

Individual campaign contributions and candidate ideology

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Abstract Individual citizens are the largest source of contributions for congressional candidates in the United States. This paper investigates if and how fundraising from this source is related to the ideological positions of candidates. Specifically, we ask whether the amount of contributions depends on: (1) the extremity of candidate ideology; and (2) the level of candidate divergence in the same race. These results have important implications for candidate positioning strategies, as well as for evaluating the effects of recent campaign finance reforms.

Keywords Congressional elections · Campaign contributions · Ideology

1 Introduction

The literature on campaign finance and spending in US congressional elections is vast. There are numerous theoretical studies, plus a copious amount of empirical studies given the availability of data provided by the Federal Election Commission. Despite the sheer quantity of research, there are plenty of neglected and incomplete areas of campaign finance research that deserve attention. One area in particular that has received far too little attention is campaign contributions from individual citizens. While contributions from individuals comprise a majority of contributions to House candidates, and an even larger share for Senate candidates (Jacobson 2004, Chap. 4), few have investigated patterns of contributions from individuals as a separate funding source (but see Snyder 1993; Francia et al. 2003, 2005).

A large share of the attention on campaign contributions has focused on Political Action Committees (PACs) (Gopioian 1984; Poole and Romer 1985; Poole et al. 1987; Grier and Munger 1993; Romer and Snyder 1994; McCarty and Poole 1998). In particular, there has been a heavy emphasis on corporate and labor PACs because of the presumed ideological leanings of these two groups (e.g., Masters and Keim 1985; Keim and Zardkoohi 1988; Grier et al. 1991, 1994). However, if our interest centers on the impact of contributions on

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this approach will not rule out the plausibility of the leeway hypothesis but it will help eliminate the threats to valid inference caused by fact the causation may run on the other direction. Further, the use of a 2SLS procedure may eliminate another threat to valid inference: measurement error. Given the difficulty of measuring candidate ideology, it is important to consider that key independent variables are subject to significant measurement error. The 2SLS procedure should increase our confidence that these two threats to inference have been eliminated.

4 Data and variables

The dependent variable is the natural log of the total amount of contributions in thousands of dollars collected for each candidate from individual citizens as reported by the Federal Election Commission (FEC). Since we anticipate that the effect of ideology will be in a different direction for each party, and further, given that the general pattern of fundraising likely will differ between the parties (Cox and Magar 1999; Francia et al. 2003, 2005), we choose to estimate the model separately for each party's candidates.

To test the relationship between candidate ideological positions and individual campaign contributions, we use the ideology measure of Ansolabehere et al. (2001), which utilized Project Vote Smart candidate surveys to create a score for each candidate based on a set of policy positions.⁴ The data are from the 1996 election cycle. Using the dataset collected by Ansolabehere et al. (2001) is advantageous because it provides a valid measure of candidate ideology for challengers as well as for incumbents. Many previous studies use roll-call based measures for candidate ideology, and thus, only examine fundraising by candidates who have served as legislators (e.g., Gopoian 1984; Poole and Romer 1985; Poole et al. 1987). Thus, using these data we can examine a broader set of candidates. Further, if we have a measure of ideology for both candidates in the same race we can test whether the candidate's position matters, or whether it matters conditional on the opponent's location.

The IDEOLOGY measure ranges between 0 and 1, with higher scores indicating a more conservative orientation. We expect that Republican candidates will raise more money the more conservative they are and the Democratic candidates will raise more money the more liberal they are. Thus, we expect that the sign of the coefficient for ideology will be positive for Republican candidates and negative for Democratic candidates. However, as discussed above, the influence of a candidate's ideology on fundraising may matter only relative to the location of the opponent. If this is true, the ideological distance between the candidates is the key factor that would explain the amount of fundraising from individuals. DIVERGENCE is the absolute value of the difference between the ideological positions of the Republican and Democratic candidates in the same race.

A critical factor in explaining campaign fundraising is the expected closeness of the race (Jacobson 1980, 1985, 2004; Green and Krasno 1988; Erikson and Palfrey 2000). Incumbents tend to raise more money when they are vulnerable and potential challengers raise more funds when they have an opportunity to defeat the incumbent. We measure the CLOSENESS of the contest using the *CQ Weekly* race rankings.⁵ There are four categories: Safe Democratic/Republican (0), Democrat/Republican Favored (1), Leans Democratic/Republican (2), and No clear favorite (3).

⁴The candidate ideology data were obtained from Charles Stewart's web site (http://web.mit.edu/17.251/www/data_page.html).

⁵The rankings can be found in *CQ Weekly*, October 19, 1996 (pp. 2964–2969).

than 0.1. Although it is close, in both cases we do not reject the null hypothesis of instrument exogeneity.

For the divergence variable the relevant instruments are the folded DW-nominate scores. In Table A.3 we present the first-stage regression used to create the instrumental variable for divergence in the models in Table 2. Note that the first-stage regression is identical for the Republican and Democratic models, therefore we only report the divergence regression model once. For both models in Table 2, the χ^2 statistic for over-identification test is close to 0 indicating that the instruments are exogenous.

Table A.4 presents first-stage regressions for the models in Table 3. For the Republican model, we use the South dummy variable as an instrument for ideology and the folded Nominate scores as instruments for divergence. We do not use the Nominate scores as instruments given the borderline over-identification tests reported in Table 1. However, we still have more instruments (3) than instrumental variables (2), thus allowing us to perform an over-identification test. As can be seen in Table 3, the χ^2 statistic is not statistically significant. For the Democratic model, we use the full set of instruments (5). The χ^2 statistic is larger than in the Republican model but it is still statistically insignificant. Thus, in both cases we can assume the instruments are exogenous.

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