

The Potential Effects of Public Funding on Political Parties

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(Prepared for a conference on public financing, January 28-29, 2006, University of Wisconsin Madison)

In this discussion paper I sketch out briefly some questions related to how public financing of elections may affect political parties, and suggest a research agenda to address such questions. Most of what I discuss relates to state legislatures, though some is applicable to statewide offices. I spend less time outlining research methods than presenting potential questions to explore.

Political parties are complex institutions. They are not easy to study but the work they perform appears vital in a democracy. First and foremost, parties provide “labels” through which candidates’ campaign for office. These labels give the average voter significant information to make choices at the polls. Parties also engage in electoral activity, including candidate recruitment, grassroots voter mobilization, and broadcast advertising. Finally, parties help organize government, particularly the majority party in a legislature, which selects legislative officers and committee chairs. Given that parties are so thoroughly ingrained in the political process, it makes good sense to understand how campaign finance laws are likely to affect them.

Background on public funding and political parties

According to a study by the Center for Governmental Studies, there were 25 states in 2005 that provided some form of public subsidy in state elections (CGS 2005). Of these, only 11 states offered public funds to political parties. Public subsidies are usually granted through a check-off by state taxpayers on their tax forms (typically in the range of \$1 to \$10), that allows the filer to designate which political party receives the funds. In some states, there is a surcharge on a particular governmental service and this income is diverted to an election fund. More rarely, funds come from the general treasury. At this point, I have no data regarding the portion of party budgets derived from public funds.

In states in which political parties receive public funds, the parties have no limit on how much they may spend in elections. Political parties may supplement their public funds with private contributions. This practice contrasts with the Clean Election plan, used in Maine, Arizona and Vermont, in which public funds are given solely to candidates. Candidates participating in the Clean Election program may not receive private contributions, even from their party. To the degree the party supports candidates

through “independent” spending, the opposing candidate receives additional public funds (beyond the established level) if they already participate in the Clean Elections program.

At the federal level, public funding exists for presidential candidates. These funds are allocated directly to candidates in primaries (they receive matching funds) and for the general election (a lump sum). The major political parties receive a grant to defray the costs of their nominating conventions. These grants have been supplemented in recent years by large infusions of cash (soft money) from private donors.

The fact that public funding for political parties is uncommon makes the United States different from many other advanced industrial nations. In continental Europe, for example, political parties receive public funds that typically cover one-third or more of their operations. In these countries, individual candidates rarely receive public funds directly as they do in the United States. In Canada, however, both the federal and provincial governments provide tax credits for those who contribute to political parties *and* to candidates.

Public funding for parties is widespread in the rest of the world, but not universal. A recent survey of 111 nations by the International Institute for Democracy and Electoral Assistance (IDEA 2005) shows that 65 nations have public funding for political parties (59%).

How might American parties respond to public funding?

Party behavior obviously depends on a number of factors. Although campaign money may influence party activity, other dynamics are at work as well. These include, but are not limited to, institutional variables (e.g., separation of powers, legislative rules), strategic variables (which party controls government, electoral competition, campaign costs), as well as the political culture in a state or nation.

Keeping this in mind, it is also important to note that party behavior may differ depending on the degree to which campaign money flows through candidates or parties. Most public funding systems in the US give money to candidates rather than to political parties. This practice is consistent with the normative premise that candidates should be free to make independent judgments that reflect constituency preferences and the common good rather than be influenced by particular groups, including political parties.

In considering how party behavior might change under a public funding system, I will focus on party activity in government and party activity in elections.

The effect of public funds on parties in government

Political scientists tend to believe that internal unity among party members is a valuable trait (see Green and Herrnson 2002). Such unity helps increase accountability in the political system by making clear where party members stand and how they act on public policies. The most important test of party unity is typically how party members

vote in the legislature. The degree of party cohesion in the legislature is often used as a measure of party “strength” (see Kousser paper).

With respect to public funding, the question is whether this reform would strengthen or weaken party cohesion in government. In theory, public funds that flow directly to candidates should weaken the party because candidates would become less reliant on the party for funds. Conversely, public funds that flow through parties might increase party strength because these resources would give party leaders leverage in inducing rank-and-file members to vote the party line.

The research on Congress is instructive. Most of this literature suggests that party-controlled money does not create party cohesion (Cantor and Herrnson 1997; Damore and Hansford 1999). Party committees give as much money to “mavericks” as to those who toe the party line. The key factor in determining how the party allocates its funds to incumbents is whether the candidate is vulnerable, regardless of their party loyalty. But this finding has not been tested under a campaign finance system in which candidates have limited access to political money (unlike in Congress where incumbents often raise “war chests”). Thus, it is conceivable that a system that limits candidate spending may increase party strength in the legislature, so long as parties retain the capacity to help their candidates in campaigns through cash or in-kind services.

One possible consequence of public funding which is rarely discussed is how it might influence the way the party selects its leaders. Anecdotal accounts and some research on Congress suggest that effective fundraisers are more likely to achieve leadership positions (Herberling and Larson 2005; Pearson 2003). A public funding system may reduce incentives for choosing leaders based on fundraising prowess and, instead, look at other kinds of leadership skills. Thus, by attenuating the “money chase,” a public funding scheme could alter the path to leadership.

It is also important to consider how public funds might address the possibility of corruption with respect to political parties. While most public financing schemes are motivated to prevent the *quid pro quo* (or its appearance) between donors and candidates, it is entirely plausible that this exchange occurs “wholesale” at the level of the party leadership. If public funds free political parties from soliciting money, party organizations might be less influenced by wealthy donors. It should be noted, however, that provision of public funds for political parties in other nations has not stanchd the periodic bursts of campaign finance scandals. The fate of the Liberal Party of Canada is only the most recent example.

One potential line of research is whether the political parties’ legislative agenda changes in publicly-financed systems. Does the party leadership bring more or fewer bills to the floor for a vote? Does it adhere more or less to the agendas of well-financed groups? Analyzing this effect is difficult because, as Thad Kousser and David Primo point out in their papers, it is difficult to untangle the causal relationship between the flow of money and policy positions of party members. Moreover, such studies would be complicated by the frequently ignored distinction between interest groups that “push”

money into the system, and those whose money is “pulled” into the system by appeals from party leaders (Malbin, forthcoming). Such distinctions matter because groups that “push” money into the political system usually pursue less transparent methods than direct contributions to support the party and its candidates if they cannot donate money.

One last issue concerns the effect of public funding on party responsiveness to partisan activists. While an important goal of reform is to prevent corruption or its appearance, it should not be forgotten that the level of political contributions may indicate support for the party and its policies (see Bailey 2004; Moon 2004). Many party contributors are motivated by policy and ideological concerns (see Verba, Scholzman and Brady 1995). In theory, by foregoing private funds, candidates and parties may become less responsive to activists and strong partisans who typically contribute. For those who want to reduce partisanship, this degree of insulation could be a good thing. But if the party is to function as an effective intermediary between those in government and those in the electorate it must be accountable in some fashion to an activist core that holds the party leaders’ “feet to the fire.” Campaign finance systems that eliminate private donors to parties and their candidates may reduce activist participation in partisan politics and channel their efforts to interest groups. One line of research may probe whether a public funding system moderates party policy positions and/or shifts political activity of elite actors toward interest groups.

On the other hand, it is entirely possible that public funding schemes might push the parties farther apart. Recent studies show that strong Democratic partisans and activists appear to favor public funding, while Republicans, for philosophical reasons, tend to be lukewarm about it (Francia et al., 2003; Grant and Rudolph 2004). I have not teased out the causal model but, intuitively, it seems plausible that a public funding system would encourage more contested Democratic primaries. With an infusion of funds in Democratic primaries (where voters value “clean” candidates), candidates who are further to the left on the party spectrum have a good shot at capturing the Democratic nomination. Just a thought for discussion.

The effect of public funds on parties in elections

Does a public funding system weaken or strengthen the electoral role of political parties? Previous scholars have demonstrated that parties in the states play a valuable role in elections. They help recruit and support candidates (Moncrief, Squire and Jewell 2001), and they are one of the few organizations that tend to support challengers (Gierzynski and Breaux 1998; Malbin and Gais 1998). How will parties adapt to a public funding scheme in elections? Will the availability of funds – either to candidates and/or parties – encourage or hamper their capacity to pursue traditional functions such as recruiting, helping challengers, and mobilizing voters? And what might be the undesired consequences of party adaptations?

At first blush, it appears that public funding for candidates might weaken parties. The logic here is that candidates will not need the party organization if they have sufficient funds to campaign independently. On the other hand, public funding schemes may

actually strengthen the party role, particularly in those regimes that force candidates to limit spending. With such caps, candidates may rely more on parties to mobilize voters or provide in-kind sources of support. Robert Hogan (2005), for example, demonstrates that limits on political contributions to candidates leads to other forms of electioneering in support of candidates, such as increased voter mobilization and political advertising sponsored by parties or interest groups. Moreover, he shows that limits on candidate contributions encourage interest groups to contribute more funds to political parties. This research suggests that a public funding system may divert more private resources and influence to outside groups, including political parties.

Any research agenda on public financing should explore whether *party-based* public funding enhances electoral competition relative to *candidate-based* schemes. Since political parties tend to support qualified challengers, party-based public funding mechanisms should have a positive effect on challenger support and electoral competition. In gubernatorial elections, for example, Gross, Goidel and Shields (2002) suggest that party-based public funding systems generate smaller differences in spending between party candidates and increase competition. To date, there has been limited analysis of the effect of various kinds of public funding schemes on political competition.

On the topic of competition, I should highlight what might seem obvious to many but can easily be overlooked. A public funding system which is good for candidates may not be good for parties. While candidates want money to win their own races (preferably by trouncing their opponent) parties prefer to allocate funds in potentially close contests. In other words, parties have an incentive to use their funds “efficiently” by channeling the marginal dollar into races where it might make a difference. Public funding schemes that put money in the hands of candidates rather than parties make it more difficult for parties to pursue this strategy. On the other hand, since parties tend to ignore races that appear unwinnable, a candidate-centered scheme might make some of these races more competitive since they are typically starved for funds.

Whatever happens under a public financing regime, we can be sure parties will try to adapt (Bibby 1998), but perhaps in ways that are unhealthy for the political system. Given the desire to capture control of government, party leaders have strong incentives to find any legal means to help candidates win elections. In some instances, these adaptations may appear to undermine meaningful campaign reform. At the federal level, for example, parties adapted to the constraints of the Federal Election Campaign Act by using soft money to campaign for federal candidates. And in the first election after passage of the Bipartisan Campaign Reform Act, which banned soft money, party activists used “527 organizations” to pay for campaign ads and mobilize voters with soft money (see Weissman and Hassan, forthcoming). Any research on public funding should carefully monitor such adaptations. A good model might be David Magleby’s research in federal elections, in which he coordinated teams of scholars in the states to monitor outside groups campaign activity (see Magleby and Monson 2004). Research might also look at whether public funding mechanisms encourage or discourage party-building that potentially has long-term pay-offs for electoral competition and voter mobilization (Jones 1984).

In closing, I suggest we also consider the differential effect of public funding on parties. Which parties gain significant advantages under public funding systems? The conventional wisdom is that Democrats should benefit because they typically have a smaller donor base than Republicans, and they also rely more heavily on in-kind support from labor unions and other interest organizations. Is this true? Some early research on public funding suggests that party-based public funding may be particularly helpful to minority parties and the out party (Jewell & Olson, 1988; Jones, 1984) but this has not been examined closely in recent years. Any public funding scheme should also consider the effects on third parties. How will they fare under such programs? Typically, start-up costs are high for new parties. They tend to benefit from early support of a wealthy patron, e.g., Ross Perot. Will public funding give them a boost or hold them back?

While it may be somewhat controversial for academics to address the question of partisan benefits, it is certainly worthwhile. Not only does it raise the issue of fairness with respect to various funding scenarios, but this kind of knowledge might increase the likelihood that reforms get passed with bipartisan support (which should increase the legitimacy of the laws). Elected officials will surely want to understand the potential consequences of reforms for their own parties, as well as for themselves. Such knowledge will allow them to negotiate compromises about the design of public funding schemes. At the very least, such research will avail the public with knowledge to assess which reforms appear fair to different political parties.

Summary of questions for a research agenda

Party in government:

- Does public funding weaken or strengthen party cohesion in the legislature?
Methods: study of roll call votes in state legislatures examining party cohesion pre- and post-public funding, and across states with and without public funding programs.
- Does public funding alter pathways to leadership in the legislature?
Methods: Interviews, time series analysis of legislative careers
- Does public funding alter the parties' legislative agenda?
Methods: Comparative and time-series analyses of bills, floor votes.

Party in elections:

- Does public funding strengthen or weaken party finances relative to candidates and interest groups?
Methods: pre and post-analysis of campaign funds among various groups
- Does public funding affect traditional party activities such as candidate recruitment and voter mobilization?

- Does a public funding system divert private resources and influence to outside groups, including political parties. Does it generate “shadow” party activity, leadership PACs or campaigning by outside groups? What effect on party building? Methods: use network of scholars in states to observe and tally activity; organizational analysis of interest groups and parties in states.
- How does *party-based* (vs. *candidate-based*) public funding affect political competition?
- Does public funding advantage particular parties? Does the minority party benefit? How does it help or hinder third parties? Methods: Comparative and time series analysis of cash and in-kind support for candidates in different parties

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