Private Interests Financing Public Elections

Transforming Economic Battles into Partisan Politics

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8

Parties vs. Candidates, Partisanship vs. Ideology

After a dozen years in the minority, Democrats recaptured a majority of House seats in the 2006 mid-term elections. The party's success is attributed in part to its recruitment of conservative candidates to run in districts traditionally won by Republicans. The election campaigns of these non-traditional Democratic candidates did not adhere to traditional Democratic platforms, but rather appealed to voters with more conservative policy positions.

Notwithstanding the legislative successes for liberal interest groups that followed the reinstatement of a Democratic majority, liberal interest groups and liberals within the Democratic party argued that these new conservative Democrats undermined traditional Democratic policy goals. Most notably, the critics argued that the 2010 Patient Protection and Affordable Care Act (referred to colloquially as ObamaCare) did not go far enough in expanding health care coverage, relying too heavily on private markets to provide insurance, and blamed conservative Democrats for obstructing wider reforms. Arguably, however, the bill would not have passed without the support of conservative Democrats, who provided key votes for Obamacare's passage.[1]

One result of these misgivings about the effect of conservative Democrats on the party's legislative initiatives was that labor PACs reduced their support to conservative Democratic candidates in the 2010 elections. Some argued that it would be better to have a more ideologically pure party even if that meant losing seats. Others believed that it would be possible to replace conservative Democratic incumbents through the party's primary elections and then win those seats with more liberal candidates in the general election. The Democratic caucus was indeed more homogeneous after the 2010 elections, but Democrats also lost the majority in Congress. It is unlikely that labor PACs could have spent their money in a manner that would have prevented the loss of the Democratic majority, but their efforts did little to mitigate the national electoral swing that led to a new Republican majority.

These types of policy disagreements among Democrats and their labor union supporters illustrate the potential tension between helping a party win more seats and shaping the policy views represented within the party's Congressional caucus. On one hand, maximizing the seat share of one's preferred party may lead to its majority control of Congress, but also may result in electing candidates who hold views at odds with the party's mainstream. On the other hand, helping elect those candidates within the preferred party who are closest to one's ideal may limit the seat share of the party and thus hurt the chances of winning the majority. The effects of consensus and disagreements within a party on its ability to govern has been the subject of extensive study.[2] To analyze how contributors balance these considerations, I incorporate the ideology of individual candidates into the partisan theory of PACs and allow that PACs have preferences over individual candidates within a party's coalition.

8.1 A generalized theory of partisan PACs

In the pure partisan theory in Chapter 6, PACs treated candidates within each party as exchangeable conditional on being elected. Each candidate was assumed to be able to provide the same promises of favors, and each elected candidate within a PAC's preferred party was equally valuable in terms of increasing the seat share of the party in Congress. Here, I examine the possibility that a partisan PAC also has a preference over the type of candidates it supports within each party. In particular, a partisan PAC may derive greater utility from giving to a candidate who supports a particular policy position or ideological view while still devoting extra support to candidates of their preferred party in the closest races.

I use the term "generalized partisan theory of PACs" to refer to a proposed theory of contributors which combines the logic of the partisan model introduced in Chapter 6 and the logic of models wherein PACs have a preference over the ideology of candidates. Before examining this generalized partisan theory of PACs, it is useful to first review the main properties of the classical non-partisan theories of PACs with ideological preferences.

A review of non-partisan spatial models

Ideological or "position-induced" theories of PACs focus on the legislative rewards that follow from supporting a candidate with a particular ideology or set of policy preferences. In these models, a PAC derives utility from supporting candidates who are friendly to its policy interests or ideological principles. An

ideological PAC hopes that a friendly candidate, if elected, will advance its interest in Congress.

Similar to the investor theories, an ideological PAC seeks benefits that are a function of actions of individual MCs. Unlike the investor theories, the ideological theories do not assume money influences the behavior of MCs; the policy positions of politicians are treated as fixed.[3]

Figure 8.1 illustrates two theoretical models of how PACs allocate resources across candidates and concentrate support among the friendliest candidates. In panel (a), the horizontal axis describes a continuum of candidate friendliness toward a particular PAC, and the vertical axis describes the probability of giving to the candidate. For each possible level of a candidate's friendliness, from enemy to friend, we can calculate the probability that the PAC will support the candidate. While this representation makes intuitive sense, the approach has limited usefulness. We would need a different scale of friendliness for each interest group in so far as each PAC has a different scale for evaluating candidates.

Alternatively, the policy preferences of PACs and the friendliness of candidates may be described in terms of ideology or some other abstract, low-dimensional representation of public policies.[4] If policy positions on any given issue can be described in terms of location within a common, low-dimensional ideological space, then friendliness can be defined in terms of the distance between a PAC's ideal point in this space and the position of a candidate.

The logic of allocating resources across a single ideological dimension is illustrated in Figure 8.1(b) using a PAC with ideal point located at θ. The curve traces the probability of giving to candidates at various policy locations. A candidate located at the PAC's ideal has the greatest probability of being supported by this PAC, and the probability of support diminishes both to the left and to right of this ideal point.[5] Since the ideal point of this hypothetical PAC is located toward the conservative end of the issue space, the curve is skewed to the right. In the contemporary Congress, this implies that the PAC is more likely to give to Republicans who are generally recruited from the conservative end of the ideological spectrum.

To create a generalized theory of partisan behavior, I incorporate the spatial logic of these ideological theories into the framework first introduced in Chapter 6.

From a pure partisan to a generalized theory

Figure 8.2 provides an illustration of the differences between a pure partisan model and a generalized partisan model. Panel (a) shows an example of a pure
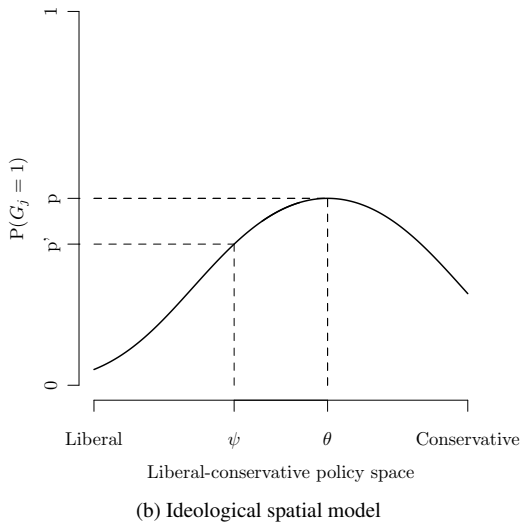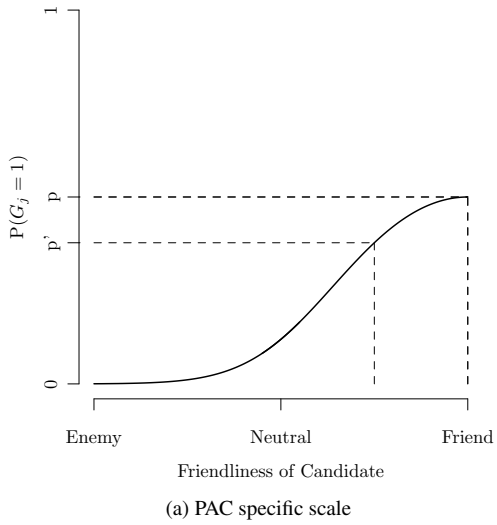
(a) PAC specific scale

(b) Ideological spatial model

Figure 8.1 Models of giving to candidates by friendliness and ideological proximity

partisan model from Part II of this book while panel (b) introduces how the
partisan model may be generalized. The key difference between these panels
is that the probability of supporting candidates within a party may vary in the
generalized model as a function of their ideological position relative to the
PACs ideal point, located at θ.

In both panels, the horizontal axis has the same definition as the ideological
space illustrated in Figure 8.1(b). For simplicity, the probabilities of giving are
shown for only two election forecasts within each party, where a candidate is
safe or at-risk in a close election. Each line segment plots the relationship be-
tween ideology and PAC support for a party's candidates with a given election
forecast. Between the solid lines for at-risk candidates and the dashed lines
for safe candidates lie the probabilities for supporting candidates with election
prospects between these two election forecasts.

A restatement of the pure partisan strategy

Figure 8.2(a) illustrates the predictions of the pure partisan theory in a different
way than in Chapter 6 while maintaining the same features. As in the earlier
presentation of the pure model, the PAC gives more to candidates of its pre-
ferred party who face close races than to those who are safe. In this illustration,
the PAC has a preference for the Republican majority. As such, Republicans
in close races have the higher probability of being supported, with the solid
line being higher than the dashed line for this party. Conversely, when choos-
ing whether to fund candidates of its less preferred party, this same PAC gives
more to those who are electorally safe than those in competitive races. In this
figure, safe Democrats receive greater support than their colleagues in close
races; thus the dashed line is above the solid line.

This figure also illustrates the core idea of the pure model: A contributor
ignores the ideological differences among candidates of its preferred party. The
homogeneous treatment of candidates across the ideological spectrum within
each party is reflected in the constant probabilities with each electoral forecast
of a party's candidates. Thus, each line segment is horizontal.

A generalized partisan strategy

Figure 8.2(b) illustrates a partisan PAC that favors one party, but discriminates
among candidates based on ideology. In this figure, the key features of the par-
tisan theory are again preserved. Namely, the PAC primarily takes electoral
risks when funding candidates of its preferred party, while generally bank-
ing on safer races when funding candidates of its less-preferred party. In this
illustration, at-risk Republicans receive greater support than similar safe Re-
publicans, while at-risk Democrats receive less support than safe Democrats.

(a) Pure partisan model
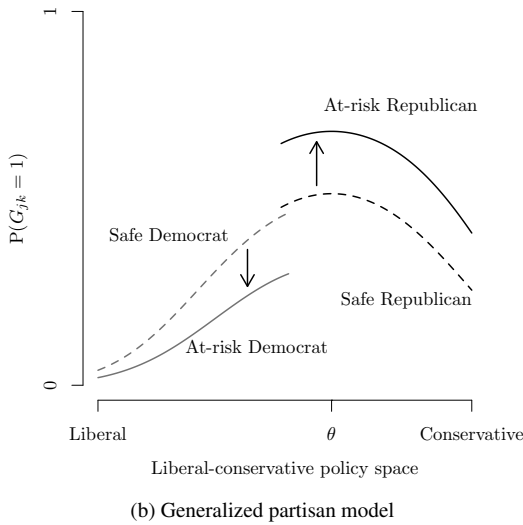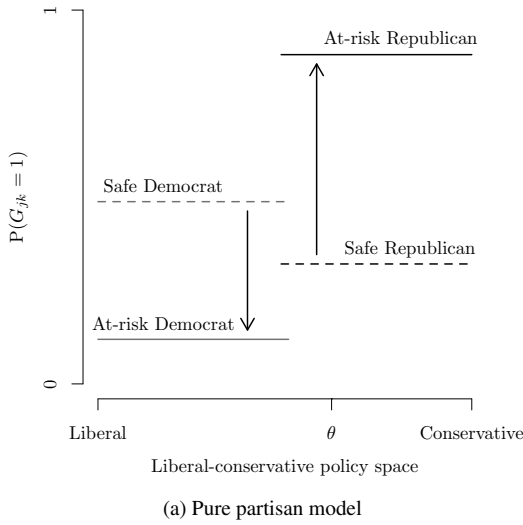

(b) Generalized partisan model

Figure 8.2 Pure and generalized partisan models: probability of giving to candidates by ideology, party, and closeness of race.

Irrespective of whatever additional considerations may be added when gener-
alizing the partisan theory of PACs, maintaining the partisan logic relies on
these core properties.

   The difference from the pure model in panel (a) is that the probability of
giving to a candidate varies as a function of her distance from the PAC's ideal
point, θ. In this illustration, there are Republicans who are both more extreme
and more moderate than the ideal of the PAC, giving the probability curves
a partially inverted U-shape. All Democrats are more liberal than the PAC's
ideal, and the probability of support therefore changes monotonically across
the ideological spectrum of this party.

Parameterizing contribution behavior

The panels (a) and (b) in Figure 8.2 illustrate just two of many possible behav-
iors that would be consistent with the partisan theory of PACs. An analytical
representation of the utility of giving to candidates proves useful for describing
the feature of this theory and comparing it with alternative theories. The utility
of PAC i giving to a candidate of party k in district j can be described as,

$$U_{ijk} = -\beta_i(\psi_{jk} - \theta_i)^2 + \sum_q \tau_{kq}I(C_{jk} = q) + \mu_{ik}. \tag{8.1}$$

This utility equation enables us to describe both the pure and the general-
ized partisan models, as well as the purely ideological and classical investor
models.[6] I generically refer to this equation and similar variants as the "om-
nibus" equation since it encompasses the components of all the main theories
of interest.

   The ideological component assumes that the ideology of candidates and
PACs lie along a unidimensional continuum with the extremes labeled liberal
and conservative.[7] Let θ_i be the ideological ideal point for PAC i, and ψ_{jk} be
the ideal point for the candidate in a district j of party k. A PAC derives the
greatest utility from giving to candidates who share its ideal point, and the
utility diminishes as distance increases between θ_i and ψ_{jk}. A standard param-
eterization of spatial utility is a quadratic loss function, $-\beta(\psi_{jk} - \theta_i)^2$ where the
parameter β_k captures the sensitivity of the PAC to the ideological positions of
candidates.

   The utility of giving to a candidate in each party varies by election forecast.
The parameter τ_{kq} represents the value of giving to a candidate of party k when
the candidate has an election forecast of q. As in earlier chapters, I continue
to use the forecasts published by *CQ Weekly*. As such, q can take on seven
different levels, with predictions ranging from the candidate being the expected

loser to the candidate safely being the expected winner. The forecast for the candidate of party k in district j is denoted by the variable C_{jk}.

Using an indicator function $I(\cdot)$, the relevant parameter τ_{kq} for the district is selected in the utility function. Let $I(x)$ be equal to one when x is true, and zero otherwise, such that $\tau_{kq}I(C_{jk} = q)$ equals τ_{kq} when the district has an election forecast of q.

The utility of a PAC also may include additional terms. For example, the parameter μ_{ik} allows PAC i to have a different baseline utility from electing a candidate of each party, irrespective of a candidate's ideal point or the competitiveness of a district. For example, a PAC may place a premium on members of the majority party or other characteristics of a party as whole, such that $\mu_{iD} \neq \mu_{iR}$.

Comparing theories of PAC behavior

The analytical representation of the utility of giving to a candidate facilitates a discussion of the differences between competing theories of PAC behavior. Each theory implies a different set of restrictions on the parameters in the above utility equation.

Pure partisans

In the "pure" partisan theory introduced in Part II, a PAC does not discriminate among candidates of each party as a function of their individual policy positions. As such, candidates within each party are treated impartially with respect to their individual ideology ($\beta_i = 0$).

Instead, the pure partisan theory describes how the relative values of utilities in the electoral component (τ_{kq}) vary across the party (k) and election forecast (q). A key feature of the partisan theory is that the value of giving to a candidate of the preferred party is greatest in close elections. For a PAC that prefers party $k = A$, the theory predicts that $\tau_{A,\text{lose}} < \tau_{A,\text{close}} > \tau_{A,\text{safe}}$. The label "safe" indicates that the candidate is highly likely to win. The label "lose" indicates that the candidate is expected to be defeated. The "close" label indicates that neither candidate in the district is a clear favorite to win.

A partisan PAC may also give to candidates of its less-preferred party and, if it does, the utility of a contribution is predicted to increase with the probability that a candidate will win. Let the less-preferred party be labeled $k = B$, such that the model predicts $\tau_{B,\text{lose}} \leq \tau_{B,\text{close}} \leq \tau_{B,\text{safe}}$.[8]

In comparing utilities across parties, the only predicted constraint concerns the relative value of candidates in close races. In close races, a candidate of a

PAC's preferred party is predicted to be of higher value than a candidate of its less-preferred party, such that $\tau_{A,\text{close}} > \tau_{B,\text{close}}$.

Other than the constraints listed above, the partisan theory offers no further restriction on the treatment of safe candidates. In particular, there is no prediction with regard to differences across parties in the treatment of safe candidates. This follows from the lack of electoral consequences to funding a safe candidate of the less-preferred party; it is unlikely to change the election outcome or the balance of power in Congress. For example, a partisan may greatly value cultivating a bipartisan reputation by funding safe candidates of their less preferred party, even to the extent that $\tau_{A,\text{safe}} < \tau_{B,\text{safe}}$.

Generalized partisan theory

In contrast to the assumption that $\beta = 0$ in the pure partisan theory, in the generalized model, a PAC may discriminate among candidates of each party as a function of their ideological position. As such $\beta_i \geq 0$.[9] In all other respects, the predictions of the pure partisan theory continue to hold in the generalized model. Specifically, for a PAC that prefers party A over party B, the generalized theory also predicts that $\tau_{A,\text{lose}} < \tau_{A,\text{close}} > \tau_{A,\text{safe}}$ and $\tau_{B,\text{lose}} \leq \tau_{B,\text{close}} \leq \tau_{B,\text{safe}}$.

Non-partisan spatial models

The non-partisan spatial models differ from the partisan model in terms of how they assume PACs use information about the closeness of a candidate's race. The non-partisan spatial models assume that whatever boost in utility exists for giving to candidates in close races, it is applied equally to candidates of both parties. Overall, studies using spatial models have found that candidates in close races are more likely to receive contributions (Poole and Romer, 1985; McCarty and Poole, 1998; Bonica, 2013).

The logic of electoral competition in classical spatial models is illustrated in Figure 8.3(a) for a PAC that evaluates candidates purely on their ideological locations. In this figure, candidates across the entire ideological spectrum are more likely to receive support from the PACs when facing a close race than a safe race; this is reflected in the higher curve for 'at-risk' candidates. In the notation of the omnibus equation, candidates with similar electoral prospects are also assumed to be treated the same: $\tau_{D,q} = \tau_{R,q}$.

Most spatial models also allow for a different mean level of support between the parties, $\mu_{iD} \neq \mu_{iR}$. This is illustrated in 8.3(b) while maintaining the positive bump in support across the ideological spectrum for close races. This illustration offers a particularly useful contrast with the illustration of the generalized partisan model in Figure 8.2(b). Comparing these two figures highlights a key difference between the theories. A partisan PAC tends to increase support to
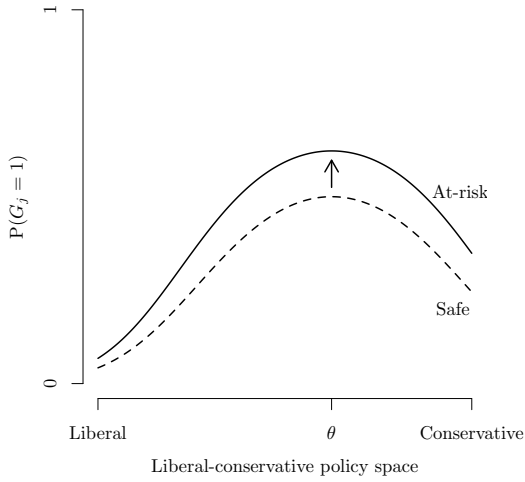
(a) Mean shift only
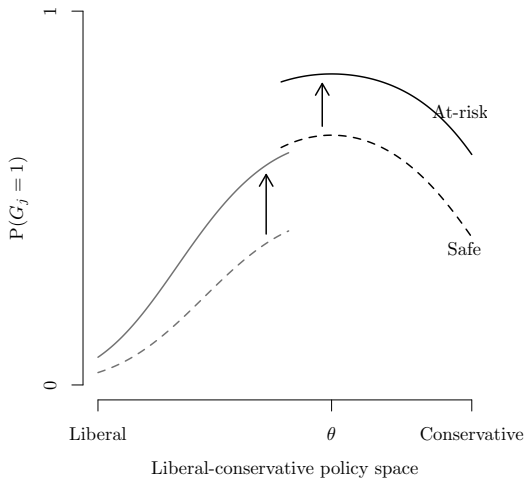
(b) Adding party means

Figure 8.3 Spatial models: probability of giving to candidates by ideology, party, and closeness of race.

candidates of their preferred party who face a close race, while tending to decrease support to candidates of the less-preferred party who face a close races. In contrast, the ideological model predicts that candidates in close races of either party receive essentially the same bump.

In constructing these curves, I use a standard non-linear function to map the utility of a candidate into the probability of support. This logit function, $1/(1 + \exp\{-U\})$, results in the gap between the two probability curves narrowing as the distance from the PAC's ideal point increases. As such, candidates who are less friendly to a PAC's policy positions receive less of a bump than those who share the PAC's ideal point, with all of the curves in the figures approaching zero as the distance from the PAC's ideal point increases. However, the curves for at-risk candidates and safe candidates never cross.

Investor models

The key prediction of the investor theories is that a PAC gives more money to candidates in safe races than in close races, all else equal. As such, $\tau_{k,\text{lose}} \leq \tau_{k,\text{close}} \leq \tau_{k,\text{safe}}$. Traditional models have further imposed the restriction that the effect of forecasts is the same for candidates of both parties ($\tau_{D,q} = \tau_{R,q}$), while allowing the support of candidates to differ across parties ($\mu_D \neq \mu_R$). In Part II of this book, I considered the classical investor theories where candidates are treated as exchangeable within each party and the ideology of individual candidates is not considered. As such, $\beta_i = 0$.

Entertaining the possibility that an investor PAC also has a preference over the ideology of candidates $\beta_i > 0$ leads to model that is the same basic specification as the non-partisan spatial model. I find it useful to distinguish between PAC behavior where $\tau_{k,\text{close}} < \tau_{k,\text{safe}}$ and $\tau_{k,\text{close}} > \tau_{k,\text{safe}}$, and refer to the former case as non-partisan investor behavior and the latter as as non-partisan ideological behavior. The key feature which makes both the investor and ideological models non-partisan is that in each model the same strategy for giving is applied to choosing among candidates within each party even with spatial preferences over candidates and a possible mean difference in support of each party.

A revision to non-partisan spatial theories

Although I focus in this book on developing a theory of partisan behavior among PACs, there is also a place for reconsidering how non-partisan spatial models use election forecasts. In particular, I find the idea of a PAC being more likely to give to all candidates across the entire ideological spectrum at odds with the logic of an ideological model. Even if parties were irrelevant to

the interests of PACs, why should both friends and enemies of a PAC be more likely to benefit from its support in a close race?

Separate from the partisan theory, I propose an alternative non-partisan spatial model that may better describe how PACs support their ideological allies. Figure 8.4 illustrates the logic of this alternative model. Like classical spatial models, a candidate at the PAC's ideal point facing a close race receives more support. Unlike classical models, the spatial sensitivity also increases when choosing among candidates in close races ($\beta_c > \beta_s \geq 0$). As β_c gets large relative to β_s a PAC may give mainly only to those who are at or very near the PAC's ideal when the election is at stake, while allowing the PAC to cultivate relationships across the ideological spectrum when the election is not at stake.

A feature of this alternative, non-partisan spatial model is that it shares some of the qualitative features of the partisan model. In particular, for PACs that do not have a moderate ideal point, one party is likely to have a reversal in support much like the partisan model. This is more clearly seen if we add a mean difference in support of the alternative model, as illustrated in (b). Here, liberal candidates are less likely to be supported in close races because they are distant from the conservative PAC's ideal point. These liberal candidates are also Democrats, hence the similarity to the predictions of the partisan theory.

8.2 Statistical models of contributor behavior

The omnibus utility equation described in the previous section is incorporated into a statistical model of PAC contribution choices. Combined with data on contribution decisions, the statistical model offers a way to estimate the unknown parameters of each PAC's utility and provides a framework for evaluating the empirical fitness of the competing theories of PAC behavior.

I make a number of additional assumptions in order to move from the analytical description of a PAC's utility to a statistical model of behavior. First, the unit of observation is the contribution decision of whether to support a candidate, and this decision is treated as independent of the decision to give to any other candidate. Second, the contribution decision is summarized as a binary choice of giving support or not. Third, the decision to give or not is specified as a probabilistic choice.[10] These assumptions lead to a representation of the contribution decision as a logistic regression, where the probability of PAC i giving to a candidate of party k in district j is

$$P(G_{ijk} = 1) = 1/(1 + \exp(-U_{ijk})) \tag{8.2}$$

In the case of the pure partisan theory, the estimation task is relatively simple
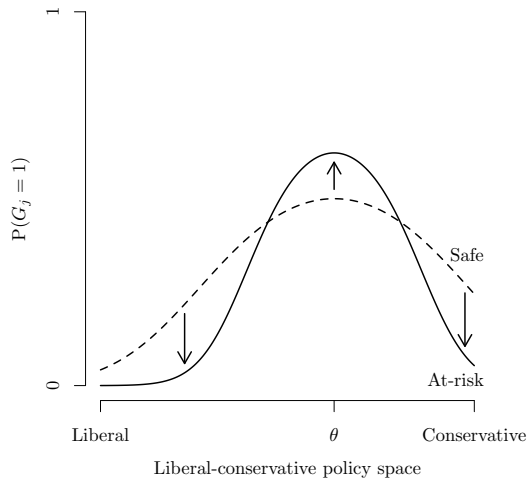
(a) Altering ideological sensitivity
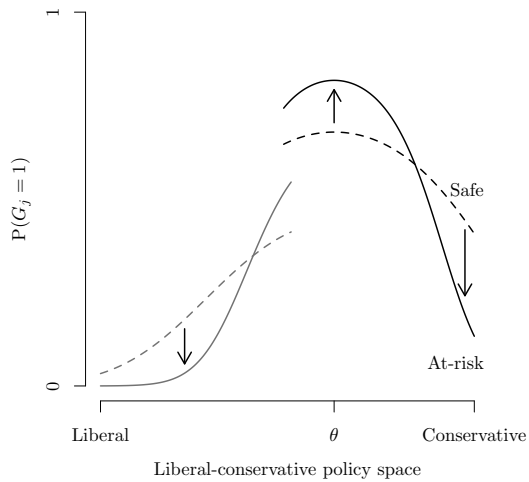
(b) Adding party means

Figure 8.4 Spatial models: probability of giving to candidates by ideology, party, and closeness of race.

since no ideological parameters are estimated. Recall that in this theory, $\beta = 0$ and hence the values of θ and ψ do not enter the utility equation. Only the τ and μ parameters are estimated in this case.

For the generalized partisan model and the spatial models, we need to also estimate the values of the spatial parameters β, θ, and ψ. For some candidates, there exist estimates of their ideal points, ψ_{jk}, based on their voting behavior in Congress. For any candidate who has been elected to Congress, I use the first dimension of DW-Nominate scores (McCarty et al., 2006) as the value of her point ψ_{jk}. In cases where a non-incumbent candidate is later seated in Congress, I employ estimates of this candidate's ideal point based on her later roll call data. The use of DW-Nominate here assumes that the legislative behavior of individuals can be forecast by interest groups.[11]

Using the DW-Nominate scores as the value of a candidate's ideal point in studying PAC behavior has two advantages. First, fixing the value of some candidates' ideal points sets the location and scale of the ideological space within which the unknown spatial parameters are estimated. In the absence of these DW-Nominate values, we would need to impose arbitrary restrictions on the ideological parameters in order to estimate the model.[12]

Second, deriving candidates' ideal points from their behavior in Congress directly ties the estimated spatial parameters in this analysis to the most common measure of ideology in other political studies. Specifically, this approach facilitates comparisons between the estimates of the ideal points of PACs ($\hat{\theta}_i$) derived from this statistical model of contributor behavior and the legislative behavior of MCs summarized by the DW-Nominate estimates of candidate ideal points (ϕ_{jk}). This is particularly important when connecting the contribution decisions of PACs to larger debates outside of campaign finance, such as the causes of political polarization in Congress.[13] There are also other measures of candidate spatial locations, including using surveys of candidates or using the ratings of individual candidates by interest groups which could alternatively be used as estimates of ψ_{jk}. These alternative scales and DW-nominate are highly correlated with each other and the same basic conclusions are expected across different measures.[14]

8.3 Conclusions

In the following chapters I empirically test the generalized theory of partisan PACs against the non-partisan alternatives using the framework described in this chapter. In Chapter 9, I estimate the ideological preferences of PACs for candidates in open, and their willingness to give to candidates as a function of

party affiliation and election forecasts. In Chapter 10, I examine PAC strategies in the funding of incumbents seeking reelection.