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PSC 300

SYRACUSE UNIVERSITY

MONEY AND

POLITICS

SPECIAL INTERESTS

PART 3

VISITS

- **February 20: Cydney Johnson, SU Vice President of Community Engagement and Government Relations**
- **March 7: William Magnarelli, Member of NYS Assembly**

WHERE WE ARE

- **Special interests**
 - **Who tries to influence politicians?**
 - **Why do special interests not spend more money on politics?**
 - **What are the benefits of spending money on politics?**

LAST TIME

Why is There so Little Money in U.S. Politics?

Stephen Ansolabehere, John M. de Figueiredo
and James M. Snyder Jr.

- **If campaign spending was an effective investment strategy, there should be more of it**

LAST TIME

Why is There so Little Money in U.S. Politics?

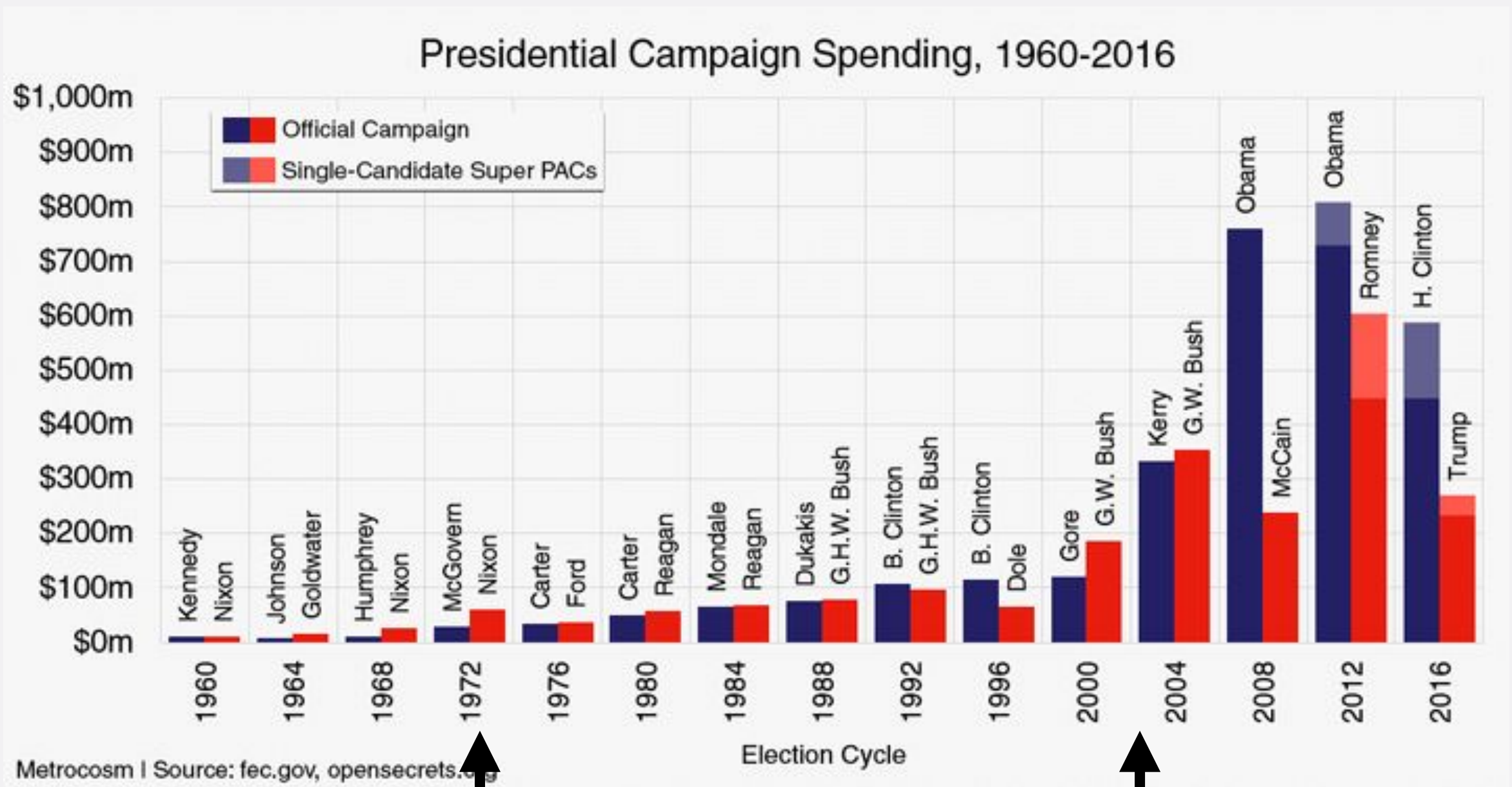
Stephen Ansolabehere, John M. de Figueiredo
and James M. Snyder Jr.

- **Review of 36 studies looking at correlation between campaign contributions and votes**
 - **“In three out of four instances, campaign contributions had no statistically significant effects on legislation or had the “wrong” sign, suggesting that more contributions lead to less support.”**

TODAY: RETURNS TO SPENDING

- **Does spending money on politics lead to benefits for those who spend it?**

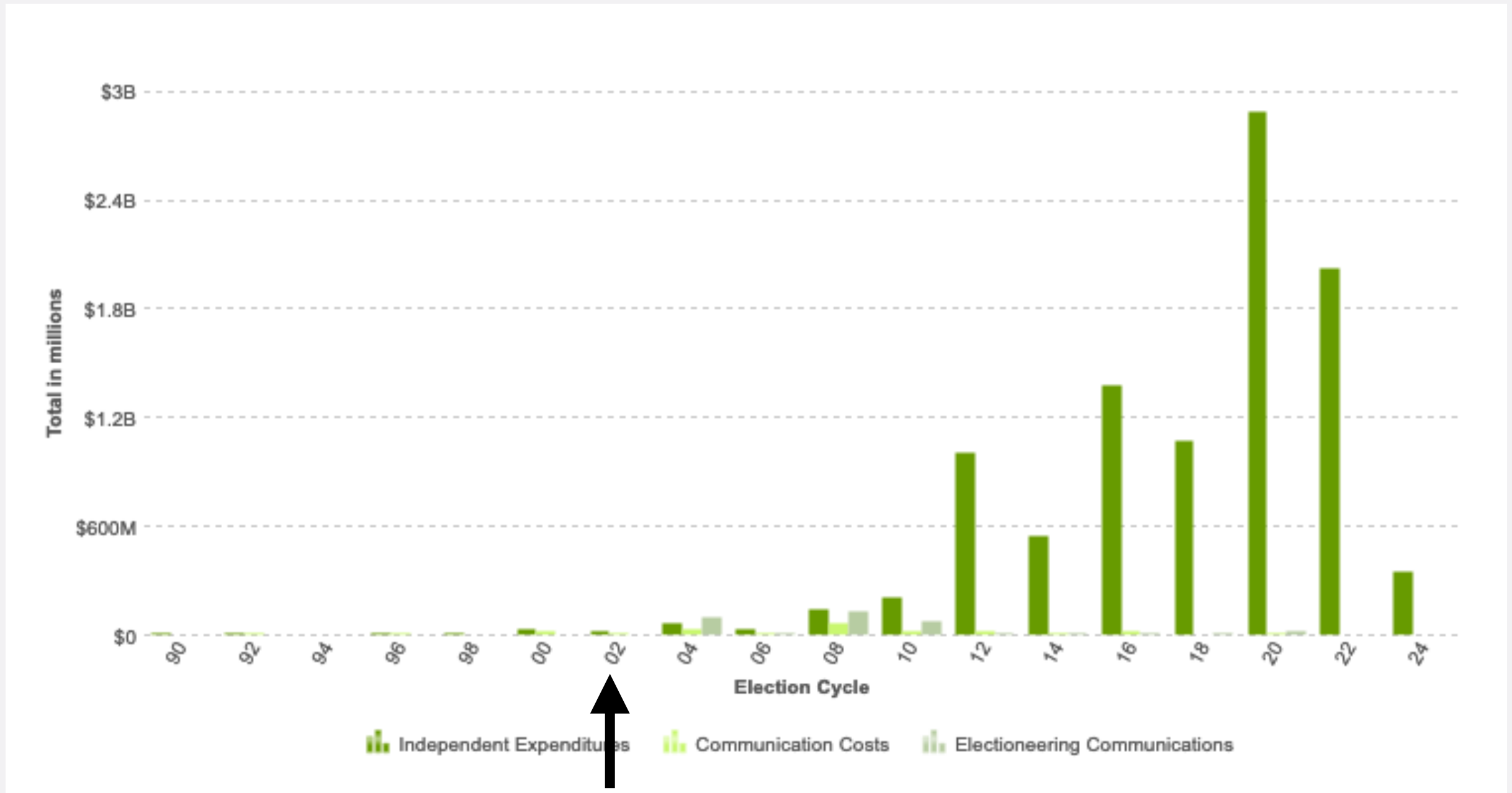
HOWEVER...



Tullock

Ansolabehere et al.

HOWEVER



↑
Ansolabehere et al.

- Maybe we need to look a bit more into whether there are benefits to spending money in politics

EARLY FINDINGS

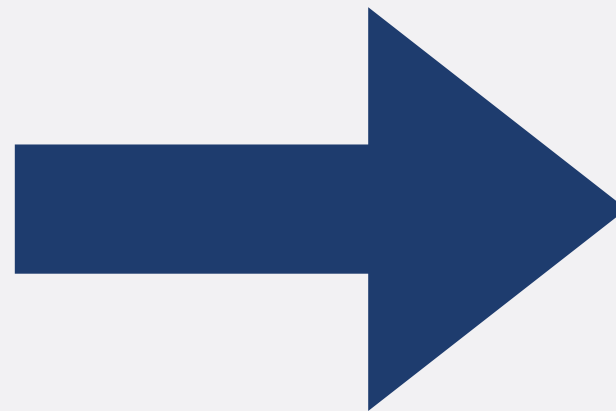
- **In addition, some potential problems with older studies showing no effect of money**

PROBLEMS WITH "OLD" STUDIES

- **Correlation is not causation**
- **Looking for benefits in the wrong place?**

POTENTIAL PROBLEMS

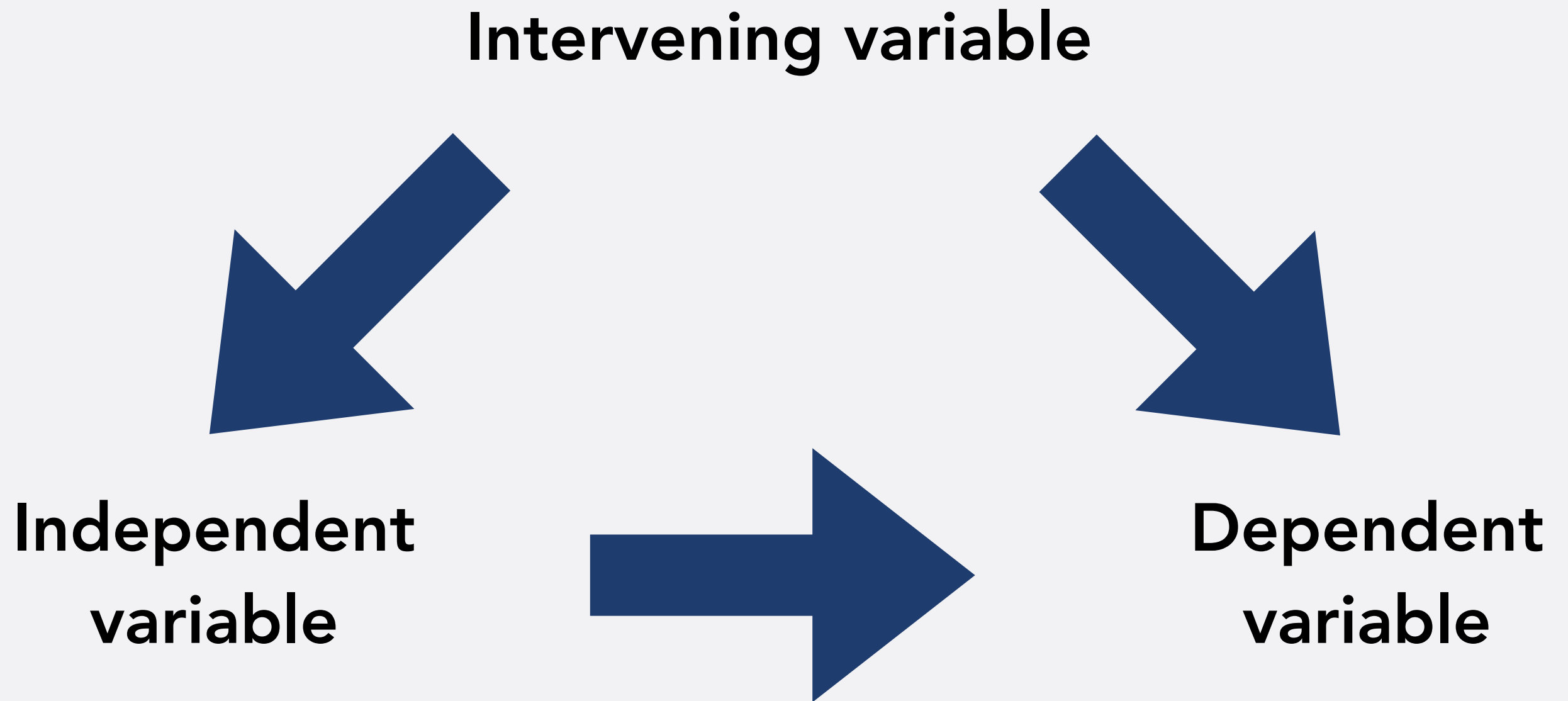
**Independent
variable**



**Dependent
variable**

- **Correlation is not causation**

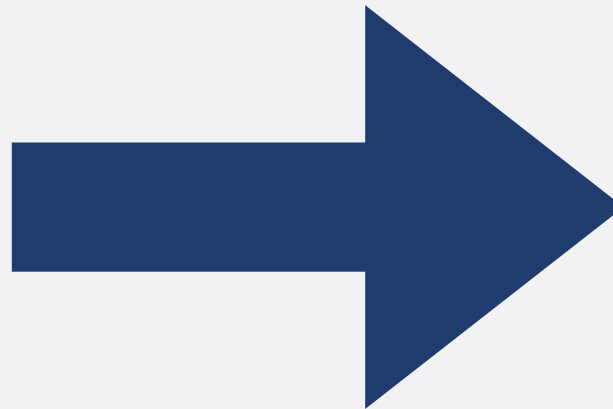
POTENTIAL PROBLEMS



- **Correlation is not causation**

POTENTIAL PROBLEMS

Number of storks



**Number of
babies born**

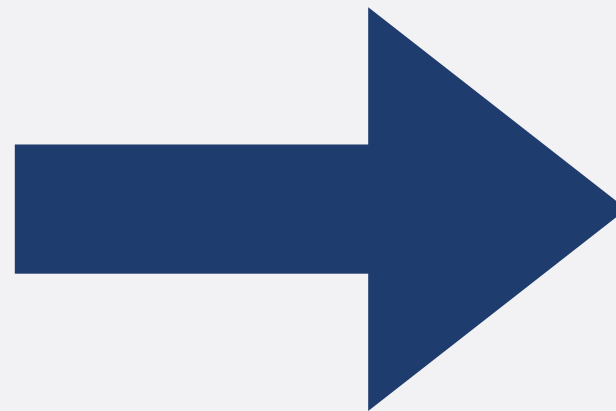
- **Example**

POTENTIAL PROBLEMS

Industrialization



Number of storks



**Number of
babies born**

- **Example**

POTENTIAL PROBLEMS

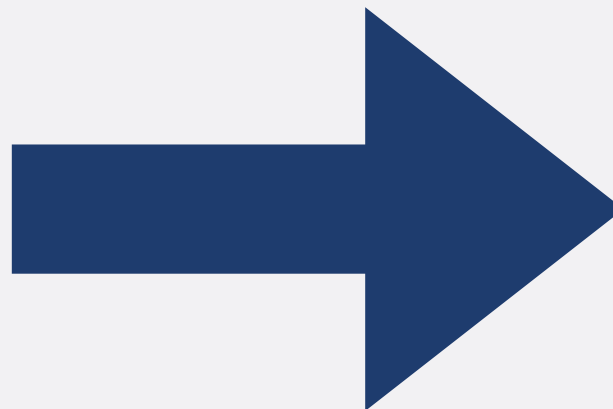
?



Donations



**Access, favorable
legislation**



POTENTIAL PROBLEMS

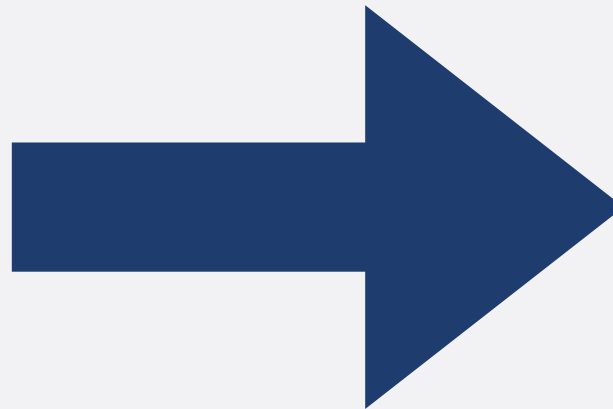
**Shared ideology between
donor and politician**



Donations



**Access, favorable
legislation**

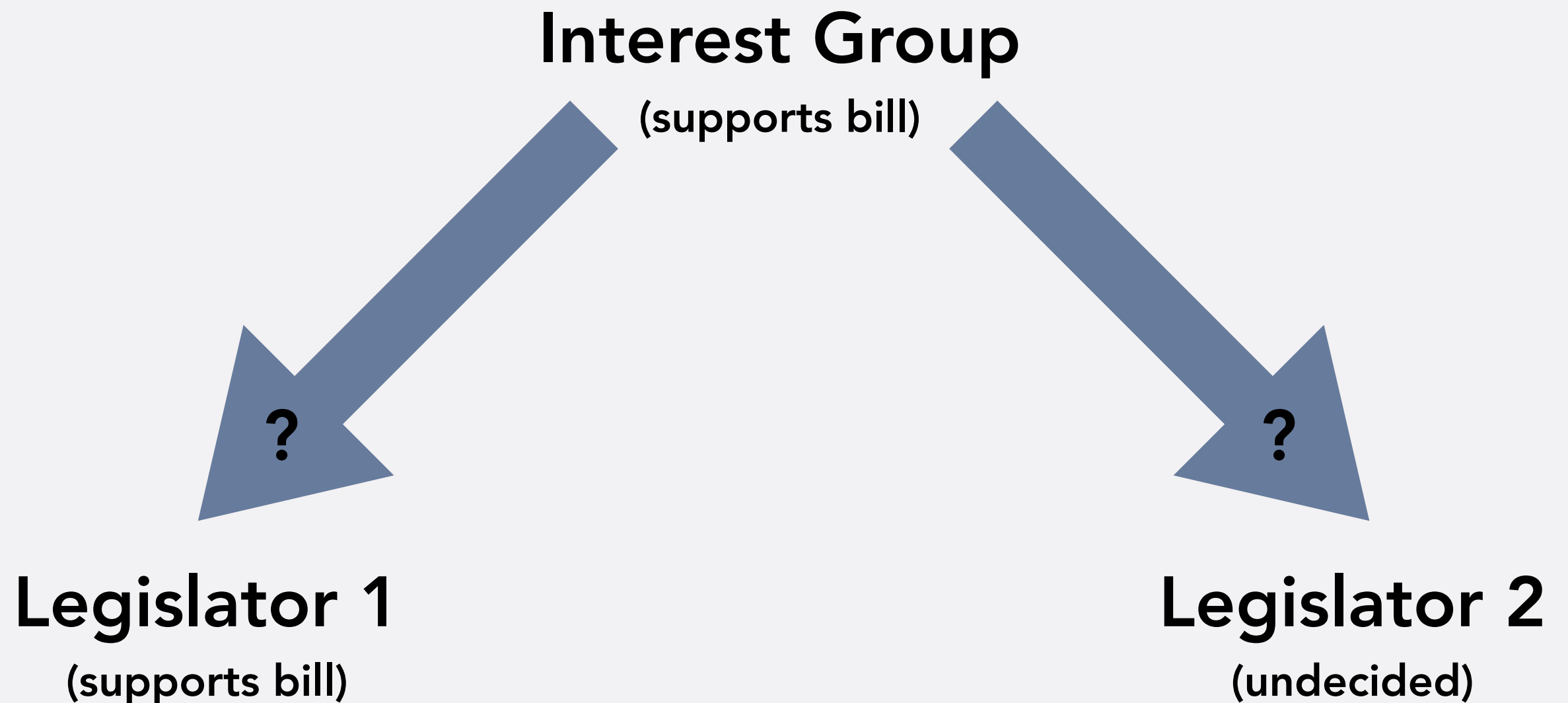


POTENTIAL PROBLEMS

- **If: Interest groups donate to politicians with similar ideology as them**
- **And if: Legislators prefer to meet with groups that have similar preferences as they do**
- **Then: Positive correlation between donations and access**
- **But there is no *causal* effect of donations on access**

POTENTIAL PROBLEMS

- Another intervening variable: How much on the fence about the legislation is the legislator to begin with?



POTENTIAL PROBLEMS

- Legislators who likely vote in interest group's favor do not get a contribution, provide favorable legislation anyways
- Legislators on fence get donation
 - some (not all) provide favorable legislation
- Results in no correlation between donation and favorable legislation
 - Maybe even a negative correlation

WHAT TO DO?

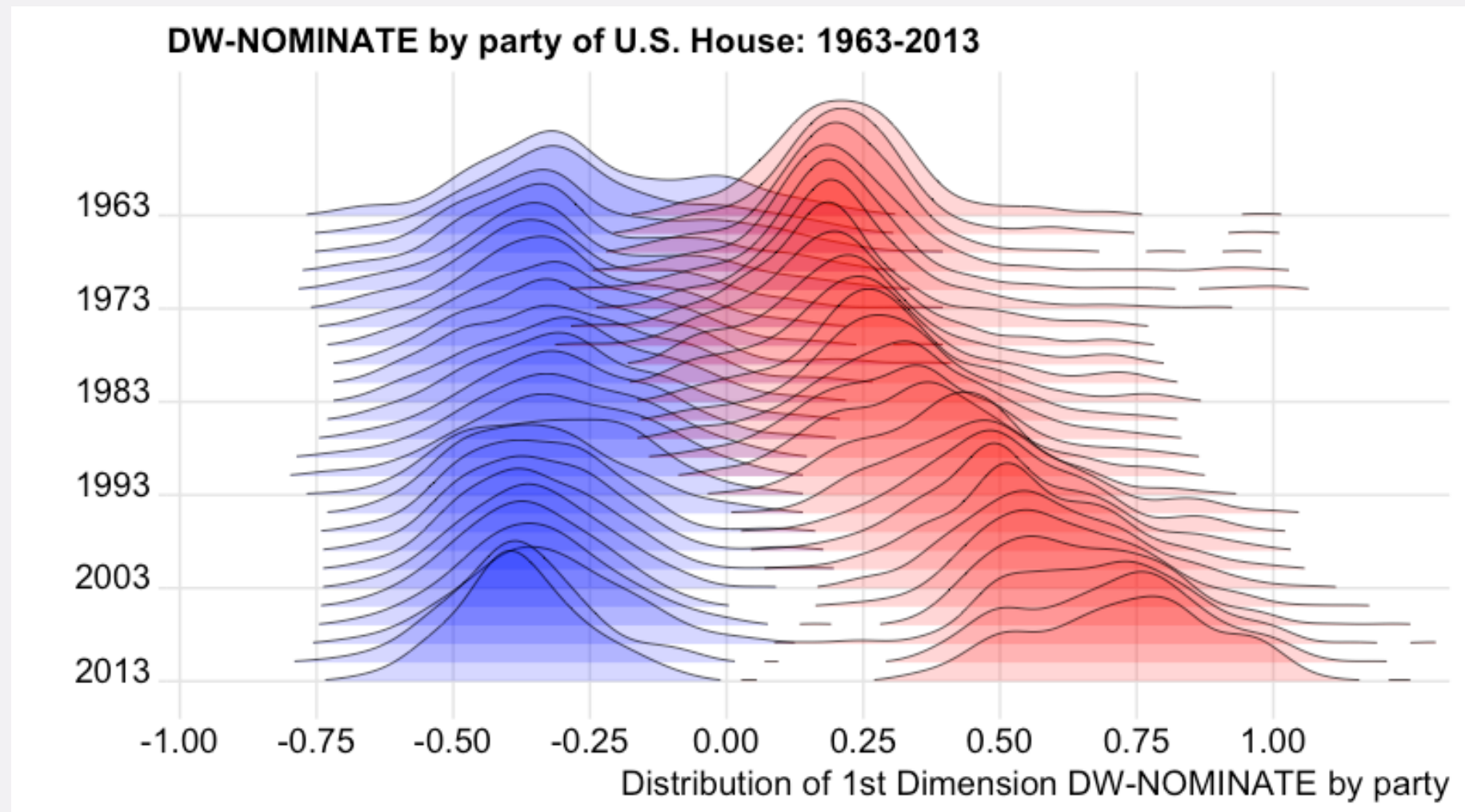
- **Try to find situations where intervening variables should not have an effect**

PROBLEMS

- **Correlation is not causation**
- **Looking for benefits in the wrong place?**

POTENTIAL PROBLEMS

- Data used
 - Roll call votes of politicians
 - Aggregations of roll call votes



POTENTIAL BENEFITS

- **Access**
 - Who do politicians meet with?
- **Favorable policy**
 - But not necessarily through changes in floor votes
- **Financial benefits**
 - Just looking at the end product

POTENTIAL PROBLEMS

- **So we have:**
 - **Potential intervening variables**
 - **Looking for effects of money where it might not have an effect**
- **Recent years: New studies using better data and clever research designs to to circumvent these problems**

STATE OF THE ART

- **Access**
- **Favorable policy**
- **Financial benefits**

CONTRIBUTIONS AND ACCESS

- **Do campaign contributions lead to access?**
 - **Difficult to observe access directly**
 - **Instead: Do donors believe that contributions lead to access?**
- **Idea: Identify behavior that can only be explained by access-seeking motivations**
 - **not by shared ideology**
 - **or by how much legislator is on fence about legislation**

WINNERS

- **How can we disentangle donations given due to ideological affinity and “access-seeking” one’s?**

WINNERS

The Financial Incumbency Advantage: Causes and Consequences

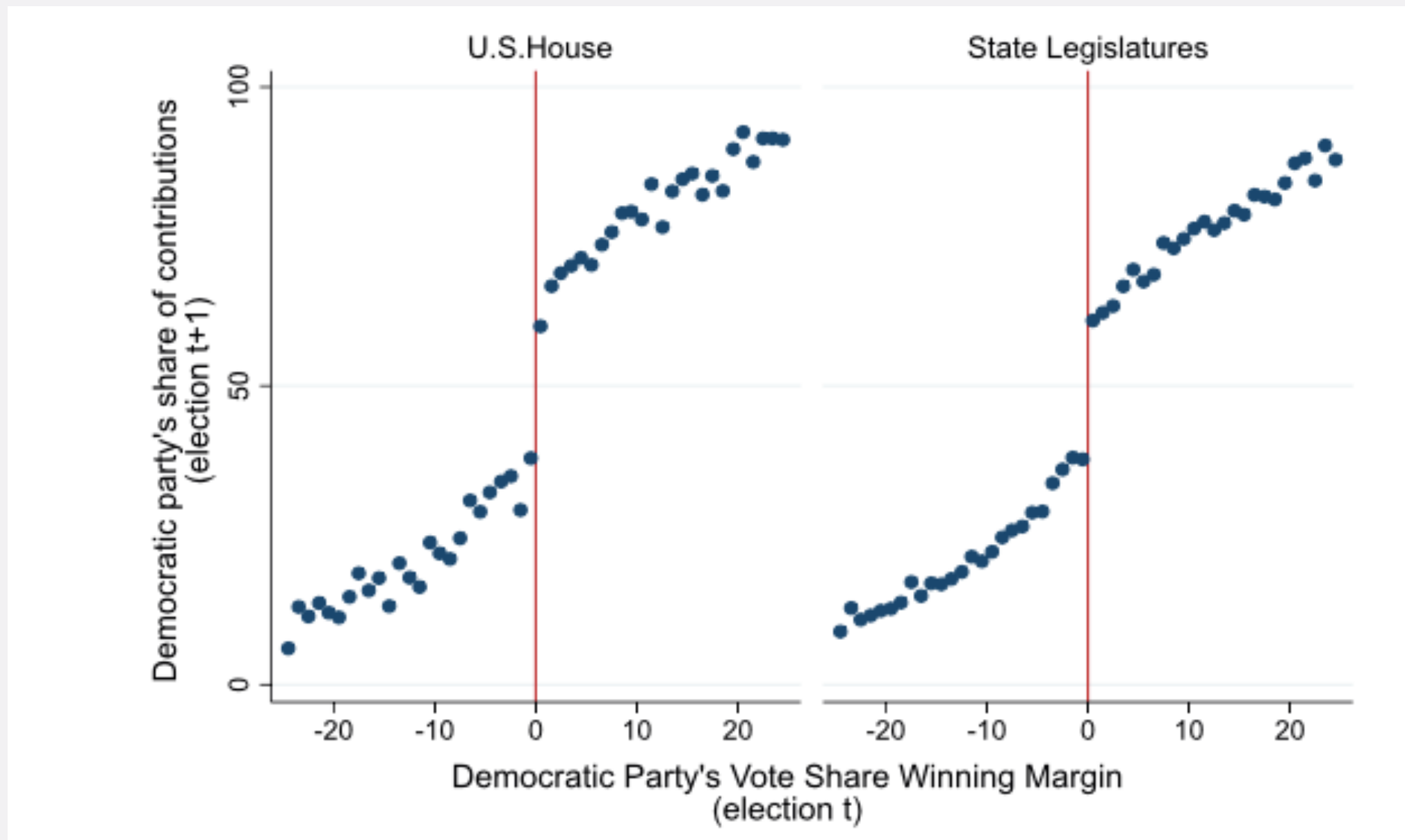
Alexander Fournaies London School of Economics
Andrew B. Hall Harvard University

- **Donations based on shared ideology should go to a specific party**
 - **conservative donors give to Republicans, liberal donors to Democrats**
- **Donations that are “access-seeking” should go to whoever is in office, no matter whether they are a Democrat or Republican**

WINNERS

- **Look at interest group contributions given in some House district**
- **What is the share of contributions given to Democratic candidate?**
- **How does this share depend on the result from the past election?**

WINNERS



- Incumbency causes a jump in campaign contributions of 20-25 percentage points
 - Can't be explained by ideology
 - Instead, this is about access

COMMITTEES

- **Importance of committees in U.S. Congress**
 - **Agricultural committee**
 - **Budget committee**
 - **Finance committee**
 - **Ways and means committee**
 - **etc.**
- **Before relevant bills get voted on the whole floor, they go through the relevant committee**

COMMITTEES

- **Members of “right” committee are very important**
 - **e.g. firms in agriculture want access to members of agricultural committee**
- **Members who leave committee become less valuable to special interests**

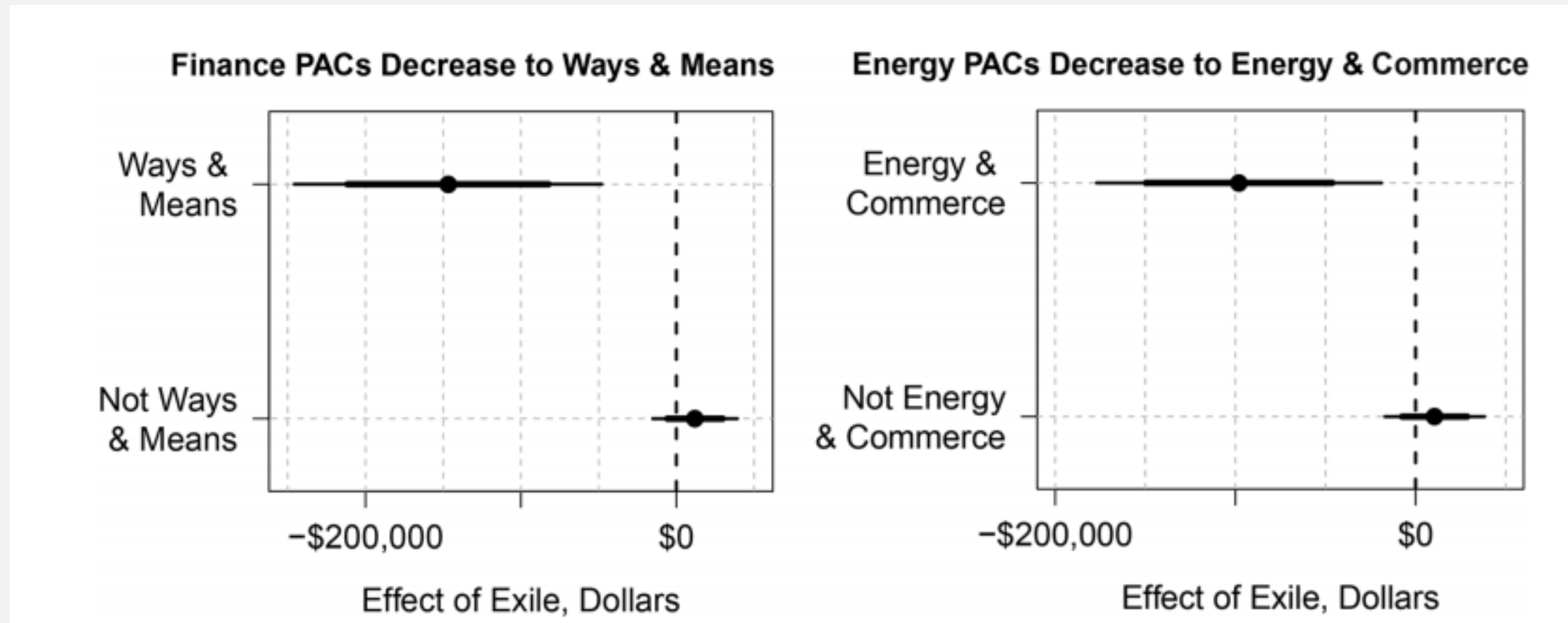
COMMITTEES

Money in Exile: Campaign Contributions and Committee Access

Eleanor Neff Powell, University of Wisconsin-Madison
Justin Grimmer, Stanford University

- **What happens to campaign contributions of members who leave a committee?**
 - **If donations based on shared ideology, nothing should happen**
 - **Lower contributions signal that donors believe contributions give them access**

COMMITTEES



- Looking at committee members who are forced to leave their committees (because their party lost many seats in election)

EXPERIMENT

Campaign Contributions Facilitate Access to Congressional Officials: A Randomized Field Experiment

Joshua L. Kalla University of California, Berkeley
David E. Broockman University of California, Berkeley

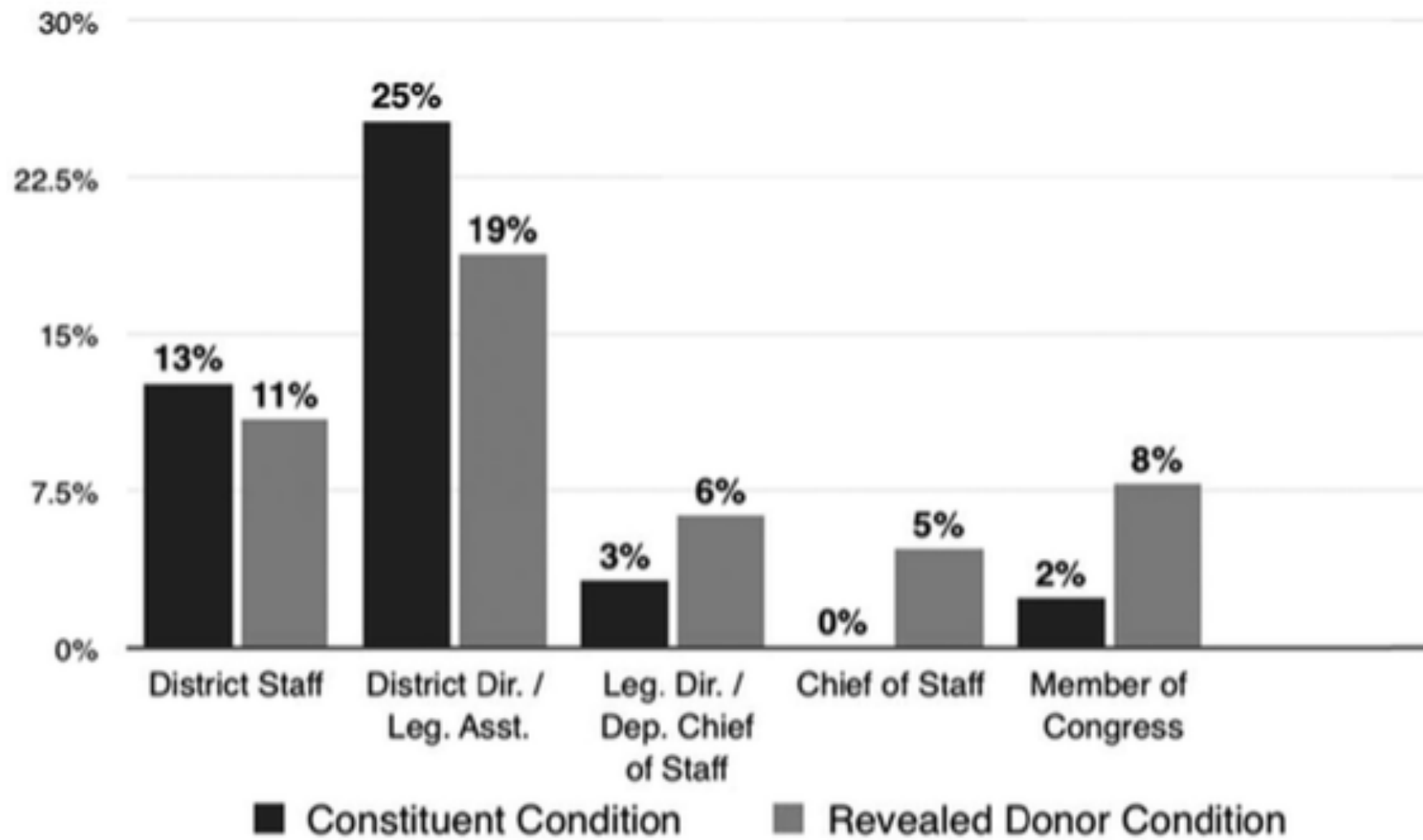
- **A more direct measure of campaign contributions and access**

EXPERIMENT

- **Organization tries to arrange meeting between its members and congressional officials**
 - **Per e-mail**
- **1/2: "local constituents"**
- **1/2: "local campaign donors"**
- **Outcome: Is a meeting granted, and who will it be with?**

EXPERIMENT

FIGURE 1 Access Gained to Congressional Staffers, by Experimental Condition



CONTRIBUTIONS AND ACCESS

- **Solid evidence that campaign contributions provide access**
- **“If you’re a lobbyist who never gave us money, I didn’t talk to you. If you’re a lobbyist who gave us money, I might talk to you.”**
 - **Mick Mulvaney (Former US Representative)**

STATE OF THE ART

- **Access**
- **Favorable policy**
- **Financial benefits**

POLICY

- **Little evidence that campaign contributions affect roll call voting in U.S. Congress**
 - **But: coarse measure, very public**
- **Instead: Focus on less public decisions**
 - **And measure policy in more specific ways**

POLICY

TABLE I.
ZONE 1 UNE LOOP PRICES (JANUARY 2003) (\$/MONTH)

State	Zone 1 Price	State	Zone 1 Price
Alabama	11.55	Montana	23.10
Alaska	14.92	Nebraska	12.14
Arizona	9.05	Nevada	11.75
Arkansas	11.86	New Hampshire	11.97
California	8.83	New Jersey	8.12
Colorado	5.91	New Mexico	16.04
Connecticut	8.95	New York	7.70
Delaware	10.07	North Carolina	10.75
Florida	9.97	North Dakota	13.53
Georgia	10.80	Ohio	5.93
Hawaii	10.44	Oklahoma	12.14
Idaho	15.65	Oregon	13.95
Illinois	2.59	Pennsylvania	10.25
Indiana	8.03	Rhode Island	11.19
Iowa	12.69	South Carolina	13.76
Kansas	11.86	South Dakota	17.01
Kentucky	9.64	Tennessee	11.11
Louisiana	11.77	Texas	12.14
Maine	11.44	Utah	11.41
Maryland	11.11	Vermont	7.72
Massachusetts	7.54	Virginia	10.74
Michigan	8.47	Washington	6.05
Minnesota	8.81	West Virginia	14.49
Mississippi	10.98	Wisconsin	10.90
Missouri	12.71	Wyoming	19.91

Source: Gregg (2003).

POLICY

**DOES PRIVATE MONEY BUY PUBLIC POLICY?
CAMPAIGN CONTRIBUTIONS AND REGULATORY
OUTCOMES IN TELECOMMUNICATIONS**

RUI J. P. DE FIGUEIREDO, JR.

*Haas School of Business and Department of Political Science
S545 Student Services #1900, University of California at Berkeley
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GEOFF EDWARDS

*CRA International
Orion House, 5 Upper St. Martin's Lane
London WC2H 9EA, United Kingdom
geoff.edwards@crai.com*

- **What is the effect of campaign contributions on these prices?**

POLICY

- **Old telecommunications firms: want high prices**
- **New firms: want low prices**
- **Both sides make campaign contributions**
 - **To members of commission**
 - **In some states new firms make more contributions than in others**
 - **Does this help explain prices?**

POLICY

- **Finding: If new firms make greater % of campaign contributions, they pay lower prices**

POLICY

- **Campaign contributions unlikely to have much effect on policy if it is very important, very visible**
- **But: Evidence that they play a role in less visible decisions**
 - **Where legislators don't have strong ideological commitments**
 - **And voters don't pay that much attention**

STATE OF THE ART

- **Access**
- **Favorable policy**
- **Financial benefits**



- **Evidence that investing money in politics leads to access, favorable policy**
- **Can we demonstrate that investing money in politics improves the bottom line?**

SUHARTO

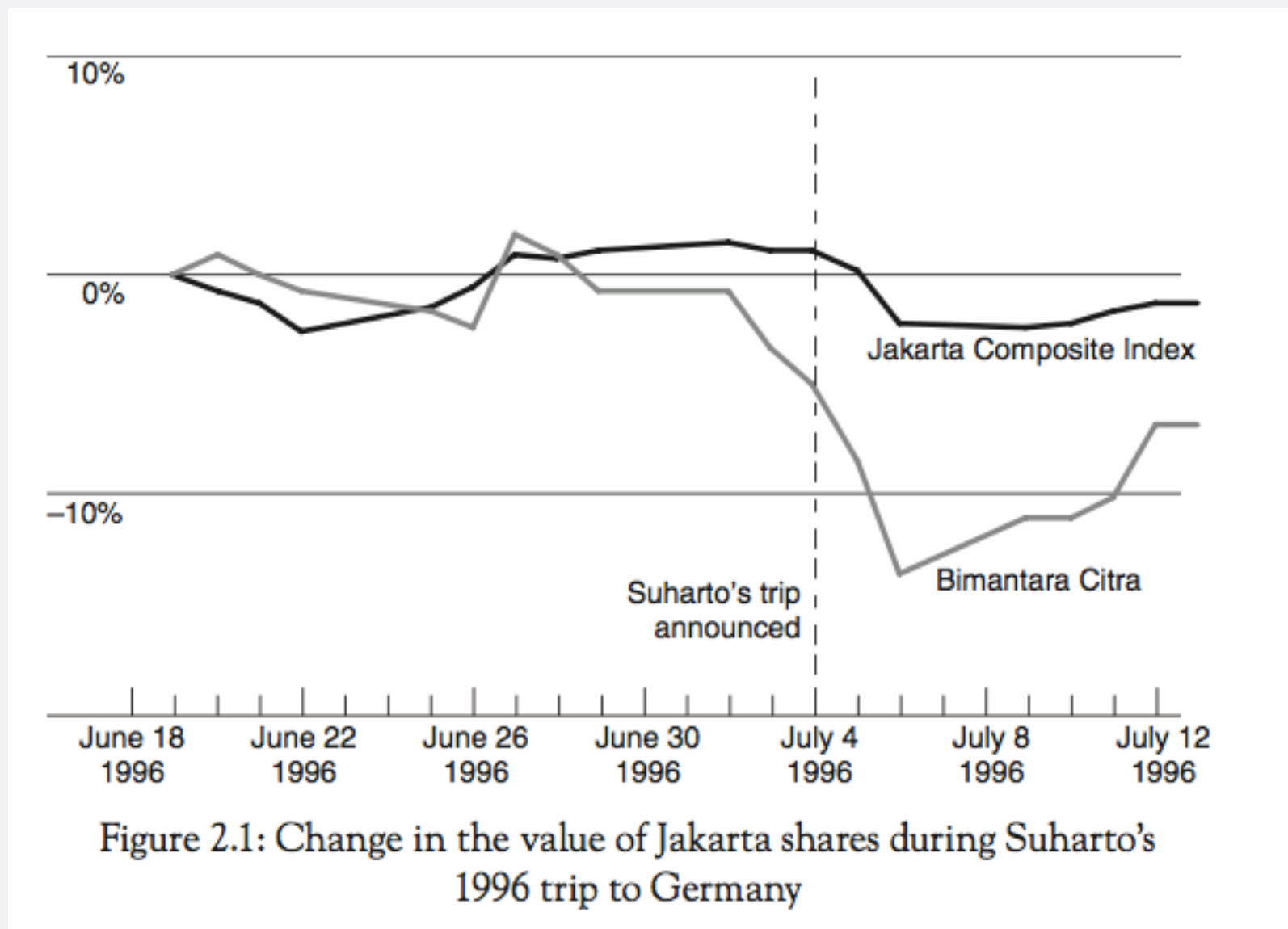


- **Suharto**
- **President of Indonesia
1968-1998**

STOCK PRICES

- **Suharto's children own important companies that are traded on stock market**
 - Presumably they receive preferential treatment from government
- **Several reports about Suharto's declining health**
 - If he dies, no longer preferential treatment
 - Reports of imminent death: Stock price (=firm value) adjusts to what company is worth without preferential treatment

STOCK PRICES



- **Suharto**
 - 25% of profits of his children's companies come from political connections

STOCK PRICES



- **Dick Cheney**
- **U.S. Vice-President (2001-2009)**

STOCK PRICES

The image is a screenshot of the CNN.com website. At the top left is the CNN.com logo. To its right is the text "Member Center: Sign In | Register". Below the logo is a search bar with the word "SEARCH" on the left, two radio buttons labeled "THE WEB" (selected) and "CNN.COM", a search input field, and a "Search" button. On the left side is a vertical navigation menu with categories: Home Page, World, U.S., Weather, Business at CNNMoney, Sports at SI.com, Analysis at Time.com, Politics (highlighted in red), Law, Technology, Science & Space, Health, Entertainment, Offbeat, Travel, Education, Special Reports, Video, Autos, and I-Reports. The main content area features the word "POLITICS" in large red letters. Below it is the headline "Cheney accidentally shoots fellow hunter" in large black font. Underneath the headline is the sub-headline "Texas lawyer struck in face, chest with birdshot" in smaller black font. Below that is the author information "From Dana Bash" and "CNN". The date and time are listed as "Monday, February 13, 2006; Posted: 9:53 a.m. EST (14:53 GMT)". The main text of the article begins with "WASHINGTON (CNN) -- Vice President Dick Cheney accidentally shot and wounded a campaign contributor during a weekend quail hunt on a friend's South Texas ranch, local authorities and the vice president's office said Sunday." On the right side of the article is a box titled "YOUR E-MAIL ALERTS" containing two rows: "Dick Cheney" with an unchecked radio button, and "Texas" with an unchecked radio button. At the bottom of this box is a button labeled "ACTIVATE" followed by the text "or [Create Your Own](#)".

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POLITICS

Cheney accidentally shoots fellow hunter

Texas lawyer struck in face, chest with birdshot

From Dana Bash
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Monday, February 13, 2006; Posted: 9:53 a.m. EST (14:53 GMT)

WASHINGTON (CNN) -- Vice President Dick Cheney accidentally shot and wounded a campaign contributor during a weekend quail hunt on a friend's South Texas ranch, local authorities and the vice president's office said Sunday.

YOUR E-MAIL ALERTS

Dick Cheney

Texas

ACTIVATE or [Create Your Own](#)

STOCK PRICES



- **Dick Cheney**
- **U.S. Vice-President (2001-2009)**
- **1995-2000: Chairman of the Board and CEO of Halliburton (oil field services company)**

A Closer Look at Cheney and Halliburton

By DAVID E. ROSENBAUM SEPT. 28, 2004

WASHINGTON, Sept. 27 - Senator John Kerry has suggested, though never explicitly stated, that the Bush administration has an improper relationship with Halliburton, the company where Dick Cheney was chief executive from 1995 until he left in 2000 to run for vice president.

STOCK PRICES

- Like Suharto, Cheney had severe health problems
 - 2 heart attacks in office
- How did Halliburton's stocks react to these surprising announcements?
 - Fisman et al (2012): *Estimating the Value of Connections to Vice-President Cheney*

Q SECTIONS

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CHENEY HAS A HEART ATTACK HIS 4TH SPARKS FEARS OF ABILITY TO DO VEEP JOB

STOCK PRICES

- **Cheney**
 - **No effect of heart attacks on stock price of Halliburton**



The Jeffords Effect

Seema Jayachandran*

- **Early 2001: 50-50 tie in Senate**
 - **Republican Vice President breaks tie**
- **05/24/01: Jim Jeffords (R-VT) makes surprise announcement to become an independent and caucus with Democrats**
 - **51-49 for Democrats**

\$ \$ \$

- **Some firms give more to Democratic party, others more to Republican Party**
- **If there are returns to donating to party in power, Jefford's move helped Democratic donor firms and hurt Republican donor firms**
- **How did the stocks of Democratic and Republican donor firms change after announcement?**

\$\$\$

- **Firms that donated \$250,000 to Republicans in previous election cycle: lose 0.8%**
- **Firms that donated \$250,000 to Democrats in previous election cycle: gain 0.4%**

CONTRIBUTIONS AND \$\$\$

- **Old evidence: No effect when looking at effect of contributions on broad policy**
- **New evidence: Evidence that campaign contributions provide access, favorable policy, bottom line**
 - **But: Still only (a few) studies of some specific events**

NEXT TIME

- **Bureaucrats and Citizens**
- **Special interests**
- **Lobbyists**
- **Politicians and voters**