U.S. National Elections
17.263/264

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Week 9: Money and Elections
Money is necessary but not sufficient, especially for challengers.

Money follows expectations.

Most donations are consumption goods, not strategic investments.

But money can still bias political outcomes.

Tradeoff between liberty and equality
Class Forecasts

Actual outcome:
- Popular vote: 2.7% margin for Obama
- Electoral college: Obama 332, Romney 206

Nate Silver forecast (Sept. 11):
- Popular vote: 3.8% margin for Obama (se: 2%)

Class predictions:
- Predicted Obama Victory: 89%
- Popular vote: 2.1% (mean), 2.7% (median); sd: 2.2%

Closest class prediction: Obama +2.65%
Money in the 2012 Election

- Spending by/for presidential candidates:
  - **Obama**: $850 million (inside) + $125 million (outside) = $975 million
  - **Romney**: $750 million (inside) + $350 million (outside) = $1,000 million

- Federal budget: $3.7 trillion

- Tullock: “Why is there so *little* money in politics?”
Investment vs. Consumption

- Common assumption: donations as investment → maximize future return (strategic)
- More realistic: donations as consumption → If it feels good, donate.
- Strategic money is drowned out by non-strategic → diminishing marginal returns
Incumbents and challengers

- **Fact**: campaign spending is *positively* correlated with the performance of *challengers*, but *negatively* with that of *incumbents*.

- **Explanations**:
  - Expectations
  - Causality
Money and Political Bias

- Strategies:
  - Legislative
  - Electoral
- *Quid pro quos* difficult to demonstrate.
- Buying time?
- Bias built into structure of party system (financial constituencies)
Financial Constituencies

- Financial constituencies of both parties:
  - Who donates? Rich white men
  - From where? Rich urban areas
  - Little sympathy for evangelicals or labor unions

- Both parties need to appeal to wealthier citizens on some issue dimension (economic, social) → “weighted votes”
Liberty vs. Equality

Trade-off between two fundamental values of democracy (e.g., *Citizens United*)

- Liberty: democracy requires free speech, and speech requires $\$$
- Equality: democracy requires responsiveness to citizens as equals