

**CREATING  
POLITICAL  
EQUALITY**

AMERICAN ELECTIONS  
AS A PUBLIC GOOD

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**JAY R. MANDLE**

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# CREATING POLITICAL EQUALITY

## Remembering Paul

## Preface

When I first became interested in political campaign finance, I was surprised to learn that this was a subject without a theory. To be sure, journalistic accounts of how political campaigns are paid for are abundant. Almost all discussions of the American political system make note of the fact that efforts to secure elected office are expensive and invariably are paid for by a wealthy minority of the population. But models have not been offered that can provide insight into the consequences for democracy that result from our system of private campaign financing. Similarly, there exist no systematic considerations of how the content of democracy would be influenced if a system of public funding were utilized.

As a result of these omissions we lack a deep understanding of the contemporary possibilities of democracy. In particular, we do not have a theory of how we might achieve a greater degree of equality in our political system than we possess at present. My intention with this book is to begin to fill that analytic void. I do so by maintaining that the electoral system shares many of the characteristics of a public good and that since it does, political campaigns should be paid for with tax revenues. My argument is that a political system funded by everyone will be more just than one in which candidates for office are required to tap a relative handful of private individuals for financing.

But I hope that this book will do more than contribute to an academic dialogue and represent an advance in democratic theory. My purpose in writing it is also to be of assistance to activists who are engaged in the political effort to make the American political system fairer. I do so as a co-founder in 2000 of the campus-based reform organization, Democracy Matters. Largely financed by my adopted son, Adonal Foyle, from his earnings as a player in the National Basketball Association, Democracy Matters has attracted the support of large

numbers of college students eager to construct a political system of greater equality and fairness than the one that exists today.

My involvement with Democracy Matters has been both a source of inspiration and a means by which my own perspective on the subject has been clarified. On-going discussions, particularly at the organization's annual student "Summits," have allowed me to try out my ideas and revise them as needed, all the while drawing on the energy and enthusiasm that DM students have in abundance.

Advocates of social justice in the United States lack a unifying vision. Certainly people on the political left in this country do not possess an effective counter-thrust to the conservative mantra that the society benefits to the extent that the role of the government is reduced. As I argue in this work, that claim is demonstrably false with regard to the substantive issues of global climate change, health care reform, and financial sector regulation. But the absence of an alternative formulation to match the conservative appeal to a miniaturized government has handicapped those who would move the country in a progressive direction. My suggestion is that such an alternative might be to call for political equality to be achieved through the public funding of election campaigns. Accomplishing that objective would reduce the power of wealth in politics and enhance citizen influence. With that, the likelihood of the enactment of equitable legislation in areas of critical concern would be much enhanced.

In writing this book, and in addition to the contribution from discussions with Democracy Matters activists, I have benefited from suggestions made by Lou Ferleger and Jon Mandle. Burt Weltman read the chapters as I drafted them and supplied me with detailed comments on each. That I did not always do as he suggested is not a negative commentary on the value I place on his views. Joan D. Mandle, the Executive Director of Democracy Matters, has been even more intimately involved in this project. She provided me with detailed feedback on

everything I wrote. But even before writing, I tried out my ideas and discarded or incorporated them in large part in response to her advice.

Finally, a note concerning the book's dedication. Paul Lyons was a life-long friend and political collaborator. No two people ever started their analyses from such different sensibilities, only to arrive - nearly always - at the same political conclusions. I am certain that if he were still alive his commentary on the manuscript would have been rich and textured. Paul's premature death is an irretrievable loss.



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## Chapter 1

### The Theory of Elections as a Public Good

Elections are the mechanisms by which government officials in a democracy not only ascend to their positions but also are held accountable for their actions. With elections, voters can either choose continuity in their political representation or opt to send new people to office to implement public policy innovations. Elections provide the means by which citizens articulate their policy preferences. An efficient representative system is one in which the sentiments of an enfranchised citizenry are closely reflected in legislative outcomes.

Democracy requires elections, but running for office requires resources. The electoral process is not immune to the economist's rule that there is no free lunch. Efforts by candidates to make their views known have to be paid for. At the most elementary level, posters require paper that has to be bought and paint that has a price. Even if an artist donates his or her labor, the finished placards must be distributed, involving transportation costs. More realistically, in contemporary society the process by which voters become acquainted with the choices they have in electing representatives is fabulously expensive. Television is the medium through which most people learn about public issues and form their opinions. But even a minimal television advertising campaign racks up costs in the many thousands of dollars. Since electoral campaigns are not free, money to pay for them must be mobilized by office-seekers. In order to have a reasonable chance of success, candidates must either themselves have sufficient wealth to

finance their efforts, have access to donors who are willing to provide those resources, or be provided with public funds.

If candidates are unable to raise enough money, their election chances are doomed. Without sufficient financing they will not be able to communicate adequately with the electorate, ruining their chances for victory. Very rarely do citizens vote for candidates with whom they are unfamiliar. The economics of the electoral process therefore is an important determinant of the range of views and candidates presented to the electorate. For there to be a democracy in which a wide array of viewpoints is debated, a political financing system that facilitates extensive candidate participation is essential. Thus, the way office-seekers are financed goes a long way in determining the efficiency of the electoral process. The funding system determines the extent to which a wide variety of opinions and potential candidates can be effectively presented to the voters, enabling them to choose those whose views most closely reflect their own.

Despite its obvious importance, however, the economics of the electoral system is a subject that has been neglected by scholars. I know of no systematic or comparative discussion that considers the extent to which alternative systems of electoral funding influence political outcomes. The result is a gaping void in democratic theory. Without a consideration of how the mechanisms of campaign funding influence political results, we cannot possess a full understanding of how democracy can or should function.

Even the theorist most associated with the view that politics is a market-like phenomenon, Joseph A. Schumpeter, failed to fill this vacuum. The role of the electorate in Schumpeter's model of democracy is to choose among candidates, all of whom have been socialized for political leadership. The process of selection, in Schumpeter's model, is done in the market-like system of the electoral process. Thus Schumpeter approvingly quotes a politician's comment: "What businessmen do not understand is that exactly as they are dealing in oil, so

I am doing in votes.”<sup>1</sup> As Tom Bottomore puts it, Schumpeter “formulates an economic definition of democracy, conceived as an institutional arrangement like the market, in which various groups and individuals – equivalent to enterprises and entrepreneurs – compete for the votes of electors, the political ‘consumers.’”<sup>2</sup>

What Schumpeter called for was the creation of a professional class of politicians upon whom responsibility for policies would rest. Socialized as an exclusive “social stratum” and thereby endowed “with a professional code and a common fund of views,” they could be relied upon not to stray far beyond a cautious political orthodoxy. Policy formation in this way would be left to the office-holding politicians and not emanate from the voters themselves. Schumpeter writes: “the deciding of issues by the electorate [is] secondary to the election of the men who are to do the deciding.”<sup>3</sup> His idea of democracy then was designed to use the market for votes as a way, in John Dunn’s words, to place “massively effective barriers between the feckless decisions of individual citizens and the consequential choices of those whom they select to rule.”<sup>4</sup>

Schumpeter’s market analogy, however, is at best incomplete. Though voters do provide votes, they do not provide revenue. In economic theory, the composition of output – the products that firms supply - is ultimately decided by consumers because they pay for the products they purchase. Their choices and the money they spend in support of those choices determine what is profitable for firms to produce and bring to the market. Consumers and their consumption decisions dictate output. But in politics, while office-seekers do compete for votes and the electorate chooses among candidates, those voters do not pay bills. People at the polls do not provide the funds that allow candidates to mount political races. Because voters – even if thought of as consumers in a political marketplace

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<sup>1</sup> Joseph A. Schumpeter, *Capitalism, Socialism and Democracy*, (First edition, 1942; New York, HarperPerennial, 1976) p. 285.

<sup>2</sup> Tom Bottomore, “Introduction,” Joseph A. Schumpeter, *Capitalism, Socialism and Democracy*, p. xi.

<sup>3</sup> Joseph A. Schumpeter, *Capitalism, Socialism and Democracy*, p. 261, 290, 269.

<sup>4</sup> John Dunn, “Conclusion,” in John Dunn (ed.) *Democracy: The Unfinished Journey, 508 BC to AD 1993* (Oxford: Oxford University Press, 1992), p. 260.

– do not provide resources to office-seekers, they only partially determine who prevails politically.

To be sure, no candidate can ignore the preferences of the voters. The electorate does determine who wins elections. But that power is shared with donors – the people who provide the cash with which candidates mount their campaigns. Voters are not given the choice of voting for a candidate who cannot raise adequate campaign funds, and providing such funds is not the function of the electorate. Just as politicians cannot be indifferent to the wishes of the people who vote, so it is also the case that they cannot ignore the views of the people who pay for their campaigns. The latter in fact determine the extent to which they are able to campaign. It is true that no funder, however deep his or her pockets, can induce a politician to adopt a position that will result in certain electoral defeat. But it is also the case that no political aspirant can fail to take into account the preferences of political contributors.

Because Schumpeter neglects the funding issue, his model also ignores the implications of the fact that the political process shares the characteristics of “public goods.” As in economic theory’s definition of the latter, the political process produces a socially-needed service that affects more people than actually pay for it. A form of “free-riding” therefore prevails. Only voluntary donors provide the resources to pay for political campaigns.

Free-riding occurs when producers are unable to confine the use of their output to the people who actually pay them, and where consumers are unable to prevent non-payers from sharing their purchases. Economic theory teaches that when these circumstances prevail, markets are undersupplied. Free-riding reduces the profitability of production and therefore product availability.

But cast in a different perspective, the fact that some individuals are willing to pay for an output that is shared with non-payers can be seen as endowing market power to those who avoid the temptation to free-ride. Because such individuals are willing to compensate the producers, they are able to exercise

influence over the nature and quality of the product in question. It is one thing to say that the market for shared products is undersupplied. But to the extent that such products nevertheless are made available, power can be exercised by the willing compensators. Particularly when sharing is wide-spread, producers will be sensitive to the preferences of those who pay. The latter are the former's only source of income.

In both economics textbooks and the world of policy-making, this imbalance in influence is avoided by having public goods – products or services whose characteristics mean that by necessity they are shared - paid for by the government. Examples are the providing of roads and highways, police services and national security. The assumption is that in cases like these, free-riding is unavoidable and that furthermore those willing should not be permitted to exercise disproportionate influence over their availability. This is the rationale, as a case in point, for the way the government's defense budget is paid for.

Consider what would happen if defense were paid for privately. Who would foot the bill? Two sources of funds would be possible. One would be from those individuals who choose to contribute to the defense budget for philanthropic and/or patriotic reasons. While not ruling out the possibility that a great number of citizens might well decide to voluntarily contribute, it is unlikely that sufficient funds could be raised from this source alone to adequately defend the country. This insufficiency would emerge because if defense were to depend upon voluntary contributions, many people would be tempted not to pay. Instead they would count on others to provide the funds while they receive the benefits: in short to free ride.

In the face of a resulting shortfall, those in charge of the country's defense would have to appeal to a second potential pool of donors in addition to those who voluntarily contribute for patriotic reasons. These would be potential contributors who, in making a defense donation and supporting the nation's security, would seek to advance their own private interests as well. Successful



fundraising among this group would largely be determined by the extent to which national security administrators could creditably promise to cater to the funders.

But in servicing the interests of this second group of donors, defense outlays would in all likelihood become inefficient. Instead of expenditures being measured exclusively by the criterion of achieving national security, that goal would be counter-balanced, at least to some extent, by parochial concerns. Defense fundraisers would have to respond to the preferences of potential funders, whether or not those preferences represented an effective way to achieve national security. Equipment might be purchased based on supplier interests rather than military necessity, or military bases located according to donor preferences rather than sound strategic considerations. The scope for waste and abuse would be extensive.

The remarkable fact is that though it is widely recognized that the provision of public goods such as defense or road construction should not be privately financed, that same recognition is not extended to the most obviously shared process, politics. This omission exists despite the fact that the same mechanism that would produce inefficiencies and distortions with regard to the defense budget exists when elections are paid for privately.

Politics shares the characteristics of public goods since elected officials legislate for everyone – for non-donors and supporters of defeated candidates as well as for the people who vote for and finance the victors. A person who possesses no electoral or financial responsibility for a program or law is no less bound by a political outcome than is someone who votes for a victorious candidate or who helped pay for that victory. But since electoral campaigns are not provided with public funds, those who make financial contributions are able to exercise disproportionate influence over the content of policies that affect the entire citizenry. Politicians are more responsive to those who provide financing than to those who do not.