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## Campaign Finance and Political Polarization

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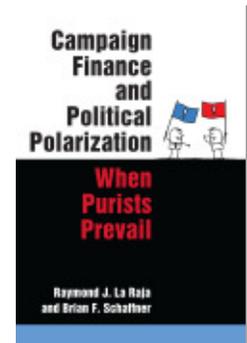
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## The Ideological Wellsprings of Campaign Money

There is understandable concern among American voters that political donors use money to bend politicians to their favored policies. Voters may worry that shiftless politicians are easily bought and sold by wealthy contributors. Borrowing loosely from Groucho Marx, they hear politicians saying: “These are my principles. If you don’t like them, I have others . . . if you’ll contribute generously to my campaign.” Even if politicians are not necessarily on the take, the whole business of raising money *looks bad* and plausibly undermines faith in the democratic process. In the past century, reform advocates have commonly responded to these anxieties by limiting the size of contributions that donors are permitted to make to candidates and political parties. In Colorado, for example, the limit is just \$200 per election, the lowest in the nation.<sup>1</sup> This reform strategy seems intuitively appealing because its intent is to restrain candidates from courting contributions from big donors, whose gifts may seem unsavory—too much like bribes.

### The Effects of Limits on Contributors

We suggest, however, that this approach fails to appreciate the larger system-wide effects of contribution limits on the flow of political money in the electoral system. Indeed, this reform strategy focuses only on the one-to-one relationship between the donor and candidate, while ignoring the fact that such rules incentivize behaviors that ripple out to touch the broader aspects of the political system. In subtle ways, campaign finance rules allocate power

among the partisan factions that we have grouped into the competing categories of pragmatists and purists.

In our view, rules that excessively constrain political parties enhance the influence of the most ideological factions of the party coalition—the “purist” outsiders whose primary focus is to push policies in government. The purists gain leverage because contribution limits on political parties encourage politicians, blocked from gaining financial support from parties, to turn more intensively to alternative sources of support. And these alternative sources tend to be more extreme in outlook than are most Americans. Among such sources are the narrow issue groups that have the means and motive to run independent campaigns, as well as the highly ideological donors who readily give money to politicians who espouse their views. Others have made a similar argument with respect to constraints on political action committees (PACs), which are largely nonideological, pragmatic business interests (Barber 2013).

The underlying point is that constraints on pragmatist groups, such as political parties and traditional PACs, make politicians more reliant on the purist factions. This pro-purist slant appears benign when viewed through the traditional lens employed by political reformers. Purist ideological groups do not appear to be guilty of corrupting the political system in the conventional sense, and their influence does not fit the corruption narrative of old-fashioned party machines and rent-seeking special interests. Nonetheless, highly constrained campaign finance rules shift the resource terrain in favor of the most ideological elements of the polity and away from materially oriented interests. To some, that is good news. Better that government decisions be motivated by ideals than by material incentives. On the other hand, as we pointed out in the previous chapter, governing in a separated system of powers often requires the lubricant of impure material interests to forge deals and bipartisan compromises.

## A Look at Individual Donors

But we are getting ahead of ourselves. Our purpose in this chapter is to focus on the behavior of *individual donors* who make up the vast bulk of contributions to candidates. According to data from the National Institute on Money in Politics, candidates in state legislatures receive nearly half of their campaign money *directly* from individuals. We will examine the ideological leanings of these donors; whom they choose to give money to; and how campaign finance laws affect their decisions.

This chapter will focus on three questions. First we will look at who tends to contribute money in politics. We will look at donors' ideological leanings and intensity, focusing not only on big donors but also on so-called "small donors." We expect larger donors to be much more ideological than the typical American voter, a finding that has been shown to be true in federal elections (Bafumi and Herron 2010; Francia et al. 2003). Here we ask whether the same kinds of activist donors who operate nationally are also heavily engaged in legislative elections in the American states. We will then be in a position to consider whether ideological extremism characterizes smaller donors as well as larger ones.

Second, we examine to whom these ideological donors give their money. Our hypothesis is that donors tend to prefer giving directly to candidates who think like them instead of giving to political parties, which they may see as too *moderate*. If this is proven, the implication is that candidates reap contributions to the degree that they are highly ideological (Ensley 2009; Moon 2004). While this kind of donor–candidate relationship does not constitute traditional corruption, it can distort the electoral system by inducing politicians to rely heavily for campaign money on a subset of Americans with relatively extreme views. In this way, resource dependency constitutes an electoral bias.

Finally, we address the question of whether campaign finance laws can alter decisions about where donors will give their money. The purpose is to see whether changing the laws might diminish the direct flow of money from ideological donors to candidates. We will consider whether laws favoring contributions to parties instead of candidates would encourage all donors—even the most ideological donors—to contribute money to the political parties.

Together these questions address the feasibility of introducing an alternative approach to regulating the campaign finance system based on the concern that the political parties have grown too far apart ideologically. Paradoxically, we are exploring whether party committees should play a bigger role in mediating the transfer of funds to candidates as a way to make "the party" (i.e., the broader coalition) programmatically weaker and less rigid. As we argued in the previous chapter, party committees tend to be broad-based entities that coordinate and build consensus around the preferences of various partisan factions. We have noted that party committees tend to moderate extreme views and follow pragmatic principles and practices, including compromise, geared to ensuring electoral success. This means they are likely to use resources in the most efficient manner possible, supporting candidates in close races regardless of their ideology (Herrnson 1989; Kolodny 1998).

A party-centered campaign finance system would privilege the pragmatist insiders by allowing large or unlimited donations to parties while limiting individual donations to candidates. In this way more donors—even ideological donors—might feel compelled to give money to the party, which in turn would choose where to allocate campaign funds. In these circumstances, moderate candidates might do better under a party-centered system.

## The Hydraulics of the Campaign Finance System

We begin our assessment of campaign finance dynamics by examining the incentives of individual donors. We reason that, in a world without any contribution limits, the more ideological donors would prefer to give money directly to favored candidates rather than making contributions through political parties or interest groups. A free market in contributions would allow them to pick and choose favorites, and subsequently reap the gratitude of candidates. In a system in which limits on giving to candidates were imposed, however, we contend that donors would turn to parties and interest groups as alternative options for contributing.

The thinking behind imposing contribution limits through a candidate-centered framework necessarily entails making efforts to prevent donors from finding a “back door” to finance candidates. For this reason, many states impose relatively low contribution limits on political parties because of the unique relationship that parties have with candidates. The concern is that without limits the party might serve as a conduit to funnel money from donors to candidates who face limited contributions. Thus, campaign finance systems frequently contain anticircumvention statutes, including rules against earmarking contributions to the parties for particular candidates. In states with laws of this type, the political parties tend to become highly constrained under a candidate-centered framework for regulating money in politics.

The candidate-centered system of campaign finance rules is built on at least two assumptions that, to our knowledge, appear to lack empirical support. The first assumption is that it is possible through regulatory restrictions to prevent wealthy citizens from financing elections. In any free society this would be a challenging goal, but in the United States it is particularly problematic. The First Amendment of the U.S. Constitution places powerful constraints on the ability of the government to prevent people from spending money on politics. Even when the Supreme Court upholds rules that limit the size of contributions, they do this on the very narrow grounds that

government has a compelling interest in thwarting quid pro quo corruption (see *Buckley v. Valeo*, 424 U.S. 1 (1976)). The Supreme Court has ruled, however, that the government cannot intervene with restrictions on independent political *spending* that attempt to level the playing field.<sup>2</sup>

Recent Supreme Court decisions have made it even easier for wealthy donors to make unlimited contributions to a variety of “independent” political committees that attempt to elect candidates.<sup>3</sup> Based on the anticorruption logic of *Buckley*, the quid pro quo between donor and candidate is attenuated significantly when candidates do not receive direct contributions or coordinate with groups supported by donors. For this reason, “super PACs” emerged in 2012 as a venue for very wealthy donors. Super PACs can spend unlimited amounts by independently supporting favored candidates. In short, the rich have ready alternatives when they face constraints on contributing money to candidates or party committees. This was true even before *Citizens United*, since donors could always give to a variety of PACs that supported their causes (not to mention giving money to think tanks and lobbyists that provide influential information to officeholders). In short, wealthy ideological donors have a multitude of choices, and their passion for politics will encourage them to figure out ways to help favored politicians with their money.

A second questionable assumption is that limiting contributions will democratize the pool of people who contribute money to politicians. The main argument is that limits should compel politicians to broaden fundraising efforts to include donors who are less wealthy than traditional donors (Migally and Liss 2010). On the face of it, this dynamic seems unlikely because making a donation to a candidate is a rare form of political participation that emerges from having discretionary income and a very strong interest in politics (Verba, Schlozman, and Brady 1995). In fact, few Americans actually contribute money. One study estimates that less than 10 percent of the population donate money to a political campaign (Verba, Schlozman, and Brady 1995). Data gathered by the Federal Election Commission indicate that just .06 percent of Americans give \$200 or more in federal elections, and that these donors provide at least 65 percent of the disclosed contributions to candidates, parties, and PACs.<sup>4</sup>

In reality, contribution limits make politicians spend additional time raising money from more of the same kinds of ideological donors. To be sure, the Internet provides greater opportunities for politicians to solicit donations from people with modest incomes. But as we show in this chapter, this expanded pool of donors remains remarkably dissimilar to most Americans in terms of wealth, ideology, and other demographic characteristics.

Given such faulty and unsubstantiated assumptions about the impact of contribution limits, we are skeptical that a candidate-centered framework that relies on a strategy of limiting contributions will change the representational bias of the campaign finance system. For this reason, we explore a system-level approach, which considers the hydraulics of regulatory rules. It assumes that donors will find alternative ways to help support favored politicians, and that candidates too will intensify efforts to expand their fundraising from the same pool of ideological donors. Thus, our analysis focuses on the *flow of money* into campaigns rather than the total amount that comes from particular types of donors.

We hypothesize that the flow of money affects the ideological bias of the political system, even when the money comes from the same unrepresentative pool of donors. The significance of contribution rules is not so much that they restrain the wealthy from giving money, but that such rules generate incentives for donors to channel money to committees they would otherwise not choose. Where that money ends up is vitally important for both elections and governing.

### *The Systemic Impact of Campaign Finance Laws*

We start with the proposition that individual donors seek to finance candidates who embrace their highly ideological positions. Research shows that individual donors are extreme, and that they are not typically concerned with a strategic assessment of a candidate's proximity to the views of the median voter of the district (Ensley 2009; Stone and Simas 2010). These ideologically driven donors are conceivably contributing as a consumption activity rather than a strategic investment (Barber 2013; Snyder 1990). Some people enjoy politics and, if they are sufficiently wealthy, it might please them to express support through donations for particular candidates and ideals that appeal to them. Regardless of the underlying motive, we believe that many individual donors have few inhibitions about supporting candidates who are far from the mainstream of voters in the district. The overall effect of their contributions is to pull the party in their extreme direction. Even if their favored candidate loses, they potentially help to advance a policy agenda or mobilize extreme factions of the party for future contests. And by promoting an extremist challenger in primaries, they may compel the relatively moderate incumbent politician to adopt more extremist positions (Boatright 2013).

To demonstrate our theory about the system-level impact of campaign finance laws, we focus in this chapter on the motivations and behaviors of

political donors. First, we identify *who contributes money* in the political system, demonstrating that contributors tend to be ideological extremists. Next, we show *to whom these ideological donors tend to contribute money*, hypothesizing that, without constraints of rules, extremist donors tend to prefer giving to candidates and groups rather than to political parties. We then assess *whether laws might affect who contributes money* in the political system, suspecting that even strict regulatory laws do little to change the profile of political contributors. The last part of our analysis focuses on our finding that *laws can indeed affect the flow of money into politics*. It should be quite possible to channel money to broad-based political parties by constraining the amount that contributors can give directly to candidates and allowing parties greater freedom in raising money. The impact, of course, would be to push ideological donors into the political parties where they are less likely to help elect the kind of ideologically polarizing politicians they prefer (we examine this dynamic further in chapter 3).

### *Sources of Evidence*

To test our hypotheses, we draw on two primary sources of data that have not previously been used to study political donors in the United States. These data sources provide us with unique and important leverage for studying donors because they are much larger and richer than the much more limited surveys that have been used to study donors in the past.

The first data source is a very large, nationally representative survey of American adults called the Cooperative Congressional Election Study (CCES). The CCES is a survey venture involving more than 50 universities that has been conducted every year since 2006. The CCES asks respondents a variety of questions about themselves, about their views on political issues, and their evaluations of candidates and politicians. Most important for our purposes, the CCES also asks each respondent if he or she has donated to a candidate, campaign, or political organization during the previous year. In 2010, 15,025 of the 46,684 respondents to the CCES indicated that they had made at least one political donation during the previous year. While this may seem like a large number of political donors, it is important to keep in mind that this would include anyone who made any kind of political donation at any level of politics. Indeed, most of these donors are what we would think of as “small donors.” Half of those who identified themselves as donors reported giving a total of just \$100 or less during the previous year and three in four gave \$300 or less. Only 1,187 of the self-identified donors reported

giving \$1,000 or more to politics during the previous year; this amounts to just 2.5 percent of the CCES sample.

The CCES, therefore, provides us with a rich source of survey data that allows us to compare donors to nondonors and small donors to large donors. Of course, even in a very large survey such as this one, the total number of “large donors” is limited. Furthermore, the nature of the CCES data makes it impossible for us to determine which candidates, parties, or groups the donors contributed to. Fortunately, we are able to consult a second source of data that allows us to address these issues.

Catalist is one of the nation’s premier voter file firms. The company maintains a database of nearly every American adult, including voter registration and turnout data as well as appended demographic and marketing information. The company primarily sells access to its database to political campaigns and groups, but it has also recently allowed academic teams to purchase access. The database is ideal for our purposes for two reasons. First, because the database includes a record for nearly every American adult, it provides us with the ability to gain precise information on even very small groups (such as large donors) who would otherwise be too small to study with traditional survey data. Second, Catalist allows users to match their own lists to its database in order to identify subgroups of interest. This means that we can match publicly available lists of political donors to the database so that we can separate donors from nondonors. We did this to the data from the Federal Election Commission to identify individuals who contributed to congressional campaigns, and we did the same to lists from the National Institute on Money in State Politics to identify donors to state legislative campaigns and state parties. Our use of these combined resources yielded interesting results.

### Who Gives Money?

As mentioned above, contributing to political committees constitutes a relatively rare form of political participation in the United States, and political contributors are atypical of the broader electorate. The most salient characteristic of donors is their relative affluence. Additionally, research shows that active campaign donors in congressional elections tend to hold ideologically extreme views (Bafumi and Herron 2010; Francia et al. 2003), or at the very least have worldviews different from those of other citizens (Bramlett, Gimpel, and Lee 2010). In these circumstances, it literally pays for candidates to tout their extreme views. Studies show that ideological candidates

TABLE 2.1. Campaign Donors versus American Adults

| Characteristic   | Congressional Donors | State Donors | American Adults |
|------------------|----------------------|--------------|-----------------|
| Average age      | 61                   | 60           | 49              |
| % Men            | 67%                  | 61%          | 45%             |
| % Married        | 64%                  | 66%          | 41%             |
| % with children  | 33%                  | 32%          | 28%             |
| % White          | 91%                  | 90%          | 73%             |
| % Homeowners     | 67%                  | 68%          | 45%             |
| Average ideology | 47                   | 45           | 46              |
| Median wealth    | 300k to 1 mil        | 300k to 1mil | 100k to 300k    |
| Median income    | above 100k           | above 100k   | 60k to 100k     |

*Note:* Based on the authors' analysis of data obtained from Catalist. Congressional and state donors are those who donated to campaigns in 2010 in an amount that required public disclosure.

in congressional elections are more successful at raising money from constituencies outside the district (Gimpel, Lee, and Pearson-Merkowitz 2008; Johnson 2010); given this finding, it is natural for candidates to position themselves ideologically to attract additional donations (Ensley 2009; Moon 2004; Stone and Simas 2010).

Our research on political donors in state legislative elections confirms the participatory bias in congressional elections that has been found by others. Quite clearly, *citizens who make political contributions are unrepresentative of the American electorate*. Table 2.1 uses the Catalist database described above to compare the characteristics of donors to congressional campaigns, donors to state legislative campaigns, and all American adults. Compared to the general population of American adults, donors are disproportionately more old, male, white, and wealthy. State-level and congressional donors are very similar. Both groups of donors tend to be much older than most Americans (with an average age around 60, compared to 49 for most Americans). They are also overwhelmingly white (around 90 percent versus 73 percent), predominantly male (61 percent or more versus 45 percent), and married (64 percent or more versus 41 percent). Our data are limited with respect to reporting wealth, but based on the broad wealth categories used by Catalist, we find that donors have a median range of household wealth somewhere between \$300,000 to \$1 million compared to most American adults, whose median household wealth ranges from \$100,000 to \$300,000.

On one critical dimension—average ideology—donors do not appear to diverge from other voters. Catalist uses demographic, political, and marketing data to generate a prediction on how conservative or liberal each individual is. The ideology predictions take on values ranging from 0 (most

conservative) to 100 (most liberal). Table 2.1 shows the average ideology for each group and, notably, the average donor and average voter have roughly the same ideology score. Given that these two subpopulations differ on so many other characteristics, this finding might seem reassuring from the perspective of democratic theory because ideology reflects underlying policy preferences. Despite differences in race, age, gender, and wealth, these data suggest that policy outcomes might not be biased since donors share the same ideological preferences as the rest of the population. However, this statistical average obscures at least one large difference across these subpopulations. *Donors tend to be more extremist than the rest of the American electorate.*

Figure 2.1 reveals this dynamic by showing how voters and donors are arrayed across Catalist's ideological scale. The first panel shows the distribution of registered voters, who are largely centered around the midpoint of the scale. This distribution provides some support for the argument that most Americans are not polarized—at least when one measures ideology in this way (Fiorina, Abrams, and Pope 2005). The second panel in figure 2.1 shows the ideological distribution among individuals who donated to state legislative campaigns in 2010, while the third panel shows the distribution of donors to congressional campaigns in that same year. Note that these two distributions take on a much different shape from the distribution of registered voters. In both cases, the distribution is bimodal, demonstrating significant polarization. One group of donors is centered on the conservative end of the scale while a second group of donors is centered on the liberal side. These distributions show clearly that even though the average ideology among each of these groups is nearly equal, the donors tend to be much more ideologically extreme than registered voters. In this way, the figure shows in stark terms why candidates from either party might be unlikely to converge to the median voter because of a counterforce in the electoral process. The vast majority of the campaign financing comes from citizens whose views are at the ideological extremes of the electorate.

As noted above, Catalist relies on a model to produce its ideology scores; it does not know precisely the ideological leanings of each individual. Furthermore, we were able to match only donors who gave enough money to campaigns in 2010 to trigger the requirement that they disclose their names and addresses. Thus, in many cases, these figures exclude “small donors.” Perhaps if we had a more precise measure of ideology or if we were able to include small donors in our analysis, we might not have found such dramatic differences.

To address this possibility we turn to CCES data, which allows us to identify all self-reported political donors, big and small, and their positions

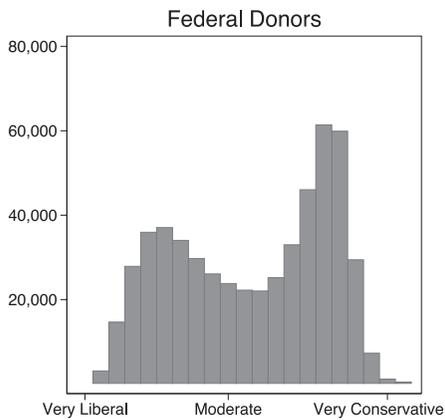
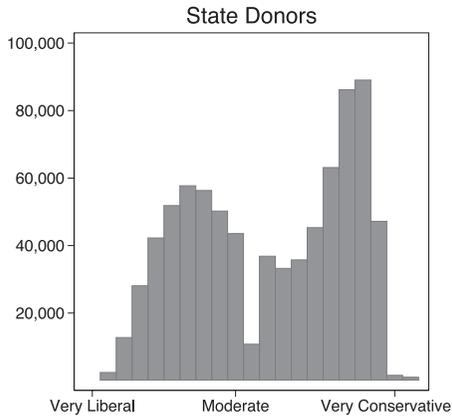
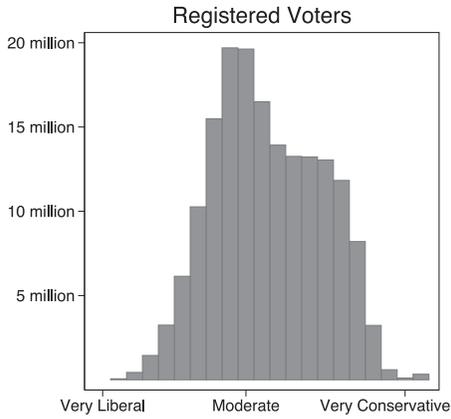


Figure 2.1. Ideology of Registered Voters, State Donors, Federal Donors. (Note: Data from authors' analysis of 2010 donors matched to Catalist database.)

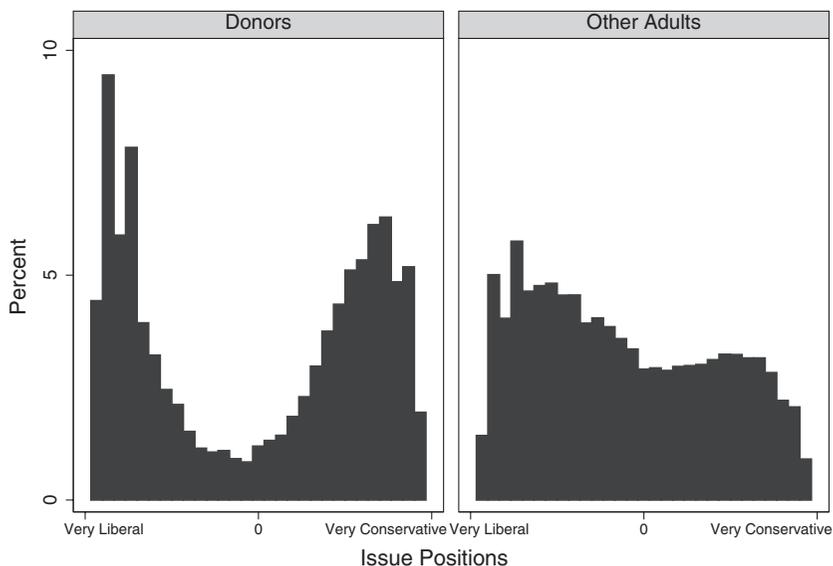


Figure 2.2. Issue Positions of Donors and Other Adults. (Note: Data from authors' analysis of 2010 CCES data. Donors are defined as individuals reporting a contribution to a political candidate or group. Other adults are individuals in the sample who were not donors.)

on 15 policy issues. For each individual in the CCES survey, we created a score based on how many liberal or conservative positions the respondent took on each of the 15 issue questions. If a respondent gave a liberal response on each of the 15 issues, he was coded as a  $-15$ , and if she took a conservative position each time, she was coded as a  $+15$ . Individuals coded at 0 took an equal number of liberal and conservative positions on the 15 issues. Figure 2.2 compares how donors and nondonors were distributed across this issue scale. The findings are much like those we found in figure 2.1. Donors are highly polarized: very few fall near the center of the scale and most are distributed near the extremes. Nondonor adults, on the other hand, are distributed more evenly across the issue scale. Thus, the CCES data confirm that all donors are unrepresentative in their high degree of polarization compared to nondonor adults.

### To Whom Do Donors Give?

Next, we turn to the choices that donors make with their money. Our theory about party factions suggests that purists would rather give money directly

to candidates (presumably those who share their views) than to political parties, which include the moderating elements of a broad coalition. We would expect that these donors, with their strong policy preferences, would be less strategic with their support, not always giving to candidates with the greatest odds of winning. In short, for purists, principles should trump practical considerations when choosing to give money. A clear example of this is the wealthy casino magnate Sheldon Adelson. Adelson gave millions to a super PAC to promote Newt Gingrich in the 2012 Republican presidential primaries even though most polls showed Gingrich was a long shot to win the nomination. Instead of focusing on winning, Adelson undoubtedly wanted to advertise his strong preference for policies that limited government regulations and supported Israel. Gingrich vigorously promoted these positions in his campaign.

Now consider contributors to political parties. In contrast to donors who give directly to candidates, we expect party donors to reflect more moderate ideologies. In theory, their underlying motives are to win elections because they are driven by partisan loyalty as much as ideology (although the two are increasingly intertwined). Party donors are strategic in the electoral sense. They give to the party because they believe party-based resources will advance the collective position of party candidates. By giving to the party, they are also expressing a willingness to defer to party leaders on where funds are most effectively invested.

To explore these hypothetical distinctions, we used the Catalist measure of ideology to compare the ideological distributions of donors to state legislative *candidates*, on the one hand, with those of donors who give to state *parties*. Rather unexpectedly, we found that these two types of donors did not appear to differ ideologically. Figure 2.3 shows a strong bimodalism in ideological scores for both types of donors. However, it is worth noting again that the liberal donors exhibit greater moderation compared to the conservative donors. The right side of the charts shows a significant peak for those who are considered “very conservative.”

Of course, the first panel of figure 2.3 simply shows the number of donors at each point along the ideological scale; it does not reveal how much money each of these donors is contributing. Because candidates think first and foremost in terms of dollars, rather than in terms of numbers of donors, they will undoubtedly be most affected by where most of their money comes from. To portray this information, the second panel in figure 2.3 shows the distribution of total dollars to candidates and parties based on the ideology of the donors giving that money. For the most part, these distributions are similar to those in the first panel (although note the different scales on the

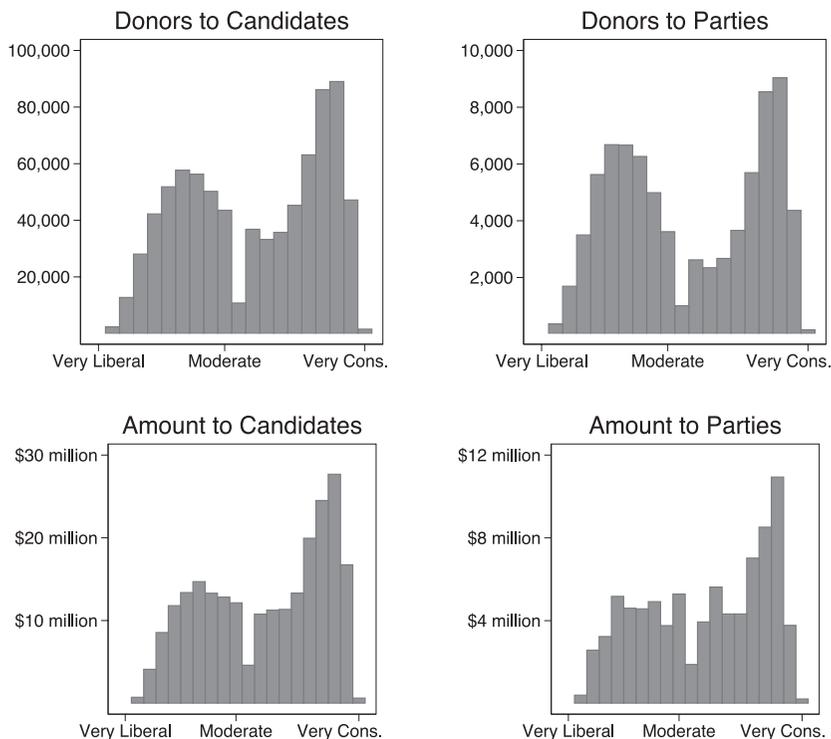


Figure 2.3. Donor Ideology Based on Giving to Candidates versus Parties. (Note: Data from authors' analysis of 2010 state legislative and state party donors matched to Catalist database.)

*y*-axis showing that candidates receive much more money than parties from individual donors across the ideological spectrum). This indicates, again, that if candidates or parties wish to chase money, they must stray from the middle of the ideological spectrum to do so.

The findings against our expectation that party donors and candidate donors would differ significantly force us to reconsider our understanding of donor motivations. Additional analysis suggests why distinctions between the two kinds of donors appear initially to be weak or nonexistent. Many donors tend to give to *both* candidates and parties. According to our CCES data, one-fourth of all donors reported donating to both a party and a candidate. This considerable overlap in candidate and party donors means that differences are likely to be muted. A more fine-grained analysis, however, shows that sharp distinctions can be observed at the extremes of the

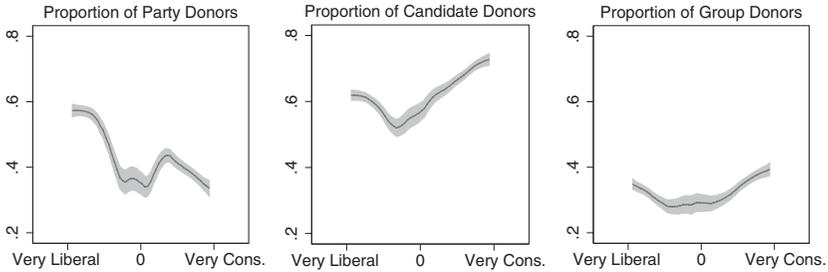


Figure 2.4. Proportion of Donors Who Give to Parties, Candidates, or Groups, Based on Their Ideology. (Note: Data from authors' analysis of 2010 CCES data. X-axis indicates respondents' position on the issue scale and y-axis is the proportion of donors giving to a particular target.)

ideological scale if we look at how donors allocate their contributions across different recipients.

Figure 2.4 uses the CCES data to show where donors choose to target their donations based on their own ideological dispositions. The figure uses our issue scale on the  $x$ -axis and traces the proportion of individuals at each point on the scale who donate to parties, candidates, and other political groups. Overall, donors typically give money to candidates rather than to parties. But the figure shows that the proportion of donors making contributions to different recipients changes depending on the ideology of the donor. Ideology clearly matters in determining where to send money, and does so in ways that are asymmetrical across the liberal-conservative spectrum. On the liberal side, we observe that, compared to moderately liberal donors, a high proportion of very liberal donors choose to contribute to the party. Then, as we continue to move to the center-right of the ideological scale, the propensity of giving to the parties increases at first, and then declines among the most conservative donors. Overall, the most liberal donors tend to contribute to the party more frequently than any other group, while the most conservative donors give to the party less than moderate conservatives. We will discuss the potential implications of this dynamic momentarily.

The second panel in figure 2.4 generally shows that the observed pattern for giving to candidates matches the pattern we expected. A high proportion of ideological donors on either end of the issue scale give to candidates, which suggests to us that extremist donors like to support candidates who reflect their ideologies (we examine this relationship in the next chapter). The association is particularly pronounced on the right sides of the ideological spectrum among conservatives. Once again, there appears to be an asymmetrical dynamic among liberal and conservative donors.

The third panel shows the proportion of donors making contributions to interest groups at each point on the ideological spectrum. Interest groups are often focused on a single issue or advocate a particular ideological stance. For this reason, we expect extremists on either side to be more likely to give to interest groups. This is exactly what we observe. As donors become more ideologically extreme, they tend to prefer giving directly to candidates and groups that reflect their ideological preferences.

### *A Fearful Asymmetry?*

Without getting too far ahead of our analysis, we suggest that the asymmetries we observe in figure 2.4 might explain some of the polarizing dynamics of the contemporary party system, with the Republican Party in the U.S. Congress moving much further to the right over the past decade than the Democratic Party moved to the left (McCarty, Poole, and Rosenthal 2006). Our intuition is that very conservative donors are pulling the Republican Party further to the right by focusing their largesse on like-minded candidates and groups, while ignoring the party organization, which tends to invest in more moderate candidates. We examine this dynamic in the subsequent chapter. At this point in the analysis, however, we are focused on accounting for the ideological asymmetries that we have observed in patterns of giving to candidates versus parties.

To do this, we will bring ideological perceptions into the analysis. Specifically, we will seek to understand how decisions about political contributions are affected by donor perceptions of where political parties—as distinct from candidates—stand on matters related to ideology. The CCES asks respondents to indicate where they think each political party is located on a 7-point ideological scale; respondents are also asked to place the congressional candidates running in their districts on that same scale. Figure 2.5 shows where Democratic and Republican donors place their parties and their congressional candidates as a function of their own ideology. We find that *donor perceptions of the party and candidates vary depending on their own ideology*. Interestingly, Democratic and Republican donor behaviors are not symmetric. Democratic donors largely view the party (the broken line) and their own candidates (the solid line) as indistinguishable in terms of their ideologies. This can help to explain why the most liberal Democratic donors are just as willing to donate to the party as they are to a candidate—they see each as reflecting relatively similar views.

Notably, the dynamic is entirely different for Republican partisans. GOP donors see the party and candidates quite differently, depending on their

ideological extremism. The extremist donors—who provide most of the political contributions—tend to see the party as much more moderate than candidates, who are viewed as more conservative (and thus closer to their own views). Republican moderates, on the other hand, tend to see both the party and its candidates as “very conservative.” This finding may account for why highly conservative GOP donors give a greater proportion of their money to candidates compared to moderate GOP donors (as shown in figure 2.4). Conservative Republicans may not trust the party organization to accurately represent their views when choosing which candidates to support.

Overall, the findings in figures 2.4 and 2.5 paint a relatively simple view of donor behavior. Donors appear to give to entities that are more likely to reflect their political viewpoints. On the left, candidates and parties are seen as equally likely to do this, and thus liberal donors give to both at roughly equal rates. Donors on the right, however, perceive large differences between the Republican Party and Republican candidates for Congress, with the latter coming much closer to their viewpoints than the former. Thus, it is not surprising to find that conservative donors prefer to send their donations directly to candidates by a margin of almost 3 to 1.

The patterns we illustrate might help to explain some of the dynamics in the Republican Party over the past decade. While GOP moderates contribute to partisan causes, the vast majority of campaign money comes from more conservative elements. And among the most conservative donors there is a strong preference for giving to candidates, because highly conservative donors do not think the party is sufficiently conservative. Thus, conservative donors target funds to conservative candidates, who consequently pull party officeholders further to the right. In an exchange among prominent activists at *Redstate.com*, the conservative website, most commentators urged activists to give directly to candidates over the party committees if they wanted to steer the Republican Party in their direction. One commentator summed up the general sentiment this way:

It’s up to the individual conservative. The [party] money is used to support the Republican brand, not per se conservatism, so it’s a nice spot to put your donations if you want to see your money go toward defeating Dems. If you want to donate to a candidate who agrees with your conservatism, give to the candidate.<sup>5</sup>

On the Democratic side, there appears to be full-throated support for party committees even among the most liberal elements in the party. The proportion of “very liberal donors” giving to the party and to candidates is

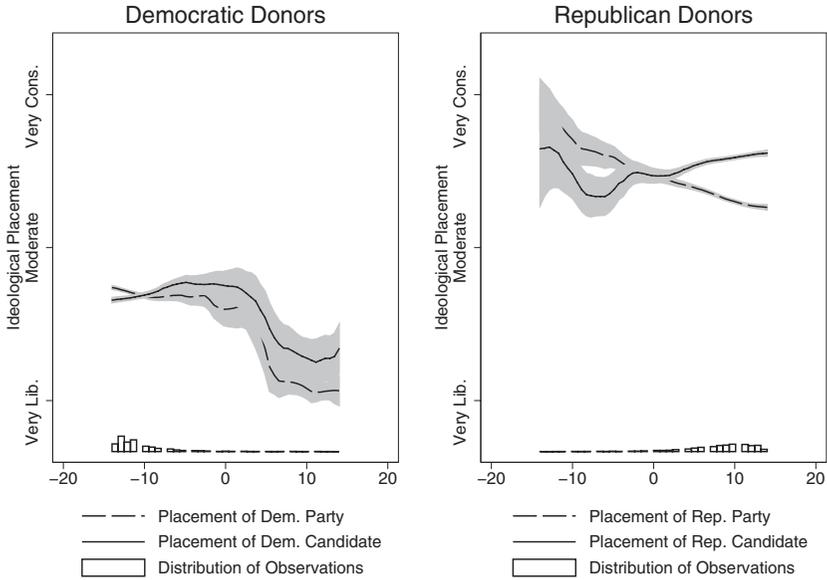


Figure 2.5. Donor Perceptions of Party and Candidates, Based on Donor Ideological Self-Placement. (Note: Data from authors' analysis of 2010 CCES data. X-axis is respondent's placement on the issue scale, y-axis is respondent's placement of party and candidate on the 7-point ideological scale. Democratic donors are defined as donors who identify as Democrats and Republican donors are defined similarly. The shaded areas represent 95% confidence intervals.)

the same. Bear in mind that these very liberal donors view both the parties and candidates as “moderate.” Thus, there is no apparent difference in their perception, which might have pushed them toward candidates rather than party committees (which is the dynamic in the Republican Party). To be sure, these very liberal donors give to kindred-minded interest groups, much as very conservative donors do. And these interest groups, through *their* contributions and electioneering, work to pull the party toward the extremes.

### How Laws Affect Who Gives Money

In this section, we begin exploring whether campaign finance laws have consequences for the behavior of donors. In this first cut, we simply look at whether laws affect the demographics of giving (i.e., who gives money and who does not). Our claim is that we do not expect laws to make a significant

difference in shaping the demographic profile of donors. In this we challenge a common assumption of conventional political reformers that contribution limits stimulate participation at the “grassroots.” Given the motives of donors, the plethora of choices they have, and the very limited potential pool of citizens who might contribute money in politics, we do not think limits will reduce participatory bias in the system by expanding the demographic variance of donors. An analysis of donors in states with very different laws confirms our expectations.

Table 2.2 compares the demographics of donors across different extremes of campaign finance systems in the American states. We selected two large states in which donors may give unlimited sums to candidates and parties (Texas and Virginia), and two large states in which there are low contribution limits on both candidates and parties (Massachusetts and Maryland). For each of these states, we collected and analyzed the same data on donor characteristics that we used in table 2.1. Our analysis suggests that, regardless of whether a state has low limits on contributions or no limits, donors tend to be quite unrepresentative of the state’s population.

These findings about the impact of contribution limits (or lack thereof) have important implications for policies designed to democratize political donations. Contribution limits do not necessarily broaden grassroots participation in making donations. Instead, the policy increases the number of citizens giving money, but it does not necessarily expand the socioeconomic base of donors. From our perspective, increasing the pool of donors seems like good public policy because it plausibly renders candidates less reliant on a small group of very wealthy donors to pay for campaigns. That said, even in states where contributions are unlimited, candidates are unlikely to rely on a handful of wealthy contributors. Successful candidates are strategic, and raising money from many donors is a signal of candidate quality. These signals matter among influential elites who eventually choose to endorse and work on behalf of candidates (beyond fundraising). Candidates likely benefit from the handshaking and conversations with acquaintances of donors who hold house parties for the candidate. Spending time with more people at campaign fundraisers boosts their positive name recognition among opinion makers in the district through social networking.

### How Laws Affect to Whom Donors Give Money

If laws do not necessarily change *who* gives money, it remains plausible that they can change patterns of *where* donors send their donations. For

TABLE 2.2. Characteristics of Donors in States with Low Contribution Limits versus No Limits

| Texas (No limits)    |                      | Massachusetts (Limits) |                 |                  |                      |               |                 |
|----------------------|----------------------|------------------------|-----------------|------------------|----------------------|---------------|-----------------|
| Characteristic       | Congressional Donors | State Donors           | Texas Adults    | Characteristic   | Congressional Donors | State Donors  | Mass. Adults    |
| Average age          | 59                   | 61                     | 48              | Average age      | 58                   | 59            | 49              |
| % Men                | 66%                  | 59%                    | 45%             | % Men            | 65%                  | 60%           | 45%             |
| % Married            | 67%                  | 62%                    | 40%             | % Married        | 69%                  | 70%           | 43%             |
| % with children      | 35%                  | 30%                    | 30%             | % with children  | 38%                  | 37%           | 29%             |
| % White              | 86%                  | 88%                    | 60%             | % White          | 94%                  | 94%           | 79%             |
| % Homeowners         | 72%                  | 68%                    | 50%             | % Homeowners     | 71%                  | 73%           | 48%             |
| Average ideology     | 36                   | 32                     | 44              | Average ideology | 58                   | 56            | 54              |
| Median wealth        | 300k to 1 mil        | 300k to 1 mil          | 100k to 300k    | Median wealth    | 300k to 1 mil        | 300k to 1 mil | 100k to 300k    |
| Median income        | above 100k           | above 100k             | 60k to 100k     | Median income    | above 100k           | above 100k    | 60k to 100k     |
| Virginia (No limits) |                      | Maryland (Limits)      |                 |                  |                      |               |                 |
| Characteristic       | Congressional Donors | State Donors           | Virginia Adults | Characteristic   | Congressional Donors | State Donors  | Maryland Adults |
| Average age          | 57                   | 53                     | 48              | Average age      | 59                   | 61            | 48              |
| % Men                | 65%                  | 62%                    | 46%             | % Men            | 63%                  | 59%           | 44%             |
| % Married            | 67%                  | 57%                    | 41%             | % Married        | 67%                  | 65%           | 38%             |
| % with children      | 37%                  | 32%                    | 29%             | % with children  | 39%                  | 35%           | 30%             |
| % White              | 89%                  | 82%                    | 70%             | % White          | 83%                  | 81%           | 59%             |
| % Homeowners         | 73%                  | 64%                    | 45%             | % Homeowners     | 78%                  | 79%           | 53%             |
| Average ideology     | 46                   | 49                     | 45              | Average ideology | 57                   | 49            | 50              |
| Median wealth        | 300k to 1 mil        | 300k to 1 mil          | 100k to 300k    | Median wealth    | 300k to 1 mil        | 300k to 1 mil | 100k to 300k    |
| Median income        | above 100k           | above 100k             | 60k to 100k     | Median income    | above 100k           | above 100k    | 60k to 100k     |

Note: Values based on estimates from Catalyst after matching donors to database.

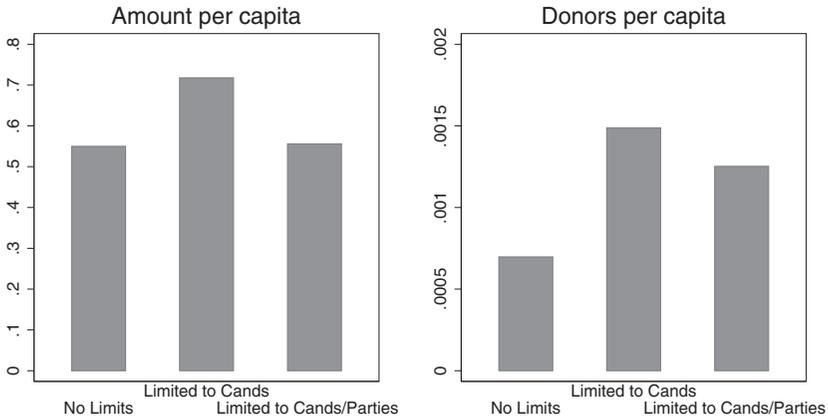


Figure 2.6. Contributions to Parties Based on State Contribution Laws (2010). (Note: Data from authors' analysis of data from the National Institute on Money in State Politics. Left panel shows the amount of money contributed to state political parties per capita and right panel shows the number of donors giving to state political parties per capita. In 2010, 14 states had no limits, 13 had limits on giving to candidates, and 23 had limits on giving to candidates and parties.)

our purposes, we are interested in knowing whether laws might encourage donors to give to parties instead of candidates. The hydraulic theory of campaign finance reform suggests this is so. While contributions to the party are not perfect substitutes for donations to candidates, we expect many donors to contribute more substantially to the parties when they are constrained in giving money to candidates. This is precisely what we find. States with party-centered laws alter donation patterns and boost party finances.

The first panel in figure 2.6 shows the amount per capita donated to parties in 2010 under different campaign finance systems—those where there are no limits on giving to candidates or parties (14 states); those where there are only limits on giving to candidates (13 states); and those with limits on donations to both candidates and parties (23 states). The figure shows that in states where there are limits on contributions to candidates and no limits on contributions to the parties, the amount of money going to the party increases. In other words, contributions that might go to the candidates get channeled to the party. When both parties and candidates face limits, the party gets no more per capita than if there were no limits at all on candidates or parties. This analysis suggests that the party needs a relative advantage in rules for money to flow to the party rather than to candidates.

The panel on the right side of figure 2.6 also shows that the number of donors to parties per capita increases when limits are imposed on candidates. The mechanism is straightforward. The threshold of a contribution to a candidate may be well below what donors desire to contribute. Some may choose to give additional amounts to the party. Under a regime with no limits on candidates or parties, the parties do not get many donors per capita because donors can give exclusively to candidates if they want (note, however, that even with fewer donors per capita, the parties end up with the same amount per capita as in the situation with limits on both parties and candidates). The optimal situation for parties, of course, is to have no limits on contributions to the parties but limits on contributions to candidates. This situation maximizes the amount per capita that is given to parties and the number of party donors who give.

This analysis suggests that rules can channel additional money to the party. But it is just as important to know whether it is the ideologically polarized donors who are pushed toward donating to parties when states put limits on donations to candidates. In other words, it is important to know if these rules attract highly ideological donors who might otherwise donate directly to candidates. If party-centered laws do indeed steer ideological donors to the party, in theory this would temper the ability of such donors to support ideologically extreme candidates (as in a candidate-centered system).

To see whether the imposition of limits on donations to candidates does, in fact, push ideologues into giving to the party, figure 2.7 uses our data from Catalist to show the amount of polarization among donors to the party organization in states with and without limits on contributions to candidates. Polarization is measured as the interquartile range in ideology among donors. A higher interquartile range indicates more polarization and a lower interquartile range indicates lower levels of polarization. To control for overall polarization among voters in the state, we separate our analysis into states that have low, medium, and high polarization in the population.

We find that party-centered laws tend to increase polarization among donors to the party organization. In low-polarization states, the configuration of laws does not appear to have any effect on party donor polarization simply because there is not much polarization in the state. When there is medium polarization in the state and when there are no limits on candidate donations, the effect is to make party donors less polarized precisely because the most ideological money can go directly to the candidates. In high-polarization states, we observe the most significant changes in polarization associated with changes in the law. Without limits on candidate giving, the most ideological donors focus their donations on the candidates (so party

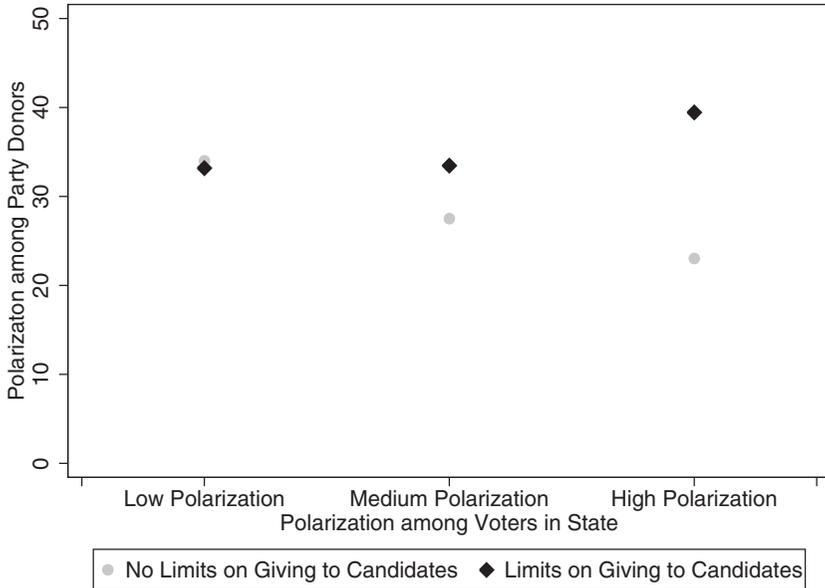


Figure 2.7. Limits on Candidate Donations and Polarization among Party Donors (2010). (Note: Authors' analysis of data from Catalist. Y-axis is the interquartile range in ideology among donors to state political parties. X-axis divides states into thirds based on levels of polarization among the general public in those states.)

donors are not polarized). However, when candidate donations are limited, many ideological donors appear compelled to give to the party. Thus, the overall group of donors to the party appears more polarized because there are more ideological donors among them.

In the next chapter, we will examine our hypothesis that parties will not necessarily feel beholden to ideological donors in choosing where to invest the money they receive from them. Our prediction has been that parties will take this “ideological” money and use it strategically to support candidates in closely contested races, where candidates tend to be moderates. In this way, we expect that the parties will have a potentially “cleansing” effect on the polarization that might have resulted from highly ideological money going directly to highly ideological candidates.

### Summary of Findings

In this chapter we showed that individual donors in state elections are unrepresentative of the broader electorate. Specifically, we demonstrated

that donors are highly polarized ideologically compared to other Americans. We also illustrated that the most ideological donors have a strong propensity to contribute to candidates directly rather than to the political parties. This dynamic is abetted by the candidate-centered campaign finance system that exists in most American states. The inclination to give to candidates over parties is especially true of conservative donors.

Upon further analysis we showed that this pattern of giving was associated with donor perceptions of the political parties. Conservatives viewed the party as moderate compared to candidates. Liberals, in contrast, viewed both the party and its candidates as relatively moderate. These perceptions may explain the asymmetric pattern of political giving across the ideological spectrum. Liberals, not seeing many differences between the party and candidates, are as likely to give to one as to the other. Conservatives, meanwhile, appear to prefer focusing contributions on candidates who reflect their views rather than on the more moderate party. This partisan asymmetry in donor perceptions might be important in explaining why the Republican Party has shifted to the right more dramatically than the Democratic Party has moved to the left. Our theory suggests that Republican Party organizations have not been mediating the flow of money to candidates from ideological sources as much as the Democratic Party.

Given these dynamics, we believe that campaign finance laws have an important impact on money in politics—but not necessarily in the way that most observers think. In contrast to the conventional wisdom, we show that contribution limits do little to alter the basic demographic profile of donors, who are a rarefied group even among small donors. Instead, limits alter the flow of money to candidates, parties, and groups. With ideological donors strongly desirous of financing ideological candidates, we hypothesized and demonstrated that laws limiting money to candidates but leaving party contributions unlimited would channel more money and donations to parties. We also showed that the most ideological donors can be “pushed” into supporting the parties when they face constraints against giving to candidates but not to parties (i.e., under a “party-centered” campaign finance system). This finding is salient in highly polarized states. We believe this dynamic has the potential to dampen the tendency to elect highly ideological candidates who will not necessarily receive financial support from the political party.

In the next chapter we will build on this finding about individual donors by examining the characteristics of candidates who are the beneficiaries of donations from different sources of campaign money. Parties have the potential to serve a mediating role in the use of ideological money if, as we hypothesize, parties tend to focus their contributions on moderates as opposed to individuals and issue groups that support ideological politicians.