ECONOMIC SCENE

Lobbying by businesses overwhelms their campaign contributions.

By ALAN B. KRUEGER

Published: September 19, 2002

WITH so much at stake, economists have long wondered why businesses and interest groups do not contribute more to political campaigns. Individuals, organizations and companies gave a total of nearly $3 billion to national campaigns in 1999 and 2000. That may seem like a lot, but it is only 0.15 percent of annual federal spending. For perspective, note that spending on advertising and promoting cigarettes was five times what was spent in all elections held in 2000.

There are two possible explanations why companies do not spend more: either they receive a great deal for what they already give, so contributing more is unnecessary, or they receive very little, so contributing more is fruitless.

In a provocative new study that effectively challenges the conventional wisdom, Stephen Ansolabehere, John de Figueiredo and James M. Snyder Jr., professors at M.I.T., come out decidedly in favor of the latter explanation. (A revised version of the study -- "Why Is There So Little Money in U.S. Politics?" -- will be published in The Journal of Economic Perspectives, and it is now available online at econ-www.mit.edu /faculty/snyder.)

The authors argue that individual contributors are ultimately responsible for the bulk of campaign contributions -- around 80 percent -- as well as for the "marginal dollar" spent on campaigns. "Marginal contributors" are particularly important to politicians because their support can swing close elections.

Although family income is a strong predictor of whether individuals give to campaigns, contributions from individuals tend to be small, around $115 on average. And the share of small contributions from individuals rises in close elections. This suggests that smart politicians should be responsive to individuals who give small amounts, rather than to giant corporations and interest groups.

Furthermore, research by Steven Levitt of the University of Chicago finds that additional campaign spending has a notably small effect on election outcomes.

In this environment, Professor Snyder surmises that companies find they get little in return for their contributions, so they contribute relatively little.

The impact of corporate political action committees is greatly exaggerated, he says. In fact, 40 percent of Fortune 500 companies do not even have a PAC, and the average corporate PAC gives only around $1,400 to legislators, well below the legal limit. Moreover, PAC's are required by law to raise almost all their money from voluntary individual contributions; companies can pay only for start-up, administrative and fund-raising costs. And while it is true that companies and organizations can give unlimited soft money contributions, these amount to only about 13 percent of total contributions.

If corporate contributions have an insignificant effect on elections, why are so many tax breaks, loopholes and subsidies for special interests written into the law? The authors have a simple explanation -- lobbying. Organizations spend 10 times as much on lobbying as on direct campaign contributions, and they spend undisclosed millions more to establish special-interest research institutes, or so-called think tanks, which do not legally count as lobbying activities but are intended to manipulate public opinion and public policy.

Indeed, the tobacco industry provides a typical case study. With a major court case, taxation of cigarettes, and regulation of tobacco on the agenda, the industry clearly has much at stake in the political arena. Yet individuals and PAC's associated with the industry gave a total of just $8.4 million to political campaigns in the 2000 national election cycle, including soft money, according to the Center for Responsive Politics. Nevertheless, the tobacco industry spent $44 million on lobbyists and $17 million on the Tobacco Institute in that cycle, suggesting that a much higher return is expected from these activities. The industry also devotes resources to lobby state legislatures, which often require much less disclosure than the federal government.

Some contributors probably do receive implicit favors, but these probably amount to relatively little compared with the size of the overall government budget or total campaign contributions. "Legislators' votes depend almost entirely on their own beliefs and the preferences of their voters and their party," according to Professors Ansolabehere, de Figueiredo and Snyder.

Political scientists are quick to point out, however, that corporate campaign contributions are not entirely inconsequential: they can help gain access to legislators, which facilitates lobbying. Alan Rosenthal, a political scientist at Rutgers University, said lobbyists were more likely to have influence on minor technical issues than on big issues like gun control or abortion. He also stressed that lobbyists often provide essential information to lawmakers.

Still, there is undoubtedly much to the argument that most contributions are not intended to -- and do not -- buy votes or influence legislators' positions.

Instead of viewing campaign contributions as market transactions, the professors suggest that a more accurate interpretation is that donations are a form of political participation, like voting or attending a rally. People contribute money to express their sentiment or partake in the process, much as sports fans buy jerseys bearing the names of their favorite players or teams.

Indeed, one conclusion that emerges from this line of thought is that it might make sense to encourage more citizens to participate in politics by making small campaign contributions to dilute further the effect of special-interest spending. For example, individuals could be given a refundable tax credit if they make political contributions up to a certain amount, or a voluntary check-off could be added to tax forms to direct contributions to Congressional races, as is done for presidential campaigns.