

# Higher campaign costs are not necessarily bad for voters

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*The increasing cost of political campaigns and its impact on the electoral process are issues of paramount importance in modern democracies but higher campaign spending does not always hamper accountability, write **Carlo Prato** and **Stephane Wolton**. Drawing on recent research, they argue that when constituencies are biased towards a party, a higher campaign cost intensifies electoral competition, and is associated with a higher level of constituency service. Costly campaigns can thus have a rebalancing effect that improves electoral accountability.*



In the 2012 electoral cycle, candidates' campaign expenditures in U.S. Congressional elections totalled \$1.5 billion, over 60% more than in 2004 (without accounting for outside spending from Super Political Action Committees or Unions). This dramatic rise in campaign cost has intensified calls for a comprehensive reform of campaign finance laws, a theme that Senator Bernard Sanders made a cornerstone of his presidential bid. The idea also resonates well with American voters, who favour limits on electoral spending by a large majority (75% of respondents according to a June 2013 Gallup poll).

But is a high cost of running a campaign necessarily bad for voters? Our paper demonstrates that under certain conditions voters can *be better off* when electoral campaigns become more expensive.

Our theory (developed in a game-theoretic model) is based on the idea that elections are central to ensure that representatives' incentives are aligned with voters' concerns. During an electoral campaign, candidates can make clear, verifiable commitments to advance voters' interest. Examples include attracting private and public funds for local projects, addressing constituents' concerns in a timely manner, and ensuring that new legislation does not hurt local interests. Voters value these promises for two reasons. First, they usually benefit from them. Second, they provide them with clear standards to evaluate politicians. Indeed, once elected, politicians try to fulfil their promises, as demonstrated by the advertising of their accomplishments (see Grimmer et al., 2013). But in order for these commitments to be electorally rewarded, candidates need to advertise them effectively during the campaign. Our paper then asks: are voters always worse off following an increase in the cost of advertising?

Our first result is intuitive: voters get the most out of elections when the campaign cost is null (we equate campaign cost and cost of advertising in light of the evidence that candidates' expenditures are mostly advertising spending—see Schuster, 2015). Without advertising cost, candidates face little loss in acting in voters' interest. However, this

result does not imply that voters are *always worse off* when the campaign cost increases. Indeed, we show that the effect of more costly campaigns on candidates' incentives to promote beneficial policies depends on the degree of "electoral imbalance," which we define as the pre-campaign competitiveness of the race.

In a competitive district, more expensive campaigns reduce accountability. When the race is expected to be close, candidates engage in an arms race to win the election, and are willing to make strong commitments towards their constituents. As the cost of advertising these commitments increases, candidates find it optimal to disarm and scale down their promises.

In contrast, in a non-competitive district (e.g., one in which most voters lean towards a candidate's party), an increase in the campaign cost can have a pro-competitive effect, which we call the "rebalancing effect." This result stems from the difference in candidates' behaviours. The front-runner has little incentive to make clear commitments towards the voters, since her/his electoral chances are already very good. The trailing candidate, on the other hand, can only win by making strong promises to voters and widely advertising them during the campaign. As the campaign cost increases, the front-runner's willingness to make commitments is further reduced. This, in turn, encourages the trailing candidate to double down on her/his promises: albeit more expensive to advertise, her/his commitments are now more likely to be electorally rewarded. Due to candidates' opposite reactions to an increase in the campaign cost, greater campaign cost intensifies the competition between candidates. This rebalancing effect generally benefits voters: in ex-ante non-competitive races, the winning candidate's propensity to promote beneficial policies increases with the campaign cost.

Our theory predicts that campaign cost and constituency service should be positively related in districts with high electoral imbalance and negatively related in more competitive districts. To get a sense of the empirical relevance of our results, we use data from the U.S. House of Representatives to study the relationship between the campaign cost (measured by the per-unit price of political advertising), constituency service (measured by district-level discretionary federal outlays, a commonly used measure of legislators' effort), and electoral imbalance (measured by presidential candidates' vote shares). It should be stressed that our results are, for several reasons, only suggestive: more careful empirical work is needed to establish whether or not the effects can be interpreted causally.

Our empirical results are in line with our main theoretical predictions. When imbalance is low, more expensive campaigns are associated with lower federal spending. As imbalance increases, however, the statistical association becomes weaker, and its sign eventually switches. In the top quartile of electoral imbalance, an increase in the price of political advertising is associated with *higher* federal discretionary spending. Further, consistent with the idea that campaign spending is meant (in part) to advertise candidates' commitments, candidates who advertise more secure more outlays for their district.

In light of the rebalancing effect of campaign cost we identify, our paper suggests a rethink of campaign finance regulation. A widely supported proposal is to use public funds to subsidise candidates' campaigns. Our results suggest that the electorate would benefit from such reform only when electoral imbalance is low. In non-competitive districts, instead, publicly funding campaigns would disproportionately favour front-runners, effectively producing anti-competitive effects that would reduce politicians' effort towards their constituents. To take full advantage of the rebalancing effect, voters in non-competitive districts should instead make campaigns more expensive by *taxing* campaign spending.

More generally, our paper points to the difficulty of designing an optimal campaign finance scheme. Any new regulation entails trade-offs. But the absence of "one-size-fits-all" solution does not mean campaign finance laws cannot be improved. By properly accounting for electoral imbalance, regulators could limit the potential anti-competitive effect of regulation.

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*Note: this article is based on Campaign Cost and Electoral Accountability, forthcoming on Political Science research*

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