Regulation and Upper Class Bias in Campaign Finance Systems

Christopher Witko

ABSTRACT

In the campaign finance system in the U.S., organizations representing business and upper income actors numerically dominate those representing the middle class and the poor, raising the concern that policy outcomes are skewed toward the wealthy. Some campaign finance regulations are specifically designed to alter the mobilization of organized interests, yet we have limited knowledge of whether these laws actually work as intended. In this article I take advantage of variation in state campaign finance laws to examine how laws banning and regulating corporate and labor campaign contributions and expenditures shape the mobilization of upper class actors (i.e., business groups and professional associations) and labor groups, and ultimately “bias” in the U.S. states. Descriptively, I demonstrate that bias in state campaign finance systems is substantial. The multivariate analysis covering data from the early 1990s to 2010 shows that bans on direct contributions from corporations and labor unions reduce the mobilization of these groups and ultimately structure bias in the organizational population in state campaign finance systems.

Keywords: campaign finance, regulation, bias, business, corporation, labor

INTRODUCTION

Schattschneider (1975) famously wrote that the U.S. interest group “heavenly chorus” sings with an upper class accent. The funding of election campaigns in systems with private financing will almost necessarily be dominated by organizations representing upper income actors, but there is nonetheless variation in the extent of upper class bias over time in the campaign finance system in Washington, D.C. (Hacker and Pierson 2010), across campaign finance systems in the U.S. states (Flavin 2015; Witko 2005), and across different democracies (Scarrow 2007). One goal of campaign finance reformers throughout history has been to reduce this bias toward upper class interests in campaign finance systems. Yet we have very little understanding of whether such reforms actually achieve this goal. Therefore, in this article I consider how campaign finance regulation, and in particular bans on direct contributions and limits on donations from corporations and labor unions, shapes bias in campaign finance organization populations.

Upper class bias in organized interest systems is important to understand because it likely has important implications for electoral and policy outcomes in legislatures, executive branches, and the courts (Broz 2005; Mian, Sufi, and Trebbi 2010; Moore, Powell, and Reeves 2013; Hall 2016; Rubenzer 2011; Witko 2006; Witko 2013). Though business interests and professional associations often oppose each other in the electoral and policy process (Baumgartner et al. 2012), even when they disagree, where the concerns of these actors dominate policy debates, policy outcomes are likely to be very

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different from contexts in which a wide range of social interests are active. For instance, research in the states shows that where campaign finance is dominated to a larger degree by corporations, Republicans are more likely to win elections (Hall 2016), which other research shows produces conservative shifts in policy and socioeconomic outcomes that disproportionately benefit upper income actors (Franko, Kelly, and Witko 2016; Kelly and Witko 2012; Kelly and Witko 2014). Similarly, Hacker and Pierson (2010) argue that the upper class dominance of the campaign finance system in Washington, D.C. pushes both Republicans and Democrats to the right on economic policy, exacerbating economic inequality.

These findings are troubling to many because bias has grown in Washington, D.C. in recent decades (Hacker and Pierson 2010; Wright 2000) and state campaign finance systems are also biased toward business and the wealthy (Flavin 2015; Witko and Newmark 2005), though there is not very much longitudinal data available so whether this bias may have grown in most states is unclear. Ultimately the amount of total dollars coming from different interests is important to the ability of upper income actors to shape policy and electoral outcomes, but if organizations do not mobilize they can, of course, never contribute to politicians. And, in fact, many groups that have the financial capacity to mobilize to finance campaigns opt not to do so (Benz et al. 2011). Therefore, it is important to understand how regulation may encourage or discourage involvement in the financing of campaigns by different types of interests.

Indeed, some campaign finance laws are intended precisely to make it easier or harder for certain interests to mobilize into the campaign finance system. The most obvious types of regulation that may affect mobilization decisions are bans on contributions from certain types of organizations. Many states ban direct contributions from corporations and/or labor unions, and the structure of these laws may affect mobilization and bias. Campaign contribution limits for these entities may also affect the attractiveness of mobilizing. On the other hand, even in states where direct contributions from unions and corporations are banned these entities have the legal right to form political action committees (PACs). Furthermore, the literature on lobbying regulation shows that such laws are largely ineffective in shaping bias in lobbying populations (e.g., Lowery and Gray 1997). Nevertheless, given the goals of reformers and the current court-ordered dismantling of many campaign finance laws (Kulesza, Witko, and Waltenburg 2016), it is worth considering how campaign finance laws may shape group mobilization and bias.

Though much of what we know about bias in organized interest systems is drawn from examining the very important interest group system in Washington, D.C., it is difficult to test the effect of campaign finance regulation at the federal level simply because there is very little variation in such laws. Furthermore, as the policy process in Washington, D.C. becomes increasingly sclerotic, what happens in state policymaking becomes all the more important to understand (Kelly and Witko 2012). Therefore, I examine the mobilization of various actors and bias by examining the populations of state campaign finance organizations from the early 1990s through 2010. The results show that bias is considerable in nearly all states and that campaign finance regulation shapes the mobilization of business and labor interests, and ultimately bias.

CAMPAIGN FINANCE REGULATION, MOBILIZATION, AND BIAS

Organized interests mobilize into the lobbying and campaign finance systems in order to influence public policy outcomes. Most groups that are active in lobbying choose not to donate to politicians (Lowery et al. 2009; Ansolabehere and Snyder Jr. 2002), and a great deal more money is spent on lobbying than contributing to politicians (Drutman 2015). However, the most active organized interests both lobby and contribute to political campaigns (Ansolabehere and Snyder Jr. 2002; Lowery et al. 2009). Some scholars argue that campaign contributions should be thought of as consumption and not attempts to influence government policy (Ansolabehere, De Figueiredo, and Snyder 2003). This may be true for individuals, but this does not appear to be the case for many organized interests judging by their contribution patterns, which are geared toward access to important decision makers with control over policy, like party leaders and committee chairs (Grier and Munger 1991).

I assume that mobilization into the campaign finance system is driven by the perception that becoming active in politics and the policy process
will bring policy benefits. By definition, organized interests care about policy, and campaign contributions can shape policy by influencing election outcomes or by helping to gain access to important decision makers (Hall 2016; Kalla and Broockman 2015). Early theories of interest group mobilization, such as Truman’s (1951) disturbance theory, assumed that interest group mobilization was a relatively straightforward process—once latent interests are threatened by the enactment of a harmful policy, or when desiring the enactment of a beneficial policy, they mobilize to become active in politics. From this theoretical perspective we should anticipate a wide variety of groups represented in the interest system, an intuition confirmed by some studies (Dahl 1961).

Yet, mobilizing for political action, particularly to donate to politicians, also requires an abundance of resources. Thus, not entirely surprisingly, Schattschneider (1975) observed that interests representing upper income actors numerically dominate the organized interest system. Olson’s (1971) logic of collective action explains why even middle class groups that pursue public goods tend to be underrepresented. Groups seeking collective goods (like eradicating poverty, improving childhood early education programs, etc.) face the free rider problem, making it harder for them to acquire needed resources. In contrast, business firms generally pursue policies with substantial private benefits, incentivizing them to become organized (Hansen and Drope 2005). And associations representing upper income professionals can offer selective incentives in exchange for their members’ resources, which organizations representing the poor cannot do so easily (Olson 1971). Thus, from the resource and collective action perspectives it is not surprising that the interest group system has an upper class bias.

This bias is especially pronounced when we focus specifically on the campaign finance system, since money is the sine qua non of participation. The campaign finance systems in Washington, D.C. and in most states are biased toward upper income actors (Hacker and Pierson 2010; Witko and Newmark 2005), by which we mean firms, associations of firms, associations representing upper income professionals, and other groups funded by wealthy interests that pursue policies that benefit their funders. Indeed, the only actor representing lower and middle class voters that has been consistently active in financing campaigns over a large number of election cycles, and across most states is organized labor (Hacker and Pierson 2010). However, there appears to be substantial variation in upper class bias in campaign finance over time and across systems, meaning that constant basic collective action and resource disparities alone do not explain variation in bias. Campaign finance regulation is one factor that is intended to shape the mobilization of upper income actors and labor, and ultimately bias.

REGULATING AGAINST BIAS

There are many reasons why states regulate campaign finance. Disclosure laws provide citizens with information about the supporters of candidates to improve the quality of decision making in the voting booth. Many other campaign finance laws, like public financing, are intended to promote electoral competition. Whether accurately or not, it is thought by most reformers that relatively unregulated systems of campaign finance benefit the wealthy and business at the expense of lower income interests and average citizens. Whether this is actually the case is unclear. But there is no doubt that a number of laws, especially bans on contributions from certain entities, are intended specifically to limit bias.

During the Gilded Age, Progressives became concerned about the power of big business in Washington, D.C. and the state capitals. As the rapidly growing profits of new corporations formed after the Civil War expanded, these companies began to inject money into electoral politics in unprecedented amounts. In Washington, D.C, this practice was perhaps most infamous in the person of Mark Hanna who, as campaign manager for President McKinley in 1896, encouraged corporations to become active in financing campaigns (Marcus 1971). But the state capitals had similar problems where the railroads, insurance companies, and

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1For instance, in a web page called “Answering the Critics,” the pro public financing group, Democracy Matters, states, in response to the concern that “the rich will always prevail by outspending everyone,” that “publicly funded candidates can and do point out that unlike those dependent on private funding, if elected they will be beholden to all the people and not just to big campaign funders.” See <http://www.democracymatters.org/what-you-need-to-know-about-money-in-politics-2/overview/answering-the-critics/>. 
large manufacturers had outsized influence over elections and policy. The response in some states was to ban corporate campaign contributions, which were in place in five states by 1905 (Gross and Goidel 2003). After the Tillman Act of 1907, which also banned contributions from corporations in federal elections, was enacted, a number of other states implemented such laws. These laws were explicitly attempts to prevent corporations from mobilizing into the campaign finance system and limiting a pro-corporate bias in campaign finance systems.

Only much later did states enact laws preventing contributions from labor organizations. As concern grew about the power of labor unions after pro-labor New Deal reforms, the federal Smith-Connolly Act of 1943 and Taft-Hartley Act of 1947 banned labor campaign contributions in federal elections. Subsequently, a number of states enacted similar laws banning labor contributions in their elections (Gross and Goidel 2003). It may seem strange from our current vantage point when unions are quite weak that observers were concerned about their power and influence, but these laws were very clearly intended to limit the ability of labor unions to use their, then-considerable, resources to mobilize into the campaign finance system.

In addition to these direct bans, laws limiting contributions can potentially make mobilization more or less attractive. Most laws limiting campaign contributions were enacted in the 1970s, following federal-level reforms (Witko 2005). If campaign contribution limits are high, then mobilizing into the campaign finance system may be more attractive because organizations can more easily use their resources to influence elections and form relationships with office holders. In contrast, where campaign contributions are low, organizations can use fewer of their resources even if they mobilize, potentially garnering fewer benefits.

It is important to note that corporations do not only fund their individual corporate activities—they also fund peak business organizations (like the state Chamber of Commerce) and associations that represent their particular industries in government. Therefore, I examine how campaign contribution bans and limits shape the mobilization of business organizations (firms, industry groups, and peak associations) and professional associations, which I view as “upper class actors” on the one hand and labor organizations (individual unions, federations, and other labor-funded organizations) on the other.

While bans were intended to limit bias and limits may have such an effect, it is not clear that they will actually do so for a couple of reasons. First, Supreme Court rulings have rendered state bans on corporate and labor contributions relatively weak. Much attention is given to Citizens United, which in 2010 overturned any provisions of state law that banned corporate or labor spending on independent expenditure campaigns or advertisements, but laws banning direct contributions to candidates from union and corporate treasuries are still constitutional. However, in the 1970s, federal courts ruled that states and the federal government must allow unions and corporations to establish “separate and segregated funds” (i.e., PACs) that rely on voluntary contributions from members and employees (Gais 1998). This is certainly more burdensome than firm executives or union leaders simply writing checks from their general treasuries, but whether the need to establish a PAC separate from the general treasury dissuades organizations from mobilizing is uncertain. In addition, contribution bans and limits are often neutral with respect to the types of organizations whose behavior is prohibited or limited. Most states that ban corporate contributions also ban labor contributions, and vice versa. So even if they work, they may have a minimal impact on bias.

A more general critique of campaign finance laws, and political reform laws more generally, is that they are usually ineffective for the simple reason that determined political actors with an abundance of resources will find some way to inject their money into the system. Colloquially, this has been called the “hydraulic theory” of money in politics, which states that money, like water, will find any crack in the system and enter into it. Research shows that lobbying laws do not affect the mobilization of different interests much and nor do they affect overall bias (Lowery and Gray 1997), and this may also be the case for campaign finance laws.

These laws may even have unintended consequences that are the opposite of those envisioned by reformers. For instance, low campaign contribution limits may encourage politicians to reach out to more organizations in search of adequate funding. This would potentially create more relationships between politicians and different campaign funders,
while requiring politicians to spend more time raising money. In terms of bias, it might lead to the greater mobilization of upper income interests since politicians would be wise to attempt to mobilize these actors with an abundance of resources.

There is limited existing research into how campaign finance laws may shape the mobilization of a wide range of business and professional interests and labor unions, and the research that does exist is mixed. Benz et al. (2011) find little evidence that the overall stringency of campaign finance laws affects the formation of health PACs from the population of groups that lobby. However, Flavin (2015) does find that candidates in states with stricter campaign finance laws receive a smaller percentage of their contributions from business, and Hall (2016) finds that the fundraising of the Republican Party suffers where bans on direct corporate contributions are in place. This suggests that laws that specifically target corporations (or unions) may affect their overall mobilization.

Furthermore, the fact that wealthy organizations and individuals are investing large sums of money into overturning campaign finance laws via the courts suggests that at least some actors do find these laws to be burdensome. Thus, it is well worth considering how campaign finance laws may shape the mobilization of different interests. First, the need to establish a separate legal organization to raise and donate money may be a disincentive to mobilize for at least some corporations or unions. Second, it is possible that even neutral laws actually impact different actors differently. Gais (1998) argues that strict campaign finance laws dampen the mobilization of unions more than corporations, simply because there are relatively few unions compared to a very large number of corporations—although it seems at least equally plausible that an unregulated environment helps corporations since there are so many more of them than unions. Third, though most states treat unions and corporations similarly in campaign finance laws, some states that have corporate bans do not have union bans (as of 2010, 17 states banned labor union contributions, while 23 states banned corporate campaign contributions) (Kulesza, Witko, and Waltenburg 2016), which allows us to gain leverage on how the different treatment of organized interests in campaign finance law affects their mobilization holding other state factors constant.

In recent years, scholars have realized that it is very difficult to estimate the causal impact of laws or institutions on outcomes because cause and effect may be simultaneously determined by some third variable, or the direction of causality may be unclear. In this case, not only might laws shape mobilization of different interests, the mobilization of different interests might also shape laws. However, because campaign finance laws banning and placing limits on corporate and labor contributions were in most cases enacted several decades ago, we can safely say that these laws are largely “exogenous” to contemporary politics. And even in the states where such laws have been changed in recent years, these changes are most often in response to a major campaign finance scandal rather than the result of direct lobbying by business and labor, both of which seldom use scarce resources lobbying to change campaign finance laws (Witko 2007). Therefore, when I examine the relationship between these campaign finance laws and contemporary political mobilization of upper class interests, labor, and ultimately bias, I am able to get a good idea of the causal impact of these laws.

OTHER FACTORS SHAPING BIAS IN CAMPAIGN FINANCE SYSTEMS

Regulation is not the only factor shaping bias, and it is necessary to control for these other variables in the analysis. Based on the existing literature, political and economic conditions are likely to shape bias. I discuss these factors below.

Political conditions

Research suggests that the liberalism of government, the mobilization of opposing interests, and party competition are likely to shape the mobilization of upper and lower income interests and bias. Existing research examining Washington, D.C. suggests that the relatively liberal policy of the 1960s caused business and the wealthy to mobilize in the 1970s (Hacker and Pierson 2010; Vogel 1989). This is because liberal or left-leaning governments enact more regulations, prefer higher taxes, etc., which threatens the profits and incomes of business and the wealthy (Kelly and Witko 2012). Generalizing, we can expect that liberal governments will spur greater mobilization of upper income interests.
But the mobilization of different interests is also likely to spur the counter mobilization of other interests (Truman 1951). Indeed, the relatively high levels of mobilization of organizations representing lower and middle class actors in the 1960s—in particular, organized labor—may have contributed to the perceived need for upper class interests to become more active in politics. Of course, if disturbance theory is correct, then any increase in mobilization by upper class actors should be met with an eventual growth in mobilization of groups representing lower and middle class interests. Though labor has fewer resources than business and wealthy professionals, as wealthy interests became more powerful in the 1980s and 1990s, the AFL-CIO became more active in financing campaigns, despite highly constrained resources (Francia 2006). The strength of labor as a whole has declined in the U.S., and it has always been weak in some states. But there is considerable variation in labor strength across the U.S. states, so labor in some states still has a significant capacity to mobilize.

Campaign contributions are ultimately used in electoral campaigns; thus the electoral environment also likely affects the mobilization of social groups into the campaign finance system. More specifically, when there is a greater demand for money in election contests we should see that more groups mobilize into the campaign finance system, or perhaps more accurately, are mobilized by politicians into the campaign finance system. At the federal level, beginning in the late 1970s as the South became less solidly Democratic and party competition for control of the Congress and presidency intensified, it became increasingly costly to run for reelection (Wright 2000). Encouraged by politicians who needed their resources, the wealthy and business seized this opportunity by mobilizing more heavily into politics and providing campaign contributions to politicians to pursue their policy goals (Hacker and Pierson 2010; Wright 2000). This suggests that party competition, which produces more expensive election contests, may lead to the growing mobilization of upper class actors.

Economic conditions
The economic context also likely shapes bias. First, research suggests that slow economic growth, which leads to declining incomes and corporate profits, and also makes absorbing liberal tax and regulatory costs more difficult, may contribute to the greater mobilization of business (Vogel 1989). McKelvey (1994) also finds that decreasing profits make firms more likely to mobilize into the campaign finance system.

Another economic trend that may affect bias in the interest system is the secular decline of organized labor due to structural economic changes. Precisely when business and the wealthy were becoming more heavily mobilized into politics the main entity representing lower and middle class workers in the campaign finance system (Hacker and Pierson 2010; Radcliff and Saiz 1998; Witko and Newmark 2005)—organized labor—was entering a period of decline. Nationally, as union density (i.e., the proportion of workers in unions) has declined dramatically since the 1960s, the proportion of campaign funding for Democratic candidates from unions has also declined substantially (Wright 2000; Witko 2013). But, again, there is extensive variation in union strength across the states. Thus, where unions are weaker we can expect less labor mobilization and more bias in the organized interest system.

Though not considered in previous research, it seems that growing economic inequality may produce more mobilization of upper income actors and increase bias. Growing economic inequality by definition means that, relative to other social groups, the wealthy, capitalists, and firm managers have more financial resources to further mobilize into political activity should they choose to do so (Winters and Page 2009). Furthermore, when inequality is high wealthy interests may have an increased incentive to become more politically active because any change in economic policies would bring either greater windfalls or increased costs compared to when there is a more equal income distribution. This intuition is the flip side of the Meltzer and Richard (1981) model. Thus, I control for income inequality in the analysis.

ANALYSIS
Most attention to growing bias in the interest system has focused on Washington, D.C. (Hacker and Pierson 2010; Vogel 1989). While it is certainly important to understand these changes in the nation’s capital, it is difficult to generalize about the sources of bias in interest systems based on this single,
somewhat atypical, case. Furthermore, as the states arguably become more important in policymaking as congressional gridlock increases (Enns et al. 2014; Kelly and Witko 2012) it is useful to understand bias in state campaign finance systems. Therefore, I examine how regulation shapes bias by examining data from the U.S. states, which provide extensive variation in key explanatory and outcome variables.

The data used here covers all 50 states for various years for different states (depending on data availability) from 1991–2010. Data for all states is included from at least 2000–2010. Since bias is ultimately the product of mobilization decisions by upper class and lower class interests, which may respond to somewhat different factors, I first examine changes in the mobilization of upper class interests and next examine changes in the mobilization of labor organizations. Then, I turn to an analysis of overall bias in the campaign finance system.

Measuring mobilization and bias in state campaign finance systems

To identify upper class interests and labor organizations active in the campaign finance system, and ultimately create a measure of bias, I used data from the National Institute on Money in State Politics, or NIMSP.² Because each organization is given a unique ID number in the NIMSP data and an industry classification, I was able to determine how many unique organizations from different for-profit industries and from the labor union sector made contributions in a given year. The measure of “upper income” mobilization is the state-year sum of firms, associations of firms, or professional associations, that were coded as belonging to one of the for-profit industries by NIMSP and which contributed to a candidate, party, or ballot measure committee in the for-profit sectors. The measure of “lower income” mobilization includes organizations that made the same types of contributions, but were coded as “labor” organizations by NIMSP, which in a given state-year may include individual unions, labor federations, or other ad hoc associations of labor unions that were clearly labor-funded and coded as such. As briefly described above, the reason to equate organizations representing lower and middle income individuals with labor organizations is that this is the only type of organization representing these economic groups that has had a sustained presence in campaign finance systems over a number of decades (Hacker and Pierson 2010).

For the separate models examining the mobilization of upper income actors and labor organizations, I use the change in the number of organizations that have contributed to campaigns as the outcome variable. While the underlying variable is a count, taking the first difference makes these count variables approximately normally distributed. To create the measure of bias I simply use the proportion of all upper income and labor organizations that are upper income actors, and also use the first difference of this measure as the dependent variable.³

Explanatory variables and controls

The key explanatory variable of theoretical interest is the regulation of campaign finance. To measure the regulation of campaign finance activity I use Kulesza, Witko, and Waltenburg’s (2016) database of state campaign finance regulation, which is based on Witko’s (2005) measure. This database covers the period of this study for which state campaign finance data are available, and importantly, includes variables measuring the regulation of business and labor campaign finance activities. For the mobilization of upper income actors, I include two variables, one measuring whether direct contributions from corporations are allowed, and another measuring whether corporate contributions (either from PACs or directly from treasuries) can be unlimited. In the labor analysis, I include variables measuring whether there is a ban on direct contributions from labor treasuries and whether labor union contributions are limited.

In the bias model, I combine all four measures into a single index that measures how “pro-corporate” campaign finance laws are. For instance, states that allow direct contributions from firms, do not have limits on firm contributions, ban union contributions, and place limits on union donations would score a “4.” As noted, because such laws

²The National Institute on Money in State Politics data can be found at: <www.followthemoney.org>.
³I also created a second measure of bias that included ideological and single issue groups and groups in the education and government sector, which are generally non-profit, as “lower income actors.” But because these two measures of bias are correlated at 0.96 and produce nearly identical results, I only present the results for the union-based measure.
were typically originally enacted many decades ago and major scandals are the largest predictor of major changes in campaign finance laws (Witko 2007), these measures are largely exogenous to current political and economic conditions, meaning that by examining their relationship with bias we can get a good idea of the causal impact of these laws rather than only an understanding of their correlation with mobilization and bias.

I also include several control variables discussed above. For political variables I control for government liberalism, party competition, and the mobilization of opposition groups. I measure the liberalism of government using Berry et al.’s (2012) DW-Nominate-based measure of state government ideology, with higher values indicating more liberal governments. I measure party competition using a “folded” Ranney index, where states dominated by either party receive higher values and states with more competition receive values closer to 0.50, meaning that if the argument is correct there should be a negative relationship between the folded Ranney index and bias. This measure was taken from Carl Klarner’s data website.4 Finally, in the analyses of upper income and labor sector mobilization, I include the mobilization of upper income groups (in the labor equation) and labor organizations (in the for-profit equation). These are left out of the “bias” analysis since the mobilization of both groups is used to create the outcome variable, as noted above.

It was also argued that the economic factors, slow growth, weak unions, and high economic inequality would be associated with greater bias. To measure the rate of economic growth I use the state’s gross state product growth rate, taken from the U.S. Bureau of Economic Analysis. To measure union strength, I use Hirsch, Macpherson, and Vroman’s (2001) measure of “union density,” which is the percentage of non-agricultural workers who are union members. To measure economic inequality I use the top one percent income share taken from income tax data collected by Mark W. Frank.5

I also include as controls in the model the total number of business firms in a state, since all else equal states with more firms should expect to have more upper class mobilization. I also control for the average population of legislative districts, since this is a predictor of the costliness of legislative elections in a state, in addition to the level of party competition (Hogan 2005; Witko 2007). I also include a variable measuring total gross state product, since a larger government can support more political influence organizations (Gray and Lowery 2000). Finally, I include the lagged level of mobilization of different actors and the lagged level of bias in the relevant models since already high levels of these variables should be associated with smaller subsequent increases.

Modeling approach

The data are cross-sectional time series or panel data. I estimate models with two-way fixed effects (for state and year) using panel-corrected standard errors. Because campaign finance laws seldom change, this is a conservative estimation approach, but models without state fixed effects produced the same results for the contribution ban variables. I separately examine the change in the mobilization of business and labor union organizations and then examine bias.6

RESULTS

I begin the discussion of results by simply presenting descriptive data on the mobilization of upper income actors and labor, and bias in the population of campaign finance organizations in order to understand the extent of variation in bias in the states and whether, as in Washington, D.C., there has also been growing bias in the campaign finance systems in the states.

In Figure 1 we can see the numbers of upper class actors (i.e., businesses, business associations, and professional associations) and labor organizations mobilized into campaign finance systems over time. Most strikingly, we see that upper class organizations outnumber labor organizations by a very large margin. We can also see that while there has been some growth in labor mobilization, which is

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4I use the four-year average of the folded Ranney index to smooth over short-term electoral dynamics. For data see: <http://klarnerpolitics.com/kp-dataset-page.html>.

5See, for example, Frank 2009, and for the data: <http://www.shsu.edu/eco_mwf/inequality.html>.

6The raw mobilization data for upper class interests and labor organizations are counts, but the first-difference is somewhat normally distributed. Nevertheless, as a robustness check I examined these models using robust standard errors which would correct for heteroskedasticity, and the results were substantively the same.
quite remarkable amidst the backdrop of declining membership, there appears to be more dramatic growth in the mobilization of upper income actors. However, this could be an artifact of the mix of states included in the sample. In the early years of the sample, data is available for only a handful of states, while all states are included by year 2000. If we look only at the period since 2000, the mobilization of business and labor organizations seems fairly stable. On the other hand, these trajectories in the states are similar to the growth of business mobilization at the federal level where, during the 1970s and 1980s, the number of business PACs increased before stabilizing. The spikes in the data correspond to election years, which are controlled for in the statistical model using year fixed effects.\footnote{As a robustness check I also estimated models with a gubernatorial election year dummy variable, and the results for the other variables are unchanged.}

Bias is ultimately the product of perhaps somewhat separate mobilization processes for upper income actors and organized labor. In Figure 2 I present bias averaged across states over time. First, we see that bias is large on average across all states. A campaign finance system where there were equal numbers of upper income and labor organizations would score a 0.50 on this measure of bias. Here, we see that once all states are included bias is around 0.80. Not surprisingly given the figure above, we see what appears to be a fairly large increase in bias throughout the 1990s. However, the same warning discussed above applies, and since around 2000 there appears to be little change in bias. Overall, we have limited time coverage compared to data collected at the federal level, which makes it hard to say much about increasing bias over time, but at a minimum, bias is high and has certainly not decreased.

We see that there is some variation in bias over time, but there is also substantial variation across states, which can be seen in Figure 3. This figure presents the average bias for all years of available data for each state. It is easy to see that well more than half of groups represent business in nearly all states, with Massachusetts and Rhode Island being the only exceptions. The average bias for all states across all years for which data are available is 0.83, meaning that for every labor organization in the campaign finance system there are approximately four upper class organizations. We can leverage both temporal and cross-state variation in the mobilization of different actors and bias to investigate the effect that campaign finance regulation has on bias.

Turning to the results of the multivariate analyses presented in Table 1, we see that after controlling for a number of factors, laws restricting the ability of corporations and labor organizations to use their financial resources “work” in the intended
FIG. 2. Over time bias.

FIG. 3. Average bias by state.
Table 1. Regulation and Bias in State Campaign Finance Systems

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<th>Bias</th>
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<td>(−1.22)</td>
</tr>
<tr>
<td>GSP growth</td>
<td>−511.38</td>
<td>−0.900</td>
<td>−0.242*</td>
</tr>
<tr>
<td></td>
<td>(−0.36)</td>
<td>(−0.01)</td>
<td>(−2.02)</td>
</tr>
<tr>
<td>Folded Ranney</td>
<td>918.77*</td>
<td>−29.20</td>
<td>−0.003</td>
</tr>
<tr>
<td>(4 yr)</td>
<td>(2.03)</td>
<td>(−1.39)</td>
<td>(0.07 )</td>
</tr>
<tr>
<td>Gov liberalism</td>
<td>3.304</td>
<td>0.187</td>
<td>0.0003</td>
</tr>
<tr>
<td></td>
<td>(1.13)</td>
<td>(1.34)</td>
<td>(1.65 )</td>
</tr>
<tr>
<td>Δ Labor orgs</td>
<td>2.973***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(3.08)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Δ Upper income</td>
<td></td>
<td>0.00793***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(4.10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upper income−1</td>
<td>−1.523***</td>
<td>−1.468***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(−7.86)</td>
<td>(−12.84)</td>
<td></td>
</tr>
<tr>
<td>Labor orgs−1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bias−1</td>
<td>−1.970</td>
<td>−0.933***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(−1.45)</td>
<td>(−18.96)</td>
<td></td>
</tr>
<tr>
<td>Union density</td>
<td></td>
<td>−1.970</td>
<td>−0.005</td>
</tr>
<tr>
<td></td>
<td>(−1.45)</td>
<td>(0.003)</td>
<td></td>
</tr>
<tr>
<td>Business firms</td>
<td>0.002</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.18)</td>
<td>(0.77)</td>
<td></td>
</tr>
<tr>
<td>Total GSP</td>
<td>0.002</td>
<td>0.000314**</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>(1.14)</td>
<td>(2.96)</td>
<td>(1.00 )</td>
</tr>
<tr>
<td>Pop. per seat</td>
<td>0.007</td>
<td>−0.00108</td>
<td>−0.000</td>
</tr>
<tr>
<td></td>
<td>(0.17)</td>
<td>(−0.66)</td>
<td>(−0.20)</td>
</tr>
<tr>
<td>Constant</td>
<td>−1477.8</td>
<td>9.256</td>
<td>0.762***</td>
</tr>
<tr>
<td></td>
<td>(−1.14)</td>
<td>(0.17)</td>
<td>(10.63)</td>
</tr>
<tr>
<td>N</td>
<td>703</td>
<td>690</td>
<td>690</td>
</tr>
<tr>
<td>R²</td>
<td>0.87</td>
<td>0.79</td>
<td></td>
</tr>
</tbody>
</table>

* t statistics in parentheses.
** p < 0.05, *** p < 0.01, **** p < 0.001
CF, campaign finance; GSP, gross state product.

manner. Bans on direct campaign contributions reduce the mobilization of business and labor, and ultimately shape bias. Examining the first column of results that looks at the mobilization of upper income interests, we see that the regulation of corporate campaign contributions is associated with variation in bias. Specifically, when campaign finance laws allow direct contributions from corporate treasuries, more upper income actors become mobilized into the campaign finance system. In contrast, laws restricting the amounts of contributions from corporations do not appear to effect the mobilization of upper income actors.

Examining the results for the mobilization of labor organizations, we see similar results. That is, laws that ban direct campaign contributions from labor treasuries reduce the mobilization of labor organizations in the campaign finance system. The coefficient for the presence of a campaign contribution limit is positive, which would suggest that limiting spending encourages more participation by labor organizations, but this result is not statistically significant.

The third column shows the results for the analysis of bias. Because bias combines the mobilization of upper income actors and unions, I created a single index of whether campaign finance laws were more pro- or anti-business by combining the four provisions from the other equations into one measure. Not surprisingly given the previous results, this variable is significantly associated with bias.

Thus, overall the results provide strong evidence that campaign finance laws, specifically bans on direct contributions from organizational treasuries, work in the intended manner and influence the mobilization of different actors and ultimately bias. Recall that even where direct contributions from corporations and unions are banned, these actors still have the legal right to form PACs that rely on voluntary contributions from firm employees or union members. The results indicate, however, that the additional step of needing to form a PAC actually suppresses the mobilization of these different types of organizations. In other words, these bans on direct campaign contributions actually work in the manner intended by Progressive Era reformers, even after they have been weakened by judicial rulings requiring that PACs be allowed.

A number of controls are also significant, but sometimes not consistently across models. Though I do not present the year fixed effects in the interest of space, many are significant. In addition, more rapid increases in gross state product (GSP) are associated with smaller increases in bias, which provides some support for the idea that slower economic growth is associated with greater bias in interest systems. We observe also that less party competition (i.e., higher values on the folded Ranney index) is associated with larger increases in the mobilization of upper income interests, which differs from expectations. Perhaps lower party competition allows governing parties greater leverage
over business and professional associations, encouraging them to contribute more money. And it does seem to be that a counter mobilization dynamic is in play here—when unions are more active, so too are upper income actors, and vice versa. Finally, when the mobilization of different actors is already high, or bias is already high, group mobilization or bias does not increase as rapidly. Somewhat surprisingly, the underlying strength of unions and the total number of business firms do not appear to explain population dynamics in campaign finance systems very well.\(^8\) Perhaps this reflects that many organizations with the capacity to become mobilized never do (Benz et al. 2011).

The main finding of interest is, of course, that bans on direct contributions suppress the mobilization of interests. How does the mix of bans in existence affect bias? About one-third of the states that have corporate bans allow contributions directly from union treasuries. Only one state, New Hampshire, bans labor contributions but permits corporate contributions. Other states are neutral with such bans, in that they either ban contributions from both organizations or do not ban contributions from either type organization (Kulesza, Witko, and Waltenburg 2016).

How do these different configurations of laws banning contributions directly from organizations influence bias in organized interest systems relative to completely unregulated systems? The results presented in Table 2 answer this question. For this analysis, I created dummy variables for whether a state bans contributions from both labor unions and corporations, unions but not corporations, and corporations but not unions, to examine how these different regulations are associated with bias relative to the baseline of no bans, i.e., allowing direct contributions from both corporate and union treasuries (the omitted category). I included them in the model but omit the controls and fixed effects from the table since they are of limited interest and are consistent with the previous model examining bias.

The results of this analysis show that campaign finance regulation matters a great deal for bias. The effect of this mix of laws was to reduce bias by approximately 0.09 or about one-half standard deviation. Where there is a labor ban but no ban on corporate donations, bias is statistically indistinguishable from an unregulated state, though it should be noted that only one state (New Hampshire) bans labor unions but not corporations, so this estimate is not particularly reliable.

Overall, we see that these laws have fairly large substantive effects on bias. Not surprisingly, laws that advantage unions relative to corporations reduce bias the most. However, we see that even laws that treat unions and corporations equally by banning direct contributions from both types of organizations also reduce bias relative to a completely unregulated system. That is, not regulating the conduct of corporations or unions actually appears to advantage upper income actors, perhaps because these actors have much larger excess capacity, increasing bias in campaign finance systems. Thus, it seems that the intuition of reformers that unregulated systems are likely to result in more bias toward upper income interests, at least with respect to direct contribution bans, is correct. Interestingly, unions often join corporations in opposing strict campaign finance regulation to maintain the most freedom over their spending, but the results of this analysis suggest that this is not a very good idea. The results also indicate that if the courts deregulate campaign finance in the states even further, we can expect growing bias in campaign finance systems.

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8Including a square term for business firms does not alter this null finding.
CONCLUSIONS

It has been widely noted that the interest group system in the U.S. is biased toward upper income interests for a number of decades (Drutman 2015; Hacker and Pierson 2010; Schattschneider 1975; Schlozman 1984; Schlozman, Verba, and Brady 2012). Bias in the campaign finance system is important because it shapes the amounts of contributions to politicians and expenditures on behalf of political campaigns and for issue advocacy, which in turn matter because there is some evidence that politicians are responsive to their donors (Hall and Wayman 1990; Kalla and Broockman 2015; Witko 2006). Furthermore, while research into initiatives and referenda in the states shows that money alone cannot make an unpopular issue pass on the ballot, money is necessary for the advancement of popular issues and is quite successful in defeating ballot initiatives (Gerber 1999). Thus, the balance of mobilization of different types of economic interests into the campaign finance system is important.

In this analysis, I examined questions about the sources of bias in the campaign finance system by examining data from the U.S. states. Much of the research on bias in the campaign finance system has used a historical, qualitative approach and examined Washington, D.C., and there has been relatively little examination of the overall bias in state campaign finance systems. Thus, one important result of this study is simply documenting the high levels of bias that also exist in state campaign finance systems. A couple of states were shown to not demonstrate bias toward business and professionals over the period of analysis, but all other states demonstrated serious bias, and this has important implications for state policy outcomes (Witko and Newmark 2005). Furthermore, gridlock and ineffective institutions at the federal level mean that the states are arguably becoming more important for policymaking that affects the lives of average Americans (Enns et al. 2014; Kelly and Witko 2012).

Because of their variation in campaign finance regulation, the states also allow for a good test of how campaign finance laws shape the mobilization of different types of economic interests and ultimately bias. Progressive Era reformers and their contemporary intellectual heirs believe that campaign finance laws can shape the mobilization of different actors and result in less bias toward upper income actors. There are a number of good reasons to be skeptical of such claims, as discussed above. Yet the results of the analysis showed very clearly that after controlling for state- and year-specific effects, campaign finance regulation importantly shapes mobilization and bias. More specifically, the analysis here showed that bans on direct contributions from corporate or labor union treasuries matter for bias in state campaign finance systems in predictable ways. Systems that do not ban contributions from business or labor demonstrate the most bias, while systems that permit direct labor contributions and ban direct corporate contributions show the least bias. Systems that ban direct contributions from both are somewhere in the middle.

These findings have important implications for understanding the present and future of bias in the campaign finance system in the states and at the federal level. As campaign finance has become more deregulated due largely to unfavorable federal court decisions we can expect that bias will increase. Citizens United means that states cannot completely ban corporate or union expenditures. However, it is important to note that, as of yet, the courts have not ruled bans on direct contributions to politicians illegal, and these are precisely the laws that were found to affect mobilization in this study. This research suggests that if these types of bans were overturned, corporations would become more heavily mobilized into directly funding candidates, and that even laws that allow both corporations and unions to directly fund candidates would benefit the former more. One consequence of Donald Trump’s election is that more conservative Supreme Court justices are likely to be appointed in the future, making it more likely that such bans on direct contributions will, in fact, be overturned in the future.

I examined bias in the mobilization of campaign finance organizations that contributed directly to candidates or committees because bias among these organizations is important for electoral and policy outcomes. But future research should take a more “wholistic” approach to understanding how campaign finance laws affect the overall upper class bias in interest systems. For instance, upper class bias in campaign finance organizations could be offset or made worse by the structure of individual campaign contributions because campaign finance laws also affect the relative mobilization of the wealthy and middle class into individual campaign finance activities (the truly poor clearly
almost never contribute to politicians). For example, where it is difficult for corporations to contribute money but easy for individuals to do so, this may encourage firm managers to become more involved in campaign finance as individuals, offsetting any reduction in bias due to corporate regulation. Similarly, the ease of independent expenditures likely affects mobilization to donate directly to candidates and committees, and there is very little research into this matter.

In addition, research should consider how campaign finance laws affect not only organizational mobilization but also the overall balance of spending. Existing research shows that bans on direct contributions from corporations do indeed suppress overall corporate donations to Republican candidates (Hall 2016), but overall donations are also shaped by contribution limits and the ease of spending money in other ways. So these different types of laws may have different and quite complicated effects on organizational mobilization and the balance of spending by different interests. This complexity of the effects of campaign finance laws should keep scholars, reformers, and their opponents busy for some time.

REFERENCES


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