The Citizens United ruling isn’t as bad as you think
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This morning, the Supreme Court overturned legislation and legal precedent limiting corporate spending in political campaigns. The argument in favor of the court’s decision in Citizens United v. Federal Election Commission hinges on the idea that rights of free speech apply to both individuals and groups of individuals (including corporations), and that spending money on advertisements is a type of speech. Any law that prevents or limits one’s ability to spend money advertising (including limiting a corporation’s ability to run political ads) infringes on the right of free speech.

The ruling means that in the next election cycle, corporations can spend unlimited sums of money running ads (on television, on billboards, through the mail) in support of their preferred candidates or against their opponents. Many fear that the ruling will result in deep-pocketed interests (the oil, electricity, and telecommunications businesses, for example) having a dangerous level of influence over election outcomes. In an effort to attract favorable campaign spending, politicians may pander to those able to pour money into elections. Last year, in an academic article published in the Journal of Public Economics, I showed how the absence of spending limits increases the likelihood politicians engage in a quid pro quo exchange of campaign funding for policy favors.

The majority of editorial response to the Supreme Court decision has been negative, focusing on the ways that the decision will shift political power towards deep-pocketed special interests. Although I share many of the underlying concerns in these negative responses, I don’t want to rehash them here. Instead, I argue that the overall impact will likely be less bad than many others claim. In fact, by making it easier for candidates to fund their campaigns, the court decision could possibly improve electoral competition, reducing the incumbent advantage and reducing the needs of legislators to support the party line (and keep the powerful party leadership happy).

First, I want to be clear that campaign spending has less of an impact on election outcomes than most people think. There is a large academic literature that attempts to show that increases in a candidate’s campaign spending increase the probability the candidate wins election. The result of this research is largely negative, finding no evidence that such a link exists. A famous (amongst academics and readers of Freakonomics) example of this is the 1994 paper by Steven Levitt in the Journal of Political Economy.

I am not going to argue that campaign spending doesn’t matter at all. Clearly, a candidate without any money being spent on her campaign will find it difficult to compete against a well-financed challenger. Candidates need some amount of financing to run a viable campaign. But, once they are already spending large sums of money, additional campaign spending has very little effect on the outcome of a campaign.

The reason the marginal impact of campaign spending is so low is partially because there is very little difference between seeing eight adds or seeing nine adds (compared to let’s say seeing one add or two adds). It is also partially because voters recognize that richer
candidates are not necessarily the better candidates. There is a reason that a candidate can outspend her opponent: does she spend more time fundraising (instead of making policy) or is she an expert at pandering to special interests? The benefit of running more ads tends to be offset by the negative signal that spending a lot of money creates. This reasoning is especially true when there are disclosure requirements for campaign contributions and advertising spending. On the national level at least, the voters can observe how much of a candidate’s money comes from individual donors, and how much comes from businesses, lobbyists, and other big-money sources In 2008, for example, Candidate Obama received a lot of positive media attention because of the perception that his fundraising efforts were grassroots based. I doubt that the media (and voters) would have reacted in a similar fashion if his advertisements were all paid for by the energy industry.

Second, I explain how the decision could potentially increase electoral competition. It’s far from clear whether this impact would be positive enough to offset the increases in politician incentives to pander to big business. But, these positive effects of increasing electoral competition could be significant and should not be ignored.

Incumbent politicians have an inherent fundraising advantage over their challengers (e.g., name recognition, preferences by contributors to give to the candidate with the highest probability of winning an election). Because of this, even high-quality challengers will struggle to raise enough money to run a viable campaign. Often they fail to do so, and challenger campaigns never take off. According to OpenSecrets.org, incumbent US Senators raised an average of $8,741,224 each during the 2008 election cycle; their opponents raised only an average of $1,152,146 with most raising significantly less than that.

Under the previous campaign spending rules, a challenger was faced with convincing many people to each contribute small amounts to his campaigns. This took a lot of time, effort, and luck; more than most qualified candidates were willing to spend. Now, following the Supreme Court ruling, a promising challenger may be able to mount a viable campaign after convincing a small number of deep-pocketed friends to back their candidacy. All of a sudden, it is much easier to mount a viable campaign against a sitting politician.

Remember also that gaining the support of a corporation or special interest group does not necessarily imply that the politician is in the corporation’s pockets. It could simply mean that the politician is relatively more appealing than her opponent. For example, if one candidate is friendly to AT&T and Verizon Wireless, her opponent may attract campaign spending from Google, or other companies looking to compete in the wireless sector. This doesn’t mean that the opponent is pro-Google. It could just means that the opponent is not pro-AT&T.

The ruling may also weaken the influence that political party leaders have on members of their parties. In his book *Breach of Trust*, Republican Senator Tom Coburn provides a detailed account of how party leaders can use their agenda setting powers and ability to direct campaign funds to influence junior members of congress. If voting along the party line increases the chances of receiving help from the party the next time one is in a close race for reelection, then a politician will undoubtedly think before voting against the wishes of party leadership. By reducing these incentives, the court decision could make it
easier for politicians to vote based on what is best for their constituents, rather than what is encouraged by party leaders. When politicians vote based on what is best for their constituents, rather than dividing along party lines, we could actually see more moderate policies being implemented.

In conclusion, the Supreme Court decision may not have as large of an impact on election outcomes as many predict. With disclosure rules in place and already huge amounts being spent on campaigns, additional campaign spending might not matter as much as people think. In some ways, the decision may have some favorable effects. For example, it could result in more competitive elections by decreasing the incumbent advantage, and by making easier for challengers to line up money for their campaigns. Similarly, it could reduce politician reliance on party leaders for assistance funding campaigns, which could potentially result in more moderate policy.

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