Policy Analysis

No. 448 August 26, 2002

# Government Financing of Campaigns
## Public Choice and Public Values

by John Samples

## Executive Summary

Following the passage of McCain-Feingold in 2002, advocates of additional campaign finance regulation hope to persuade Congress and some states to pass legislation that requires government financing of campaigns. Such programs offer subsidies and protections against electoral competition to a select group of candidates and causes. They also force taxpayers to support candidates and causes they oppose.

Supporters of government financing say these programs prevent corruption, advance equality of influence, and enhance electoral competition. The redistribution imposed by government financing itself offers a case study in the use of public power for private interests. The constitutional idea of equality—one person, one vote—does not require "an equal and meaningful participation in the democratic process," as advanced by advocates of government financing. Enforcing equality of influence would not take into account intensity of preferences among citizens and would tend toward majority tyranny. The record suggests that government financing programs do not enhance electoral competition.

The public shows little support for government financing schemes. They have, at best, a mixed record in polls and in recent initiative votes. The states that have public financing based on taxpayer check-off have experienced steady declines in funding over the past two decades.

---

*John Samples is director of the Cato Institute's Center for Representative Government.*

**Government financing of campaigns uses tax money to advance certain private interests.**

In early 2002 Congress passed and President Bush signed into law the most extensive new regulations of campaign finance in a generation. According to the *Washington Post*, advocates of government financing argue that the new restrictions address only the "most egregious of the current abuses of campaign finance law." They hope next to impose government financing of political campaigns, taking as their models recent laws in Maine and Arizona. They expect to foment enough popular outrage that Congress will force taxpayers to fund House and Senate campaigns. This study will show why their effort should fail.

## Political Language

The reader will notice that the following pages stay clear of loaded terms like "public financing," "campaign finance reform," and "clean elections." Such terms beg important questions at the heart of the debates over campaign finance; they seek to settle disputed issues by definition rather than argument, by emotion rather than reason. "Public" financing, for example, might suggest that a proposal serves the public interest. Similarly, the word "reform" suggests improving American politics and campaigns. Using the term "clean elections" tries to clinch the argument by precluding debate.

Each of these loaded terms exemplifies "the art of political manipulation," defined as "structuring the world so you win."[1] The politician, according to noted political scientist William Riker, "uses language to manipulate other people."[2] Each term subtly biases our public debates toward a preordained conclusion. After all, who wishes to argue against "the public interest" or "reform" or in favor of "dirty" campaigns? Such tactics do seem strange, however, coming from the proponents of government financing of campaigns who say they wish to broaden public discussions and add more voices to the political arena. Manipulating language structures the world in favor of more regulation. It excludes legitimate ideas and arguments from the political arena.

This paper employs more accurate language to discuss these issues. It is not accurate to describe proposals to give tax money to political campaigns as "public financing." These proposals do not involve the funding of elections; state and local governments already do that by purchasing equipment, registering voters, and staffing polls. As we shall see, these proposals give tax money to political campaigns. Because the proposals in question use tax money and state regulation to fund and protect favored candidates, I call them government financing of campaigns. I also will not write about "clean money" but rather of subsidies and regulations. Instead of "reform," I will refer to proposals, laws, programs, and schemes; I make no assumption that new regulations and subsidies will improve our political life. Finally, "public" financing is a misnomer. Government financing of campaigns uses tax money to advance certain private interests.

## Public Choice

Many Americans adopt a romantic view of politics and government. They believe that politicians and bureaucrats seek to promote the public interest through law and policy. In contrast, public choice analysts assume that individuals seek to advance their self-interest through politics and policymaking.[3] For example, the public choice theory of regulation assumes that "rational, self-interested individuals, groups, or industries seek regulation as a means of serving their own private interests."[4] The reality of politics and government undermines the romantic view held by many Americans, not least in the case of government financing of campaigns.

### Private Uses of Government

How does politics work according to public choice? Start with the market. An economic market comprises a set of exchanges among individuals who seek to satisfy their preferences through trade. Over time, the process of exchange leads to both efficiency in using social resources and a particular distribution of wealth. Some people do not like those outcomes, especially if they have less wealth than they wish. These dissatisfied people urge government to intervene to improve their outcomes relative to what they would receive from open competition. Government may, for example, subsidize or directly transfer money from taxpayers to members of favored interest groups or industries. Governments may also regulate markets to reduce competition and thereby improve the prospects of individuals or groups who would do relatively worse under competition (i.e., if the regulation did not exist). To put some meat on these conceptual bones, let's look at some examples.

Government sometimes pays companies to produce goods or services that would not attract enough paying customers to survive in a competitive market. Ethanol is a motor fuel produced from corn. Since 1979, Americans have paid a tax subsidy of 54 cents per gallon of ethanol produced, a sum that by 2000 totaled more than $11 billion.[5] Direct subsidies to farmers to grow or, in many cases, not grow crops recently totaled $20 billion annually.[6]

Government also helps favored groups by limiting competition. For example, regulations protecting domestic firms from international competition transfer wealth from consumers to producers. Economists estimate that the steel tariffs of 2002 will cost American consumers $8 billion.[7] Similarly, airline regulations prior to 1978 limited competition, thereby transferring wealth from consumers to the managers and workers in the airline industry.[8]

These special interests say the costs they impose on others serve the public interest. Those who take the ethanol subsidy argue that it contributes to American energy independence. Those who receive farm subsidies say the money will preserve the small family farm and America's heritage. Trade protectionists often appeal to nationalism: Claims of a larger purpose for government favors rarely have merit, a point to keep in mind as we look at government financing of political campaigns.

**Direct Subsidies**

Talk of purity and corruption aside, government financing proposals are typical of special interest politics: they offer subsidies and regulatory protection to favored candidates. Political candidates require money to market themselves and their electoral program. Individuals and groups give money to candidates because they wish to either advance their interests (the investment theory of contributions) or express their political values (the consumption theory of contributions).[9] Candidates who seem likely to win (or compete well) or who espouse widely shared values attract sufficient funding.

The only candidates who seek or need government financing are those who lack appeal to donors. However, no one loses sleep because investors do not capitalize buggy whip factories or projects to colonize Venus. Like a declining industry whose products find no buyers, failed candidates seek government subsidies for their campaigns for office.[10]

Who pays these subsidies? Advocates of government financing prefer that candidates be directly subsidized by the taxpayer. Richard Briffault, a law professor at Columbia University, defines government financing as a campaign finance system "in which candidates or political parties receive cash grants for campaign purposes from the public treasury."[11] Public Campaign, an advocacy group that drafted the leading government financing model legislation, notes that "the cost of establishing and maintaining a Clean Money/Clean Elections system will be borne principally by the public, via government funds." They also warn that whatever revenue might be mustered for government financing, "the money still has to come from the treasury, which means it's a public expense."[12]

In practice, government financing schemes rely heavily, though not exclusively, on taxes. The federal system relies on a check-off whereby a taxpayer directs a small part of his or her tax obligation to the presidential fund. Most states with partial government financing use either a check-off system or a tax "add on" whereby a citizen can increase his or her tax bill and direct the money to the government

**Advocates of government financing prefer that candidates be directly subsidized by the taxpayer.**

financing scheme.[13] The three states that have adopted full government financing rely on varied funding sources. Arizona imposes both an annual $100 tax on lobbyists representing for-profit or commercial entities and a surcharge of 10 percent on all civil and criminal fines collected in the state.[14] Massachusetts relies on a check-off and general tax revenues to fund its system; the law limits the whole appropriation to .1 percent of the state budget.[15] Maine funds its program through several sources; for the 2000 election almost all the funding came from income taxes and a check-off system.[16]

Clearly, Public Campaign is correct. However artfully disguised, almost all funding for government financing schemes, especially for the full government financing model (the so-called "clean elections" model), comes from general tax revenues.

Even when states do not rely on general taxes, government financing subsidizes favored candidates. The tax check-off and add-on methods locate small contributors for a candidate. Normally, such search costs would greatly outweigh the one- or two-dollar contributions generated. By socializing such search costs, check-off systems foster contributions that would not exist otherwise. Such contributions should be considered a subsidy to the candidates who receive them. Fines or fees devoted to a government financing scheme, as in the case of Arizona, constitute a tax hike: if the fines or fees did not go to the candidates, they could be used to pay other government costs and citizens would receive an equivalent tax cut. In other words, government financing means taxes are higher than they would otherwise be. The fines-and-fee option merely obscures the role of taxes in a government financing program.[17]

**Lowered contribution limits make it harder to run for office outside the government financing system.**

### Protection from Competition

Under the Constitution, government may not prohibit altogether private contributions or spending in elections. Government-financed candidates face the danger that privately financed opponents may outspend them in the campaign. To meet this "threat," government-financing schemes protect favored candidates through regulations and additional subsidies.

The 1974 amendments to the Federal Election Campaign Act prohibit candidates who accept government financing for a presidential bid from raising private funds, thereby mandating exact equality of funding between the two major party candidates. Unless both candidates typically raised equal sums, government financing implies that at least one of the candidates would be protected from being outspent by the other.[18]

Full government financing of campaigns controls private money in two ways: contribution limits and matching funds. Such laws often lower limits on contributions to candidates outside the government subsidy system. Arizona's law reduced by 20 percent existing contribution limits for candidates refusing to take public money.[19] Lowering limits does not prohibit candidates outside the subsidy system from raising money. It does, however, increase the cost of fundraising. Let's see how that would decrease electoral competition.

A candidate running for an office supported by private donors must raise enough money to be competitive. He must raise that minimal sum within contribution limits. Raising campaign funds incurs large fixed costs associated with identifying individuals willing to give up to the maximum allowed by law. Table 1 shows the effects of lowering contribution limits on a hypothetical candidate with fixed costs of $200 per contributor who needs to raise $1 million to be competitive. As limits are lowered, the need to find more contributors to give the maximum (compared to a system with higher contribution limits) drives total costs up and net revenue down.

By reducing net revenue across the range, lowered contribution limits make it harder to run for office outside the government financing system. All things being equal, higher costs for anything lowers the demand for it; by lowering contribution limits, government raises the transaction costs of running for privately financed candidates. That cost differential should lead to fewer privately financed candidates running against government-financed candidates. The rising sums in the "total costs" column also serve as an entry barrier to compe-

**Table 1**
**Effects of Contribution Limits**

| Limits | Fixed Costs | No. Contributors | Total Costs | Net Revenue |
|---|---|---|---|---|
| $5,000 | $300 | 200 | $60,000 | $940,000 |
| $2,000 | $300 | 500 | $150,000 | $850,000 |
| $1,000 | $300 | 1,000 | $300,000 | $700,000 |
| $500 | $300 | 2,000 | $600,000 | $400,000 |
| $300 | $300 | 3,333 | $1,000,000 | $0 |

Source: Author's calculations.

tition from privately financed candidates. It is much easier to run for office if you need to raise $40,000 rather than $400,000.

Public Campaign's model legislation also provides that "if participating candidates are outspent by non-participating opponents or targeted by independent expenditures, they may receive additional, matching funds with which to respond."[20] The Arizona law does not subject privately financed candidates to the spending limits of the law. However, if their spending exceeds the government-financed candidate, the latter receives funds to match the campaign spending of the nonparticipating candidate up to three times the original limit.[21] The matching funds provision includes spending by independent groups that are not part of a privately financed candidate's campaign but are deemed to be supporting his candidacy.[22] Taken together these regulations and subsidies mean that a government-financed candidate will avoid being outspent by a privately financed opponent and by independent groups.

### Recipients of the Subsidies

Who receives government subsidies for political campaigns? The laws in question set conditions to qualify to receive government funding. A typical condition would be that a candidate must raise 1,000 $5 contributions from a district to qualify for government support. That can add up to contributions from as few as one-quarter of 1 percent of the voting-age population.[23] That hardly indicates broad, grassroots support for a candidate.

Experience indicates that government financing tends to favor certain types of candidates. The political scientists Michael Malbin and Thomas Gais found sharp partisan differences in candidate participation. They studied gubernatorial elections in 11 states from 1993 to 1996 and found that 82 percent of Democratic candidates took taxpayer funding while only 55 percent of Republican candidates participated.[24] Their data on legislative elections in Minnesota and Wisconsin show a similar partisan divide.[25] Malbin and Gais attribute these partisan variations to the libertarianism of Republicans: candidates who philosophically oppose government subsidies often do not accept them. In other words, government financing in practice provides an advantage to nonlibertarian candidates.

**Government financing in practice provides an advantage to nonlibertarian candidates.**

Full government financing of campaigns in Arizona and Maine tells a similar story. In the 2000 election in Arizona, 41 percent of Democratic candidates and 50 percent of Green Party candidates received public subsidies for their campaigns, 8 percent of Republicans accepted government money in the general election, and no candidates from the Libertarian party took the subsidy.[26] In Maine's 2000 election 43.4 percent of Democratic Party candidates chose government financing compared with 24 percent of Republicans.[27]

### The Moral Dimension

Government financing of campaigns looks a lot like other political activity by individuals and groups that do not do well in private markets. Declining sectors of the economy—say, owners of small farms and large steel mills—want government assistant to help them overcome their own mistakes or unfavorable economic changes. Similarly, candidates who have little appeal to voters and campaign contributors seek public subsidies (like farmers) and regulatory protections from competition (like steel mill owners).

Government subsidies for candidates, however, are crucially different from funding for ethanol. Government financing of campaigns takes money from taxpayers and gives it to a subset of all political candidates. For that reason, government financing seems either unnecessary or immoral. It is unnecessary if a taxpayer agrees with the candidate supported by the subsidy; the taxpayer may simply give the money directly to the candidate.

If, however, the taxpayer disagrees with the candidate, taxing him to support that candidate is immoral, as seen in the following example. Imagine I had the power to force Nick Nyhart, the executive director of Public Campaign, to contribute to the Cato Institute, thereby supporting the writing and marketing of the very arguments against government financing you are reading right now. Such compulsion would strike most Americans as wrong. We think individuals should not be forced to support ideas that contravene their deepest commitments, whether those commitments are religious, social, or political.[28] Government financing schemes, however, transfer money from taxpayers to political candidates and their campaigns. Inevitably they force liberals to support conservatives, Democrats to support Republicans, and vice versa.

**Individuals should not be forced to support ideas that contravene their deepest commitments, whether those commitments are religious, social, or political.**

What could possibly justify forcing people to support views they oppose? Advocates of government financing say their subsidies and protections serve the public interest, despite the coercion. Let's see if they do.

## Three Arguments for Government Financing

Proponents claim government financing of campaigns serves three general interests: the integrity of elections and lawmaking, political equality, and electoral competitiveness.

### Corruption

The Supreme Court held in *Buckley v. Valeo* that the government has a compelling interest in preventing corruption or the appearance of corruption in campaigns and policymaking, an interest that may outweigh the First Amendment rights implicated in contributing to a political campaign.[29] Allegations of corruption thus increase the probability that a law regulating campaign finance will pass constitutional muster.

Advocates of government financing claim that the current system of largely private financing of campaigns fosters corruption (or its appearance) in several ways. They say campaign contributions buy favors from elected officials, the quid pro quo corruption noted in *Buckley*. Others say contributors receive favorable action on policies that attract little public attention and debate. Advocates also say private money fosters more subtle forms of favoritism; for example, members of Congress may allocate their time and effort in committees to help contributors.[30] If private money corrupts, the advocates conclude, the private financing system should be abolished in favor of government financing.

Academic studies of Congress have found little evidence to support such allegations of corruption.[31] Having surveyed the field, a supporter of government financing concludes: "One obstacle is that various studies have failed to produce the sort of evidence of a strong correlation between campaign donations and a representative's public actions needed to back up suspicions of general quid pro quo understandings."[32] Should we not have strong evidence to uproot our current system of campaign finance, especially when money is tied to the exercise of free speech?

If corruption involves using public power for private ends, government financing itself provides an example of corruption; after all, the program takes money from everyone and gives it to particular interests. One might counter with Richard Briffault's argument that government financing cannot be corrupt because tax revenue "comes from everyone, and thus, from no one in particular."[33] But that leaves out an important part of the story. Tax money used to finance campaigns may come from everyone, but it goes predominantly, and is designed to go predominantly, to particular interests and groups within the American polity. Government subsidies to ethanol are no less corrupt because everyone pays for them. Neither are government subsidies to particular candidates.

**Equality**

Some Americans contribute to political campaigns, but most do not.[34] For advocates of government financing, those differences create intolerable inequalities that are "in sharp tension with the one person–one vote principle enshrined in our civic culture and our constitutional law. Public funding is necessary to bring our campaign finance system more in line with our central value of political equality."[35] Similarly, Public Campaign argues that private financing "violates the rights of all citizens to equal and meaningful participation in the democratic process."[36] The principle of one person-one vote means "one man's vote in a congressional election is to be worth as much as another's" [37]because assigning different weights to different votes in various House districts violates Art. I, sec. 2, of the Constitution. The principle applies to state elections because of the equal protection clause of the Fourteenth Amendment.[38] Is one person–one vote thus "our central value of political equality?" A look at American institutions suggests otherwise.

The representation of states in the U.S. Senate assigns different weights to different votes in different states. Because the Electoral College also recognizes state representation, the election of the president accords greater weight to votes in small states than to those in large states. Moreover, the Supreme Court has not subjected judicial elections to the principle of one person–one vote.[39]

One person–one vote applies only to voting. No American has a right to "equal and meaningful participation in the democratic process" if that means the whole of political life. In particular, the rights of association and speech set out in the First Amendment have been explicitly protected from government efforts to compel "equal participation." In *Buckley*, the Supreme Court noted that federal election law sought to equalize the influence of individuals and groups over the outcome of elections. The justices demurred:

> But the concept that government may restrict the speech of some elements of our society in order to enhance the relative voice of others is wholly foreign to the First Amendment, which was designed to secure "the widest possible dissemination of information from diverse and antagonistic sources," and "to assure unfettered interchange of ideas for the bringing about of political and social changes desired by the people."[40]

Far from being "our central political value," equal participation remains "wholly foreign to the First Amendment."

Moreover, even if the government financed all campaigns, we would not have equal participation in elections. Proponents of government financing focus on one source of political inequality: money. They ignore all other sources of inequality such as a talent for speaking, the ability to write, good looks, media ownership and access, organizational ability, and so on. The proponents do not propose to restrain the many nonmonetary sources of influence, perhaps because such talents are often found among themselves. The leveling impulse, they imply, should not restrict such political talents; only people with money should be excluded from political influence.[41] Sometimes in public policy what is not regulated tells you more about a piece of legislation than what is covered. So it is with government financing of campaigns.

Enforcing equal participation would have other disadvantages. Imagine for a moment that politics aims at maximizing the prefer-

**Equal participation remains "wholly foreign to the First Amendment."**

**The goal of equalizing financial resources in an election requires extensive control and oversight of all electoral spending.**

ences of citizens. If each voter holds his or her preference with equal intensity, simple majority rule will maximize aggregate preferences.[42] Let's imagine, however, that a majority of voters is indifferent about imposing new restrictions on campaign finance; a minority, however, feels quite strongly that such restrictions violate the Constitution. In that case, simple majority rule over two alternatives may lead to less overall "satisfaction of preferences" because the intensity of preferences would be left out of voting.

Allowing freedom of speech and related spending helps take account of the intensity of preferences.[43] James Madison argued that majorities might override the intense preferences of religious minorities and wealthy individuals.[44] We might also see freedom of speech and related spending as a way to allow such minorities to register intense preferences about public policy and thereby gain some protection from majorities, who would always rule if each vote counted the same everywhere, every time.

Advocates of government financing may object that the intense preferences of the poor have no place in this model since they lack enough money to give to candidates or causes. In fact, the poor do not lack money for political contributions; they simply choose not to spend it contributing to campaigns. The average two-person poor household (annual income under $10,000) in the United States spends a little more than $500 annually on lotteries.[45] In 2001, the United States had 9,540,000 households with an income of $10,000 or less annually.[46] Roughly stated these households spend in total about $5 billion annually on lotteries. Using that discretionary income in another way, the average poor household could contribute the maximum legal limit to the candidate of its choice every two-year election cycle, thus making known the intensity of their preferences.

Proponents of government financing might argue that public subsidies will enable new candidates to run who would otherwise be excluded from the race. They argue the candidates who now obtain funding reflect the investment and consumption preferences of wealthy and conservative individuals. They believe contributions reproduce the inequalities of wealth in the economy and lead to a government that is unrepresentative of America.[47] This argument depends crucially on the stereotypical image of "fat cat" contributors devoted to conservative causes. Large donors may be unrepresentative of the United States as a whole—they do have more money than the average—but that does not mean they hold vastly different political views than most Americans. In fact, a recent study indicates large contributors often identify themselves as Democrats and as liberal on the issues.[48]

Finally, we should be clear how extensive, intrusive, and dangerous a government financing system would be. Keep in mind that the goal of equalizing financial resources in an election requires extensive control and oversight of all electoral spending. The election authority must immediately know about all spending by privately financed candidates and every dollar laid out by any group participating in an election. Public Campaign's model legislation states that government-financed candidates must use a government-issued debit card that draws solely on funds in an account created by the government.[49] Those who believe government usually acts benevolently will not worry about such extensive oversight and control of political activity. Those who expect abuses when government takes total control over anything—and especially over campaigns—will worry.

### Competition

Over the past 50 years the high reelection rates of incumbents in the House of Representatives have risen modestly as shown by the trend line in Figure 1. During that same era, the percentage of the vote a candidate receives simply for being an incumbent has risen from 2 percent to 6 or 7 percent.[50]

Advocates of government subsidies say the need to raise large sums to challenge an incumbent explains this dearth of competition. Government financing, they say, would overcome this barrier to entry by giving challengers tax money leading to a more competitive system.

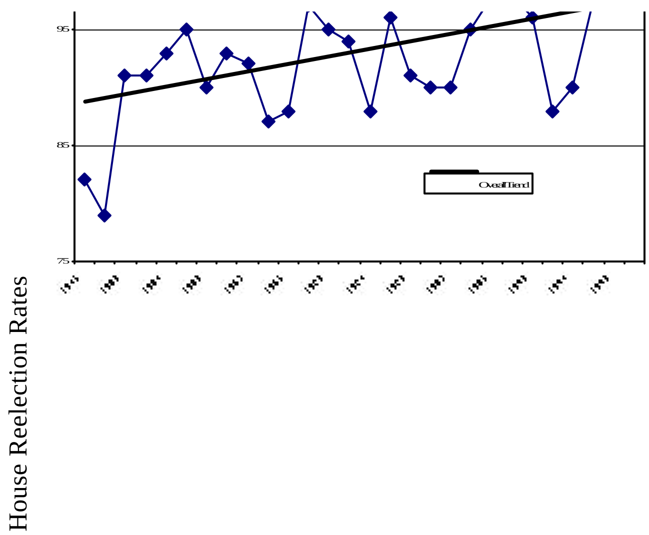
We might note first how little variation exists in the reelection rates in Figure 1. The lowest reelection rate for any year is 87 percent; all but four elections in those 50 years had reelection rates at 90 percent or higher. This suggests that other factors besides fundraising keep reelection rates up. In fact, the leading scholarly work on the topic fingers increased constituency service as the source of rising incumbency advantage.[51]

Government financing advocates say our system of largely private financing leads to a lack of competitiveness. Our system of campaign finance, though based on private contributions, is far from free. Since 1971, federal law has heavily regulated all campaigns and elections including House contests. Yet Figure 1 indicates that after 1971 re-election rates for the House continued to climb. The complaints about competition seem better directed at that regulated system. Advocates of government financing ask us to believe that ever more regulation and subsidies would bring more competition than the current system does or a deregulated system would. Would it?

Much depends on who designs the system of government financing. Spending levels strongly influence the competitiveness of challengers to incumbents; if a challenger can spend enough to make his name and causes known, a government financing scheme might foster more competition. If legislatures enact the system, of course, incumbents will design and pass the law. They will be tempted to set spending limits

**Our system of campaign finance, though based on private contributions, is far from free.**

**Figure 1**
**House Reelection Rates**




Source: Data taken from Norman J. Ornstein, Thomas E. Mann, and Michael J. Malbin, *Vital Statistics on Congress 1999–2000* (Washington: AEI Press, 2000), p. 57.

low to favor their own reelections. For example, in 1997, Congress debated a government financing proposal that included spending caps: every challenger spending less than the proposed limits in Senate campaigns in 1994 and 1996 had lost; every incumbent spending less than the limits had won. Similarly, in the House, 3 percent of the challengers spending less than the proposed limits won in 1996, while 40 percent of the incumbents won under those limits.[52]

Such legislative design issues may explain why government financing of campaigns has not *in fact* increased the competitiveness of elections. The leading study of government financing in the states concluded: "There is no evidence to support the claim that programs combining public funding with spending limits have leveled the playing field, countered the effects of incumbency, and made elections more competitive."[53] Believing that government financing will increase competitiveness seems to be a triumph of hope over experience.

**Government financing of campaigns has not in fact increased the competitiveness of elections.**

Proponents of government financing may object that government financing laws passed by popular initiatives, not by incumbents, will enhance competition. Unfortunately these advocates also believe that Americans should spend less on elections, which means the initiatives they write include low spending caps for government-financed candidates.

Whatever the reason, the first two elections held under full government financing law did not lead to more competitive elections. My colleague Patrick Basham closely examined the outcomes of the 2000 election in Maine compared to the 1998 and earlier contests and concluded:[54]

- The overall average margin of victory in both Senate and House races declined by an insignificant margin.
- Most government-financed candidate victories came either against fellow Clean Money candidates or no opposition at all.
- Despite limits on campaign spending by incumbents, the advantages of holding office were almost impossible to overcome. Most victorious Clean Money candidates were incumbents, and almost all incumbent Clean Money candidates retained their seats. The limits on House incumbent spending under public financing did not reduce their margins of victory.
- House seats that featured Clean Money candidates showed an insignificant decline in the average margin of victory compared with 1998.
- Government financing had little effect on competitiveness in the Senate. Those Senate seats that featured publicly funded candidates in 2000 experienced a very slight decline in the average margin of victory compared with 1998. Overall, of the 20 comparable seats, 10 were more competitive in 1998 than in 2000 while 10 were more competitive in 2000 than in 1998.
- The number of contested primaries rose only marginally from 1998 and remained well below the level of prior, privately funded elections.
- The lure of subsidized campaigning did not attract a significant number of independent and minor party candidates.

Arizona tells a similar story. Compared with the general election of 1996, 10 house races saw an increase in candidates while 8 saw a decrease. In the senate, 8 races had more candidates while 7 had fewer. Yet, in Arizona as in Maine, term limits played a role in opening seats and fostering competition. Five of the 8 senate races with more candidates than in 1996 involved seats opened up by term limits.[55]

Overall, the 2000 elections in Maine and Arizona produced mixed results at best. Of course, we cannot conclude from just one election cycle that government financing passed by an initiative will or will not lead to more competitive elections. But the evidence so far does not support the proposition that government financing leads to more electoral competition.

## Public Support

Proponents assert that "the people" want government financing and only "the powers that be" stop it from becoming law. The evidence suggests otherwise.

### Public Opinion

Most polls show significant support for changing campaign finance regulations, though the public assigns a low priority to such innovations.[56] At the same time, several polls suggest public disapproval of government financing of campaigns. In 1999, CBS News asked, "Public financing of political campaigns—that is, using tax money to pay for campaigns and prohibiting large donations from individuals and special interest groups—do you favor or oppose that?" Fifty-eight percent opposed government financing while 37 percent supported it. Similarly Rasmussen Research found in September 1999 that 56 percent of Americans opposed public funding of congressional campaigns. That same year a *Wall Street Journal*/NBC News poll indicated that only 17 percent of respondents thought tax funding for congressional candidates was the most important reform needed in campaign finance.[57] Some polls, especially one done at the behest of Public Campaign, show that the public supports government financing. It may well be that poll results in this area depend a great deal on wording.[58] Such mixed results hardly prove the public wants government financing.

### Elections

The returns on ballot initiatives also paint a mixed picture. Maine passed its initiative in 1996 by a margin of 56 percent to 44 percent. Two years later, Massachusetts voters (by a 2-to-1 margin) approved an initiative modeled on the Maine legislation; meanwhile, Arizonans approved comparable campaign finance restructuring, in the form of Proposition 200, by a narrow 51 to 49 percent margin. In 2000, two government financing initiatives lost badly. In Missouri, the Clean Money Proposition B lost by 65 to 35 percent, while in Oregon the Clean Money Measure 6 was defeated by 59 to 41 percent. Since 1996, voters in five states have passed judgment on government financing initiatives. Three have been approved and two have been rejected. We should also keep in mind that turnout to vote on the Maine and Arizona initiatives reached 57 percent and 46 percent respectively. That means the two initiatives passed with 32 percent and 21 percent of registered voters in Maine and Arizona respectively. We do not know if a majority of voters in either state supported full government financing of campaigns.[59] The recent electoral history of "clean money" initiatives hardly suggests Americans are clamoring for government financing of campaigns.

### Contributions

Polling may not be the best measure of public views on this issue. If I ask you whether you would like to own a Rolls Royce, you might well say yes in the abstract. Let's say I give you enough money to buy a Rolls Royce. Faced with the actual concrete choice of whether to buy the car, you might elect to spend the money on other things. "Putting your money where your mouth is" better indicates a person's views than simply responding to a telephone call.[60]

Government financing schemes do allow citizens to "put their money where their mouth is" through tax add-ons or check-off systems. States with such programs have experienced steady declines over the years in both participation and revenues. The declines were such that Minnesota had to appropriate $1.5 million in 1993 to keep its program afloat.[61] Participation in the presidential check-off system has also declined from about 28 percent in 1977 to 11.8 percent in 1999.[62] Americans who have the most experience with government financing of campaigns gradually withdraw their support. Their judgments should serve as a lesson for the rest of us.

**Several polls suggest public disapproval of government financing of campaigns.**

## Conclusion

Advocates of government financing of campaigns employ emotionally charged rhetoric at every turn. They implore us to "reform" the system to root out "corruption" and attain "clean elections." The reality of government financing belies this expansive rhetoric. Such proposals, especially the "clean elections" variant, simply transfer wealth from taxpayers to a preferred set of candidates and causes. That preferred set

**Government financing offers more "politics as usual," understood as the struggle to obtain special favors from government.**

inevitably excludes candidates who believe forced transfers of wealth are immoral (such as Libertarians and Republican candidates with a libertarian outlook). Not surprisingly, government financing in the states has favored candidates of the left (such as Democrats and third parties like the Greens). For that reason, government financing of campaigns serves private goals through public means. Far from being a reform, government financing offers more "politics as usual," understood as the struggle to obtain special favors from government.

Those who wish to support the candidates and causes favored by government financing may do so now; they need only send their check to the candidate or cause they favor. Government financing forces all taxpayers to financially support candidates they would not otherwise support, candidates whose views they may find repugnant. On the question of government financing of campaigns, Thomas Jefferson should have the last word: "To compel a man to furnish contributions of money for the propagation of opinions which he disbelieves, is sinful and tyrannical."[63]

## Notes

1. William H. Riker, *The Art of Political Manipulation* (New Haven, Conn.: Yale University Press, 1986), p. ix.

2. Ibid., p. x.

3. For an introduction to public choice, see Gordon Tullock, Gordon Brady, and Arthur Seldon, *Government Failure: A Primer in Public Choice* (Washington: Cato Institute, 2002). See also James M. Buchanan, "Politics without Romance: A Sketch of Positive Public Choice Theory and Its Normative Implications," in *The Collected Works of James M. Buchanan*, vol. 1 (Indianapolis: Liberty Fund, 1999), p. 46.

4. Burton Abrams and Russell F. Settle, "The Economic Theory of Regulation and the Public Financing of Presidential Elections," *Journal of Political Economy* 86 (April 1978): 247.

5. See General Accounting Office, "Petroleum and Ethanol Fuels: Tax Incentives and Related GAO Work," RCED-00-301R, September 25, 2000, pp. 15–17.

6. See Chris Edwards and Tad DeHaven, "Farm Subsidies at Record Levels as Congress Considers New Farm Bill," Cato Briefing Paper no. 70, October 18, 2001, www.cato.org/pubs/briefs/bp70.pdf.

7. Steven Pearlstein, "Bush Sets Tariffs on Steel Imports," *Washington Post*, March 2, 2002, p. E2.

8. Sam Peltzman, "The Economic Theory of Regulation after a Decade of Deregulation," *Brookings Papers on Economic Activity: Microeconomics*, 1989.

9. Charles Stewart III, *Analyzing Congress* (New York: Norton, 2001), pp. 218–19.

10. A reader may object that the American political system favors the two major parties through ballot access laws and the plurality rule. Perhaps so, but that argument suggests the problem for third parties is the institutional context of American politics, not a lack of money. Government financing would only address the symptoms of the larger institutional malady.

11. Richard Briffault, "Public Funding and Democratic Elections," *University of Pennsylvania Law Review* 148 (December 1999): 566.

12. See "Annotated Model Legislation for Clean Money/Clean Elections Reform," www.publicampaign.org/model_bill/index.html. Hereafter cited as PC Model. This website does not have pagination. However, the reader may easily confirm the quote by using the search function of his or her browser. I am using the version of the legislation posted in March 2002.

13. Michael J. Malbin and Thomas L. Gais, *The Day after Reform: Sobering Campaign Finance Lessons from the American States* (Albany, N.Y.: Rockefeller University Press, 1998), p. 54.

14. See John Fry, "The Citizens' 'Clean' Elections Act: A Cure As Bad As the Disease," *Arizona State Law Journal* 31 (Winter 1999): 1377.

15. Kevin Deeley, "Recent Legislation: Campaign Finance Reform," *Harvard Journal on Legislation* 36 (Summer 1999): 556.

16. See the original Maine initiative, which provides $2 million in general taxes to fund the system, www.state.me.us/sos/cec/elec/intcon.htm#q3.

17. As this Policy Analysis goes to press, the Arizona Court of Appeals unanimously struck down the main source of funding for government financing of campaigns in that state. See *May v. Bayless,* U.S. Court of Appeals for Arizona, Division I, June 17, 2002.

18. When the presidential system was established,

the Republicans enjoyed an advantage in fundraising. Equalizing expenditure may have cost Gerald Ford the presidency in 1976. See Abrams and Settle.

19. Robert J. Franciosi, "Is Cleanliness Political Godliness? Arizona's Clean Elections Law after Its First Year," Arizona Issue Analysis no. 168, Goldwater Institute, November 2001, p. 5, www.goldwaterinstitute.org.

20. PC Model.

21. See Fry, pp. 1377–78.

22. See PC Model.

23. PC Model states: "Based on discussions with expert signature gatherers and fund-raisers, and on the experience of the one locale in the U.S. that has been using a similar qualifying requirement (Tucson, Ariz.), the Working Group on Electoral Democracy set the requirement for a candidate running in a district with a population of approximately 500,000 (e.g., one congressional district) at 1,000 Qualifying Contributions. The Wellstone-Kerry bill sets the required number of Qualifying Contributions for U.S. Senate candidates at one-quarter of 1 percent of the voting age population of the state, or 1,000 such contributions, whichever is higher."

24. Malbin and Gais, p. 62.

25. Ibid., p. 71, Table 4–9. In recent years, Minnesota legislative elections indicate fewer differences in partisan participation rates.

26. Franciosi, p. 8.

27. See Patrick Basham, "Does Government Funding Lead to Competitive Elections?" Cato Institute Policy Analysis, forthcoming, 2002. In the Maine House elections only five independent or minor party candidates received government assistance. That number seems too small to support any conclusions.

28. Of course, majorities do often compel minorities to financially support policies they find unwise. I have to pay taxes to built a road that I think endangers the environment. But compelling political speech through government financing is more like establishing a state church than building a highway. Forcing me to contribution to an unwise highway project does not implicate my conscience and deepest convictions.

29. *Buckley v. Valeo*, 421 U.S. 1, 21 (1976).

30. For a good review of the different allegations of corruption, see Andrew C. Geddis, "Campaign Finance Reform after McCain-Feingold: The More Speech–More Competition Solution," *Journal of Law and Politics* 16 (Summer 2000): 585–90.

31. Bradley A. Smith, *Unfree Speech: The Folly of Campaign Finance Reform* (Princeton, N.J.: Princeton University Press, 2001), pp. 127–28.

32. Geddis, p. 585.

33. Briffault, p. 579.

34. About 20 percent of individuals surveyed by the National Opinion Research Center in the mid-1980s reported having contributed "money to a political party or candidate or to any other political cause" in the past three or four years. See www.icpsr.edu/rnd1998/merged/cdbk/gavepol.htm.

35. Briffault, pp. 577–78.

36. PC Model; see also Molly Peterson, "Reexamining Compelling Interests and Radical State Campaign Finance Reforms: So Goes the Nation?" *Hastings Constitutional Law Quarterly* 25 (Spring 1998): 445: "Equality of opportunity to influence the political process, sometimes characterized as 'leveling,' should be recognized as a constitutionally compelling governmental interest."

37. Justice Black in *Wesberry v. Sanders*, 376 U.S.1 (1964) at 7–8.

38. *Reynolds v. Sims*, 377 U.S. 577 (1964).

39. John E. Nowak and Ronald D. Rotunda, *Constitutional Law*, 6th ed. (St. Paul, Minn: West Group, 2000), p. 969.

40. *Buckley* at 49.

41. Bradley A. Smith, "Some Problems with Taxpayer-Funded Political Campaigns," *University of Pennsylvania Law Review* 148 (December 1999): 614.

42. James M. Buchanan and Gordon Tullock, *The Calculus of Consent: Logical Foundations of Constitutional Democracy*, in *The Collected Works of James M. Buchanan*, vol. 3 (Indianapolis: Liberty Fund, 1992), p. 127.

43. This does not mean that freedom of speech and related spending are identical to voting. It does mean they supplement voting in the political system.

44. James Madison, "Federalist no. 10" in *The Federalist*, ed. Jacob E. Cooke (Middletown, Conn.: Wesleyan University Press, 1961), pp. 58–61.

45. Charles T. Clotfelter, Philip J. Cook, Julie A. Edell, and Marian Moore, "State Lotteries at the Turn of the Century: Report to the National Gambling Impact Study Commission," June 1, 1999, Table 11, www.pubpol.duke.edu/people/

faculty/clotfelter/lottrep.pdf .

46. See U.S. Bureau of the Census, Table HINC-01, "Selected Characteristics of Households, by Total Money Income in 2000," http:// ferret.bls.census.gov/macro/032001/hhinc/new01_001.htm.

47. Briffault, p. 575.

48. John McAdams and John C. Green, "Fat Cats and Thin Kittens: Small versus Large Campaign Contributions," Paper presented at the 2002 Annual Meeting of the Midwest Political Science Association, April, 2002. See Table 4, p. 21, which indicates that 34.6 percent of large contributors in this survey identify with the Democratic Party. Of large donors, 17.4 percent identify themselves as liberal or very liberal on economic issues. Significant percentages also identify themselves as liberal or very liberal on social issues (38.1%), foreign policy issues (21.1%), and racial issues (34.7%). Fifty-seven percent of the large donors think the United States is spending too much on defense.

49. PC Model.

50. Steven Ansolabehere, Charles Stewart III, and James M. Snyder Jr., "Old Voters, New Voters, and the Personal Vote," *American Journal of Political Science* 44 (Jan. 2000), p. 17.

51. Morris P. Fiorina, *Congress: Keystone of the Washington Establishment*, 2d ed. (New Haven, Conn.: Yale University Press, 1989), pp. 53–58.

52. Smith, *Unfree Speech*, p. 101.

53. Malbin and Gais, p. 137.

54. Basham.

55. Franciosi, p. 9.

56. William G. Mayer, "Public Attitudes on Campaign Finance," in *A User's Guide to Campaign Finance Reform*, ed. Gerald C. Lubenow (Lanham, Md.: Rowman and Littlefield, 2001).

57. http://nationaljournal.com/members/polltrack/1999/issues/99campaignfinance.htm.

58. Richard Morin, "Who Supports Public Campaign Financing?" *Washington Post*, June 5, 2000.

59. For Maine's referendum results, see www.state.me.us/sos/cec/elec/ref96n1.htm. I am indebted to Robert Franciosi of the Goldwater Institute for the numbers on Arizona.

60. See Robert Weissberg, "Why Policymakers Should Ignore Public Opinion Polls," Cato Policy Analysis no. 402, May 29, 2001, www.cato.org/pubs/pas/pa-402es.html.

61. See Malbin and Gais, pp. 68–70, especially Tables 4-1, 4-2, and 4-4.

62. See chart at "Fewer Taxpayers Use Campaign Finance Checkoff," www.publicagenda.org/issues/factfiles_detail.cfm?issue_type=campaign_finance&list=20.

63. Thomas Jefferson, "A Bill for Establishing Religious Freedom," in *The Portable Thomas Jefferson*, ed. Merrill D. Peterson (New York: Viking, 1975), p. 252.

Published by the Cato Institute, Policy Analysis is a regular series evaluating government policies and offering proposals for reform. Nothing in Policy Analysis should be construed as necessarily reflecting the views of the Cato Institute or as an attempt to aid or hinder the passage of any bill before congress. Contact the Cato Institute for reprint permission. Additional copies of Policy Analysis are $6.00 each ($3.00 each for five or more). To order, or for a complete listing of available studies, write the Cato Institute, 1000 Massachusetts Ave., N.W., Washington, D.C. 20001, call toll free 1-800-767-1241 (noon - 9 p.m. eastern time), fax (202) 842-3490, or visit our website at www.cato.org.