to the extremes because of an inattentive public. While passionate partisans follow politics closely, the mass public remains barely aware of campaigns and policies being debated in statehouses. Lack of sophisticated media coverage of politics widens the gap in knowledge between activists and the typical American voter. In this way the

parties find the public “blind spot” that allows them to embrace policies that their broader electorates would not necessarily agree with, much less consider a policy priority. For this reason, the outsider model implies an unsettling disconnect between party activists and the American electorate. The party loyalists that constitute the Democratic and Republican brands reflect a bimodal ideological distribution with peaks on the right and left. In contrast, the ideological preferences of American voters tend to look more like a normal distribution, with most citizens near the median voter.¹⁷

Our Theoretical Approach: Parties as Competing Factions

Both the insider and outsider perspectives are ideal conceptual models and have much to commend them in explaining party behavior. At the same time, we see critical weaknesses in each approach. We start by observing that these party models largely reflect the facts on the ground at the time. The insider models were developed during a postwar period in which candidates seemed to have lots of individual discretion in campaigning and legislating. Some prominent scholars, in observing the seeming “wishy-washiness” of American parties, believed that the party system was ill-equipped to address the pressing social and economic needs of citizens. Not without reason, they feared democracy in a large, industrialized nation could not function well without cohesive Westminster-style political parties. Such parties could provide distinctive governing philosophies that offered voters real choices and the organizational strength to implement the party platform. Given this set of assumptions, theorists in the 1940s and 1950s buttressed their normative views of party with proposals to fortify party organizations, including allowing them greater access to finance (both private and public money) and mechanisms to give additional power to party leadership, as means of ensuring discipline and accountability among rank-and-file party members and candidates (American Political Science Association 1950).

Paradoxically, contemporary parties are now viewed as *too* ideologically rigid, and current scholarship reflects the new dynamics of the party system. The emergent “group-centered” approach has taken root during a period in which the two major parties display the kind of ideological distinctiveness that many leading political scientists appeared to desire back in 1950. In contrast to previous efforts to explain why the major parties displayed all the distinctiveness of Tweedledum and Tweedledee, scholars today seek to explain party divergence and the formidable obstacles to effective governance that American democracy faces. While the parties of the 1940s and 1950s seemed

adrift, we now have parties that appear perhaps too highly disciplined, with members of Congress voting almost exclusively with their party (McCarty, Poole, and Rosenthal 2006). Indeed, party members appear so distinctive that congressional and White House leadership look hapless in trying to forge bipartisan compromises to pass laws. The value of the group-centric model is that it explains persuasively why parties find it difficult to cooperate and converge on policies that appear to be in the national interest, even when a majority of voters support compromise.

In our view, neither model does a good job of explicating the periods outside the immediate era in which they were constructed. The insider models developed by Downs, Schattschneider, or Aldrich come up short in the contemporary era of highly partisan politics. And the more recent group-centric model proposed by the UCLA school does not adequately explain the extended periods of limited ideological warfare during the postwar era. The outsider model does not take seriously the possibility that parties were previously dominated not so much by issue factions as by politicians, including the party bosses and officeholders accountable to blocs of voters rather than to narrow policy demanders.¹⁸ Indeed, the rise of ideological activists as party gatekeepers might be an anomaly in American history. Given the relatively high levels of education and affluence in American society, politics is no longer a matter of survival for access to jobs and opportunities, but an arena for intensely political citizens to push for principled social and economic commitments.

Factional Struggle: Pragmatists versus Purists

We think the theoretical insights contained in both perspectives help to explain party dynamics through time, if we assume a broader view of the party coalition than either set of models warrants. Both perspectives see parties too narrowly. At times parties can be issue interests in pursuit of narrow policy objectives, but not always. They can also be Downs/Aldrich teams of politicians, or bureaucratically sustained formal organizations like the machines, or the professionalized staff envisioned by Schattschneider (1942). These two perspectives are subsets of the whole picture.¹⁹

We are not merely splitting the difference between the two perspectives. We tend to side closely with those who view parties as broader than the legal and formal definition portrays them. Like the UCLA school, we see parties in the United States as large, factional coalitions. They are mostly a decentralized group of actors who are bound by both formal and informal ties to

other partisans. These factions work together to help each other gain power and status, and to implement preferred policies of important factions.

Our difference with the pure outsider perspective is this: factions might have overlapping political goals, but the coalition is fraught with tension.²⁰ We argue that the push-and-pull of factional strains shapes the direction of the party. The UCLA school assumes that partisans unite by offending no one in the party coalition. Yet keeping the peace in a large coalition is no easy task. The group-centered approach appears to neglect the bitter internal politics of major parties. We contend that factions are *ceaselessly* trying to gain the upper hand in party affairs. While the overarching goal of partisans is to beat the rival party, each faction has its own set of priorities. And the clashing of priorities is exactly what drives the dynamics of the major parties (DiSalvo 2012; Frymer 1999). Partisans fight internally to put their goals above others, and they do this by supporting the ambitions of politicians who give priority to their issues. This includes helping them advance to leadership positions in Congress and nurturing presidential aspirations. We can observe such fights today between conservative Tea Party activists and establishment Republicans. A recent victim of this particular factional strife is Republican Eric Cantor, the former House majority leader, who was defeated by an extremist faction of Republican voters in the 2014 primary when a small primary electorate, dominated by the most conservative voters, selected David Brat, a political newcomer and economics professor espousing hard-right policies.²¹ Such tensions also exist in the Democratic Party between progressives who favor a strong regulatory state, such as Massachusetts senator Elizabeth Warren, and business-friendly centrists such as Hillary Clinton or Mark Warner.

We acknowledge that parties comprise more than two factions, but for analytical purposes we organize them into broader conceptual categories consisting of pragmatist insiders and the purist outsiders. As noted, pragmatists are concerned primarily with staying in power, while purists pursue policies. Not surprisingly, the purists have the moral high ground because they endow the party with the backbone of principles and legitimacy. The pragmatists, however, help make the American system of separate government work through daily betrayals of principle in pursuit of power. Such betrayals often lead to bipartisan compromise. At any given point in historical time, the degree of power controlled by these two archetypes of factions can stimulate or suppress ideological polarization in the party system. Today, the political environment—its media, its demographics, and its electoral rules—favors the purists. And for this reason we are living with highly polarized politics.

Resources and Factional Power

We contend that factions gain leverage in party affairs by having control over valuable political resources. Politicians need these resources to get elected, to get their message out, and to implement policies. Some equate resources with money, but that view is too narrow. Other types of resources are valuable to politicians. In politics, affiliation with membership organizations, especially those that are distributed broadly throughout the nation, is valuable because it provides direct access to voters. Having access to information, knowledge, and expertise is also prized. Politicians, for example, need expert testimony and the lobbying muscle of interest groups to help pass legislation. Politicians also value endorsements from groups that are viewed positively by many voters (e.g., firefighters, nurses). And, of course, politicians value campaign money, which helps them to get their message out, set governing agendas, and win elections.

The relative value of different kinds of resources may vary over time, which is one reason why some factions emerge more powerfully with changes in technology or shifting demographics. To provide one example, the value of labor relative to capital has changed considerably over the last century. Gains in productivity from emerging technologies allow all kinds of organizations, including political groups, to reach voters and keep track of them, without having to rely on armies of partisan workers walking the precincts. This is not to say that walking the precincts is unimportant, but only that the need for such people has diminished and that other means of communication have emerged—TV advertising, social media—to identify and mobilize key voters.

In this book we focus on campaign funds as a source of factional influence. While we emphasize that influence in the party is not solely a product of the resource environment, we admit that the availability of such resources is especially important during an era when money matters so much for reaching voters. The ability to finance political campaigns shapes whether pragmatists or purists have more influence in pushing the direction of the party coalition.

The Importance of Campaign Finance Laws in Shaping Factional Power

Access to resources is shaped, in part, by the electoral rules. In the realm of campaign finance, rules that allow unlimited contributions from partisan

interest groups allow purist outsiders to play a large role in financing candidate elections. This gives issue groups additional leverage in deciding who runs for office and who wins. In contrast, rules that restrict issue groups but do not similarly constrain party organizations tend to give the Hobbesian insiders greater influence on candidate selection and support. Today's rules at the national level and in most states favor the purist outsiders in the party.

The creation of rules, of course, is not exogenous; that is, rules are not only imposed from without. This makes our analysis rather challenging. We acknowledge that factions fight over the nature of these electoral rules precisely because they confer access to resources and influence. Given the coalitional nature of American parties, scholarship has not only focused on the battles over political rules *between* the parties, but on fights *within* the large and unwieldy party coalitions.

Historically we know that pragmatists and purists have fought for domination. In the modern era, the policy-demanding purists have pursued a variety of rules and regulations to weaken the influence of party pragmatists. California politics provides a good example with regard to rules governing its party nominating process. According to Masket (2009), California party activists pushed to eliminate the cross-filing of candidates, a practice that allows candidates to run in the primary election of more than one party. Cross-filing (also called a "fusion ballot" in some states) can enable a candidate in the primary to win the general election by emerging from the primary as the first choice among multiple parties, thereby eliminating or reducing the strength of other competitors. Importantly, cross-filing helps candidates get a slot on the general election ballot without the vetting of party purists in the primaries. If the candidate, for instance, cross-files with both the Democratic and Liberal parties, she could get on the general election ballot as a Liberal Party candidate even if she loses the Democratic primary vote. In short, with cross-filing, candidates have a multiparty path to get on the ballot. Without cross-filing, they would have to earn their place on the ballot by going through just *one* party nominating process. The abolition of cross-filing in California in 1959 made candidates more attentive to the policy preferences of activists in the major parties and, as Masket argues, encouraged the kind of ideological politics for which the state is known today.

Moderate factions fight back too. Once again California provides a telling example. In 1996, a centrist faction in the Republican Party introduced Proposition 198, which called for a "blanket primary" in which voters could select one candidate for each office, regardless of party affiliation, in an attempt to weaken the grip of the conservative wing that routinely nominated extremist

candidates who lost in the general election. The proposition was ultimately declared unconstitutional by the U.S. Supreme Court, but that did not stop pragmatists like Governor Arnold Schwarzenegger from introducing in 2010 a “top-two” primary reform, by which voters could pick any candidate for an office, regardless of party affiliation, and the two candidates receiving the most votes would engage in a runoff vote in the general election. This measure, like the blanket primary, had the purpose of moderating the parties.²² This law, now in place, appears to have withstood constitutional scrutiny.

With respect to campaign finance regulations, we know from studies of European parties that such rules tend to alter the nature of power within parties. Specifically, the introduction of generous public financing of political parties appears to make party organizations less attentive to the concerns of issue activists. Political parties in Europe that rely heavily on state funding rather than membership dues appear to lose their ideological edge. Activists complain that their parties become more concerned with staying in power than pursuing the parties’ historical agenda (Katz and Mair 1995). We argue that U.S. campaign finance laws have also affected the balance of power within parties. In contrast to Europe, however, the parties have not become more tame, but more ideological, precisely because of the heavy reliance of candidates on ideological sources of support. That is, compared with the past, candidates now rely more profoundly on issue activists (rather than the party organization), which is counter the trend in Europe.

Party Organizations and Insiders

Party organizations are the natural home of pragmatists (insiders), and not purists (outsiders). This is so for three reasons. First, the party organization is not a venue for the development and deliberation of policy issues. In the United States that activity has been outsourced to partisan think tanks and interest groups, while the party organization has traditionally been focused on the electoral machinery of campaigns. To be sure, purists bring issues to formal discussions of the party platform during conventions hosted by the party organization. But the party organization itself is a rather inhospitable place to incubate policy issues and energize issue activists. The instrumental role of the party organization as a campaign operation makes it more attractive to pragmatists.

Second, the party organization is the broadest representation of the party, which perforce requires the balancing of multiple interests. While narrow-issue activists might have a significant voice in the affairs of the party

committee, their clout is muted in Madisonian fashion by the multiplicity of interests affiliated with the organization. The governance structures—which involve elections to the executive committee and the appointment of party chairs—compel party officials to be accountable to a broad constituency. The leadership of party organizations typically includes elected officials, campaign consultants, issue activists, and longtime partisans whose dedication to the party exceeds their loyalty to any particular issue group. The fact that these partisans are under “one roof” of the formal party organization allows for the kind of bargaining that naturally mutes the ideological shrillness of any particular faction within the coalition.

Third, the party is a legally distinctive entity with a strong history attached to its label. Pragmatists, particularly elected officials, are most covetous of controlling this label so that the party brand does not become electorally poisonous to their careers. Since the party organization coordinates elections up and down the ticket it cannot stake out extreme or narrow positions, which might hurt individual candidates in particular districts at the federal or state level. To be sure, there are abundant fights over the control of party committees in many states. But purists typically find working solely through the party organization to be overly constraining and compromising to their ultimate goals. For this reason, they remain committed to the organizations outside the formal party structure, while pragmatists invest their energies within the formal organization. The party label is vital to the careers of pragmatists, while purist issue activists, in contrast, may regard the label mostly as a convenient vehicle to push their policies. Thus, purists have weaker loyalties to the party label and even weaker loyalties to the party organization.

A recent example illustrates the point. The 2014 primary for the U.S. Senate in Mississippi pitted six-term incumbent Thad Cochran against Tea Party–backed Chris McDaniel. Party insiders wanted Cochran to be reelected and took the unusual step in a primary of throwing the financial weight of the National Republican Senate Committee (NRSC) behind him. McDaniel and his purist supporters cried foul; among these supporters was the newly minted senator from Texas (and champion of the Tea Party), Ted Cruz.

The Senate Republican leadership had appointed Senator Cruz as vice-chair of the NRSC, hoping to tame him of his bomb-throwing efforts to radicalize the GOP. But despite his status as a member of the party’s inner circle, Cruz has been a relatively inactive NRSC fundraiser. His lethargy on behalf of the NRSC contrasts with his energetic fundraising for the Senate Conservatives Fund, a nonparty organization that seeks to make the party more conservative by supporting hard-right candidates. Cruz clearly felt that

the NRSC should have stayed out of the primaries (presumably to help the conservative candidate win). In contrast, the pragmatists in both the state and national party spoke publicly about their fears that candidates like McDaniel would shrink the party with their narrow appeal to highly conservative voters.²³

The distinctions between pragmatists and purists are not impermeable. Individuals representing the purist faction may at times work for the formal party organization. However, organizational location shapes behavior: where you sit changes your incentives. Purists who work for party organizations become more pragmatic, because even a former issue activist who consents to be adopted, however temporarily, by the party is more likely to view objectives from the electoral perspective of the party. This may well be why the GOP leadership wanted to bring Senator Cruz into the NRSC leadership. An ideologue who becomes a party leader will be pulled in new directions that diverge at times from former factional loyalties. Again, the case of Republican majority leader Eric Cantor comes to mind. At the time he lost in the primary to an obscure and inexperienced candidate in Virginia's conservative Seventh District, he was almost as conservative as the insurgent who beat him. However, in his role as a party leader, he had taken on the responsibility of raising money from broader party constituencies, such as corporate and Wall Street elites, who were intensely disliked by his own constituents. He was also amenable, on occasion, to making compromises with the opposition when it suited the broader strategies of the party. This pragmatic work as a party leader put him in jeopardy electorally because he could no longer satisfy the purist activists in his district.

We want to make one more point about party organizations and insiders. Legislative parties (such as the DCCC and NRCC) are more likely to provide a natural home for insiders than executive-centered parties (such as the DNC and RNC).²⁴ Legislative parties—sometimes called “caucus” committees—are controlled by leadership in the legislature, with minimal direct influence of activists. These leaders embody the hard-headed realism of insiders who want to control majorities in the legislature by winning elections. In contrast, executive-centered committees—sometimes called “state central committees”—have governing boards in which factions vie to get their members into positions of influence. State central committees are usually umbrella organizations that provide formal representation for county-based committees, which nurture some of the most ideological activists in the party. Indeed, activist insurgents from local parties often try to take over the central party apparatus to create party platforms and recruit statewide (and sometimes legislative) candidates who conform to their ideological

preferences (Conger 2010; Green, Rozell, and Wilcox 2003). A strong local party with highly mobilized and well-resourced membership, such as the Republican Party of Orange County, California, can have disproportionate influence in shaping the state party platform and vetting statewide candidates. This is one reason why the California Republican Party has seemed well to the right on issues, compared to rank-and-file GOP voters and members of the state legislature who belong to the GOP caucus.

The national parties are better insulated against purist capture because there are so many factions contending for influence that no single one can dominate. (In this way, the Madisonian argument in *Federalist* 10 about how an extended republic attenuates tyrannical factionalism applies to the party system as well.) Additionally, by tradition the DNC and RNC are largely controlled by the president or presidential candidate who assigns his loyalists and experienced campaign advisors to control the party apparatus in pursuit of the instrumental goal of winning the upcoming election.

In our analysis, we do not distinguish between state legislative and central party committees because of the limits of the data. But we point to the distinction because our findings may be attenuated or even somewhat biased against our contention that stronger party organizations help to moderate politics. In many states, such as Florida and Minnesota, the state central committees are highly active not only in statewide races but in legislative contests as well. And since state central committees can be more easily captured by purists from local parties, these committees may not always support moderate candidates.

The Moderating Influence of Party Organizations

There are two main ways in which strong party organizations moderate politics. The first is through financial support: because party insiders are chiefly interested in winning elections, their priority is to invest in candidates who will be most competitive in a general election—candidates whose views are closest to those of the median voter. This means that party insiders prefer to support moderate candidates. This contrasts with the riskier investment strategy of outsiders, who prefer to support candidates with positions as similar to their own as possible. The hope of outsiders is that voter inattention to issues will enable the election of candidates whose views are at odds with the preferences of the median voter.

The second way party committees moderate politics is in their role as financial mediators. The party can receive money from ideological donors—who

would otherwise give most of their contributions to ideological candidates—and reinvest it in moderate candidates. However, we want to be clear that party organizations are not interested in moderation as a goal; they are simply interested in winning. They give to candidates based on their likelihood of winning—in other words, they support candidates who take more moderate positions. This mediation role helps to insulate candidates from ideologically driven donors who might pull candidates in their direction, either by threatening to withhold funding or by financing other candidates who agree with them. When the party organization mediates the funding, the candidate is less concerned with ideological purity. Indeed, studies show that formal party organizations do not typically punish candidates financially for taking positions that stray from the party line (Bianco 1999; Damore and Hansford 1999; Herrnson 1989; Leyden and Borrelli 1990; Nokken 2003).

A purely “party-centered” campaign finance system would allow parties unlimited access to funds (no source or size restrictions) and permit parties to finance their candidates without limits. We will argue in this book that a party-centered system is most likely to attenuate ideological polarization between the major parties because (1) more money flows to moderate candidates, and (2) money is rinsed of its ideological origins. On this latter point we acknowledge that the party can only go so far in ignoring the kind of ideological candidates preferred by outsiders. We will elaborate on this point in chapter 2 when we examine the giving patterns of activist donors, especially conservatives, who view parties as too moderate. On the other hand, party organizations benefit from attracting resources from multiple constituencies, which makes them less dependent on a narrow faction of the party.

The Polarizing Influence of Candidate-Centered Politics

Candidate-centered systems, which restrict party financing, tend to incite ideological polarization. As we will see in chapter 2, when party organizations face financing constraints, candidates rely more heavily on direct support from interest groups and activist donors, who are the purist outsiders with strong policy preferences. In this way, candidates’ positions are pulled toward the ideological poles, especially in the early stages of an election when money is particularly important in elevating the name recognition and electoral viability of new candidates. This is the point in a campaign when interest groups already have a built-in advantage: party organizations typically cannot become directly involved in primaries because of laws or norms preventing them from supporting a favored candidate.

Some argue that laws constraining parties do not matter because the larger party (the coalition, not the organization) will adapt amoeba-like to new constraints.²⁵ We agree about the tendency to adapt, but we are not sanguine about the form the adaptations take. Party adaptations are not equal in style or substance to those undertaken by pragmatist factions through the formal party organization. When much of the coalition campaigning takes place outside the party organization, purist factions benefit as candidates are forced to rely more heavily on issue-based interest groups. And while “shadow parties” might emerge, they are no replacement for actual party committees. These nonparty campaign organizations, typically run by former party operatives (i.e., pragmatists), focus their efforts primarily on running TV ads in a few targeted races. They do not contribute to long-term party building, and they cannot work closely with local parties at the grassroots level. According to an experienced election lawyer, the “outside shadow parties are not accountable at all for the messaging. And the consultants want to spend it all on media. Field programs and canvassing are too labor intensive. The consultants want to get paid, get in and get out.”²⁶

A related problem is that constraints on the formal party organization will encourage partners in the party coalition to pursue campaign finance strategies through nontransparent organizational forms.²⁷ As we will argue later in this book, this dynamic imposes a heavy social cost on the political system. But here we attend to the ways in which political reforms can affect the balance of power within parties by giving advantages to some factions over others. We argue that laws that constrain the party organizations give the purists in the party greater influence than the pragmatists to shape the direction of the party coalition. The outcome is a party system that is decidedly more polarized than it would otherwise be. And such a party system engenders political fragmentation among factional interests because party leaders cannot impose sufficient discipline on coalition members to advance broad interests. This proclivity toward fragmentation leads to problems of governance (Pildes 2015).

Our contention that campaign finance laws strengthen one faction of the party over another challenges the conventional wisdom of party scholars about what makes a party “strong.” In theory, parties can be strong programmatically (they offer distinctive policies) and organizationally (they have significant control over the political process, including nominations, organizing campaigns, and governing). The classic scholarship on political parties, as embodied in the 1950 report on political parties by the American Political Science Association, implies that strong party organizations are tightly linked to strong programmatic parties. In other words, when

organizational leaders have significant control over rank-and-file members, they can discipline them to follow a coherent party program. Our suggestion is that the two aspects of party strength are not necessarily linked and may even be inversely related. A strong party organization may serve as a buffer against ideological programmatic parties because the pragmatists who dominate the party organization would have the power to challenge policy-demanding purists, based within partisan interest groups, who favor uncompromising positions on policies.²⁸ In this way, strong party organizations may lead, paradoxically, to party coalitions with softer policy edges.

A State-Based Empirical Approach

In this book we examine the effects of campaign finance laws on ideological polarization. While polarization has been most commonly studied in national politics—particularly in the U.S. Congress—it has also been occurring across the 50 state legislatures. Shor and McCarty have recently provided an excellent data source to scholars of state politics by compiling the roll call votes from state legislatures over nearly two decades and using those roll call votes to derive estimates of the ideology of each state legislator (Shor and McCarty 2011). This exercise has allowed Shor to document increasing polarization in state legislatures. He reports that from 1996 to 2010, 59 of the 99 state legislative chambers experienced increased polarization.²⁹ In only 16 of those chambers was polarization decreasing, and in the remaining 24 chambers polarization remained steady. Thus, a majority of state legislative chambers were polarizing, but polarization was not by any means universal.

It is on the state legislatures that we focus our study for one important reason: while there is only a single set of campaign finance laws in place at any given point of time at the national level, different states have implemented very different types of campaign finance laws for state legislative elections over the past several decades. This fact provides us with a way of assessing the impact of different campaign finance laws. Specifically, we can compare states that empower parties to raise and spend unlimited amounts of money on legislative candidates with states that impose strict limits on what parties can spend in elections.

For this book we collected information on campaign finance laws in the 50 American states for the years 1990 through 2010. For each election year in each state we determined whether the state placed limits on how much money parties could raise from various sources and whether the state placed limits on what parties could contribute to candidates. We used several sources

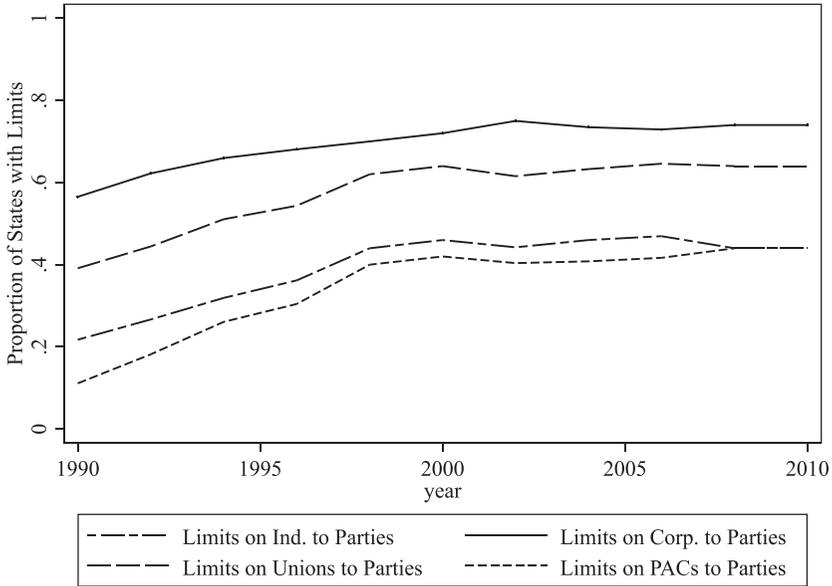


Figure 1.1. Limits on Contributions to Parties from Various Sources. (Note: Lines show proportion of states with laws for each type of limit for state legislative elections in a particular election year.)

to construct this information, including data from the National Council of State Legislatures and various secretary of state or election agency offices.³⁰ We also wanted to account for whether the state placed limits on the other types of political actors we have discussed so far—individuals and interest group organizations. Fortunately, we were able to draw on (and supplement) data collected by Jeff Milyo for those entities.³¹

Figure 1.1 shows the proportion of states that placed limits on how much money parties could raise from four different sources across the two decades for which we have data. Several points are worth making from this figure. First, states have been consistently more likely to limit what corporations and unions can contribute to parties compared to PACs and individuals. Second, states have been increasingly likely to implement limits on what parties can raise from all sources over time. This is especially true for PACs and individuals. In 1990, only about one state in five limited how much individuals could contribute to a political party and only about one in ten placed such limits on PACs. However, by 2010 the proportion of states placing such limits on individuals and PACs had more than doubled. This reflects an increasing tendency of states to limit the role that parties can play in financing candidates.

A third point from this figure, however, is that throughout the time period, there has always been significant variation in how states regulate parties. Even in the more recent election years, a significant number of states have allowed corporations, unions, PACs, and individuals to contribute unlimited sums to party organizations, while other states have limited what all of these organizations can give. Such variation in state laws provides leverage in evaluating the impact of campaign finance laws on who donates, who gets money, and how these arrangements affect partisan polarization. These factors will be the subject of detailed analysis in the later chapters of this book.

Figure 1.2 shows the proportion of states that limited what parties, individuals, and interest group organizations could contribute *to candidates* in each of the election years between 1990 and 2010. The pattern in this graphic is similar to that in figure 1.1. Specifically, the proportion of states limiting what parties can contribute to candidates started relatively small (about one in five states had such limits in 1990), but has increased significantly during the past two decades. Indeed, in 2010, just under half of the states placed limits on party contributions to candidates. While limits on contributions from individuals and organizations have always been more common than limits on parties, the prevalence of such limits has not increased as much during the period. Indeed, in 1990, 26 states placed no limits whatsoever on what parties could raise from individuals or contribute to state legislative candidates. By 2010, only 15 states had no limits on party fundraising from individuals and spending on candidates.

The patterns in figures 1.1 and 1.2 have not been good for party organizations, which are now much more constrained than they were two decades ago in what they can raise and spend in many states. But the changes in those figures provide us with additional variance to aid in our investigation. Indeed, we are able not only to examine the consequences of differences in campaign finance laws across states in a given year, but also to consider the effects of different campaign finance laws within several states that changed their laws over time.

Of course, it is important to confirm that these limits actually have an effect on how much of a role parties play in state legislative campaigns. Figure 1.3 shows the amount of money raised, per capita, by state political parties in 2012. These figures come from the National Institute on Money in State Politics, a data source we use extensively in our book and which we describe in more detail in chapter 3. The light bars in figure 1.3 represent states that do not limit what individuals can contribute to parties and the dark bars are for states that do have such limits. The horizontal lines identify the means for each group of states. There are two important points to draw

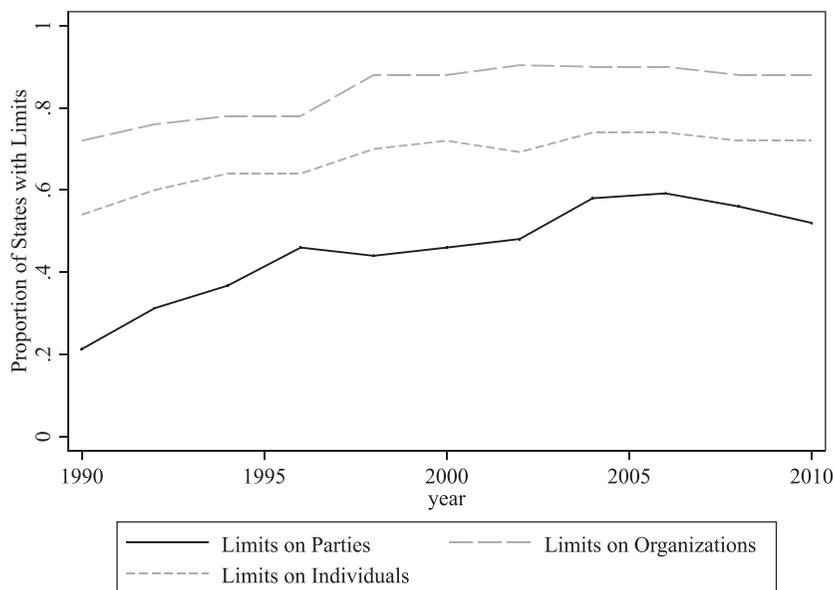


Figure 1.2. Limits on Contributions to Candidates from Various Sources. (Note: Lines show proportion of states with laws for each type of limit for state legislative elections in a particular election year.)

from this figure. First, the type of campaign finance laws a state has in place clearly matters. Indeed, parties in states with no limits on what can be raised collect, on average, more than twice as much money as those in states where such limits do exist. It is quite simply the case that when parties are limited in what they can raise from any given individual, they are less likely to be able to raise large sums overall.

The second point from this figure, however, is that there is significant variance in how much parties raise in a given state, even beyond what can be explained by the types of laws a particular state has in place. Indeed, campaign finance laws are only one of many factors that are likely to influence how much of a role parties play in financing campaigns in a particular state. In some states parties are simply more powerful and active than in others, for reasons that may have more to do with historical factors than the current legal regime. Thus, it is important to recognize that while campaign finance laws are influential, they are not determinant.

In the next few chapters, we will use the significant variance in campaign finance laws and actual party financing that the states exhibit during the period we study to draw strong inferences about the role of campaign

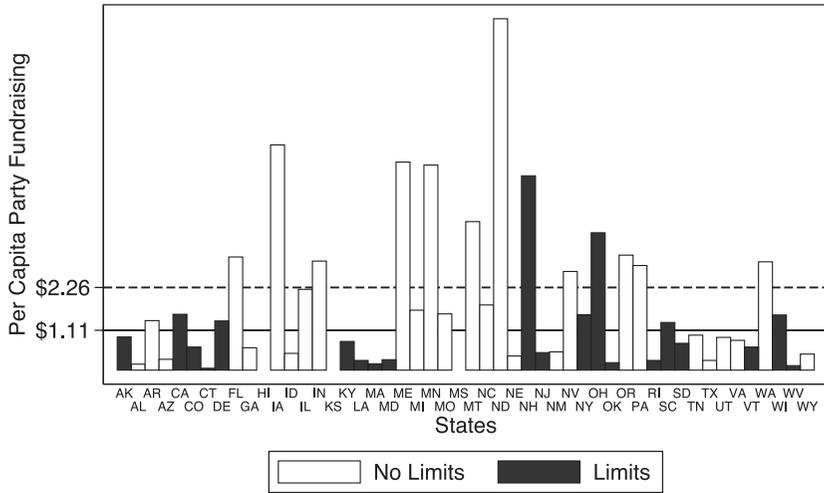


Figure 1.3. Per Capita Fundraising by State Parties, 2012 Elections. (Note: Data from authors' analysis of data from the National Institute on Money in State Politics and Federal Election Commission. Bars show the amount of money raised by party committees in each state per capita.)

finance in affecting polarization in the states. We will examine, for example, (a) whether parties are more active when they are not limited by campaign finance laws; (b) whether parties tend to contribute to more moderate candidates compared to other actors; and (c) whether legislative polarization is lessened when parties are more active in state legislative elections. In short, the varied experiences of the states over the past two decades will provide us with significant insight about how campaign finance laws matter for parties and for legislative polarization. We also expect that the insights we gather regarding the individual states will generalize to the U.S. Congress, where polarization and gridlock are likewise apparent. Congress, no less than the states, feels the effects of campaign finance laws and policies; it is reasonable to expect that findings drawn from, and recommendations applied to, state legislatures will be roughly applicable at the federal legislative levels.

A Note About Determining Whether Campaign Finance Laws Matter

Testing whether campaign finance laws matter is not simple. For example, elected officials tend to select the types of campaign finance laws that a state

enacts, and they undoubtedly make these decisions based at least partly on strategic considerations.

As a basic example, consider the results we present in figure 1.3. In that figure, we show that political parties in states that limit what individuals can contribute raise significantly less money per capita than parties in states without such limits. This finding makes sense, but can we be sure that it results from the laws? Perhaps it is the case that states where people contributed less money to parties in the first place were more likely to adopt restrictions on what individuals could donate. After all, passing such a restriction may have been easier if the state's population was not that interested in donating to parties anyway.

In this book, we take care to support with the data the causal claims we make about the impact of laws. For example, whenever possible, we use temporal data to consider how changes in laws may have created changes in the behaviors of donors, politicians, and other political elites.

As a first step, let's examine here whether states that adopted restrictions on political parties and states that did not do so are systematically different in ways that might affect the conclusions we draw. For example, let's ask whether states that restrict what individuals can give to parties have populations that are less supportive of parties generally. One way to investigate this question is to compare the donation behavior of state residents to the *federal* party committees. Because the laws limiting donations to national party committees are consistent across all states, if we find that individuals in some states donate more money to the national party committees than individuals in other states, we cannot attribute this difference to campaign finance laws, but rather to the underlying preferences of those populations.

Using Federal Election Commission data from the same election cycle (2011–2012) to make this comparison, we find no support for the notion that the state electorates in these two groups had different preferences in contributing to parties. Table 1.1 compares the per capita giving to state and national parties based on whether the state has limits on what individuals can give to state parties. The results from the table show that states that limit contributions to state parties contribute \$1.15 less per eligible voter to those parties than states with no limits (the same result shown in figure 1.3). However, those same states actually give about 28 cents more per capita to the national party organizations than states without limits (though this difference is not statistically significant). Thus, the results in table 1.1 provide us with additional support for the notion that it is the laws that matter in reducing what individuals contribute to the state parties, not some other unaccounted-for difference in the state populations.

TABLE 1.1. Comparing Per Capita Contributions to Parties (2011–2012 Election Cycle)

Measure	States with Limits on Giving to State Parties	States with No Limits on Giving to State Parties	Difference
Per capita contributions to state parties	\$1.11	\$2.26	–\$1.15*
Per capita contributions to national parties	\$1.26	\$0.98	\$0.28

* $p < .01$, difference of means test.

Many of the outcomes we will focus on in this book have to do with the involvement of parties in state elections and the amount of polarization observed among elected officials as a result. If we are to attribute to the campaign finance laws some responsibility for these effects, then we will be on stronger footing if the states that did and did not enact restrictions on parties are similar on other variables that might account for party activity and polarization. That is, our argument is stronger if these states are as similar as possible aside from the fact that some enacted restrictions on parties and others did not.

Table 1.2 shows how states that limit the ability of parties to either raise or spend money compare to those who have no such limits on four variables related to party activity and polarization. The 1912 vote for Taft is a measure of the state's progressive tradition, as those states voting more heavily for Taft were much less supportive of the progressive movement, which tended to be hostile to political parties. The second measure is David Mayhew's Traditional Party Organization index, which is a measure of the extent to which a state had a history of strong party organizations (Mayhew 1986). The measure ranges from 1 (no history of strong party organizations) to 5 (for states with a history of strong party organizations). The folded Ranney Index is a measure of the amount of competition between the two major parties in each state.³² And the mass polarization measure is the difference between issue positions of the average Republican in a state and the average Democrat based on data from the Cooperative Congressional Election Study (described in more detail in chapter 2).

Each of the measures in table 1.2 shows only small and statistically indistinguishable differences between states that enacted limits on parties and those that did not. Remarkably, whether a state placed limits on party fundraising or spending appears to be unrelated to the progressive tradition in the state, the extent to which party organizations have a history of being strong and active in the state, the extent to which there is competition between the

TABLE 1.2. Comparing States With and Without Limits on Political Parties

Measure	States Limiting Party Fundraising/Spending	States Not Limiting Party Fundraising/Spending	Difference
Vote for Taft (1912)	21.73	21.98	-.24
TPO Index	2.20	2.06	.14
Folded Ranney Index	.87	.86	.01
Mass polarization	12.56	12.38	.18

Note: None of the differences in this table approach conventional levels of statistical significance.

parties in the state, and the extent to which the electorate is polarized. This is crucial for the analyses that follow in this book, because it means that we can rule out the above characteristics as potential alternative explanations for why we might find differences between states that have limits on parties, and those that do not.

Plan of This Book

To this point, we have discussed the history and nature of political parties, noting that, contrary to popular belief, parties perform positive functions in practical politics by aggregating disparate interests, reducing fragmentation of interests and policies, moderating extreme advocacy positions, and diminishing partisan polarization. We have drawn a distinction between insider, party-centered politics and outsider, candidate-centered politics, which will serve us well as we develop our argument and analysis in the next chapters. We have stated our contention that, to the extent that campaign finance laws limit the level of funding flowing to and from the organized (insider) parties, they have the unintended consequence of exacerbating (outsider) factional polarization. We have argued that such laws affect not only campaigns, but also governance, by empowering highly ideological positions and helping to elect candidates whose views are distant from those of the majority of voters. By tracing the effects of campaign laws on parties, we have begun to establish our case for enacting campaign finance policies that loosen or even annihilate restrictions on the financial participation of political parties in electoral politics at the state and federal levels.

In the next chapters we expand and develop our argument through an analysis of data relating to campaign financing. Our analysis unfolds in three parts as we look, in essence, at the effect of campaign finance laws on who gives money, who gets it, and how it affects polarization in the legislature.

In chapter 2, we begin by examining the link between donors and campaign finance laws. We first illustrate the unique characteristics, motivations, and behaviors of political contributors in state legislative elections. Not surprisingly, we find that those who contribute are unique compared to most Americans. Our results at the state level confirm prior research on federal elections, showing that political donors tend to be highly polarized and partisan compared to the rest of the population. A key part of our analysis is to examine how donors make choices about where to give money. Using a rich collection of surveys, voter files, and campaign finance data we reveal intriguing patterns of political contributions based specifically on donor ideology. Our analysis will shed light on the direction that both major parties have taken in recent years. In doing so, we will take notice of a surprising asymmetry that emerged from our data. For while both parties have strayed from the center, it appears that the Republican Party has made a particularly hard turn to the right. We will suggest in our analysis some reasons why this phenomenon has occurred.

In chapter 3, we turn our focus to the candidates. Specifically, we look at how campaign finance laws affect which candidates get political funds. Our theory of parties suggests that, compared to interest groups and activist donors, they will choose to invest in moderates and challengers precisely because parties uniquely want to maximize opportunities to win legislative seats. Using data from the National Institute on Money in State Politics we observe the flow of money to different types of candidates across American states with different campaign finance laws. Our system-level approach shows how the source of funds to candidates varies depending on the ideology of the incumbent and her incumbency status.

In chapter 4, we examine the consequences of campaign finance laws on the ideological extremism of officeholders and the polarization of the parties. Our main hypothesis is that money that flows outside party channels tends to promote ideological polarization between partisan officeholders. Conversely, we propose that money that is controlled by the party will tend to moderate politics. We test our hypotheses by comparing the polarization of legislators in states with party-centered versus non-party-centered laws. The last two chapters pull together our findings and address their implications. In chapter 5 we summarize the findings from the analytical chapters and extend the analysis to the impact of antiparty laws on the emergence of independent spending, including spending by PACs, which has drawn concern especially at the federal level. Importantly, we connect independent spending to our broader argument about how laws constraining the political parties tend to increase ideological polarization.

Finally, in chapter 6 we offer policy recommendations for reforming the campaign finance system. Some of our recommendations may be controversial, either because they challenge the conventional wisdom about campaign finance reform, or because they appear to lack broad public support. Still, we feel obliged to suggest potential strategies that might attenuate the kind of polarization that makes governing so challenging in a system of separated powers. At the very least, we hope our study establishes that the prevailing reform strategy of putting limits on party financing has potentially adverse consequences on our political system. These effects should be considered against other goals of reform, such as preventing corruption. A more balanced approach to campaign finance might gain public legitimacy, improve political representation, and promote better governance (Cain 2014).