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Dublin City University

No. 3/2010

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The central tension in capitalist democracy comes from the clash between votes and money. This conflict is at its most direct when money is seen to influence public policy at the expense of voters. According to the theory of the political market, political contributions by business are investments in favourable policy outcomes. The question of whether there is a political market has been one of the most enduring sources of controversy in the history of capitalist democracy across the globe. Moreover, business payments to politicians have been studied intensively by one influential group of political scientists: the specialists on the United States. Unfortunately, this subject has not presented an opportunity for political science to make an important contribution to the debate on a matter of enormous public concern. These political scientists have a very plausible theory but have not been able muster much direct support for the theory. They need a new theory or new evidence. I argue that the theory is good and that it is time to look for new evidence beyond the United States.

* I did this research while a Government of Ireland Research Fellow in the Humanities and Social Sciences.

The political contributions of business are surely a most likely case for the economic approach to politics. Indeed, it might even be said that it is a crucial case, a crucial case being "one that *must closely fit* a theory if one is to have confidence in the theory's validity" (Eckstein quoted in George and Bennett, 2005, 120). Often the utility of politicians or citizens is assumed to be relatively simple, when it may be complex and multi-dimensional. However, this problem is not so serious with firms. They are profit seeking by definition. A firm is an organisation dedicated to the rational pursuit of profit. While there is no consensus on the existence of a political market, there are some relatively well-established observations. I will review the literature on the American political market in terms of the basic categories of the theory: the costs and benefits of a political market to politicians and businesses; the distribution of business contributions across the political class; and the exchange of benefits between politicians and businesses

Costs and Benefits for Business

There is a supply of political benefits, which can be hugely valuable to firms. (Stigler 1971, 4-6) These benefits can be targeted at particular firms (Clawson, Neustadtl and Weller, 1998, 68-71). A huge lobbying industry has developed to help businesses win these political benefits. Thus, it seems that politicians have something business wants. The costs to business seem to be low. It is extremely rare, even in the case of the most outrageous scandal, for the amounts of money involved to constitute a major expense for the firm in question. It is also extremely rare for the amounts involved to approach the value of the policy benefit. Possible negative publicity and the opportunity cost of management's involvement in politics are other costs, which, again, seem minor in comparison to the value of policy benefits. However, as Gordon Tullock observed a long time ago, when compared to the potential value of benefits, business spends very little on political donations (Tullock 1972; Ansolabehere, de Figueiredo and Snyder, 2003, 110). In recent decades, businesses have not even spent up to the low maxima set by legislation (Ansolabehere, de Figueiredo and Snyder, 2003, 108-109). Experts are fond of contrasting the small cost of political campaigns with other types of advertising (Sorauf, 1992, 187). For example, former Federal Electoral Commission member and Republican, Bradley Smith, recently said, 'Political spending needs to be kept in perspective. Americans will spend about $12 billion on potato chips this year; Coca Cola will spend more on advertising this year than will be spent by all the candidates who have run for president. It costs money to communicate, whether you are talking about cars, cola or politicians.' (Washington Post, 2008). It is likely that these small amounts are due to politicians' incentives to control their own demand for business funding and their incentives to minimise the supply of policy benefits to business contributors.

Costs and Benefits for Politicians

Do businesses have something politicians want? Politicians rarely reject donations. They put a huge amount of time into fundraising. However, business cash has very substantial costs. Politicians must be seen to represent their constituency in order to gain re-election. They cannot afford a perception that their political support can be bought. In a democracy, politicians need to emphasise that the currency of votes trumps that of money. Politicians have to manage their relationship with business supporters in such a way as to minimise this cost. In terms of fundraising, politicians can try to raise money from non-business sources, in particular, ordinary voters. To the extent that business funding in aggregate is important to them, they can reduce their reliance on any individual business,

by raising small amounts from a large number of firms. The funding of American politics generally fits this pattern. Funding linked with business consists of a small proportion of political finance. The amounts given on behalf of individual businesses are too small for politicians to be worried about the withdrawal of support (Sorauf 1992, 172). And crucially, the marginal contributors are individuals, not businesses (Ansolabehere, de Figueiredo and Snyder, 2003, 124-125).

Distribution of Business Contributions

So the amounts of money are unpromising for the theory of the political market. The distribution of business cash is much more encouraging. Business money is spent strategically on those who are most likely to be able to provide benefits: likely winners, incumbents, and those in powerful positions (Ansolabehere, de Figueiredo and Snyder, 2003, 110; Krozner and Stratmann 2005; Stratmann, 2005, 147-148). While the amounts and distribution of money are observable implications of a political market, they do not directly test the hypothesis. In order to do so, political scientists need to establish a link between contributions and policy benefits.

The Link Between Contributions and Policy

Unsurprisingly, the evidence in relation to this part of the theory is much more difficult to summarise succinctly. A huge, sophisticated literature tries to relate campaign donations to legislative voting. A key methodological challenge has been the simultaneity problem: just as donations may influence votes, votes may influence donations. A large minority of studies deals with this issue by using instrumental variables. Many of the articles also exploit the analytical advantages of variation over time or variation within a specific policy area (Stratmann, 2005, 143-44). In three-quarters of the thirty-six articles reviewed by Ansolabehere, de Figueiredo and Snyder 'campaign contributions had no statistically significant effects on legislation or had the "wrong sign"' (Ansolabehere, de Figueiredo and Snyder, 2003, 113-114). Stratmann's meta-analysis of the same sample of articles reverses the interpretation. He consistently finds that contributions are statistically significant, although he does not provide an estimate of magnitude (Stratmann, 2005, 145-146). Of course, politicians may intervene on behalf of businesses in ways that are more difficult to observe than votes.

There have been various proposals to rescue this literature from frustrating dissensus. Milyo (2002, 158) and Ansolabehere, de Figueiredo and Snyder (2003) recommend accounting for a variety of motivations on the part of business contributors. Baumgartner and Leech castigate the failure to incorporate opposing groups (1998, 131). Smith emphasises better measurement of controls for legislator ideology and a series of variables that are likely to be highly correlated with campaign contributions (Smith, 1995, 107-8). Others have concluded that the theory of the political market ought to be replaced.

The most radical alternative hypothesis is that firms do not seek any benefit from their contributions. In the sociological literature, these are called ideological contributions (Burris 2001; Clawson and Netustadtl 1989, 751); in economics "consumption goods" (Ansolabehere 2003, 125-127) and political scientists often term this sort of behaviour as "participation". However, this seems like very strange behaviour for a profit-seeking firm. The strategic distribution of contributions clearly contradicts the theory. Moreover, Burris demonstrates that, while a number of proxies of ideology can predict patterns of spending by individual contributors, they do not help

explain corporate contributions. An emphasis on contributions as gifts also, sometimes, seems to assert that nothing is expected in return. A pure gift-giving interpretation is difficult to reconcile with some generally accepted observations. Once again, if the contributions are pure gifts, why are they distributed strategically? If campaign contributions are an unavoidable courtesy, like bringing flowers or wine to a dinner party (Milyo 2002), how do so many firms manage to avoid making them? There is a clear consensus that business contributions are interested: 'It is beyond dispute … [that] they give to influence governmental decisions' (Sorauf 164).

Sometimes the access (Hall and Wayman 1990), reputational (Krozner and Stratmann 2005) and interested gift (Clawson 1998; Gordon 2005) approaches are presented as alternatives to the theory of the political market (Ansolabehere 125-127). I interpret them as different accounts of how the political market works. 'Access' is a word used by both academics and participants in the system of campaign finance. Participants strenuously deny that they can, or seek to, influence policy with financial contributions. Instead, they only want access to politicians so that they can state their case. There is little point in access unless it increases the likelihood of a policy benefit. It is not plausible that contributions are straightforward bribes, which guarantee a policy benefit. There are costs to doing favours for business, which mean that politicians cannot always deliver benefits in return for contributions. Moreover, as already noted, contributions are small and, anyway, the effect of money on campaigns is unclear. It is better to think of access as a political market mechanism that delivers a low but significant probability of a policy benefit. For a market in policy to exist, payments must increase the probability of a benefit by a minimum amount, which can be a long way short of certainty.

The reputational approach can be interpreted in the same language of probabilities. The more developed the reputation of a legislator, the easier it is for a business to assess the probability that she will provide a particular policy benefit. In other words, a legislator with a reputation represents a lower risk investment in the market for policy. Overall, the putative alternatives to the political market hypothesis are either variants of the political market argument, or receive even less empirical support than it does.

Qualitative work demonstrates that campaign contributions do have a lot in common with gifts but these are *interested* gifts, 'which create a generalized sense of obligation and an expectation of mutual back-scratching' (Clawson, Neustadtl and Weller, 1998, 19). In other words, nothing is expected directly in return for a contribution but a contribution is expected to increase the probability of policy benefit being provided under some circumstances at some point in time. Gordon has managed to produce systematic evidence of the benefits provided by interested gifts in the committees of the Californian Senate. Businesses contribute to legislators in return for access. When a vote is likely to be close, lobbyists increase the pressure on behalf of contributing businesses. In such circumstances, legislators will change their vote because of their relationship with a contributing business. In other words, they see a good opportunity to reciprocate a gift given in the past. When their vote is not crucial, politicians will often vote against the preferences of their contributors. It is only when their vote is crucial that they see an opportunity to provide a gift in return for their campaign funds. Since these opportunities are rare the politicians incur only a minimal cost. Gordon herself explicitly distinguishes

this gift relationship from a 'market relationship, where one is traded explicitly for the other' (Gordon, 2005, 21; Clawson, Neutsadtl and Weller, 1998, 34). She rightly says that it is not necessary for the above process to occur without participants' awareness of the nature of the relationship and does seem to believe that this is actually the case (Gordon, 2005, 140-1). Ultimately, as Gordon seems to realise, this is a matter of interpretation. Nonetheless, there is at least one accepted observation that sits uncomfortably with the self-deception account. If political contributions were always, or usually, unsolicited, albeit expected, self-deception would be more credible. Instead, we know that politicians fundraise incessantly and solicit contributions from businesses, sometimes very aggressively (Clawson 1998, 36-38). This calculated behaviour on the part of extremely busy people suggests that they have, at least in a general sense, an awareness of the links between funding, access and public policy.

I think the process Gordon describes is consistent with a political market. It is not analogous to a market in goods, where there is a direct exchange. Instead, business contributions are a small investment, with an uncertain and relatively low probability of a return at an uncertain point in time. Moreover, the size of the return is also uncertain, but is likely to be very large indeed. So, this political investment is a little bit like a venture capital investment. This interpretation seems to fit the observable data quite well, without requiring ongoing self-deception on the part of politicians and businesses. Perhaps its greatest weakness, is that even accounting for low probabilities and high uncertainty, the size of political contributions is still very small in relation to the costs and benefits of alternative public policies for large firms. And, of course, there is little or no convincing systematic demonstration of the relationship other than Gordon's pioneering work.

A handful of articles take a more indirect approach and try to relate contributions to stock market values. Jayachandran exploits the natural experiment created by the unexpected defection of James Jeffords, which shifted control of the Senate from the Republicans to the Democrats (Jayachandran 2006). Knight successfully interacts campaign contributions with the probability of a Bush win over Gore, as predicted by the Iowa Electronic Market in 2000, to explain stock market changes (Knight 2007, 406-08). This line of research provides a promising complement, but not a real alternative, to attempts to demonstrate a direct link between contributions and favourable policies.

Summary of US Literature

In summary, the political market is one of the most frequently unproven hypotheses in political science, but has not been rejected. Businesses contribute money, but not very much. They distribute this money strategically, as if there were policy benefits to be had. Politicians accept and solicit money, but not very much, and with a seemingly limited incentive to provide benefits. Although, there are some positive results relating to legislative behaviour and stock prices, it has proven extremely difficult to demonstrate that there is a market for favourable policy. In my opinion, the variation on the theory of the political market, which best combines internal coherence and consistency with relatively robust observations, is that of the interested gift. Assuming (heroically) that my interpretation of the literature is accurate, the above is a summary of the literature on the political market in the USA and may (or may not) be of use for scholars who are normatively and substantively engaged with US politics as a subject in itself. However, even if my reading is perfectly judged, the above is not a summary of the

USA *as a case* of the political market. If we are interested in the political market as a hypothesis that applies to capitalist democracies in general and, indeed in the political market as a likely case for the economic theory of democracy, then we need to go further. We require an analysis of the relationship between the US case and the theory. The implications of the US research for the theory, and for the direction of further research on the political market hypothesis, depends on the extent to which the US is a most or least likely case.

The US Case and The Rest of the World

In this section, I will propose some criteria for assessing the likeliness of a country case for the theory of the political market. I will assess the USA in relation to these criteria and evaluate the extent to which a consciousness of the theoretical status of the US case affects the degree to which the conclusion of the US literature can generalise to the theory of the political market. The aim of the analysis is, firstly, to evaluate the extent to which political structures provide incentives for the operation of a political market. Secondly, and independently of the *existence* of the political market, we need to gauge the extent to which a given political structure is conducive to the *observation* of a political market.

In the first place, the permissiveness of regulations affects, whether, and how, we can study the political market. The "bizarre and incongruous regulations" pertaining to political finance in America (Persily, 2006: 219) are far from permissive for business contributions. Businesses cannot directly contribute to election campaigns. Instead, they can only engage in political finance through the unique institution of the Political Action Committee (PAC). A business can coordinate voluntary political contributions from individuals in the form of a PAC, which is, in turn, subject to contribution limits to party committees and candidates. Individuals are also subject to contribution limits, which include any money channeled through PACs. Until the Bipartisan Campaign Reform Act of 2002, businesses could evade this structure by making 'soft money' contributions. These were contributions to parties that were spent on 'party-building' activities, as opposed to contributions to election campaigns.

While all studies take into account the precise regulations creating the measures they use in their models, they rarely question whether the measures are good indicators of the logic of business political behaviour. Perhaps contributions are smaller than the maxima because businesses have not been allowed make direct contributions? Perhaps contributions are smaller than the maxima because the maxima are so low that it does not matter whether a contribution is trivial or less than trivial? If larger contributions were allowed, would their meaning change from a gift to a purchase price? Irrespective of the answers to these questions, there is little doubt that we would observe very different behaviour if there were no regulation.

It might be argued that soft money provided a more permissive and still relatively transparent indicator of business calculations (Appollonio and La Raja 2004, 1136). There were no limits on the amounts and, for elections in the 1990s, the amounts were reported relatively efficiently. However, soft money was supposed to support 'party-building' activities and was not supposed to support candidates. A lot is known about the sources and destinations of soft money. There were significant differences between the identity of soft and hard money contributors, as well as the distribution of

their contributions (Appollonio and La Raja 2004, 1144, 1151-2). Moreover, parties, the only recipients of soft money, spend their money very differently than candidates, the main recipients of hard money (Ansolabehere and Snyder 2000). Undoubtedly, some of the soft money went to fund congressional candidates (Dwyre 1996; Magleby and Smith, 43). Nonetheless, in general, '[w]hat is not known is to whom this money [went], and why' (Drope and Hansen 2004, 29). Therefore, soft money does not provide a clean indicator of business calculations and, like hard money, has major limitations as a data source with which to try to observe a political market. Overall, the American system of political finance reduces the incentives for the operation of a political market by reducing the benefits available to politicians. Also, to the extent that the political market exists, it will be very difficult to observe because of the way in which the complicated system masks the value business puts on any benefit from funding politicians.

The second, and most obvious, criterion is transparency. The American system of political finance regulation has been impressively transparent for a long time. Candidates must disclose all donations from Political Action Committees and all donations of $200 or greater from individuals. During the 1980s, the lack of disclosure of so-called 'soft money' was a major limitation to this transparency. Unfortunately, transparency creates a dilemma for scholars. Clearly, a transparent regime allows us to follow the money trail. However, transparency substantially reduces the incentives for politicians to take part in a political market. It increases the cost of relying on business contributions to fund campaigns; it increases the cost of relying on any particular business and it increases the cost of providing any benefit in return for financial contributions. Indeed, since business PACs rarely contribute the maximum allowed, transparency, rather than limits on source, amount and purpose, may be the explanation for the small amount of money in US politics.

The third and final major influence is the overall political structure. While the importance of this factor has occasionally been acknowledged (Sorauf, 1992, 237-41; Gordon, 2005, 136-9), there has been no attempt to develop comparative hypotheses.[1] This issue is, at least, as difficult as any

[1] One possible source of inspiration is the study of corruption but the analogy may not be strong enough. The corruption literature tends to deal with instances where politicians diverge from their constituents' preferences for personal gain. This interest in personal gain is often conceived as a competing with the politicians' interest in re-election. However, in the political market under discussion here, politicians diverge from their constituents' preferences in order to improve their chances of re-election with increased funding. At any rate, the theoretical conclusion (Persson and Tabellini, 2005, 23) that dispersed systems reduce corruption conflicts with the empirical consensus that parliamentary systems, with their concentration of power, are perceived as less corrupt. Moreover, this conclusion is not supported by the more appealing experience-based measures of corruption (Treisman 2007, 228-236). My approach has more in common with general arguments about variations in accountability across political systems (Aldrich 2006, 558-61). What Aldrich (2006, 560) describes as the ability of 'voters

other, which tries to relate broad institutional configurations to specific behavioural outcomes. The political market hypothesis may be almost impossible to assess unless a number of basic conditions are fulfilled. I assume a relatively competitive system in which the principal competitors are willing to provide policy benefits to particular businesses. Parties, which are ideologically suspect to business in general, will not necessarily be any less willing than 'pro-business' parties to provide narrowly targeted benefits to specific firms. Furthermore, a relatively stable party system is required. Party system instability makes it difficult to assess the political market because changes it is difficult to rule out that changes in donations are related to the new identities of political parties (McMenamin and Schoenman, 2007: 156-7).

Since my aim is to assess the US case in comparison to other possible country cases, I will contrast relatively dispersed political systems, like that of the US, with the more concentrated systems of the other established democracies. In a dispersed system, the mean cost of receiving interested money from business should be higher, as there is more direct accountability of individual politicians. In a relatively unified system, costs are borne by parties, which are able to hide, diffuse and deflect blame in a way that an individual office-holder cannot. However, costs should be more variable in dispersed systems, with a wide range of politicians, occupying a wide range of elected positions, under very different political circumstances. Relatedly, the mean value of benefits to businesses should be lower in dispersed systems. In the USA, a given policy benefit may only arise out of the complex interplay of the federal executive and the two houses of Congress, with their weak political parties. In addition, the policy might be affected by policies at the state level. In a concentrated political system, the benefits to business should be greater and clearer.

Dispersed systems should have superior observability because of greater intra-case variation. This can come from candidate-centred elections and from federalism, especially federalism that is symmetric in respect of both political finance regulation and political structure. In unified regimes, there may be only two relevant political actors (the principal parties) and only one relevant election every five years (the legislative general election). The sources of intra-case variation are also sources of measurement error because of transfers between parties and candidates and between political actors at federal and state level.

The case analysis is summarised in Table 1. We can see that the restrictive regulatory system in the US reduces both the incentives for, and observability of, the political market. Its transparent disclosure regime is necessary to observe a possible political market, even though it may make the operation of such a market more costly for politicians. The dispersion of power in the US seems to be negative for a political market. It increases costs to politicians and reduces benefits to businesses. However, this dispersion of power creates variation, which can be very useful for attempts to test the political market hypothesis. This advantage is partially offset by

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to hold their representatives accountable for failures to be responsive to their wishes' is essentially the same mechanism that I use measure of the costs of politicians' involvement in a political market. Similarly, the ability of voters to hold their representatives accountable for failures to achieve outcomes I interpret as the ability to deliver policy benefits.

measurement problems resulting from transfers between candidates and institutions that make up complex decentralised political parties.

This is obviously a preliminary analysis, especially in respect of the overall political structure. However, it should be quite clear that the US is far from a crucial case for the theory of the political market. Hopefully, I have also shown that case analysis of the literature on the political market is both possible and instructive. In the next section, I use the same criteria to identify other possible country cases for the study of the political market.

Table 1: Case characteristics and the theory of the political market

Transparent vs. opaque regimes		
Incentives	Politicians	Transparency increases costs for politicians.
	Business	Increase in politicians' costs likely to decrease benefits for business.
Observability		Increases observability.
Restrictive vs. permissive regimes		
Incentives	Politicians	May restrict benefits to politicians.
	Business	Decrease in politicians' benefits likely to decrease benefits for business
Observability		Reduces observability.
Dispersed vs. unified regimes		
Incentives	Politicians	Increases mean costs for politicians and their range.
	Business	Reduces probability that politicians can deliver benefits as well as mean value of benefits that are delivered.
Observability		Candidate-centred elections and federalism introduce intra-case variation, which aids observation. Transfers between parties and candidates, and within parties, increase measurement error.

Relationship between other cases and theory

Political scientists have noted the global spread of political finance regulations (Scarrow 2007; Pinto-Duschinsky 2002). Systematic descriptive study of these regulations has begun. I am able to roughly categorise countries as transparent and permissive using the International IDEA Political Finance Database, which reports political finance rules as of 2002

(http://www.idea.int/parties/finance/db/index.cfm).[2] Over eighty per cent of respondent countries, i.e. 93 countries, reported no ban on corporate donations.[3] Therefore, almost all of these countries probably have more permissive systems than the U.S. What is perhaps less well known is that disclosure requirements have swept across the world, with 53 per cent of respondent countries (59 countries) now requiring disclosure. Sorauf's celebration of the US as a beacon of political finance transparency is now seriously out of date (Sorauf 203, 229). The "law of available data" (Sorauf 164) no longer prevents students of the political market from travelling beyond the US. Moreover, it is possible to find countries with a seemingly higher level of transparency than the US itself. In Australia, all payments (and in-kind contributions) to political parties have to be reported, whether they are political donations or not. In Britain, the sources of loans to political parties now have to be disclosed. Even more striking is the combination of the basic data on permissiveness and transparency. At least one quarter of countries that responded allowed corporate donations and required disclosure of donations. If the same pattern were to be found amongst non-respondents, over sixty countries worldwide would meet these basic criteria. Thus, on the basis of these two criteria, at least twenty-eight countries are more likely cases for testing the political market than the US.

The net effect of political structure is more ambiguous than that of political finance regulation. Nonetheless, it is useful to set out the basic characteristics of potential country cases. It is possible to provide rough assessments of all the political system criteria, bar the willingness of parties to provide targeted benefits to firms. Even where there are differences between parties in this respect, it probably complicates, rather than prevents, rigorous study.

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[2] A similar, and institutionally related, project contains data on disclosure but not bans on corporate donations http://aceproject.org/epic-en

[3] A further fifteen countries had some restrictions on corporate donations or disclosure.

Table 2: Countries with potentially observable political markets

Constitutional Dispersion of Power			
High		*Low*	
Party System Stability		Party System Stability	
High	*Low*	*High*	*Low*
Australia, Bosnia, Canada, Chile, Colombia, Germany, USA	Benin, Costa Rica, Ecuador, Nicaragua, Peru Venezuela	Albania, Denmark, Ireland, Jamaica, Japan, New Zealand, Norway, UK	Georgia, Italy, Lesotho, Namibia Thailand

Notes: The necessary conditions for inclusion were: (1) No ban on corporate donations; (2) Disclosure of donations to political parties; (3) Free or Partly Free rating from Freedom House in 2008; (4) Population of over 1 million. Netherlands and Spain fit the formal criteria but there is a very effective customary ban on business financing of politics in both countries. A state was classed as dispersed if it was presidential and/or federal. Semi-presidential Georgia and Ireland are classed as low dispersion. I follow the majority of scholars in categorising Peru as presidential, even though for some if meets the definition of semi-presidentialism. A party system was judged as stable if the same two parties had occupied the first two places in three out of the four last elections to the lower house of the national legislature (including constituent assemblies). If there have been only three elections since a transition to democracy, the standard is two out of three. If there have been less than three elections, the party system is classed as unstable. Name changes were not tracked. Also, parties were tracked, not electoral alliances. Namibia is unstable according to the criteria used here, even though its main characteristic is the continuing dominance of one party. Sources for election results: www.ipu.org; psephos.adam-carr.net; africanelections.tripod.com.

The USA is one of fifteen countries that meet the criteria necessary for inclusion. It is possible to think of other ways of excluding countries. For example, *de jure* disclosure and *de facto* transparency is not the same thing. This is something, which would have to be assessed on a case-by-case basis. However, a reasonably good proxy might be perceived corruption, and several of the supposedly least corrupt countries in the world are included. Also, regionalised party systems might complicate analysis in Canada and Bosnia. In many countries, the disclosure laws are new and that restricts the variation desirable for statistical analysis. Nonetheless, Australia, Germany and Canada each have over two decades of records. Even within the category of dispersed, low corruption countries, with national party systems and a long history of transparency, the US is, perhaps, not the best case. In contrast to Australia (Young and Tham 2006), American federalism has not created a symmetric system of political finance regulation and its associated analytical gains.

There are comparative advantages and disadvantages to testing the theory of the political market on the US case. It is by no means a crucial case for the theory. At a minimum, there are several other countries, which seem like other good candidates for political market case studies. Indeed, as several elections take place under transparent and permissive regimes every year, there is increasing scope for comparative case studies in this area. In the next and final section, I review the extant literature on these other countries.

Studies outside the US

The political market has been the subject of very little systematic investigation beyond the US case. The voluminous and impressive US literature ignores evidence from elsewhere. A recent review article included eighty-four references, only two of which seemed to contain non-US evidence (Stratmann 2005, 152-156). Neither of these articles seemed to be directly relevant to the political market hypothesis under discussion here. Recently, interest in the politicisation of the economy has increased enormously. While most of this work does not focus on the USA, it does not test the theory of the political market as discussed here. Instead, these works concentrate on political and social networks or straightforward corruption, rather than legal financial contributions to politicians (Faccio 2006; Fisman 2001; Hsieh et al 2008; McMenamin 2004; Hellman et al 2000). There has also been a burgeoning of the small but long-standing literature on comparative political finance. This is at least partly because scholars have pointed out the importance of the spread of political finance regulation across the world (Pinto-Duschinsky, 2002). This recrudescence still exhibits the legal and normative focus of the past literature (Ewing, 2007; Ewing and Issacharoff 2006; Orr 2007; Smilov and Toplak 2007). Most of the evidence is anecdotal and very little effort has been put into exploiting the increasingly widespread official databases (Collins and O'Shea 2000; Williams 2000). Surprisingly, very little of this new work tests the political market hypothesis. Two recent review of comparative political finance mention the political market theory only intermittently and implicitly (Fisher and Eisenstadt 2004; Scarrow 2007). Their emphasis is instead on the implications of different patterns of funding for party political competition.

Despite the general absence noted above, a small number of case studies present some interesting evidence, usually as an aside from the primary purpose of the article. There are rough estimates of the amounts of business money in comparison with other sources of political funding for a large number of countries (Austin and Tjernström 2003). Unfortunately, there is only fragmentary evidence on the distribution of money. Both Fisher (1994) and Bond (2007, 76-77) have gathered data consistent with a strategic distribution of business funding in Britain. By contrast, McMenamin's work on Australia (2008) explicitly tests whether the distribution of business money is strategic. Exploiting a large database of payments across seven Australian jurisdictions, he shows that business as a whole combines an ideological bias with strategic pragmatism. If the left has the political advantage, the dominant strategy of businesses will be to split their contributions between the left and the conservative coalition. If the conservative coalition has the political advantage, the dominant strategy will be to clearly bias payments towards the conservative parties. Comparative case studies are extremely rare indeed. A preliminary paper by Scarrow (2206) suggests the potential of a broader approach. She compares the largest donations, both corporate and individual, to the two largest parties in Britain and Germany during one electoral cycle. There are big differences between the proportion of party funding accounted for by these big donors; in its distribution across the parties and in its provenance from individuals, businesses or unions. She provides some intriguing arguments linking this variation to political structure and political finance regulation. Finally, Ferguson and Voth (2008) relate political donations to the Nazi party and stock market values.

Most of these papers make scant reference to the US literature review above. There are very few equations – never mind simultaneous equations! It is an open and vital question whether the political market is a feature of capitalist democracy. It seems very possible that it only exists under some circumstances (which may vary intra- and internationally) but we have not begun to investigate the scope conditions of the theory.

Conclusion

The theory of the political market, an investment of business cash intended to increase the probability of favourable policy, is vital to our normative and substantive concerns about capitalist democracy. Moreover, it is a most likely case of the more general economic theory of democracy. A huge American literature has led to formidable theoretical and empirical development. It has failed to provide substantial direct evidence in favour of the theory, principally because of the difficulty of linking business contributions to policy benefits. This has not led to a rejection of the theory due to the clearly strategic distribution of business money and the absence of any other theory that provides coherent story about why businesses should contribute to political campaigns. In my opinion, there are two main reasons that the US literature has reached this impasse. Firstly, the theory of interested gifts, explains why benefits should be so hard to observe. A perception, never mind a reality, that a politician is obliged to any individual firm, is very costly to a politician's reputation and political career. Therefore, the system of interested gifts is designed to make the political market in general hard to observe. Politicians can point to repeated votes against the preferences of their donors, even if they vote in donor's interest on the very rare occasions when their intervention is crucial and very valuable to their donors. Secondly, the US system of political finance regulation is very restrictive. It restricts the incentives to operate a political market and it makes a political market very difficult to observe.

There are, at the very least, several other countries, with the transparency, permissiveness and broad political characteristics, which facilitate the study of a political market. It would seem that there is much more value to be added to political science by an initial systematic study of these cases, than yet another, rigorous, but only very slightly original, study of US political finance. I think it is time the American literature did some globetrotting. Whether the American models travel in the hands of American political scientists or others does not matter so much as whether there is a rigorous research of an issue that is so normatively and substantively vital.

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