

## Campaign Financing Activity

### Campaign Finance Notes

**The govt (FEC) sets contribution limits during campaigns**

[http://www.fec.gov/ans/answers\\_general.shtml](http://www.fec.gov/ans/answers_general.shtml)

### **Interest Groups & Rise of Political Action Committees (PACs)**

- Interest groups provide a large % of funds used in candidates' election campaigns
- Funds come from PACS
  - Think of PACs as the "fundraising arm" for interest groups
  - purpose is to raise and spend money to elect and defeat candidates
  - Most PACs represent business, labor or ideological interests
- Rules: PACs can give \$5,000 directly to each candidate per election cycle (primary, general or special).

### **What's a Super PAC?**

- Developed in the aftermath of Supreme Court Case *Citizens United*
  - The ruling stated that corporations have first amendment rights and they may use money for political speech (contributions)
- Led to Super PACs...
  - NOT allowed to make direct contributions to candidates or parties
  - But they CAN make independent expenditures in federal races - running ads or sending mail or communicating in other ways with messages that advocate the election or defeat of a specific candidate.
  - There are no limits or restrictions on the sources of funds (meaning corporations and unions can donate)

### **Watch Video clips:**

- What are Super Pacs?
  - <http://www.youtube.com/watch?v=r-BimsPmlGs>
- The Story of Stuff: Citizens United Ruling
  - <http://www.youtube.com/watch?v=k5kHACjrdEY>
- Supreme Court Justice Scalia on Citizens United
  - <http://www.youtube.com/watch?v=UgQGJjQq4uk>

### **Justices Strike Down Political Donor Limits**

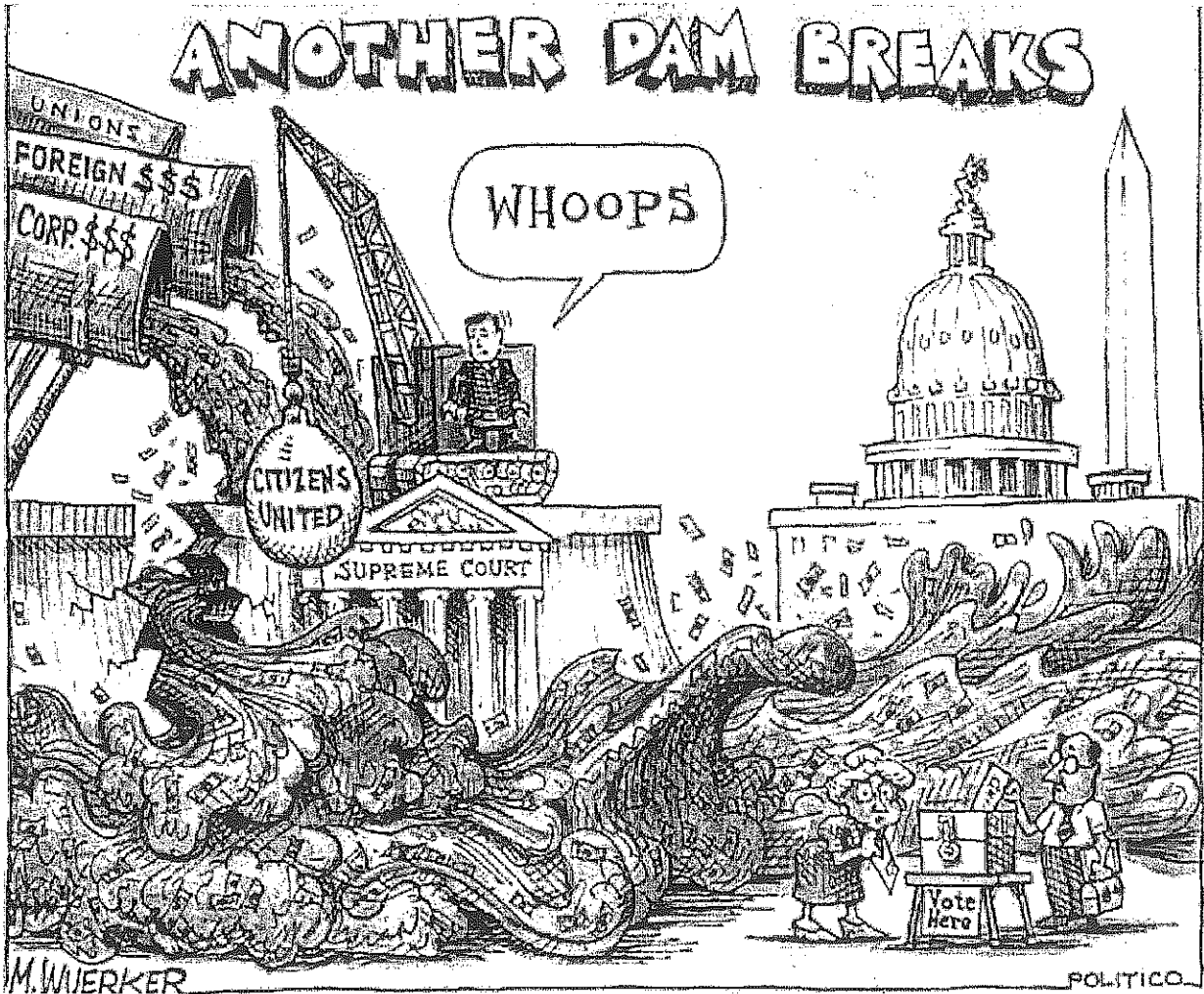
[http://www.cnn.com/2014/04/02/opinion/toobin-court-rejects-campaign-limits/index.html?hpt=po\\_t](http://www.cnn.com/2014/04/02/opinion/toobin-court-rejects-campaign-limits/index.html?hpt=po_t)

**See attached documents:**

- Analyze cartoon, "Another Dam Breaks," Matt Wuerker, 2010
- Read "Does Money Buy Elections?" from Levitt & Dubner's **Freakonomics**

Now answer the following questions:

1. Why do people contribute to political campaigns?
2. Why do huge amounts of money required for most political campaigns concern many observers?
3. The Supreme Court ruled, in *Citizens United v FEC*, that campaign contributions are a form of speech and corporations have free speech rights in terms of using money for political action. Do you agree? Explain.
4. The video from the [storyofstuff.org](http://storyofstuff.org) claims that our democracy is in trouble due to the *Citizens United* Ruling. Do you agree or disagree with this claim? Explain.
5. The [storyofstuff.org](http://storyofstuff.org) video argues that we need a constitutional amendment that bans corporations from using money as speech. In other words, we need to "clarify" what the first amendment means. Do you agree?
6. Do you agree with Justice Scalia, when referring to *Citizen's United* "the more speech the better?"
7. What is your opinion about the Court's most recent ruling that struck down limits on the total amount people can donate to various political campaigns in an election season?
8. What did Levitt & Dubner conclude about the role of money plays in elections? Comment on their findings.



1. What does the cartoonist predict will be the effect of the *Citizens United* ruling?
2. What assumptions does the cartoonist seem to make about voters? Are they valid assumptions? Explain.

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FREEDOMICS ~ Levitt: DUBNER  
Freakonomics

her own house, an agent holds out for the best offer; when she sells yours, she encourages you to take the first decent offer that comes along. Like a stockbroker churning commissions, she wants to make deals and make them fast. Why not? Her share of a better offer—\$150—is too puny an incentive to encourage her to do otherwise.

### Does \$ Buy Elections?

Of all the truisms about politics, one is held to be truer than the rest: money buys elections. Arnold Schwarzenegger, Michael Bloomberg, Jon Corzine—these are but a few recent, dramatic examples of the truism at work. (Disregard for a moment the contrary examples of Steve Forbes, Michael Huffington, and especially Thomas Golisano, who over the course of three gubernatorial elections in New York spent \$93 million of his own money and won 4 percent, 8 percent, and 14 percent, respectively, of the vote.) Most people would agree that money has an undue influence on elections and that far too much money is spent on political campaigns.

Indeed, election data show it is true that the candidate who spends more money in a campaign usually wins. But is money the *cause* of the victory?

It might seem logical to think so, much as it might have seemed logical that a booming 1990s economy helped reduce crime. But just because two things are correlated does not mean that one causes the other. A correlation simply means that a relationship exists between two factors—let's call them X and Y—but it tells you nothing about the direction of that relationship. It's possible that X causes Y; it's also possible that Y causes X; and it may be that X and Y are both being caused by some other factor, Z.

Think about this correlation: cities with a lot of murders also

### INTRODUCTION: THE HIDDEN SIDE OF EVERYTH.

tend to have a lot of police officers. Consider now the police/murder correlation in a pair of real cities. Denver and Washington, D.C., have about the same population—but Washington has nearly three times as many police as Denver, and it also has eight times the number of murders. Unless you have more information, however, it's hard to say what's causing what. Someone who didn't know better might contemplate these figures and conclude that it is all those extra police in Washington who are causing the extra murders. Such wayward thinking, which has a long history, generally provokes a wayward response. Consider the folktale of the czar who learned that the most disease-ridden province in his empire was also the province with the most doctors. His solution? He promptly ordered all the doctors shot dead.

Now, returning to the issue of campaign spending: in order to figure out the relationship between money and elections, it helps to consider the incentives at play in campaign finance. Let's say you are the kind of person who might contribute \$1,000 to a candidate. Chances are you'll give the money in one of two situations: a close race, in which you think the money will influence the outcome; or a campaign in which one candidate is a sure winner and you would like to bask in reflected glory or receive some future income kind consideration. The one candidate you *won't* contribute to is a sure loser. (Just ask any presidential hopeful who bombs in Iowa and New Hampshire.) So front-runners and incumbents raise a lot more money than long shots. And what about spending that money? Incumbents and front-runners obviously have more cash, but they only spend a lot of it when they stand a legitimate chance of losing; otherwise, why dip into a war chest that might be more useful later on, when a more formidable opponent appears?

Now picture two candidates, one intrinsically appealing and the

other not so. The appealing candidate raises much more money and wins easily. But was it the money that won him the votes, or was it his appeal that won the votes *and* the money?

That's a crucial question but a very hard one to answer. Voter appeal, after all, isn't easy to quantify. How can it be measured? It can't, really—except in one special case. The key is to measure a candidate against . . . himself. That is, Candidate A today is likely to be similar to Candidate A two or four years hence. The same could be said for Candidate B. If only Candidate A ran against Candidate B in two consecutive elections but in each case spent different amounts of money. Then, with the candidates' appeal more or less constant, we could measure the money's impact.

As it turns out, the same two candidates run against each other in consecutive elections all the time—indeed, in nearly a thousand U.S. congressional races since 1972. What do the numbers have to say about such cases?

Here's the surprise: the amount of money spent by the candidates *hardly matters at all*. A winning candidate can cut his spending in half and lose only 1 percent of the vote. Meanwhile, a losing candidate who doubles his spending can expect to shift the vote in his favor by only that same 1 percent. What really matters for a political candidate is *not* how much you spend; what matters is who you are. } (The same could be said—and will be said, in chapter 5—about parents.) Some politicians are inherently attractive to voters and others simply aren't, and no amount of money can do much about it. (Messrs. Forbes, Huffington, and Golisano already know this, of course.)

And what about the other half of the election truism—that the amount of money spent on campaign finance is obscenely

huge? In a typical election period that includes campaigns for the presidency, the Senate, and the House of Representatives, about \$1 billion is spent per year—which sounds like a lot of money, unless you care to measure it against something seemingly less important than democratic elections.

It is the same amount, for instance, that Americans spend every year on chewing gum.

This isn't a book about the cost of chewing gum versus campaign spending per se, or about disingenuous real-estate agents, or the impact of legalized abortion on crime. It will certainly address these scenarios and dozens more, from the art of parenting to the mechanics of cheating, from the inner workings of a crack-selling gang to racial discrimination on *The Weakest Link*. What this book is about is stripping a layer or two from the surface of modern life and seeing what is happening underneath. We will ask a lot of questions, some frivolous and some about life-and-death issues. The answers may often seem odd but, after the fact, also rather obvious. We will seek out these answers in the data—whether those data come in the form of schoolchildren's test scores or New York City's crime statistics or a crack dealer's financial records. Often we will take advantage of patterns in the data that were incidentally left behind, like an airplane's sharp contrail in a high sky. It is well and good to opine or theorize about a subject, as humankind is wont to do, but when moral posturing is replaced by an honest assessment of the data, the result is often a new, surprising insight.

Morality, it could be argued, represents the way that people would like the world to work—whereas economics represents how it actually *does* work. Economics is above all a science of measure-