

Does Money Matter? An Empirical Analysis on the Effects of Campaign Financing in Recent Senatorial Elections

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Abstract:

This empirical analysis quantifies political science variables and tests to see if the sources of campaign finance money matters and ultimately determines the most important factors affecting a candidate's chances of becoming elected. Using data from the 2004 and 2010 Senate elections, this paper tests the importance of a number of political science variables including party affiliation, sources of campaign financing, and incumbency, among others. The effects of the Citizens United Supreme Court decision and its democratic implications are also analyzed to see if money in politics weakens America's democratic process. There are few studies in the field that are as inclusive as this study making it very relevant.

JEL Classification C52, H80

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1.0 INTRODUCTION

Politics in America are constantly changing, and this model has been created in order to make sense (quantitatively) of campaign financing and other political science variables. It is essential to have an in-depth understanding of the political climate that defines the present. It is a common misconception that Presidential elections are the most important factor in determining America's future path, but in reality Congress is more important than the majority believes. While the President is the head of the United States, Congress is the legislative body of the people, and it is with its support that the President has the ability to rule. Therefore, this paper is an investigation of the outside influences that affect the outcomes in Congressional elections, but more specifically for those running for a position in the Senate. After determining the most important political science variables, the American democratic system will be analyzed. This project is both relevant and significant because it is research like this that works to help maintain transparency in our democratic system.

Campaign financing has always played a key role in politics but it is more relevant now than ever. The cost of winning a seat in the Senate has increased 47% since 1986 (using 2010 dollars) to just under \$9 million in 2010 (Campaign Finance Institute 2010). This fact is alarming because in a time where America needs its brightest minds in politics, politics is seemingly limited to those with extensive wealthy connections because others cannot afford it. In Connecticut, the wife of famous wrestling promoter Vince McMahon, Linda McMahon, funded nearly 100% of her campaign by herself in the 2010 Senate elections; she did not win and essentially wasted \$50 million. Linda McMahon's ability to run for one of 100 positions in Senate was based on her wealth and social status more than her ability to help lead a nation.

The 2010 elections were the first time the public got to see the impact two major court decisions had on the political environment in America. The Citizens United V. Federal Election Commission (FEC) Supreme Court decision allowed unions and corporations to make independent expenditure donations for political purposes. This combined with Speechnow.org v. FEC which said that corporations and unions could donate an unlimited amount of money made money in politics even more prevalent than ever. These court decisions made it possible for businesses to take money out of their treasury to influence public policy through Political Action Committees (PAC). Businesses and unions can now donate unlimited amount of money to PACs who in turn support or attack a specific candidate.

While it is widely understood that candidates with more money have a seemingly greater chance of winning, this study analyzes how accurate that assumption is and if where the money comes from has a large impact; making it different than previous studies. Once this is accomplished, this study will determine if all of the money in politics corrupts the democratic process in America. This paper was guided by three research objectives that differ from other studies: First it quantifies political science variables in an attempt to determine what is the most important factor effecting a Senate election; Second, it analyzes if the source of campaign financing is relevant; Last, it analyzes if money in politics hinders American democracy. There is very little empirical work in the literature using pooled data to quantifying as many political variables. This paper successfully fills this void.

The rest of the paper is organized as follows: Section 2 gives a brief trend and literature review. Section 3 outlines the data. The empirical model and estimation methodology are discussed in section 4. Finally, section 5 presents and discusses the empirical results and is followed by a conclusion in section 6.

2.0 CAMPAIGN FINANCING TREND

As stated in the introduction, the overall cost for winning a seat in Congress has increased drastically in recent years. In a time where the future of our nation is up for grabs the stakes for each Senate seat become more competitive because the seat represents a voice in America's future.

The following figures break down the 2004 and 2010 Congressional elections in greater detail. Figure 1 analyzes the 2004 Congressional elections. The first statistic from this chart that jumps out at me is the success rate of incumbents, which was above 96% for the entire Congress! Because of this, one of the variables that will be tested is the type of race; open or contested. So far it appears that incumbency is an extremely important factor in a successful campaign but the success rate on incumbents has decreased between 2004 and 2010. America had a strong economy in 2004 so there was no incentive to remove the incumbent from office. The Illinois House race was interesting as the most expensive campaigner, who also got the largest amount from PACs, lost to the candidate that spent the least out of any other winning candidates and may represent an outlier.

Figure 1: 2004 Congressional Election Data

	House	Senate
Average Winner Spent	\$1,034,224	\$7,840,976
Average Loser Spent	\$279,267	\$3,628,332
Most Expensive Campaign	\$5,013,947	\$28,952,326
Most Expensive Campaigner	Dennis Hastert (R-Ill)	Blair Hull (D-Ill)
Least Expensive Winning Campaign	\$49,004	\$1,326,661
Least Expensive Winning Campaigner	Daniel Lipinski (D-Ill)	Mike Crapo (R-Idaho)
Number of Incumbents Seeking Reelection	404	26
Number of Incumbents Reelected	395	25
Incumbents Reelection Rate	98%	96%
Number of Close Races (winning margin less than 10%)	31	7
Average Winner's Vote Percentage	69%	61%
Average Winner's Receipts from PACs	\$464,982	\$1,752,960
Most Receipts from PACs	\$1,911,381	\$3,344,580
Candidate with Most PAC Receipts	Dennis Hastert (R-Ill)	Tom Daschle (D-SD)
Average Winner's End-of-year Campaign Balance	\$369,375	\$1,560,730
Biggest End-of-year Campaign Balance	\$4,515,955	\$11,246,330
Candidate with Largest End-of-year Campaign Balance	Marty Meehan (D-Mass)	Richard C. Shelby (R-Ala)

Source: OpenSecrets.org

Figure 2: 2010 Congressional Election Data

	House	Senate
Average Winner Spent	\$1,439,997	\$9,782,702
Average Loser Spent	\$688,632	\$6,528,077
Most Expensive Campaign	\$11,661,973	\$50,181,464
Most Expensive Campaigner	Michele Bachmann (R-Minn)	Linda McMahon (R-Conn)
Least Expensive Winning Campaign	\$182,882	\$1,650,993
Least Expensive Winning Campaigner	Douglas L. Lamborn (R-Colo)	Mike Lee (R-Utah)
Number of Incumbents Seeking Reelection	397	25
Number of Incumbents Reelected	339	21
Incumbents Reelection Rate	85%	84%
Number of Close Races (winning margin less than 10%)	79	7
Average Winner's Vote Percentage	63%	59%
Average Winner's Receipts from PACs	\$563,328	\$1,973,177
Most Receipts from PACs	\$2,857,030	\$5,546,638
Candidate with Most PAC Receipts	Steny H. Hoyer (D-Md)	Blanche Lincoln (D-Ark)
Average Winner's End-of-year Campaign Balance	\$349,503	\$1,520,341
Biggest End-of-year Campaign Balance	\$3,129,901	\$17,156,632
Candidate with Largest End-of-year Campaign Balance	Frank Pallone Jr (D-NJ)	Richard C. Shelby (R-Ala)

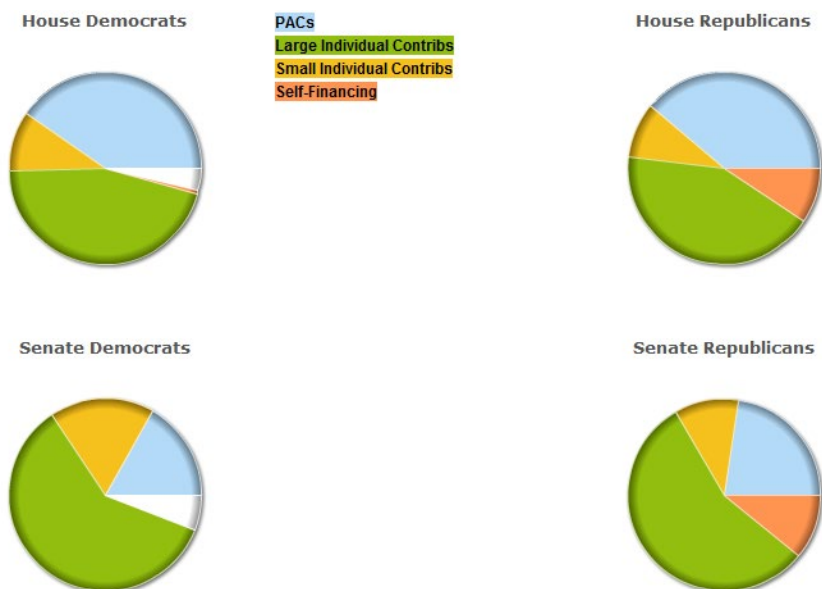
Source: OpenSecrets.org

When comparing the two election years it is clear that the most recent races were much more competitive. The narrowing of the spending gap between candidates and a disgruntled voter base were the likely causes of the tighter races in 2010. In 2004, losing candidates in the House were outspent by almost 4:1 and had only 31 close races (less than 10% victory margin). In 2010 they were only outspent by a little more than 2:1 and had 71 close races. During those years the average winners voting percentage decreased from 69% to 63%. Whether this was caused by changes in economic conditions or a reduced spending gap will be further analyzed in this paper.

Another point worth noting is that a winning seat in the Senate costs much more than a seat in the House. This is expected because senate seats are more highly contested due to the limited availability of total seats, 100 vs 435. The overall cost of running for public office has risen drastically along with the net worth of those in Congress; 46% of the House of Representatives are millionaires (Seabrook 2011) This is another example how running for public office has seemingly been restricted to those with money.

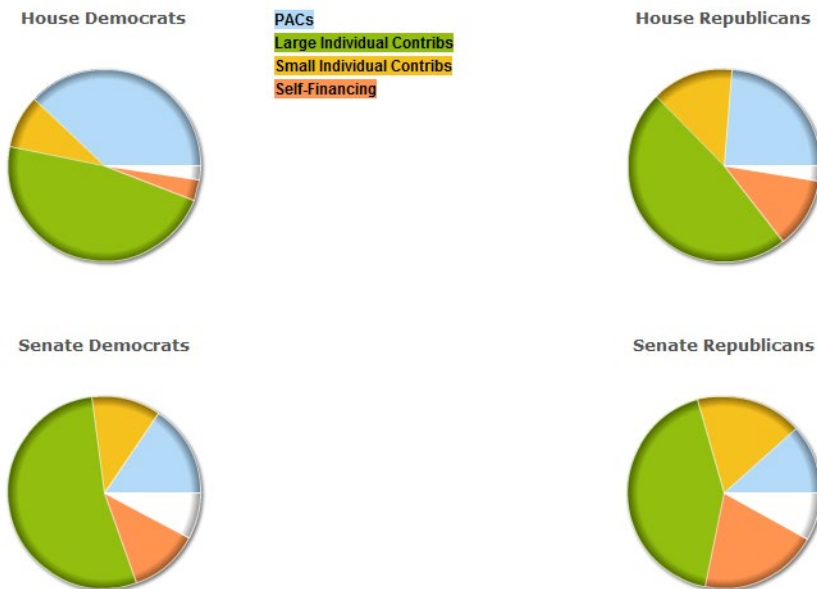
The most important trend that will be analyzed is how much money effects the political system and if where a candidates money comes from matters. In the figures below, this statistic is broken down into PAC's, large individual contribution, small individual contributions, and self financing but the model used in this study is broken down into only PACs, individual contributions, and self financing due to data limitations. Typically, Republicans get the majority of financing from big business and large interest groups in the form of PAC donations while Democrats are known for getting the majority of funding from individuals. However, that is not necessarily what is seen. As seen in figure 3, House Democrats received more funds from PACs in both 2004 and 2010. Overall Senate elections have a less of a percentage of funding from PACs because they can support a greater number of candidates in House races.

Figure 3: 2004 Congressional Financing Sources



Source: Open Secrets

In 2010, as seen in Figure 4, we saw a shift in where the funds were coming from. Individual contributions, Democrats strong suite, switched to favor Republicans in 2010. Republicans actually received more of a percent of funds from both small and large individual contributions than Democrats. Individuals were fed up with who was in office during the Great Recession and sent their money to who was not the majority, Republicans. Self financing is a trend that was expected to decrease but was the opposite was true. Both parties self financed more in 2010 than in 2004. Since the overall cost of an election has increased the expectation was there would be less people with enough personal funds to finance their own campaign but that was not the case as the rich seemingly get richer.



Source: Open Secret

2.1 LITERATURE REVIEW

The concern over campaign financing and its impact on the democratic process can be traced back to 1867, when the first Federal campaign finance legislation was passed that prohibited Federal officers from soliciting campaign contributions from Navy Yard workers (Federal Election Commission 1993, Appendix 4). Since then, the vehicles to get money to political candidates has been constantly revised and amended as corporations, unions, and individuals

have found more ways to get their money to candidates they want in office. In 1905, campaign finance reform was again brought up as an issue when Theodore Roosevelt called for campaign finance reform in an attempt to limit influence of wealthy individuals and special interest groups; a view that is still very relevant today. He also wanted to regulate campaign spending and deter abuses by mandating public disclosure. His ideals have been debated and changed over the years up to the Supreme Court decision on Citizens United V. Federal Election Commission in 2010 (discussed later).

Arguably, the most powerful vehicle in campaign financing is a Political Action Committee (PAC) which is labeled as such once the entity receives over \$1000. There are different PACs that have various objectives and regulations. Connected PACs are established corporations or unions that can only solicit donations from those who are involved in the entity, not the general public. These are the most popular form of PAC because they are already concentrated groups of people with similar interests. Non-connected PACs are single issue with an ideological mission and are the fastest growing type of PAC. Members of Congress and other political leaders can form these. They may accept funds from any individual business PAC or organization making them very relevant today because of the constantly evolving legislation.

In 1971 Congress passed the Federal Election Campaign Act which defined how a PAC could operate. However, the 1972 the presidential election still showed abuses of PACs because there was no regulatory group to monitor the PACs. Therefore, in 1974 the Federal Election Commission (FEC) was formed and set limits on contributions to PACs. The FEC declared that corporations and unions could not contribute directly to Federal PACs, greatly limiting the impact they could have on elections. A limit of \$5000 was set per individual donating to Federal PACs for each election and primary and \$15,000 per political party (Federal Election Commission 1993). Combined, these two pieces of legislature drastically reduced the role big spenders could have bankrolling a candidate's campaign. A key concept to note is that this did not put a cap on the total amount of money that could go to candidates, just how much each person could donate. The reality is that most American's do not have the disposable income to donate to political campaigns or simply choose not to.

When running for President in 2000, George W. Bush was able to use 527s to his advantage. 527s are a type of American tax-exempt organization created primarily to influence the selection, nomination, election, appointment, or defeat of candidates to federal, state or local office

(Federal Election Commission 2012). Bush was able to generate a large amount of money from these organizations and ultimately won the Presidency. In general, this is a Republican strength as in 2010 they had about twice as much money than the Democrats (Center of Responsive Politics 2012)

The next major legislation came into effect on March 27, 2002 called the McCain-Feingold Act (BCRA). This was enacted in response to George W Bush's use of money in the 2000 Presidential election. This law ended the use of "soft money" which is money raised outside the limited and prohibitions of federal campaign finance law. National party committees could not receive or spend non-federal funds, greatly limiting how much money they can spend. The new contribution limits were set at \$2000 per election per person. State and local parties could donate \$10,000; national party committees could donate up to \$25,000 and there was a limit set of \$95,000 every two years. This new Act also dealt with issue ads which referred to a specific candidate and prohibited them from being by corporation or unions and made politicians have disclaimers on their advertisements. This was meant to make advertisements more transparent so the audience knew who was behind the message.

Even with all of this legislation, businesses found ways to influence politics. In the 2008 election cycle, business accounted for 70% of all campaign financing at around \$2 billion outspent all other groups 2:1. Of the 4,867 PACs registered with the FEC in 2004, 38% were funded solely by corporations and 59% were that combined with cooperative PACs. With all of this money coming into play in regards to politics there are questions if it poses a threat to democracy. Terry Goss (2012) interviewed Trevor Potter, an advocate of campaign financing reform where Potter poses the question, "should you have unlimited, undisclosed spending in a democracy is the question on the table, because that's what we're heading to unless we change." An analysis of businesses role in politics is at the heart of this study.

The latest, and most important, legislation (what Potter is talking about) came in the form of a Supreme Court decision in 2010 at the hands of the FEC. In January of 2010 Citizens United V FEC made it possible for corporations and unions to make donations to PACs by saying that it was their first amendment right and in March of the same year they determined that corporations and unions could donate unlimited amount of money through the Speechnow.org V FEC decision. Combined, these two decisions brought about the possibility of much more money to enter the political arena, which is just starting to take form in the current election cycle.

Super PACs, which were made possible in 2010, are the newest way for wealthy individuals and corporations to inject money to candidates. Officially known as an “independent-expenditure only committees”, super PACs can raise funds from corporations, unions, individuals and other groups without legal limits. The Supreme Court tried regulating their actions by prohibiting them from making contributions directly to candidate campaigns or parties. Instead, they must spend independently of the campaigns. Because direct corporate or union contributions to federal campaigns are still prohibited such organizations seeking to contribute to federal candidate campaigns must still rely on traditional PACs for that purpose (Peters 2012) However, it is legal for candidates and super PAC managers to discuss campaign strategy and tactics through the media. Newt Gingrich did this in the current race for the Republican nomination when he asked them to take down an advertisement because it did not portray him in the desired light.

Campaigns are always trying to push the limit on what is acceptable and find ways around regulation. One way around the new restriction is the use of Leadership PACs and 501 (c). Since elected officials and political parties cannot give more than the federal limit directly to candidates they create Leadership PACs. They can make unlimited independent expenditures to a candidate as long as they do not directly coordinate with a specific candidate.

In the wake of Citizens United, campaign managers have come up with another way to get money to their candidates, 501 (c) 4s. These are created as a nonprofit, tax exempt institutions, the Red Cross is an example. They can participate in political campaigns and influence elections as long as their primary activity is the promotion of social welfare. In promoting social welfare, they are allowed to try to influence regulators and lobby for what they feel will increase social welfare, which a very open ended definition. Fred Wertheimer, who heads Democracy 21, another group that works for campaign-finance reform says, “Tax-exempt organizations that are supposed to ‘promote the social welfare’ are being improperly used by Democratic and Republican supporters alike to engage in extensive campaign activities” (Hudson 2006). The main draw to these entities is that 501 (c) 4 are not required to disclose their donors publically. Once it is created, the 501 (c)s then donates to super PACs, who in turn support a specific candidate financially. By doing this, corporations and wealthy individuals are anonymously influencing politics and public policy in the process.

Businesses comprise the majority of PACs and are the most capable movers of Congress. The U.S. Chamber of Commerce, which is comprised of federations of about 250,000 business

members nationwide, the National Association of Manufacturers, the nation's largest industrial firms and Business Roundtable, the CEOs of the 200 largest US corporations lead lobbying efforts. There are also a thousand trade and commodity organizations representing different segments of the business community like the American Bankers' Association and the National Association of Wheat Growers. While these groups have different specific goals, their overarching goal is to promote business and reduce regulation. They usually unite to promote business in general even though they have separate agendas but speak as one voice in favor of business. There are fewer and less powerful human rights PACs because they do not have the same resources.

Lobbyists influence politicians and public opinion through ads, influence scholars by funding think tanks and control access to information through the media. William Hudson (2006) discusses how there are only about 10 multinational corporations dominate the mass media today and that we are getting our information from a very limited number of outlets. Lobbyists also support think-tanks in an effort to help scholars publish information on public policy issues that support their ideals. The think-tanks come up with pro business solutions that are used as supporting evidence when trying to create public policy.

We are most accustomed to how we are being influenced through the media and advertisements because they are the most in our faces. Lobbyists use advertisements to criticize big government but stay away from voicing their opinion. These advertisements are also disguised as grassroots, or homegrown ideas and movements in order to be more favorable to the public, but are really a product of big business. As mentioned above, is this manipulation right for the democratic process?

The Supreme Court decisions in 2010 created the potential for a greater influx of money into politics but a trigger was still needed for money to start pouring in. According to Dan Clifton (Interview 2012), in 2009 we got it; in 2009 there was health care and financial regulation reform happening at the same time coupled with a strong anti-Obama sentiment. Because of this, businesses became worried that their environment may be in for a change. If all of President Obama's Acts were to pass through Congress businesses would have higher taxes. Because of this, they tried to bring balance to the political system by voicing their opinion and stopping it from going through.

Clifton also feels that markets are bipartisan and do not care which political party is in charge as long as they know what rules and regulations they must abide by. This theory holds some validity in regards to almost every business in America because most companies are too small to try and manipulate public policy. A steady political power with consistent objectives suites these companies the best because they can standardize day to day operations based on the set public policy. However, those companies are often overshadowed by “Big Business” who is constantly trying to alter public policy through lobbying. These large companies leverage their size and influence on society to try to persuade politicians into enacting policies that benefit them. Clifton found that a basket of 50 stocks with the highest percent of lobbying to total asset ratio have outperformed the broader S&P 500 every year since 1998, when the figures became available. This more widespread this fact becomes; the more businesses are going to be tempted to enter the lobbying game and influence public policy.

The fact that businesses are lobbying politicians at an increasing rate is important because business influences politicians, who determine public policy which we have to live by. Hudson (2006) believes that people who control large business corporations dominate our political process and largely control the public policy outcomes. It has been proven that businesses are lobbying for themselves and not necessarily the greater good of society. Lobbyists worked hard to get the Glass-Steagall Act revoked through the Gramm-Leach-Bliley Act in 1999 which, in a very simplified way, made the financial crisis possible. Proprietary trading, not allowed in Glass-Steagall, helped banks realize extraordinary profits in the deregulated environment until they became too leveraged and needed to be bailed out by the government in 2008 due to solvency issues. Big business was able to muscle their way into politics and change the rules of the game in their favor, but how?

Hudson (2006) explains how business is such an intricate part of our lives that we have given it the privileged position. In a capitalist market economy we give business leaders “autonomous power to make society’s crucial economic decisions.” Since businesses are not run as a democracy those at the top have the power to act on behalf of the corporation with little fear of being personally reprimanded. These individuals get to choose how a society uses its resources by what goods and products they produce. Businesses are run by a few people and those few people play a major role in the political process so in a way, American policy is being run by a few elite.

This concept has already been discussed in 1956 by sociologist C. Wright Mills in his book *The Power Elite*. This book discusses how military, corporate, and political aspects of society are interlaced with each other to form a “power elite.” They are the three most powerful players in a society and when acting together, are almost impossible to stop. Over 50 years later his words and analysis of society still ring true and are again supported by Hudson (2006) who believes that “Business has overwhelming political resources that make it virtually unbeatable whenever it mobilizes decisively to move government on its behalf.” This argument is supported when you analyze where the money funding political campaigns comes from.

While the sheer cost of running a successful campaign increases, the number of donors is not increasing along with it. Less than one percent of Americans give more than \$200 in a political campaign (Lessig 2011) but yet hundreds of millions of dollars are spent trying to influence our public servants. The majority of funds come from large individual contributors and super PACs, which gets its funding from corporations and wealthy individuals. Direct Washington presence of individual corporations is made possible because corporations have the money to hire the brightest minds with the strongest connections

This can be seen unfolding before our eyes in the 2012 Republican primary. About two dozen individuals, couples or corporations have given a million dollars or more this year to Republican super PACs that have poured that money directly into this year's presidential campaign (Lessig 2011). Trevor Potter explains how Sheldon Adelson and his wife have given over \$10 million dollars to Presidential hopeful Newt Gingrich. These two generous donors saved Gingrich's campaign because he did not have enough money left to continue if it were not for the kindness of the Adelsons. The problem with this trend is that not every candidate has wealthy friends and family to fund their campaign. If bright minds and new ideas get overshadowed and overlooked if they do not have financial backing, how democratic is America?

Arguments for and against Citizens United are very active. Anthony Dick of the National Review does not feel that the Citizens United case and all of the money in politics corrupts the democratic process. In his piece defending the Citizens United decision, he argues that the first amendment was designed to allow all speakers to put their messages into the public debate, regardless of stature and that it is up to individuals to sift through the material. This is ultimately what the Supreme Court determined and said the first amendment protected corporations and

unions. Dick argues that the individual has the privilege and responsibility to critically analyze information presented to them. He also attacks the opposition at its heart when he questioned the true power of corporations and unions; “it simply defies common sense to think that any corporation or union could ever hope to so overwhelm the political debate as to prevent dissenting voices from being heard and reasonably contemplated by the electorate” (Dick 2010). While he also admits this process may be messy it is better than censoring certain groups and places the onus on voters to make the right decision.

On the opposite spectrum, Steven Colbert, with the help of Trevor Potter, famously brought attention to the issue satirically through his Television show on Comedy Central. Colbert set up a 501 (c)(4) making himself the only person on the board of directors and then voted himself in as president, treasurer and secretary. He then took money from his corporation and donated it to his super PAC, called Making a Better Tomorrow, Tomorrow. Colbert then gave the super PAC over to Jon Stewart, who hosts his own satirical show on Comedy Central, because he wanted to run for President in South Carolina and could no longer be affiliated with the super PAC. The obvious connection between Stewart and Colbert could not be more obvious but the transfer was allowed to take place. Throughout this process they pointed out a major flaw in the super PAC system; the candidates and the super PACs were much more connected than intended. Potter does not think the Supreme Court thought there would be as much coordination and lack of disclosure between the two groups as we have seen. However, even with pressures from both end of the spectrum it is possible that little to nothing will be done about the issue.

The current problem is that the FEC is deadlocked and cannot get anything done. They have been ordered by two federal courts to come up with new rules but have yet to do so. The Republicans have openly criticized McCain-Feingold, the law they are supposed to be enforcing and 5 of the 6 commissioners are serving expired terms. They have yet to be replaced because the President has not nominated enough candidates; President Obama nominated one person who withdrew. While all of this debate is going on, candidates are taking full advantage of the new rules to the game and are raising/spending at an incredible rate. This is the world we live in so it is imperative to analyze how much campaign financing effects Senate election outcomes and the state of American democracy.

3.0 DATA

The study uses data from the 2004 and 2010 Senate elections and utilizes 69 observations in a pooled data format. Candidates that received over 5% of the vote were included. Senators serve staggered six year terms so that one third of senators is up for re-election every two years. 2004 and 2010 data was used because it compares conditions of a candidate running for re-election with the conditions they experienced when they ran six years ago. Data was obtained from the Open Secrets website which had valuable information on the candidates running for Senate. The website did not have any information for 1998 which is why the model did not include another six year term. Summary statistics for the data are provided in table 1; all numbers involving money are in terms of \$1. 2004 was presidential election year where 2010 was not so the money was allocated differently in the two years. However, it did not have a large enough effect to suspend the study.

Table 1: Summary Statistics

Variable	Observations	Mean	Standard deviation	Min	Max
Percentv	71	60.21	12.55	36	100
Gendera	71	.1549	.3644	0	1
Party	70	.47	.50	0	1
Perpaca	71	24.27	13.23	0	61
Party_pac	70	10.01	13.28	0	49
Spending_gap	70	5,475,459	6,370,121	-3,609,181	41,500,000
Ind_gap	70	.44	26.81	-60	64

Source: STATA

The gender and party variables are dummy variables and are either 0 or 1. The figure that stands out the most from the summary statistics is the spending gap. The mean spending gap of almost \$5.5 million is very large showing a large gap between the candidates running for a seat in the Senate. The individual gap was not nearly as large and only has a mean of .44 showing that the difference between candidates raising money from individuals was only .44% on average.

4.0 Empirical Model

The main focus of this study was to determine if where campaign finance money came from mattered. Other political science variables were added to improve the model and make it more encompassing. There were not many studies in the literature review that were similar as mine so my model underwent a great deal of trial and error. The dependent variable chosen was the percent of vote won; an output of over 50 means that the candidate won the election. Many models using a wide array of variables were tested before coming up with the final model.

The year variable was expected to be significant because in general, the success of a term is judged by the strength of the economy. The economy was doing well in 2004 where as the American economy was getting out of the recession in 2010. However, due to limited observations the variable was dropped because when included, the constant was around +/- 1000 which is obviously incorrect. Also, combining other variables with year did not work either but I would gander they are actually significant if more observations were accounted for.

Self financing was dropped from the model because perfect multi-colinearity would exist when also including percent spending from PACs and individuals; the effects of the variables cancel out to equal 1. PACs and individual funding had a greater influence than self financing did. On top of that, there were fewer observations for self financing so it was dropped from the model.

Another variable that was expected to be significant was incumbent but was ultimately not. Combinations of incumbents and other variables such as party and year were not significant and also not included in the model but should be monitored moving forward. The power of incumbency is important because PACs are more likely to support candidates currently in office to keep the status quo.

The final model used robust standard errors to alleviate heteroskedasticity and can be written as follows:

$$\text{Percentv} = b_0 + b_1(\text{gendera}) + b_2(\text{party}) + b_3(\text{perpaca}) + b_4(\text{party_pac}) + b_5(\text{spending_gap}) + b_6(\text{ind_gap}) + eu$$

The study uses six independent variables obtained from various sources. Appendix A and B provide data source, acronyms, descriptions, expected signs, and justifications for using the variables. Gendera is a dummy variable representing the gender of candidate A; male=0 and female=1. Party is another dummy variable for the party of the candidate; Republicans=0 and Democrats=1. Perpaca is the percent of campaign financing for candidate A that came from PACs. Party_pac is a variable that combines the effects of the party and the percent raised from PACs. Spending_gap is the spending gap between candidate A and B in terms of sheer dollar amount. Ind_gap represents the difference in percent between two candidates in regards to funding through individual contributions and an error term was included at the end to capture inaccuracies in the model.

5.0 Empirical Results

The empirical estimation results offer viable answers to the questions presented in previous sections and are presented in Table 2.

Table 2: empirical estimation results

	(1) percentv
gendera	-6.988 [-1.73]
party	14.08* [2.49]
perpaca	0.759*** [4.99]
party_pac	-0.550* [-2.62]
spending_gap	0.000000735** [2.84]
ind_gap	0.141** [2.87]
_cons	37.36*** [7.51]
<i>N</i>	69

t statistics in brackets

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

There are five statistically significant variables plus the constant in the model. Going down the list, the gender of candidate A has a negative coefficient signifying that a female will receive 6.988% less votes than a male candidate. It is a well know fact that women face discrimination in the workplace and as seen in the model, that trend continues in politics. This variable was not statistically significant at the 5% level but was at the 9% level so it still holds some validity.

The coefficient on the party variable was 14.08 so a democrat candidate will receive 14.08% more votes than a republican candidate. Republicans had a major advantage in the 2010 election and yet Democrats still have an overall advantage based on the model. Even though the variable

was significant at the 5% level, I have some doubts about its validity. The model tells us that Democrats will receive more votes than Republicans but might be due to a limited sample size.

The percent of funding that candidate A receives from PACs is statistically significant at the 99.9% level. For each percent increase candidate A receives in campaign financing from PACs they will receive .759% more votes. This figure shows that campaign financing from PACs is a statistically significant determinant on winning a Senate election. The same variable was tested for candidate B as well as the gap between the two candidates but both were ultimately not included. The model shows that the candidate funding the majority of their campaign with PAC money has the greatest chance of winning.

The party_pac variable combines the effect the party and PAC contributions have on a senate election and is significant at the 5% level. It shows that democrats that receive 1% more funding from PACs will receive 0.55% less votes than Republicans. While it was expected that Republicans utilize PAC money better, a negative coefficient on this variable was not expected. This model shows that Democrats receiving more funding from PACs would actually lessen the total votes received.

For each dollar a candidate spends more than their competition, they will receive 0.000000735% more votes. This does not seem like a huge impact but the overall spending gap between the candidates is significant at the 99% level. When converted, for each million dollars a candidate spends more than their competition they will receive .735% more votes. This variable is important because, as stated before, more money is entering politics at an increasing rate. It is not uncommon to have a multi-million dollar spending gap so this variable is very important; as stated before, there is a \$5.5 million mean spending gap in the data used. Using these figures, the candidate raising the most money would on average receive almost 3.5% more vote than their counterpart.

The constant tells us that holding all other variables constant, a candidate will receive 37.36% of the vote. While this figure may seem high, it makes sense because there are usually two to three candidates in a race. When holding everything else constant they should all receive the same amount of vote so a figure between 33% and 50% is to be expected. It is also statistically significant at the 99% level so brings some validity to the model.

6.0 Conclusion

In summary, money influences politics tremendously. The results in this paper imply that the only significant factors in a Senate election involve money; both in quantity and source. While various political science variables like a candidate's gender and party are important in specific elections, overall they are not truly a determining factor in who gets elected. More specifically, PAC money has a greater effect on elections than money from individuals based on the coefficients of the model; the percent funding from PAC for candidate A is more statistically significant and has a five times greater effect.

The fact that money is the most important factor in Senate elections weakens America's democratic process. Since money is not evenly distributed, not everyone has the same chance of becoming elected as Senator and having a say in public policy creation. With no limit to how much corporations and unions can donate, their voice is being heard more than other interest groups, including the individual. Ideas can, and do, get overlooked or buried if the source of the idea does not have the proper resources to get their voice heard. While it is up to the individual voter to choose the right candidate, they are not given all viable options to choose from. As stated earlier, politics is being limited to those with the greatest amount of connections. The fact that less than 1% of Americans participate financially in the election process yet exponentially more money is going into politics even furthers the point that America's democratic system is weakening. In conclusion, this study proves that politics is more about money than ideas.

Appendix A: Variable Description and Data Source

Acronym	Description	Data Source
Percentv	Percent vote earned V>50 candidate won election	Open Secret
Gendera	Gender of candidate A Male=0 Female=1	Open Secret
Party	Party of candidate Republican=0 Democrat=1	Open Secret
Perpaca	Percent of campaign financing for candidate A that came from PACs.	Open Secret
Party_pac	This variable combines the effects of the party variable and the percent funding from PACs from candidate A.	Generated
Spending_gap	The difference in total dollar amount spent between the candidates	Generated
Ind_gap	The percent difference in funds coming from individuals between two candidates	Generated

Appendix B- Variables and Expected Signs

Acronym	Description	What it captures	Expected Sign
Gendera	Gender of candidate A Male=0 Female=1	Gender of candidate	-
Party	Party of candidate Republican=0 Democrat=1	Party of candidate	+/-
Perpaca	Percent of campaign financing for candidate A that came from PACs	The importance of funding from PACs	+
Party_pac	This variable combines the effects of the party variable and the percent funding from PACs from candidate A	How the combined effect of candidates party and PAC donations effected percent vote received	+/-
Spending_gap	The difference in total dollar amount spent between the candidates	How much spending more than your opponent matters	+
Ind_gap	The percent difference in funds coming from individuals between two candidates	The importance of the gap between candidates raising money from individuals	+

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