

1982

A Multivariate Analysis of the Effects of Money in Congressional Elections on Incumbents and Challengers

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A MULTIVARIATE ANALYSIS OF THE EFFECTS OF MONEY
IN CONGRESSIONAL ELECTIONS ON INCUMBENTS AND CHALLENGERS
(TITLE)

BY

LARRY SUMMARY

THESIS

SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF

Master of Arts

IN THE GRADUATE SCHOOL, EASTERN ILLINOIS UNIVERSITY
CHARLESTON, ILLINOIS

1982

YEAR

I HEREBY RECOMMEND THIS THESIS BE ACCEPTED AS FULFILLING
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A MULTIVARIATE ANALYSIS OF THE EFFECTS OF MONEY IN
CONGRESSIONAL ELECTIONS ON INCUMBENTS AND CHALLENGERS

by

LARRY SUMMARY

B.A., Eastern Illinois University, 1976

ABSTRACT OF A THESIS

Submitted in partial fulfillment of requirements for the degree
of Master of Arts in Political Science at the
Graduate School of Eastern Illinois University

Charleston, Illinois

1982

422600

ABSTRACT

The use of money in congressional elections will be the principal issue of this thesis. The money decides who will mount a serious contest and who will not. In determining the effect of money in congressional races, it is hypothesized that campaign spending has a much greater effect on the challenger's chances of winning than it does on the incumbent's.

One of the many implications of this thesis is that people and groups determine how well a candidate will do on election day. Such topics as long term trends in the House, congressional competition, voting behavior, conservative and liberal political action groups and why people contribute to their congressional candidates are examined. The different methods that congressional incumbents use to fend off well-financed and executed challenges against their seats are examined.

In the final chapter, a statistical analysis is employed which updates Gary C. Jacobson's multivariate analysis on congressional spending. Using his methodology, 209 congressional districts in the 1980 election are analyzed. The results obtained are generally consistent with those of Jacobson. Challenger's expenditures are found to be the most important in determining the outcome of an election. Incumbents gauge their spending to that of the

challenger. In addition, the challenger's party strength is an important factor affecting election results. However, the results of this study indicate a smaller increase in the challenger's vote due to an increase in spending than does Jacobson's study.

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ACKNOWLEDGEMENTS

I would like to acknowledge that Gary C. Jacobson's book, Money in Congressional Elections, and his bibliography will be my guideline on how this thesis will be presented. Dr. Jacobson's contribution to the field of congressional financing and its impact on elections are a valuable asset to us all.

I am grateful for the assistance and recommendations that Dr. Andrew McNitt has given in the preparation of this paper.

To Megan, born July 5, 1982.

INTRODUCTION

It is my desire to update and replicate Gary C. Jacobson's study of the impact of money in congressional elections for 209 congressional districts. The principal argument of this thesis is that money is one of the chief variables that influence congressional elections. I will test the hypothesis that campaign spending by the challenger has a much greater impact on the election than money spent by the incumbent. I hope to demonstrate that the incumbent adjusts his spending to the perceived threat the challenger poses by mobilizing resources against him in the campaign. I will also review the literature on recent trends in congressional elections, why people and organizations make financial contributions, and how much money is contributed.

CHAPTER I

LITERATURE REVIEW

LONG TERM TRENDS IN CONGRESSIONAL ELECTIONS

The principal trends in congressional elections from 1962-70 is that 15 to 20 percent of House elections are now 'marginal', that is, where the winning candidate received less than 55 percent of the vote. In about 70 to 100 districts out of the total 435 is there little if any chance that the incumbent party will lose. In congressional elections from 1956 to 1968, at least 90 percent of the incumbents in the House were re-elected.¹

Since 1849 to 1965 there has been a decline in the number of first term members in the House (53.1 to 20.9), except for the 37.2 percent turnover in the Roosevelt landslide of 1932. In addition, the mean term of service in years has continued to grow from 1849, which was 1.9 percent, to 5.65 percent in 1963.² Finally, the percentage of senior

¹William J. Keefe, Parties, Politics, and Public Policy in America, 2nd ed. (Hinsdale, IL: Dryden Press, Inc., 1976), pp. 32-4.

²Nelson W. Polsby, "The Institutionalization of the U.S. House of Representatives," American Political Science Review 62 (1968): 146-48; Morris P. Fiorina, David W. Rohde, and Peter Wissel, "Historical Change in House Turnover," in Congress in Change: Evolution and Reform, ed. Norman J. Ornstein (New York: Praeger Publishers, Inc., 1975), pp. 29-32.

congressmen (10 terms or more) has risen from 2.8 percent of the House in 1911, to 20 percent in 1971.³

As Charles O. Jones' article on inter-party competition for Congress states, competition between candidates is low and the trend is toward less competition than more.⁴ At present, incumbents tend to win five consecutive elections in 70 to 80 percent of congressional districts. In addition, seat switching from Republican to Democrat is also diminishing.

Mayhew concludes that there are more 'marginal' outcomes in non-incumbent districts than in districts with an incumbent running. A 'marginal' outcome is defined as one in which the Democratic candidate received 45 percent to 54.9 percent of the vote. In the nine elections from 1956 to 1972, 29 percent to 50.1 percent of the elections in non-incumbent districts fell in the 'marginal' range. This leads Mayhew to conclude "that House elections without incumbents running tend to be closely contested."⁵ In districts with incumbents running, the number of 'marginal' elections decreased from about 80 in 1956 to approximately 30 in 1972. In open districts, the number of 'marginal' elections remained relatively

³Charles S. Bullock III, "House Careerists: Changing Patterns of Longevity and Attrition," American Political Science Review 66 (1972): pp. 1295-1300.

⁴Charles O. Jones, "Inter-Party Competition for Congressional Seats," Western Political Quarterly 17 (1964): pp. 465-466.

⁵David R. Mayhew, "Congressional Elections: The Case of the Vanishing Marginals," Polity 6 (1974): pp. 298-301.

stable, between 15 and 25. This also leads Mayhew to conclude that it has become easier for an incumbent to be re-elected.⁶

Further analysis by Cover and Mayhew states that "it takes a big vote swing to defeat very many incumbents when not many are marginal to begin with."⁷ Such was the case of the post-Watergate election of 1974, and the 1980 landslide of Ronald Reagan, resulting in 36 and 33 seat losses respectively.

But the question must be asked, why is there a reduction in 'marginality'? If we examine critical points in a congressman's career, it should show that incumbency is an electoral advantage. A good example would be to look at the incumbent's first and final re-election bid. We would expect that if incumbency is important, we would see the vote percentages at the end of his freshman term to go up. This phenomena, according to Cover and Mayhew, is called the "sophomore surge."⁸

The second point to examine is when the incumbent retires. We expect the incumbent's successor will not do as well as the incumbent in his final re-election bid. Cover and Mayhew's data on "sophomore surge" and "retirement slump" for House members, 1962-1974, found the average mean "sophomore

⁶Ibid., p. 303.

⁷Albert D. Cover and David R. Mayhew, "Congressional Dynamics and the Decline of Competitive Congressional Election," in Congress Reconsidered, ed. Lawrence E. Dodd and Bruce I. Oppenheimer (New York: Praeger Publishers, Inc., 1977), pp. 55-56.

⁸Ibid., pp. 59-60.

surge" was 4.5 percent adjusted and the mean "retirement slump" (percent of party vote fall off immediately after incumbent's retirement) was -6 percent.⁹

It is of particular interest that first term representatives running for re-election did better than their older counterparts in a trend situation. In the 1974 election Walter Burnham pointed to the fact that Republican first termers showed little pro-Democratic swing as a group; actually they improved their position. The mean percentage Democratic vote in Republican districts for first termers decreased slightly, from 43.4 percent in 1972 to 43.2 percent in 1974. However, the mean percentage Democratic vote in Republican districts for old incumbents increased from 33.6 percent in 1972, to 44.2 percent in 1974. Looking at the Democratic districts, first termers' percentage vote increased from 60.8 percent in 1972, to 73.1 percent in 1974. Old incumbents' vote percentage increased from 65.8 percent to 70.7 percent. In 1976, forty-eight of the forty-nine Democrats elected to Republican seats in 1974 won second terms. Seventy-two of the seventy-four freshman Democrats who sought re-election won.¹⁰

⁹Ibid., pp. 50-60.

¹⁰Walter Dean Burnham, "Insulation and Responsiveness in Congressional Elections," Political Science Quarterly 90 (1975): p. 420.

WHAT HAS HAPPENED TO CONGRESSIONAL COMPETITION?

There has been extensive research in the area of congressional competition, and there are many explanations as to why it has declined. These explanations are important to us, because they directly affect how we are to assess the role of money, or congressional financing, in elections.

One theory proposed by Edward Tufte suggests that there was a drop in the "swing ratio" (the percentage increase in population vote). This, according to Tufte is due to gerrymandering:

A major element in the job security of incumbents is their ability to exert significant control over the drawing of district boundaries. . . reapportionment rulings have given incumbents new opportunities to construct secure districts for themselves, leading to a reduction in turnover that is in turn, reflected in the sharply reduced swing ratio of the last few elections.¹¹

He goes on to show that Senate competition where no redistricting occurred after the reapportionment was instituted, stayed relatively stable between .13 to .15. Conversely, House margins gradually decreased from .20 to .13.¹²

A second position held by Walter Burnham contradicts Tufte's claim of gerrymandering, as the most important variable in the "swing ratios". He points to ". . . changes in mass voting behavior. . . saliency, access to mass communication

¹¹Edward R. Tufte, "The Relationship Between Seats and Votes in Two-Party Systems," American Political Science Review 67 (1973): p. 551.

¹²Ibid., p. 553.

which in turn affects large blocks of the electorate. . . .
 vote for incumbents, whatever is happening elsewhere on the
 national or state ticket."¹³

A third position by Mayhew on the decline suggests
 that incumbents are advertising themselves better through
 franking. 'Credit claiming' by the incumbent for grants-in-
 aid programs to his district and his ability to gauge public
 opinion on certain issues have lead to highly accurate polling
 by the incumbents, all of which have enhanced the incumbent's
 ability to hold an edge over the challenger.¹⁴

But the trouble with Tufte's hypothesis, according to
 John Ferejohn, is that he failed to consider swing ratios in
 districts that were not gerrymandered. The data he presented
 showed both gerrymandered and non-gerrymandered districts to
 have relatively similar declines.¹⁵ Alternately, Mayhew's
 hypothesis does not adequately explain it, because of "little
 if any increase in the gap between name recognition levels of
 incumbents and challengers."¹⁶

¹³Walter Dean Burnham, "Communications," American Political Science Review 68 (1974): p. 210.

¹⁴David R. Mayhew, "Congressional Elections: The Case of the Vanishing Marginals," Polity 6 (1974): pp. 298-301.

¹⁵John A. Ferejohn, "On the Decline of Competition in Congressional Elections," American Political Science Review 71 (1977): pp. 166-69.

¹⁶Ibid., p. 170.

The rest of the literature is divided into, "(1) changes in the behavior of the voters, (2) changes in the behavior of the incumbent, or (3) some combination of the two."¹⁷ In the case of number three it is debated which caused the other. In this thesis I will look at the behavior of the incumbent, since he makes campaign finance policy, which in turn reflects on the 'incumbency factor' to raise and spend money.

By examining changes in incumbency, Mayhew and others argue that the Congress is a self-sustaining body, with advantages (i.e., franking, credit claiming, position taking) to help the membership stay in office. But these advantages such as 'credit claiming' etc., are used only to enhance constituency support, in effect to show that the incumbent is "personally responsible for causing the government, or some unit thereof, to do something that the actor considers desirable."¹⁸ This in essence will cause his constituency to say we need to keep him around "so he can make pleasing things happen in the future."¹⁹ This, according to Mayhew, is completely oblivious to what the effective impact of the legislation will be in the future whether positive or negative.²⁰

¹⁷Gary C. Jacobson, Money in Congressional Elections (New Haven: Yale University Press, 1980), p. 5.

¹⁸David R. Mayhew, Congress: The Electoral Connection (New Haven: Yale University Press, 1974), p. 53.

¹⁹Ibid., p. 53.

²⁰Ibid., pp. 115-138.

Another aspect of incumbency is that party discipline in the Congress is at a minimum, as can be seen by the recent Southern Democratic 'Boll Weevil Caucus' in their efforts to support President Reagan's 1981 tax package. Leaders in both houses have counseled members to "vote their constituencies." Party pressure to vote one way or another is at a minimum. Mayhew states, "in a good many ways the interesting division in congressional politics is not between Democrats and Republicans, but between politicians in and out of office. . . it has the appearance of a cross-party conspiracy among incumbents to keep their jobs."²¹

In Richard Fenno's article, "U.S. House Members in Their Constitutencies," he portrays a congressman as trying to get across to his constituency that he is "just a person," a person in whom you can put your trust. To gain this trust, Fenno stresses that three criteria must be met. One is qualification: "I understand the job and I have the experience necessary to do a good job." The second is identification: "I think the way you do and I care about the same thing you do." The third is a sense of empathy: "I can put myself in your shoes." In this dialogue, the incumbent's personal character is pushed to the forefront rather than his political beliefs or goals.²²

²¹Ibid., p. 105.

²²Richard F. Fenno, Jr., "U.S. House Members in Their Constituencies: An Exploration," American Political Science Review 71 (1977): p. 899.

But this pattern of incumbent behavior has been around long before the rise in incumbent security, so it offers little in explaining it; what it does offer is some accounting of long term electoral success.²³ What has changed is the perquisites a congressman receives for travel, constituent communication, telephone, rents (office), staff, not counting his franking privileges which amounts to more than \$575,000.²⁴ A breakdown of this may be seen in Table 1. Further increases may be seen from from the figures from 1971 to 1979. "Nearly all the perquisites of members of Congress give incumbents certain campaign advantages over their challengers. . . all these services at the public expense may improve the member's chance of being re-elected."²⁵

CONGRESSIONAL VOTING BEHAVIOR: PARTISAN FACTORS AT THE NATIONAL AND DISTRICT LEVELS

It has frequently been pointed out that the national congressional partisan vote fluctuates during Presidential years and swings back to a stable pattern in midterm years.

²³Gary C. Jacobson, op. cit., p. 6.

²⁴Congressional Quarterly, Inc., Inside Congress (Washington, D. C.: Congressional Quarterly, Inc., Oct. 1979), p. 122.

²⁵Congressional Quarterly, Inc., Pay, Perquisites, Patronage: Guide to Congress (Washington, D. C.: Congressional Quarterly, Inc., 1980), p. 476.

TABLE 1

Annual Allowances for Representatives: 1979 Data

Member's Salary	\$ 60,662
Personal Staff Salary (18 aides)	\$288,156
Travel, Washington/District	32 round trips
Stationary	6,500
Postage	1,140 (1st class)
Constituent Communications	5,000 (newsletters, questionnaires)
Telephone	15,000 X the highest long distance rate per minute
Franking	6 X the # of addresses in member's district per year
<u>Washington Office Expense:</u>	
Rent	\$ 10,480
Equipment (purchased)	\$ 5,500
Equipment (rented)	\$ 9,000
<u>District Office Expense:</u>	
Rent	\$ 18,000
Equipment (purchased--rented)	\$ 19,500
Official Expenses	\$ 2,000

Allowances for Representatives from 1971-79

	<u>1971</u>	<u>1979</u>
Salary	\$ 42,500	\$ 66,662
Staff	\$130,000	\$288,156
Stationary	\$3,200	\$6,500
Franking	(1968 est., 178 million pieces; 1979, 378 million pieces) These figures are for the entire Congress.	

Source: Pay, Perquisites, Patronage, Guide to Congress, 2nd ed.
Congressional Quarterly, p. 476.

Since the congressional vote returns to normal after a Presidential surge, it has been noted the President's party loses seats at midterm.²⁶ As Angus Campbell explains, the highly electric atmosphere of Presidential elections brings out a large percentage of marginal voters who are influenced by the short term partisan forces generated by the campaign.²⁷

At the district level, Donald E. Stokes, in his analysis of variance procedure, estimated the percentage of variation caused by 'National', 'State', and 'Constituency' factors during a ten-year period. The inter-election vote variance that he found for the three are .32, .19, .49 (out of 1.00), respectively.²⁸ He found that half of the variance in the vote is explained by 'constituency' factors, parties, local issues, and changes in the districts' partisanship. This has led to the recent phenomenon of partisan defections, or the eroding of party lines.

²⁶ Donald E. Stokes, "A Variance Component Model of Political Effects," in John M. Clauch (ed.), Mathematical Applications in Political Science (Dallas: Arnold Foundation, 1965), pp. 61-85.

²⁷ Angus Campbell, "Surge and Decline: A Study of Electoral Change," in Angus Campbell, et. al., Elections and the Political Order (New York: John Wiley and Sons, 1966), pp. 40-62.

²⁸ Donald E. Stokes, "Parties and the Nationalization of Electoral Forces," in William N. Chambers and Walter Burnham, eds., The American Party System (New York: Oxford University Press, 1967), pp. 182-202.

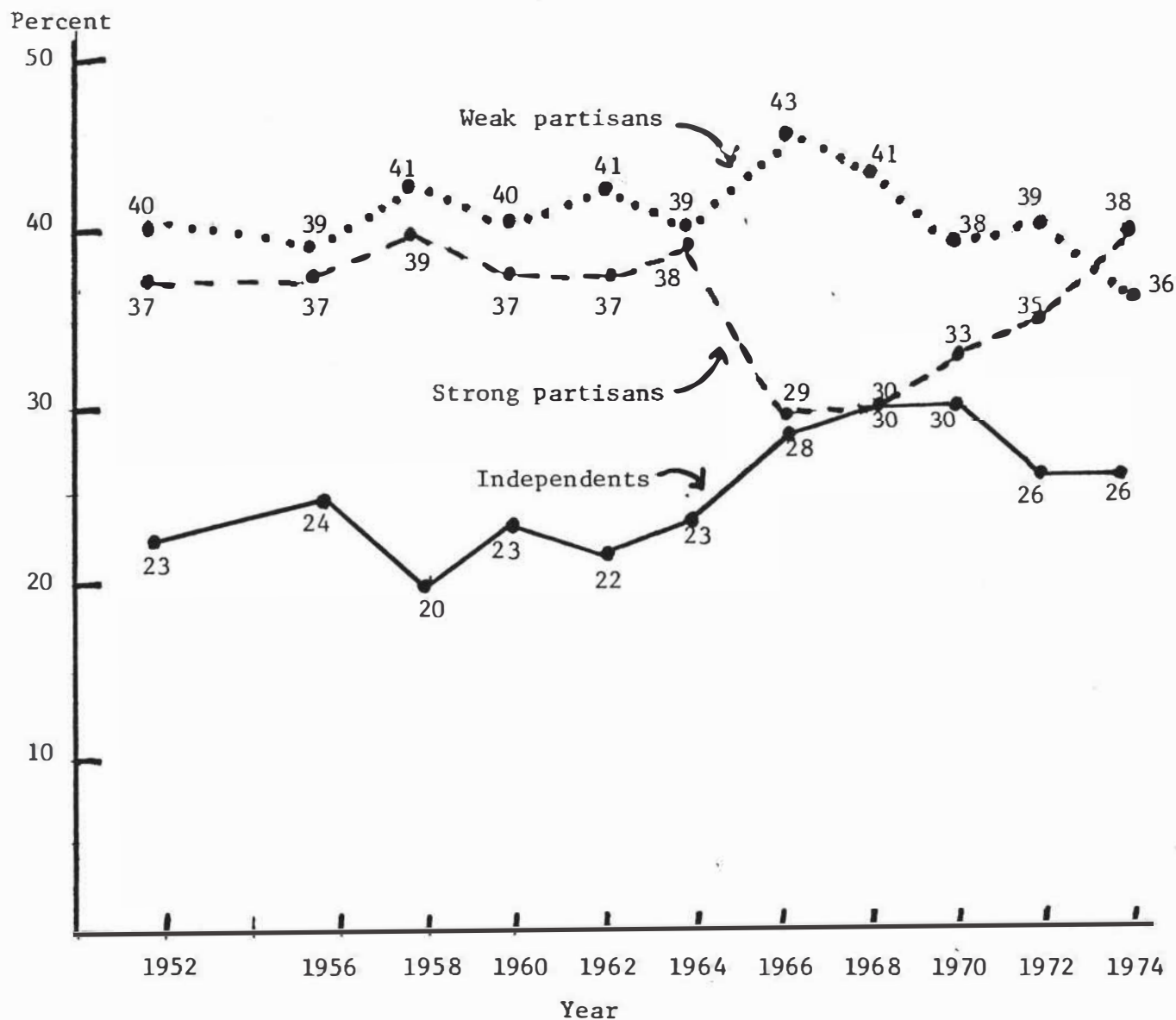
Table 2 presents data on changes in partisan attitudes over time. From 1952 to 1964 a relative stable situation occurred; about a third of the population was strong partisan and a slightly larger group was weak partisan, while about a fifth were independent. Although there were wide swings in 1956 and 1960 in the Eisenhower and Johnson sweeps, the data represents convincing evidence to the continuity of partisanship.²⁹ However, from 1964 through 1974 the strong partisan relationship dropped and independent partisanship rose. By 1974 one in four people were considered strong partisan while 38 percent were independent. As Nie, et. al., put it, the correlation between party identification and House vote in 1956 was .72, by 1972 it was .55. These figures indicate a clear erosion of party affiliation.³⁰

In John Ferejohn's article, he showed that between 1958 and 1970 there was a decline in the percentage of voters who voted for their own party's candidate. According to Ferejohn, the best indicator was those people who knew neither candidate but declared their party affiliation. In this group, the percentages who voted for their own party's candidate

²⁹Norman H. Nie, Sidney Verba, and John R. Petrock, The Changing American Voter (Cambridge, Mass.: Harvard University Press, 1976), pp. 47-73.

³⁰Ibid., pp. 49-52.

Table 2 Partisan Affiliation, 1952-1974



Source: Nie, Verba and Petrocik, The Changing American Voter, Harvard University Press, 1976, page 49.

decreased from a high of 95.1 percent in 1958 to a low of 81.7 percent in 1968 and recovered to 89.8 percent in 1970.³¹

In Cover's study, he extends the fact that "about three-fourths of all defections have come from the challenger's party. This indicates an important shift in mass electoral behavior. Not only are partisan defections becoming more common, but they are falling into a heavily pro-incumbent pattern."³² He went on to state, "since 1972 about half of those identifying with the challenger's party have deserted their party's congressional candidate in contested elections involving an incumbent."³³ But as Cover points out, "the loosening of party loyalty may help the incumbent, but the decline of partisanship does not necessarily have this effect."³⁴ Another reason behind the explanation favoring the incumbent is the amount of information reaching the electorate.

In their famous study of voting in the 1958 congressional election, Stokes and Miller described "saliency of a candidate" as one of the most critical factors if he is to gain support from the opposite party. "However, little the public may know of those seeking office, any information at

³¹John A. Ferejohn, "On the Decline of Competition in Congressional Elections," American Political Science Review 67 (1973): p. 173.

³²Albert D. Cover, "One Good Term Deserves Another: The Advantage of Incumbency in Congressional Elections," American Journal of Political Science 21 (1977): p. 535.

³³Ibid., p. 535.

³⁴Ibid., p. 532.

all about the rival party's candidate creates the possibility of a choice deviating from their party."³⁵ As seen in Table 3, if no information was available on either candidate, party line voting was assured. Even greater degrees of difference can be seen for information on voters "Own Party Candidate." It can also be interpreted that if voters know only the "Other Party Candidate," almost half can be induced to cast a vote contrary to their party line.³⁶ Subsequent surveys have confirmed their findings; Table 4 displays the updated version.

TABLE 3

Percentage Voting for Own Party Candidate and Other Party Candidate for House in 1958, by Saliency of Candidates in Contested Districts

Voted for Candidate	Voter Was Aware of			
	Both Candidates (N = 196)	Own Party Candidate Only (N = 166)	Other Party Candidate Only (N = 68)	Neither Candidate (N = 368)
Of own party	83	98	60	92
Of other party	<u>17</u>	<u>2</u>	<u>40</u>	<u>8</u>
Total	100	100	100	100

Source: Donald E. Stokes and Warren E. Miller, "Party Government and the Saliency of Congress" in Elections and Political Order, John Wiley and Sons, Inc., 1966, p. 205.

³⁵ Donald E. Stokes and Warren E. Miller, "Party Government and the Saliency of Congress," in Elections and the Political Order (New York: John Wiley and Sons, Inc., 1966), p. 198.

³⁶ Ibid., p. 205.

TABLE 4

Effects of Candidate Recall on Partisan Defections
in House Elections

Percentage Who Defected	Voter Recalled			
	Both Candidates	Own Candidate	Other Candidate	Neither Candidate
House Elections				
1958	17 (196) ^a	2 (166)	40 (68)	8 (368)
1966	19 (198)	4 (98)	66 (41)	14 (231)
1968	23 (303)	5 (97)	51 (57)	19 (267)
1970	24 (152)	1 (148)	57 (37)	13 (256)
1972	23 (151)	7 (100)	62 (26)	21 (242)
1974	29 (281)	1 (154)	58 (79)	15 (374)

^aNumber of cases from which percentages were computed,
The 1974 sample is weighted.

Source: 1958-1970, Robert B. Arseneau and Raymond Wolfinger, "Voting Behavior in Congressional Elections" (Presented to the 1973 Annual Meeting of the American Political Science Association, New Orleans, Sept. 4-8, 1973, p. 14; 1972 and 1974, CPS American National Election Studies. In Gary C. Jacobson, Money in Congressional Elections, p. 16.

The relative importance of information available to the voters is crucial because of the connection between what they know about the candidates and how they will mark their ballots. Partisan defection was shown by a number of studies to be directly related to differential 'awareness' of candidates. Candidate familiarity provides some insight into why

incumbents do much better in elections than non-incumbents. The electorate are much more likely to know the incumbent than the non-incumbent, as can be seen by Ferejohn's work in Table 5.³⁷

TABLE 5
Percentage of Voters Who are Aware of House Candidates
in Contested Districts

	Incumbent	Nonincumbent
1958	57.6 (738) ^a	38.0 (947)
1964	63.0 (856)	39.8 (920)
1966	55.9 (583)	37.6 (703)
1968	63.7 (703)	46.5 (861)
1970	54.7 (548)	31.3 (630)
1972	50.0 (498)	30.9 (718)
1974	57.2 (856)	32.2 (1230)

^aThe number in parentheses is the number of voters in districts with an incumbent running (column 1) or a non-incumbent running (column 2).

Source: John A. Ferejohn, "On the Decline of Competition in Congressional Elections," American Political Science Review 71 (1977): p. 170, and 1972 and 1974, CPS Surveys.

³⁷John A. Ferejohn, op. cit., p. 170.

NAME RECOGNITION

Name recognition has not been given much attention in the literature, but there are some studies that do concern name familiarity and recall.

The early study of Stokes and Miller in the 1958 mid-term congressional election hypothesized that the voters preferred incumbents to challengers because they were more likely to know their names. They presented the idea that in low stimulus elections, information about a candidate will be perceived as positive, in affect attracting support from the oppoising party.³⁸ But in their attempt to assess name familiarity, they did not determine what or how much impact it had on the incumbent effect.

Ferejohn did test the name familiarity hypothesis; however he found the incumbent had only a slight name advantage over the challenger. In addition, when he controlled for name familiarity using multiple regression analysis in the 1966-68 election, he found that it had a significant effect on voting decision; "voters were apparently using incumbency as a voting cue whether or not they could recall the name of the incumbent candidate in the interview situation."³⁹ He concluded that name familiarity does not completely explain why incumbency is generally an advantage.

³⁸Donald E. Stokes and Warren E. Miller, op. cit., p. 205.

³⁹John Ferejohn, op. cit., pp.

Alan J. Abramowitz counters these arguments by maintaining that, "the incumbency effect reflects an incumbent's reputation among his constituents. Their satisfaction with his performance, not the familiarity of his name, determines how much value a congressman derives from incumbency;"⁴⁰ thus the reputation hypothesis surfaces. The constituency is looking at his record; if they are satisfied, they will vote for him; if not, for the challenger. Name recall is just a "threshold indicator." He found in the Lake County, Oregon, study of one district that respondents would offer opinions on how the incumbent was performing without being able to recall his name. Abramowitz concluded that the reputation of a congressman was based on his performance, personal qualities, issue position, and constituency service, and performance was the most important factor in determining the voters willingness to cross party lines.⁴¹

There are others (Mann, Mayhew, Downs, Converse) that have contributed to this body of knowledge, but a reasonable conclusion from these findings is that the more 'information' the electorate has about a candidate, the more variation in voter support. The 'quantity' of information--as well as the 'quality' of the candidate--may very well decide the outcome

⁴⁰Alan J. Abramowitz, "Name Familiarity, Reputation, and the Incumbency Effect in a Congressional Election," Western Political Quarterly 28 (1975): p. 675.

⁴¹Ibid., pp. 673-83.

of an election. The amount of money expended by a candidate to project this image or information is a crucial factor in who will win and who will lose. Since the incumbent enjoys official resources in communicating with constituents, it follows that the amount a challenger spends will be the most helpful to him.⁴²

The same findings suggest that incumbent security has risen by their perquisites, but Ferejohn's objection to this is that there has been no increase in awareness of name recall and that partisan voters are likely to defect to the incumbent, even though they cannot remember his name. But this, too, according to Jacobson "loses much of its force." He explains, "if voters consistently prefer incumbents to challengers without recognizing or recalling either one, the phenomenon defies rational explanation. . . the hypothesis that incumbents are advertising themselves better cannot be effectively dismissed."⁴³

CONGRESSIONAL ISSUES

It may be said that partisanship, incumbency, and candidate saliency all contribute to how the electorate will cast their votes. But what part of this contribution does political issues play? According to Stokes and Miller, perceptions about an individual candidate account for most of the partisan votes cast against their party and that these

⁴²Gary C. Jacobson, op. cit., pp. 36-37.

⁴³Ibid., p. 24.

perceptions hold very little information on how the candidate stands on particular issues. They concluded from their survey that deviations in the vote that do occur from national policy are not produced by the party's legislative record. The main themes within the electorate were 'group benefit' and 'prosperity-depression' ideas which, in turn, they connected with issues before Congress.⁴⁴

Several scholars have presented evidence that voting in congressional elections is affected by the President's performance. Members of the President's party who approve of the job he is doing are less likely to vote for candidates of the other party. Tufte's analysis of aggregate data indicates that the size of the losses by the President's party in midterm election depends on his popularity and how the economy is faring. To be specific, Tufte shows statistically that a "change of 10 percentage points in the President's approval rating in the Gallup poll is related to a change of 1.3 percentage points in the national midterm congressional vote for the President's political party; and a change of \$50.00 in real disposable personal income per capita in the year of the election is related to a change of 1.8 percentage points in the vote."⁴⁵

⁴⁴Donald E. Stokes and Warren E. Miller, op. cit., pp. 199-210.

⁴⁵Edward R. Tufte, "Determinants of the Outcomes of Midterm Congressional Elections," American Political Science Review 69 (1975): p. 825.

Kinder and Kiewiet⁴⁶ found that voters who felt national business conditions had recently worsened were likely to vote against congressional candidates of the President's party; (this was supported by Ben-Gera Logan, 1977; Fiorina, 1979). Given the different issue priorities of the two parties Sundquist,⁴⁷ Okun,⁴⁸ and Hibbs⁴⁹ suggested that voters concerned about unemployment will tend to support Democratic candidates, while people concerned with inflation will support Republicans.

CONCLUSION

A major thrust of the chapter has been to identify critical variables other than money which affect the vote; incumbency status, party identification, candidates and issues. In addition, marginality of House incumbents are examined at length. Some of the studies pointed to factors as office perquisites, incumbent activity, positive reputations, and information as influencing the success of incumbents, while others

⁴⁶ Donald R. Kinder and Roderick D. Kiewiet, "Economic Discontent and Political Behavior: The Role of Personal Grievances and Collective Economic Judgements in Congressional Voting," American Journal of Political Science 23 (1979): pp. 495-517.

⁴⁷ James L. Sundquist, Politics and Policy: The Eisenhower, Kennedy and Johnson Years (Washington, D. C.: The Brookings Institute, 1968), p.

⁴⁸ Arthur M. Okun, "Comments on Stigler's Paper," American Economic Review 63 (1973): pp. 172-77.

⁴⁹ Douglas A. Hibb, "Political Parties and Macroeconomic Policy," American Political Science Review 71 (1977): pp. 1467-87.

pointed to 'incumbency' and 'party' for supplying easy voting cues to electorate in low information elections. The incumbents are said to enjoy credit claiming for federal projects in their districts and to provide popular and noncontroversial constituency service. But 'information' has been defined in the literature as having the most decisive effect on how the electorate will vote. The more information produced by the candidates the more costly the campaign will be. As Jacobson remarks, "other things being equal, the more a challenger spends, the better he will do at the polls."⁵⁰ This leads to the next chapter which will attempt to answer the question, how important is money and how is it raised?

⁵⁰Gary C. Jacobson, op. cit., p. 31.

CHAPTER II

HOW IMPORTANT IS MONEY

The primary factors contributing to the importance of money in congressional elections have been the decline of party organizations and of party line voting. Traditionally, the party organizations controlled the most important parts of the electoral process, that is, candidate selection, issue positions, strategies, and campaign resources.⁵¹

Since the arrival of direct primaries, party organizations have lost control of the candidate selection process. Prior to direct primaries, the party organization controlled candidate selection, slate making, caucuses, and conventions; now these are the responsibility of the voters. The advent of mass media, and the ability of candidates to gather their own personal resources through the use of polls have demonstrated their strength to circumvent the door-to-door activity of the party organizations.⁵²

As seen in Chapter I, Table 2, strong partisan relationships have dropped. As political party organizations become less important in mobilizing voters and the number of voters not marking straight party tickets increases, the

⁵¹Robert Agranoff, The New Style in Election Campaigns (Boston: Holbrook Press, Inc., 1976): p. 11.

⁵²Ibid., p. 19.

candidates have turned to people with the ability to market them through other types of media. First came advertising men to produce messages for radio, television, and newspaper audiences. Then came pollsters, who used market research and academic voting behavior to target different groups with specific issues relative to each. Finally, more specialized personnel were employed for direct mail, journalists to formulate news releases, TV producers to enhance desired images, computer programmers and voting behavior researchers to target specific voters by precinct.⁵³

Determination of how much money is needed to run an effective campaign varies and information concerning this is scarce. It has become easier to obtain access to campaign finance information because of the 1976 Federal Election Reform Act, but there are still many road blocks, such as estimates of direct mail spending, media production, etc., which are not limited under the act. The budget estimates that follow in Table 6 represent, in round figures, realistic expenditures in 1970 for a \$100,000 congressional campaign.⁵⁴

Since campaign spending is critical to support a viable campaign, we must ask "what determines how much money congressional candidates raise and spend?"⁵⁵ The importance

⁵³Ibid., p. 24.

⁵⁴Ibid., p. 35.

⁵⁵Gary C. Jacobson, op. cit., p. 51.

TABLE 6

Expenditures in 1970 for a \$100,000 Congressional Campaign

	<u>Congressional</u>
Headquarters	\$ 10,000
Personnel	15,000
Candidate and Staff Travel Expenses	1,500
Special Events	500
Research (Polling and Election Data)	14,500
Direct Mail	11,000
Television	30,500
Radio	3,000
Newspaper	2,500
Outdoor Advertising and Transit	5,000
Agency Fee	
Literature and Stickers	4,000
Telephone Banks	<u>2,500</u>
	\$100,000

Source: Robert Agranoff, The New Style in Election Campaigns; 1976, Holbrook Press, Inc., Boston, p. 36.

of the question is relevant, because if spending alters election outcomes, the contributors have an important role in determining who will win. If the relationship between spending and votes is reciprocal, this can only be determined by examining the behavior of the contributors and candidates that seek their support. The rest of this chapter will be devoted to an analysis of campaign financing from the perspective of the contributor.⁵⁶

⁵⁶Ibid., p. 51.

As can be seen in Table 7, House incumbents spend more than their challengers. The odds are in strong favor of the high spending incumbent to win. In 1978 the incumbent won in 312 of 320 cases where he spent more than the challenger. But when the challenger spends more than the incumbent, he improves his chances. Eleven of the 19 challengers won over incumbents; 7 of the 11 outspent their opponent by more than \$100,000.

TABLE 7
Spending by 1978 House Winners

The chart summarizes the spending patterns of winners of 1978 House contests. The bulk of the winners were incumbents who outspent their challengers. In open seats, the winners tended to be the big spenders. But successful challengers were not necessarily the big spenders.

	Incumbents	Challengers	Open Seats	Total
Spent More	312	11	43	366
Spent Less	46	8	15	69
Total	358	19	58	435

Source: Congressional Quarterly, Inc., Sept. 29, 1979, p. 2152

By analyzing the trend over this period, it is seen that election costs escalated each year. In 1978, \$92.2 million was spent by candidates on the November ballot; this represents a 44 percent increase over the 1976 costs. Likewise, the problems of raising funds are different for incumbents, challengers and candidates for open seats.⁵⁷

⁵⁷Federal Election Commission, "Candidates' Campaign Costs for Congressional Contests Have Gone Up at a Fast Pace," Congressional Quarterly Weekly Report 37 (1979): p. 2156.

INDIVIDUAL CONTRIBUTORS

House candidates rely on the small contributor as well as on party and non-party committees for the bulk of their war chest. Republicans place a greater reliance on small contributors and party committees. The Democrats rely more on non-party sources, such as labor, loans, and contributions by candidates to their own campaign. But both equally receive large contributions of more than \$100.⁵⁸

By observation we can assess how much was given to candidates, but to further analyze this process we must ask, what are the individual's motives for contributing to one candidate or the other? Much could be said about this topic and it is beyond the scope of this thesis to go into this area in any great depth, although I will summarize particular main points that have surfaced in the literature.

"Each individual voter is a special interest, with self-set economic and social ideals and priorities."⁵⁹ Such is the broad nature of individual motives. A profit motive theory tries to explain gifts made in politics, but reality is somewhat more complex than this. "Every person on the contemporary economic scene--the owner manager, the corporation executive, the farmer, the worker, the union officer, the consumer and the saver emerges as an extremely complex figure

⁵⁸Ibid., p. 156.

⁵⁹Statement filed with the Committee on House Administration and made part of the record of the hearings on H.R. 1 and related legislation, Congressional Digest (1979): p. 299.

whose attitudes, motives, and behavior vary--from period to period and from individual to individual."⁶⁰ Comparable diversity characterizes the many facets of political giving and such is the complexity of the individual.

A limited study by Lester W. Milbrath,⁶¹ done through intensive interviews with four samples of North Carolinians who contributed during the 1952 presidential election, classified each respondent according to dominant and subsidiary goals which influenced contribution. Six broad categories of goals were constructed on the basis of the interview. Table 8 presents his findings.

The causes for giving are many. The focus will be on the predispositional characteristics that are related to giving; I will summarize them for the purpose of this thesis.

- a) Intensity of competition; party rivalry, or party competition.
- b) The issues and personalities of a campaign.
- c) The level of economic prosperity in a community.
- d) Specific stakes individuals have in governmental action.
- e) Habitual contributors; a durable core of supporters from each party.
- f) The desire for status.

⁶⁰Albert Lauterbach, Man, Motives, and Money: Psychological Frontiers of Economics (Ithaca: Cornell University Press, 1954), p. 238.

⁶¹Lester W. Milbrath, "Motives and Characteristics of Political Contributors: North Carolina General Election 1952," in Alexander Heard, The Costs of Democracy (Chapel Hill, N.C.: The University of North Carolina Press, 1960), p. 71.

TABLE 8

Distribution of Respondents by Dominant "Goals" of Their Gifts: Four Samples of North Carolina Contributions, General Election, 1952

Goal	Contributors Who Gave to Specified Committees			
	\$100 or More		Less than \$100	
	Dem.	Rep.	Dem.	Rep.
Government Policy	13	18	3	13
Personal Identification	3	3	18	12
Duty and Responsibility	0	0	1	0
Government Privilege	4	0	3	0
Private Privilege	0	2	0	0
Entree	5	0	0	0
Total Samples	25	23	25	25

Source: Lester W. Milbrath, "Motivations and Characteristics of Political Contributors: North Carolina General Election 1952" (Ph.D. Dissertation, University of North Carolina) in *The Costs of Democracy*, by Alexander Heard, 1960, North Carolina Print Shop, Raleigh.

- g) A drive to conform; you do not want to be the only heel among your peers that does not give.
- h) Exchange for political influence.
- i) For access.
- j) Personal recognition and attention from the candidate.
- k) Individuals derive current satisfaction intrinsic to the act of participation (consumption motive).
- l) They derive expected returns, such as financial rewards or a desired set of public goods (investment motive).⁶²

Whatever the motivation, two facts are clear. In the long run, those who contribute will win access to the candidate

⁶²Alexander Heard, *The Costs of Democracy* (Chapel Hill, N.C.: The University of North Carolina Press, 1960), pp. 69-94.

for their points of view. Since some people give and some do not and some give more than others, different levels of access are achieved. Second, the office holder and his staff feel some form of commitment to those that contribute.⁶³

The foregoing discussion has examined the reasons why people contribute, but a better understanding of this area can be advanced if we know who contributes. In Table 9 we see that contributions are skewed towards high income and professional, managerial and business persons. Rates also increase among the middle-aged. "Of the \$62.3 million in contributions to congressional candidates in 1972, 35 percent was from 41,600 people who gave \$100 or more; over half gave \$500 or more and 26 percent (\$16.5 million) came from contributions of less than \$100."⁶⁴

According to the Federal Election Commission, House candidates raised \$65.7 million in small contributions in 1976, of which 36 percent of all funds came from individual contributions of less than \$100; 22.6 percent or \$14.8 million came from contributions over \$100 (Table 10). Likewise, a 1978 FEC study found that 67.5 percent came from individual contributions, but it must be noted that candidates' contribution to their own campaigns and contributions under \$100 were not cited

⁶³David W. Adamany, Financing National Politics in the New Style in Election Campaigns (Boston, Mass.: Holbrook Press Inc., 1976), p. 230.

⁶⁴Ibid., p. 231.

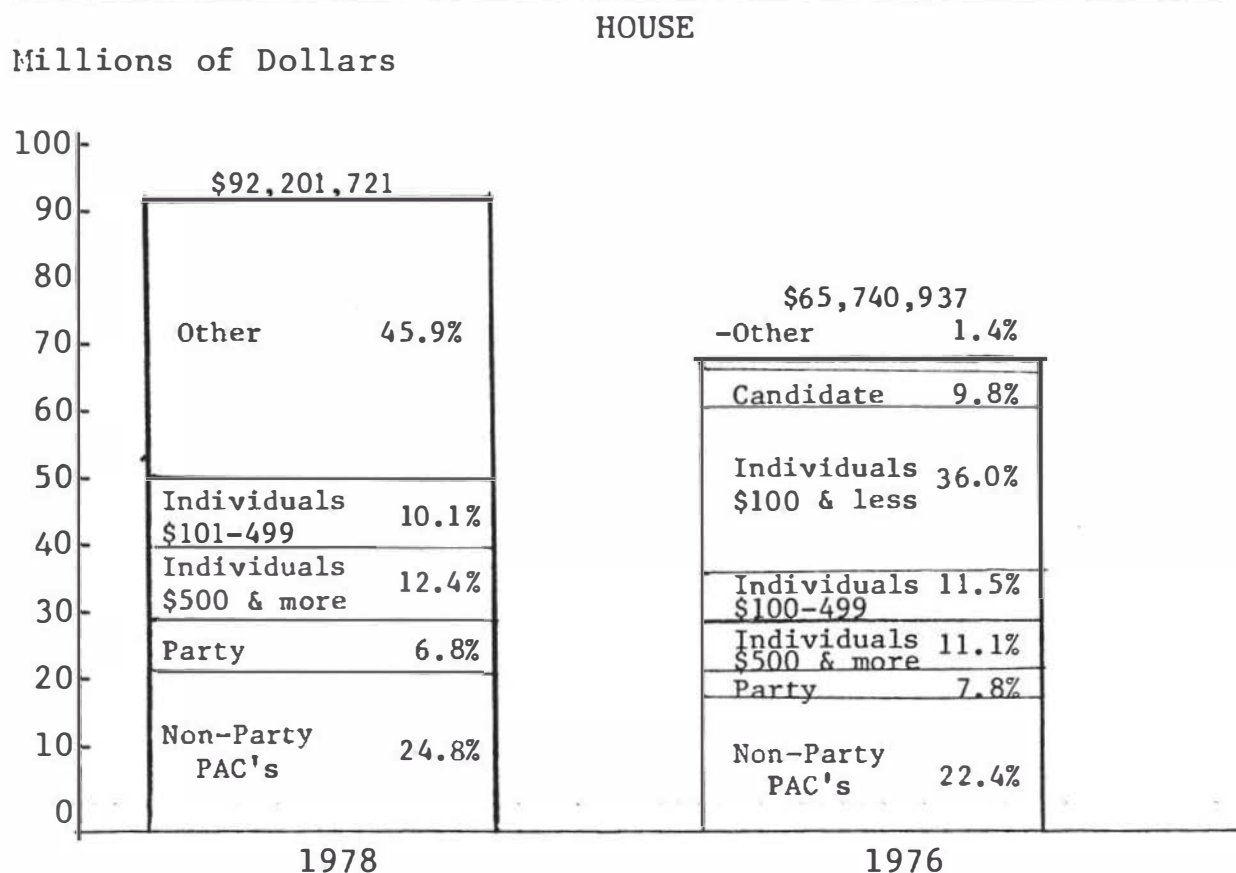
TABLE 9
 Campaign Contribution Rates by Income Level,
 Age, and Occupation, 1952-1972

	Election Year					
	1952	1956	1960	1964	1968	1972
Annual Family Income						
less than \$3000	2%	2%	3%	2%	3%	2%
\$3000-\$4999	3	6	8	6	3	3
\$5000-\$7499*	7	12	9	7	7	6
\$7500-\$9999*	14	17	20	15	8	6
\$10,000 and over	17	31	30	21	12	14
Age						
18-20	--	--	--	--	--	3%
21-24	4	6	7	5	4	9
25-34	3	7	12	10	7	8
35-44	5	13	11	14	8	13
45-54	4	12	13	9	7	9
55-64	6	11	14	10	10	9
65 and over	4	6	9	7	8	5
Occupational Group						
Professional	18%	19%	22%	25%	11%	20%
Business & Managerial	14	18	15	20	7	15
White Collar	6	7	8	12	7	8
Skilled	3	8	13	6	10	6
Unskilled	1	7	10	5	8	5
Farm Operator	1	6	2	9	11	2
Retired	3	6	12	6	8	5
Housewife	2	6	16	8	7	7

*For 1968 and 1972 these two categories are respectively:
 \$5000-\$7999 and \$8000-\$9999.

Source: David W. Adamany, Financing National Politics in the New Style in Election Campaigns, in Robert Argranoff, 1976, Holbrook Press, Inc., Boston.

TABLE 10
Source of Receipts for Congressional Candidates



Source: Federal Election Commission, 1976 and 1978 Reports on U.S. Senate and House Campaigns Financial Activity.

by the 1978 FEC study, nor are loans from the candidate or other sources. The basic sources of campaign money in order of importance are: individuals, interest and ideological groups, political parties and candidates themselves.⁶⁵

Generally contributions are disproportionately given to attractive and experience candidates, to competitors in a highly emotional or polarized election, or to candidates that

⁶⁵Federal Election Commission, *op. cit.*, p. 2153.

have sharp ideological differences. Both candidates are supported if the race looks close, but much of the money goes to contests for open seats or where the district has been marginally changed. It is these elections that tend to be more competitive and attract better candidates when such situations arise.⁶⁶

ELECTORAL COMPETITION AND CAMPAIGN CONTRIBUTIONS

One factor related to patterns of spending is the intensity of electoral competition. Ransome,⁶⁷ Sorauf,⁶⁸ Leutholds,⁶⁹ and Adamany⁷⁰ have all commented that the intensity of feelings and the closeness of party competition affect the levels of spending in elections. In his 1962-1964 Wisconsin study on competitiveness in state house races, Adamany found that "spending rises rapidly in electorally competitive circumstances (where the winning candidate receives less than 55 percent of the vote) and that a sense of urgency about electoral outcomes created by closely contested elections

⁶⁶Gary C. Jacobson, op. cit., p. 72.

⁶⁷Coleman Ransome, Jr., The Office of Governor in the U.S. (Tuscaloosa: University of Alabama Press, 1956).

⁶⁸Frank J. Sorauf, Party Politics in America (Boston: Little, Brown and Company, 2nd ed., 1972), pp. 309-328.

⁶⁹David Leuthold, Electioneering in Democracy: Campaigns for Congress (New York: John Wiley and Sons, 1968), p. 75.

⁷⁰David Adamany, Financing Politics (Madison: University of Wisconsin Press, 1969), pp. 74-86.

undoubtedly increases both the number and the size of financial contributions.⁷¹

Jacobson also found in a study of electoral competition and individual campaign contributions to House candidates from 1972-1976, that the "closer the prior contest, the more the candidate received in individual donations. The effect is especially pronounced for challengers. Both quid pro quo and consumption contributions to challengers should increase with the expected levels of competition. Incumbents on the other hand, can raise quid pro quo and to some extent consumption contributions independently of how close the election is expected to be."⁷² He also found that regardless of how close the last election was for open seats, it attracts large sums from individuals. Table 11 indicates just that.

POLITICAL ACTION COMMITTEES (PAC) CONTRIBUTIONS

The Federal Election Commission has reported PAC contributions to federal candidates for the 1980 elections to be \$60.4 million (Jan. 1, 1979 - Dec. 31, 1980). That figure was nearly five times as great as the \$12.5 million in PAC contributions in 1974 and 1.5 times greater than the \$35.1 million level of 1978.⁷³

⁷¹Ibid., pp. 74-86.

⁷²Gary C. Jacobson, op. cit., p. 73.

⁷³Larry Light, "The Game of PAC Targeting: Friends, Foes and Guesswork," Congressional Quarterly Weekly Report 39 (Nov. 21, 1981): pp. 2267-2270.

TABLE 11

Electoral Competition and Individual Campaign Contributions to House Candidates, 1972-76, by Party and Incumbency Status

	Winner's Share of Adjusted Two-Party Vote in Last Election ^a				
	60.1% or more	55.1-60.0%	55% or less	Percent Change	
<u>1972</u>					
Incumbents					
Democrats	\$24,750 (109) ^c	\$29,535 (20)	\$44,600 (26)	+80.2	
Republicans	30,495 (69)	43,908 (38)	46,156 (34)	+51.4	
Challengers					
Democrats	9,119 (79)	22,521 (38)	36,054 (24)	+295.4	
Republicans	16,358 (112)	22,129 (21)	37,136 (22)	+127.0	
<u>1974</u>					
Incumbents					
Democrats	36,603 (102)	47,382 (28)	49,413 (30)	+35.0	
Republicans	61,556 (98)	77,750 (23)	87,294 (41)	+41.8	
Challengers					
Democrats	29,634 (107)	48,467 (24)	68,293 (31)	+130.5	
Republicans	8,995 (108)	24,287 (26)	26,721 (26)	+197.1	
<u>1976</u>					
Incumbents					
Democrats	43,798 (138)	66,838 (30)	75,072 (40)	+71.4	
Republicans	64,366 (48)	70,572 (31)	80,943 (42)	+24.4	
Challengers					
Democrats	14,914 (48)	20,573 (31)	29,660 (42)	+98.9	
Republicans	15,227 (138)	52,797 (30)	72,194 (40)	+374.1	
<u>Open Seats</u>					
<u>Candidates</u>					
<u>Party</u>	<u>Won</u>	<u>Lost</u>	<u>Won</u>	<u>Lost</u>	
<u>1972</u>					
Democrats	\$67,225 (12)	\$49,231 (16)	\$41,000 (10)	\$36,300 (7)	\$70,312 (17) +42.8
Republicans	58,453 (15)	38,115 (13)	68,288 (8)	62,200 (1)	76,413 (16) +100.4
<u>1974</u>					
Democrats	72,785 (17)	57,247 (14)	164,870 (5)	47,690 (6)	69,218 (10) +1.3
Republicans	66,537 (14)	36,020 (20)	61,901 (6)	72,337 (6)	64,935 (6) +80.2
<u>1976</u>					
Democrats	61,786 (28)	83,206 (5)	78,951 (4)	60,596 (6)	61,584 (7) -26.0
Republicans	53,531 (5)	43,029 (28)	75,419 (6)	61,970 (4)	98,695 (7) +129.4

Note: Includes candidates with major party opposition only.

^aThe figures have been adjusted for redistricting where necessary; cases for which this information was not available (twenty in 1972, two in 1974) were omitted.

^bPercentage change from least to most competitive category. For open seats, least competitive category was designated as that in which the party's candidate in the last election won less than 40 percent of the vote.

^cNumber of cases from which percentages were computed; the numbers do not match symmetrically for 1972 and 1974 because of adjustments to changes in district boundaries.

Source: Gary C. Jacobson, Money in Congressional Elections.

Spurred by the 1974 campaign finance law that limited individual contributions, PAC's have tripled between 1974 to 1979. In 1978, 1938 PAC's registered; for 1980 there were 2779 PAC's in operation, not counting political party affiliates. In 1980, congressional candidates received \$55.2 million from non-party PAC's, up more than a third from the \$35.1 million in 1978. The FEC has divided the PAC's into six categories which account for 90 percent of the \$60.4 million of all PAC contributions; they are Trade, Membership and Health, Labor and Corporate (see Table 12).⁷⁴

The majority of PAC money--nearly \$37.1 million--went to incumbents, with the remainder divided between the challenger and candidates for open seats (\$23.3 million). As can be seen, there is a strong pro-incumbent bias; but because of a heavily Democratic tilt among labor committees, the Democrats enjoy a \$36.6 million lead over Republicans in their fight for the PAC funds. While the Democrats do have an edge over the Republicans, the Republicans have closed this margin of disparity with corporate, trade and health organizations along with 'party contributions' over \$10,000.⁷⁵

The Democrats hold the lead in PAC funds because most are incumbents and as the majority party they hold leadership places and senior committee positions that do the most good

⁷⁴Ibid., p. 2268.

⁷⁵Ibid., p. 2269.

TABLE 12

1979-80 PAC Contributions to Federal Candidates
(in millions of dollars)

	Total Contri- butions	Party Affiliation		Candidate Status		
		Dems	Reps	Incum- bent	Chal- lenger	Open
Corporation	\$21.7	\$ 7.8	\$13.9	\$12.5	\$ 6.9	\$2.4
Labor	14.2	13.2	0.9	10.1	2.5	1.6
Unconnected Organizations	5.1	1.6	3.4	1.6	2.5	0.9
Trade, Membership, Health	17.2	7.6	9.6	11.2	4.0	2.1
Cooperatives	1.5	0.9	0.5	1.2	0.1	0.2
Corporations without Stock	<u>0.7</u>	<u>0.4</u>	<u>0.3</u>	<u>0.5</u>	<u>0.1</u>	<u>0.1</u>
Total	\$60.4	\$31.6	\$28.8	\$37.1	\$16.1	\$7.2

Note: Figures under "Party Affiliation" and "Candidate Status" do not always equal the total contribution due to rounding.

Source: FEC in Congressional Quarterly, Inc., Nov. 21, 1981, p. 2268.

for the interest groups. While looking at trends, the Republicans are catching up due to heavier contributions to GOP challengers by corporate and trade associations. In 1977-78 the GOP received 43.9 percent, although Democrats lead Republicans \$129.3 million to \$122 million, respectively. Accordingly there are no set standards for giving PAC money. The reasons are as diverse as the PAC's themselves, but much depends on the candidate's ideology, his standing in Congress, and internal PAC politics. Most PAC's say their primary job is to punish their enemies and reward their friends. Recently PAC's are trying to make some members more accountable by investing in the challenger in races they know they will lose.⁷⁶

⁷⁶Ibid., p. 2270.

The business PAC's use several standards in making their contributions. Ralph W. Kittle, Chairman of the International Paper Co., political action committee said that, his group "contributes on an incumbent's voting record and on the 'general qualities' of a non-incumbent."⁷⁷ The auto dealers look at how helpful they are in their committees; "We're looking especially for members who serve on key committees, and people who help is on the floor."⁷⁸ According to the Congressional Quarterly, business was not reluctant to contribute the maximum of \$10,000 to Republican challengers who were facing liberal Democrats.

Labor, on the other hand, has consistently stayed with the Democrats. Contributions made by the two biggest union PAC's Committee on Political Education (COPE) sponsored by the AFL-CIO and the United Auto Workers, consisted of \$833,200 to Congressional candidates in 1977-78; all but \$27,600 went to Democrats. The majority of this money went to moderate to liberal candidates from northern states, Democrats who supported key labor issues.⁷⁹

IDEOLOGICAL COMMITTEES

In the past couple of years we have seen an emergence of several ideological PAC's on both the Right and Left. The

⁷⁷Congressional Quarterly, Inc., "PAC: Major New Lobbying Weapon," Elections '80 (Washington, D. C.: Congressional Quarterly, Inc., 1980): p. 142.

⁷⁸Ibid., p. 142.

⁷⁹Ibid., p. 143.

'New Right' under the names of National Conservative Political Action Committee (NAPAC), Moral Majority, The Congressional Club, Citizens for the Republic, Fund for a Conservative Majority, Committee for the Survival of a Free Congress, and Americans for Change are some of the leaders among independent sources of ideological money. These groups clearly emphasize negative advertising campaigns to defeat liberal Democrats. Having a financial and technical advantage, the conservatives have raised \$6,156,974, through the help of Richard A. Viguerie's direct mail solicitations. However, a new generation of liberal political action committees are struggling to raise money in light of the advances of the Right. Under the names of National Committee for an Effective Congress (NCEC), Independent Action Fund for a Democratic Majority, the Committee for the Future of America, and Progressive Political Action Committee (PROPAC) had receipts of \$1,647,680 from January 1981 to June 30, 1981. They, too, use direct mail solicitations, and are targeting certain conservative Republicans using the same tactics as the conservative PAC's, that is, 'negative independent spending'. Plans in 1982 are to give each of its favored Democratic candidates the legal maximum of \$5000 for the primary and \$5000 for the general election. Table 13 gives the breakdown of money raised by both groups.⁸⁰

⁸⁰Larry Light, "New Liberal Money Groups Compete for Campaign Funds," Congressional Quarterly Weekly Report 39 (October 3, 1981): pp. 1905-1908.

TABLE 13

Receipts and Expenditures to Congressional Candidates
from Conservative and Liberal Political Action Committees

	1981 Receipts	1981 Expenditures
<u>Conservative Groups</u>		
Congressional Club	\$5,323,566	\$5,809,007
National Conservative PAC	4,143,132	4,224,109
Fund for a Conservative Majority	1,060,727	1,063,878
Citizens for the Republic Committee for the Survival of a Free Congress	1,049,680	927,839
Americans for Change	889,207	912,827
	336,863	330,106
<u>Liberal Groups</u>		
National Committee for an Effective Congress	\$972,863	\$1,029,430
Fund for a Democratic Majority	861,091	636,196
Independent Action Committee for the Future of America	684,282	673,100
Democrats for the 80's	678,469	399,219
Progressive PAC	600,108	287,249
	205,033	165,765

Source: Congressional Quarterly, Inc., Feb. 27, 1982, p. 482.

POLITICAL PARTIES

"Congressional candidates normally find that political parties are of surprisingly little help in their efforts to get elected. Not only are the parties organizationally feeble in most congressional districts, but they provide little in the way of financial assistance to their nominees."⁸¹ Fishell reports that "even in those counties where candidate recruitment is tightly controlled by organizations which approximate

⁸¹Gary C. Jacobson, op. cit., p. 89.

the stereotype 'machine', candidates are normally expected to develop much of their own resource base."⁸² He quotes one challenger as saying, "If I hadn't been able to guarantee that I could gain financial backing, I would have been passed over." Democratic candidates receive far less financial support from party organizations than their Republican opponents. The reason the Republicans have this advantage is that those who identify with the party are in the upper socioeconomic ranks. Not only are they able to help financially, but there is a high correlation between the upper socioeconomic class standing and a willingness to contribute. Identification tends to run towards the party rather than to the candidate. The results are that the Republicans are able to centralize their resources, through fund raisers and contributors that identify with the party itself and disburse the funds according to priorities.⁸³

For Democrats, the resources are scattered. Incumbency is the foremost fund raising resource that must be shared with party organizations in exchange for party commitments to help their campaign. The party's main ally is labor, but labor generally is at arms length with the party, contributing to individual candidates personally. The party itself does not attract ideological supporters who are capable of large financial contributions, nor can it easily summon a corps of men

⁸²Jeff Fishel, Party and Opposition: Congressional Challengers in American Politics (New York: David McKay Company, Inc., 1973), p. 100.

⁸³David W. Adamany, Campaign Finance in America (North Scituate, Mass.: Duxburg Press, 1972), p. 160.

who have the personal resources to be effective fund raisers. As can be seen in Table 14, Republicans receive more money from their party sources than Democrats, but neither receive more than 20 percent of the gross receipts in any year or category.⁸⁴

The national committees, rather than the counties, finance the bulk of congressional elections. According to the Congressional Quarterly, by the end of September, 1980, the Democratic Congressional Campaign Committee had spent \$333,244 towards a projected \$750,000 by November. The Republicans, by contrast, expended \$1,982,150 with projected figures at \$3 million by November. The average expenditure by the Republicans was \$5,255, compared to the Democrats \$2,442 per candidate. The Republicans focus on what they believe are vulnerable Democratically held seats, while experimenting with giving primary financing to contenders deemed good general election material by the National Republican Congressional Committee. The Democrats' strategy is defensive, while trying to pick up marginal Republican held seats. The Democrats do not give money to primary candidates, although in the November election the DNC gives money according to "marginality of (an incumbent) Republican or financial need."⁸⁵ Both the Republicans and Democrats give proportionately the same percentages; 60 percent went for incumbents with the rest divided between open seat

⁸⁴ Ibid., p. 161.

⁸⁵ Larry Light, "Republican Groups Dominate in Party Campaign Spending," Congressional Quarterly Weekly Report 38 (Nov. 1, 1980), pp. 3234-3236.

TABLE 14

Average Party Contributions to House Candidates 1972-1976

	<u>Party Contributions</u>	<u>Percent^a</u>
<u>1972</u>		
Incumbents		
Democrats	\$ 4,581	8.2
Republicans	7,933	13.0
Challengers		
Democrats	1,833	6.1
Republicans	6,130	19.5
Open Seats		
Democrats	4,064	4.2
Republicans	12,003	13.5
All Candidates		
Democrats		6.7
Republicans		16.1
<u>1974</u>		
Incumbents		
Democrats	1,076	1.9
Republicans	4,565	5.2
Challengers		
Democrats	588	1.0
Republicans	1,636	8.0
Open Seats		
Democrats	1,277	1.2
Republicans	9,890	12.3
All Candidates		
Democrats		1.4
Republicans		7.4
<u>1976</u>		
Incumbents		
Democrats	3,952	4.5
Republicans	8,897	8.4
Challengers		
Democrats	3,053	6.7
Republicans	8,459	15.3
Open Seats		
Democrats	4,109	2.9
Republicans	14,320	14.0
All Candidates		
Democrats		5.0
Republicans		12.9

Note: Includes candidates with major party opposition only.

^aPercentage of all contributions.

Source: Gary C. Jacobson, Money in Congressional Elections, pp. 78-79.

seekers and challengers. Table 15 gives the breakdown according to party.

McKeough also found that both parties contributed more frequently, and in larger sums, to safe incumbents than hopeless challengers.⁸⁶ Marginal incumbents received money more frequently, and in larger amounts, than marginal challengers. He also found that parties give significantly more when competition is tight.

INDIVIDUAL SPENDING BY CANDIDATES

A final source of campaign funds is from the candidate himself. Statistically, non-incumbents contribute more to their campaign than incumbents, and when the district becomes more marginal or where there is an open seat, the challengers are generally more willing to spend their own money. Proportionately, in the least marginal races receipts from the challengers are the greatest because of their inability to attract funds from contributors.⁸⁷

CONCLUSION

Both Democrats and Republicans receive a large amount of their war chest from individual contributions. The sources for these funds, however, differ for each of the two parties.

⁸⁶Kevin L. McKeough, Financing Campaigns for Congress: Contribution Patterns of National Level Party and Non-Party Committees (Princeton, N. J.: Citizens' Research Foundation, 1970), p. 46.

⁸⁷Gary C. Jacobson, op. cit., p. 97.

TABLE 15

Election Spending by Political Parties
(Jan. 1, 1979, through Sept. 30, 1980)

	Receipts	Amount Spent On Federal Candidates	Amount Spent On Federal Candidates 1977-78	Open	Chall- engers	Incum- bents	Number of Candidates	Average Amount Spent Per Candidate
<u>REPUBLICANS</u>								
National Republican Senatorial Committee	\$10,444,980	\$3,275,887	3,055,400	33.2%	59.8%	7.0%	35	\$93,596
National Republican Congressional Committee	11,952,900	1,981,150	2,656,845	20.3	18.8	60.9	261 ¹	5,255
Republican National Committee	34,013,804	581,792	1,242,225	32.2	54.5	13.3	97	5,998
<u>DEMOCRATS</u>								
Democratic Senatorial Campaign Committee	438,958	363,000	427,000	11.0	14.2	74.8	26	\$13,961
Democratic Congressional Campaign Committee	1,383,211	334,244	537,438	21.2	18.9	59.9	138	2,442
Democratic National Committee (Democratic Services Corp.)	6,015,352	374,174	133,129	22.3	20.9	56.8	56	6,682

¹Figures based on reports filed through Aug. 30; report for Sept. 1980 was incomplete

The Democrats emphasize patronage, program and ideology, especially in winning labor endorsements. Democrats also rely heavily on the rank and status of incumbency, while using personal wealth and credit of candidates when the party is out of power.

The Republicans, on the other hand, consider program and ideology as being the most important. They claim to support society's upper socioeconomic ranks--particularly those in finance, commerce, and industry--who want conservative policies and that have the ability to make political contributions.

An overview of the data presented suggests that incumbency and competitiveness have a great impact on how money is raised. Challengers in the least marginal races receive the smallest amounts. Incumbents in close races and candidates for open seats receive the most.

⁸⁷Congressional Quarterly, Inc., op. cit., p. 124.

CHAPTER III

THE FULL MODEL

This thesis replicates Gary C. Jacobson's analysis of the relationship between spending and congressional election results using data from the 1980 congressional elections. Jacobson specifically has stated, "spending by the challenger has a substantial impact on election outcomes, whereas spending by incumbents has relative little effect" in congressional elections.⁸⁹ With this in mind the research variables will be explained.

NON-INCUMBENT CAMPAIGN FUNDS

The most important factor affecting how much a non-incumbent will raise is the expectation of his chances of winning. According to Dawson and Zinsen, the participation motives of contributors, which they have coined as "investment motives," look for the apparent certainty of electoral result of a candidate.⁹⁰ This rational investor will look at the future reward or benefit, weighing the element of

⁸⁹Gary C. Jacobson, op. cit., p. 101.

⁹⁰Paul A. Dawson and James E. Zinsen, "Political Finance and Participation in Congressional Elections," The American Academy of Political and Social Sciences Vol. 425 (May, 1976), pp. 59-73.

risk, which should decrease if the probability of election is certain.⁹¹

A major factor in this consideration is whether or not the challenger is opposing an incumbent. As was stated in Chapter I, there are more 'marginal' outcomes in non-incumbent districts (open seats) than in districts with an incumbent running. As Mayhew has pointed out, open seats have become more competitive over time, but this same weakening of partisanship that put these people in office may in turn make it easier for a candidate with a locally weak party to win open seats. As was seen by the figures in Chapter I, open seats tend to attract more money, with nearly all of it spent on the election.

Another key variable, other than the ability to raise money, that has a strong impact on the election is the quality of the candidate and his popular appeal. At one extreme, the financiers will induce a likely prospect to run; on the other hand, some financiers feel lucky to get on a bandwagon of a popular person who can't be stopped. Such an available candidate who does have these qualities will, by definition, attract financial support.⁹²

To qualify the definition of a good candidate is to objectively measure the variety of characteristics that make up these 'quality candidates'. This in itself would be hard,

⁹¹Ibid., p. 72.

⁹²Alexander Heard, op. cit., pp. 318-343.

if not impossible; so for expedience of measurement, these qualities will be determined by "previous electoral experience."⁹³ Candidates who have run for office and won "have valuable experience and contacts as well as some minimal skill in dealing with an electorate. . . and non-incumbent congressional candidates who have previously won elective office do raise significantly more money than those who have not. . . these good candidates run selectively, that is, when conditions suggest that their chances of winning are better."⁹⁴

Table 16 lists the percentages of challengers that have held prior office before running for Congress. About half are considered good candidates, by this criterion, who run for open seats. These figures show that the percentage running for open seats is twice the proportion challenging incumbents. So it may be stated that "well-qualified, well-financed challengers oppose incumbents who seem vulnerable, either because of the partisan composition of their districts or because of national partisan swings."⁹⁵ These national trends in effect, influence the amount of money that is made available to non-incumbents; the 1974 elections

⁹³Gary C. Jacobson, op. cit., pp. 107.

⁹⁴Ibid., p. 107.

⁹⁵John R. Johannes and John C. McAdams, "The Congressional Incumbency Effect: Is It Casework, Policy Compatibility, or Something Else? An Examination of the 1978 Elections," American Journal of Political Science 25 (Aug. 1981), pp. 523.

TABLE 16
 Percentage of Challengers That Have Held Prior
 Office Before Running For Congress

	Democrats		Republicans		Total	
Challengers						
1972	21.5	(144) ^a	21.7	(175)	21.6	(319)
1974	38.3	(162)	12.6	(159)	25.5	(321)
1976	29.5	(122)	16.9	(207)	21.6	(329)
Candidates For Open Seats						
1972	41.4	(58)	51.7	(58)	46.6	(116)
1974	54.7	(53)	49.1	(53)	51.9	(106)
1976	60.0	(50)	38.1	(50)	59.0	(100)

Note: Includes candidates with major party opposition only.

^aNumber of cases from which percentages were computed.

Source: Congressional Quarterly Weekly Reports, Special Pre-election Editions, 1972, 1974, and 1976.

brought out a large amount of experienced Democrats while 1972 saw more experienced Republicans.

National tides also have an effect on individual congressmen, along with the state of the economy and Presidential coattails. But there are certain precautions that each incumbent may take to influence the probability that a serious and well-financed challenge does not take place. One precaution is to keep the winning margin in the last election as high as possible; this will dampen serious competition in the future. Incumbents become targets when they do not reflect district sentiments. Policies that offend local groups with national ties invite trouble.

Similarly, an incumbent who fails to use his perquisites to "communicate with constituents, or has lapses in personal morality, advanced age, signs of ill health or senility can suggest that he is losing his grip on the district and is ready for defeat".⁹⁶

To recapitulate: the ability of the challenger to raise money depends on the particular election year, electoral margins, and the behavior or lack of specific incumbent factors. If a challenger can use his experience coupled with political contributions, a serious battle may ensue even with the most entrenched candidate.

INCUMBENT CAMPAIGN FUNDS

It has been suggested by William Welch⁹⁷ and Gary Jacobson⁹⁸ that the more an incumbent spends, the worse he does in the election; there is a "threshold beyond which money cannot be effectively used by a candidate to overcome the advantage (whatever it may be) of his opponent."⁹⁹ Thus the incumbent gauges his spending on the level of spending by the challenger, which, in turn, reflects on his solicitation of funds. But, as discussed above, the incumbent can encourage or discourage good candidates from mobilizing such resources.

⁹⁶Gary C. Jacobson, op. cit., p. 110.

⁹⁷William P. Welch, "The Economics of Campaign Funds," Public Choice (1974), pp. 83-97.

⁹⁸Gary C. Jacobson, op. cit., p. 105.

⁹⁹William P. Welch, op. cit., p. 92.

Our basic objective is to better understand the effect of money, with a number of other factors, on the vote. From the candidate's perspective, the campaign is essentially the process of acquiring, converting and expending resources to reflect in votes. If we are to fully understand the vote, we need to develop a model that takes into consideration the full range of resources used by the candidates. But by doing this, we would construct a model too complex to ascertain how each variable intertwines with another and the effect that each would have on another.¹⁰⁰

Among resources, money is thought of as a special value because it can be converted into other resources. Because of its liquidity, the amount spent is a bellweather on the many other resources used by a candidate. Yet there are other factors that have an impact on the vote that are less directly related to money.

So the argument that incumbents can adjust their fund-raising and spending abilities is an important statement on how money works in congressional elections and how it can be used in reforming congressional campaign finance regulations.

¹⁰⁰ John P. Owens and Edward C. Olson, "Campaign Spending and the Electoral Process in California 1966-74," Western Political Quarterly 30 (1977), p. 493.

In the present study multiple regression analysis will be used to produce a predictive model that will provide estimates of the effects of a variety of independent variables on the challenger's vote and the level of spending by an incumbent in 209 congressional districts in the 1980 election. These variables are:

1. CV = Challenger's share of the two-party vote.¹⁰¹
2. IE = Incumbent's expenditures, in dollar amounts.
3. CE = Challenger's expenditures, in dollar amounts.
4. P = Challenger's party (1 if a Democrat, 0 if a Republican). This variable serves chiefly as a control on short-term national trends towards favoring one party or another in any one election year (this is expected to affect a candidate's money-raising ability).

5. CPS = Challenger's district party strength, measured by the vote percentages won by the challenger's party's last candidate for the office. This particular variable approximates the normal vote in which the relationship between party affiliation and vote (which is well documented by the University of Michigan's survey research center's 1950's and 1960's study on the normal vote) is controlled for. As in the case of the challenger's party, the challenger's party strength can also influence the candidate's ability to raise money as well as the vote.

¹⁰¹The data for each of the variables are taken from Michael Barone and Grant Ujifusa, The Almanac of American Politics 1982 (Cambridge, Mass.: Fine Print and Production, Inc., 1982).

6. IP = 1 if incumbent ran in a primary, 0 if not. This dummy variable represents additional spending for the incumbent that will be reflected on the data, and must be controlled for.

7. YRS = Number of consecutive years of House service. We must recognize advantages derived from length of service that translate into more experience and effectiveness in using the resources available to him. With this in mind the best way to operationalize incumbency is by the number of years he served since it is a more precise measure that is sensitive to change.¹⁰²

8. L = 1 if the incumbent is a Chairman or ranking member of a subcommittee or holds a high leadership position in the House, 0 otherwise. The raising of political issues in the legislative arena, which increase legislative discretion, for the most part, is in the hands of committee chairmen and majority and minority leaders. They stand to receive more contributions than other legislators. The greater the incumbent power, the more contributions are available to him.¹⁰³

THE STATISTICAL ANALYSIS

In multiple regression analysis, linear equations are produced in the following form:

$$CV = a + b_1CE + b_2IE + b_3P + b_4CPS + e \quad (I)$$

¹⁰²John R. Owens and Edward C. Olsen, op. cit., p. 493.

¹⁰³William P. Welch, op. cit., pp. 83-87.

The CV term stands for the value of the dependent variable, which is the challenger's vote. Challenger expenditures, incumbent expenditures, party, challenger's party strength, (CE, IE, P, CPS) are the independent variables or predictor variables. The 'b' represents the best fitting 'least squares' estimate of the changes in the dependent variable associated with one unit change in the given independent variable. The 'a' term or intercept is simply the predicted 'y' value when all of the independent variables are at zero value. The 'e' term is the difference between the actual 'y' value and the predicted 'y' value.¹⁰⁴

We will be looking at each independent variable in relation to a standardized regression coefficient which is referred to as a beta weight. Working with beta weights enables one to simplify the regression equation since the constant 'a' is set at zero. This allows one to compare the relative effects of two or more independent variables measured on different units. Stated another way, standardized coefficients provide a way to compare the effect on the dependent variable that each independent variable has on it.¹⁰⁵

The first hypothesis to be tested is that money is more important to challengers than it is to incumbents in congressional elections. The results are presented in Table 17.

¹⁰⁴Michael S. Lewis-Beck, Applied Regression (Beverly Hills: Sage University Press, 1980).

¹⁰⁵Norman H. Nie, et. al. Statistical Package for the Social Sciences (New York: McGraw-Hill Book Company, 1975).

TABLE 17
Effects of Campaign Spending in House Elections,
1980 Estimates
Equation I

		Regression Coefficient	Significance Level	Standardized Regression Coefficient
Challenger's Vote	= a	15.34	.00	
Challenger's Expenditures	= b ₁	.000027	.00	.374
Incumbent's Expenditures	= b ₂	.0000059	.23	.071
Party	= b ₃	-2.57	.02	-.116
Challenger's Party Strength	= b ₄	.4602	.00	.481
	R ² =	.598		
	Significance =	.000		
	No. of Cases =	209		

We find that the results substantiate Jacobson's findings that the election outcome was affected more by the challengers' expenditures than by the incumbents' spending. For the 1980 election the challenger is expected to gain .27 percent of the vote for every \$10,000 he spends. The gain is not as great as Jacobson's 1.0 percent for every \$10,000 spent, but the equation used here did not take into account high rates of inflation in the late 1970's, as he did.

Incumbent expenditures also had a positive impact on the challenger's vote, although the effect is very limited.

Jacobson observed a very weak negative relationship. Although the sign of the coefficient is important, its lack of statistical significance is of greater interest. My results indicate that incumbent spending has no appreciable effect on the electoral outcome. One such factor responsible for this lack of significance is that incumbents generally are known before the campaign begins. Consequently, money spent by the incumbent during the election may do little to increase his name recognition and chance of victory. On the other hand, challengers must bring their name and issue position before the electorate during the campaign, enabling them to make better use of campaign finances. Mann's research produced suggestive findings that "most incumbents amass an early lead over their challengers based on an overwhelming advantage in public visibility; this lead narrows as the challenger's candidacy begins to penetrate the electorate's consciousness, but is usually sufficiently large enough to insure victory in November."¹⁰⁶

In the other control variables, Republican challengers typically received an additional 2.57 percent of the two-party vote; district party strength, which was calculated by the challenger's party's candidate in the last

¹⁰⁶Thomas Edward Mann, "Candidate Saliency and Congressional Elections" (Ph.D. dissertation, University of Michigan, 1977), p. 107 in Gary C. Jacobson, Money in Congressional Elections (New Haven: Yale University Press, 1980), p. 156.

election had a substantial positive effect, as it did in Jacobson's study, on the election. All four variables explain about 60 percent of the variance in the outcome of House elections.

The next hypothesis to be tested is that incumbents are able to adjust their fund raising and spending according to the perceived threat of the challenger.¹⁰⁷ The equation is as follows:

$$\begin{aligned} IE = a + b_1CE + b_2P + b_3CPS + b_4IP + b_5YRS \\ + b_6PO + b_7L + e \end{aligned} \quad (II)$$

By analyzing the standardized regression coefficients in Table 18, we find that the challenger's expenditure variable exerts a positive influence on the dependent variable and explains by far the most variance in the equation, $\beta = .45$. This conclusion parallels Jacobson's findings on the 1972, 1974, and 1976 congressional elections in that it, too, was the major positive explanatory factor on how the incumbents raise and spend money. Other findings such as the 1966-74 study done by Owens and Olson have the same conclusions. Furthermore, Table 18 ranks Challenger's Party Strength (CPS) as second in influence while the Party variable (P) is third and Prior Office (PO) fourth with all of them being positive and significant at the .05 level. The variables work as expected according to the electoral threat the challenger

¹⁰⁷Gary C. Jacobson, op. cit., p. 114.

TABLE 18
 Determinants of Campaign Spending by House Incumbents
 1980 Estimates
 Equation II

		Coefficient	Significance Level	Standardized Regression Coefficient
Incumbents Expenditure	= a	46661.	.14	
Challenger's Expenditure	= b ₁	.398	.00	.455
Party	= b ₂	39660.	.01	.147
Challenger's Party Strength	= b ₃	1828.	.02	.158
Incumbent Primary	= b ₄	17521.	.29	.061
Years	= b ₅	-1707.	.20	-.099
Prior Office	= b ₆	32850.	.05	.117
Leadership	= b ₇	6251.	.14	.023
		R ² = .40		
		Singificance = .000		
		No. of Cases = 209		

poses. For example, if the challenger's party's vote in the last election was high, if the challenger held prior elective office or if he was a Democrat in 1980, the incumbent spent more. The longer an incumbent has been in office, the less he spent; however, according to the data presented here, if he was a chairman or ranking member, he spent more. This

should be expected because of the "New Right" campaign against the Democratic house leadership in 1980 congressional elections.

The results of the two regressions stated previously are only tentative, since the connection between spending and votes may be reciprocal. In other words good candidates may attract both money and votes, rather than money attracting the votes for the candidate. Also "votes and expenditures may vary together because more money is contributed to candidates who are expected to do well."¹⁰⁸ The direction of causation goes in two directions; the amount spent by the incumbent affects the outcome of the election and the perceived outcome affects the incumbent's ability to raise and spend money. Hence, a simple single equation model specifying incumbent expenditures as a function of challenger's expenditures, party, challenger's party strength, incumbent's primary, years, prior office and leadership is incomplete. Therefore the following relationships are hypothesized:

$$CE = f(P, CPS, PO, YRS, EV)$$

$$IE = f(P, CPS, PO, YRS, IP, EV, CE)$$

$$CV = f(CE, IE, P, CPS)$$

$$EV \sim CV$$

where EV = expected challenger's vote.

¹⁰⁸ Ibid., p. 136.

The challenger's vote is a function of both challenger's and incumbent's expenditures. However, the expenditures of both challenger and incumbent are influenced by the expected vote of the challenger, which is approximated by his actual vote. Hence the reciprocal relationship: expenditures affect the vote while the vote influences the expenditures.

If this hypothesis is true, then the coefficients estimated earlier in the simple linear regressions are biased and inconsistent. A biased estimate calculated from a sample would not be expected to be equal to the true coefficient of the population. An inconsistent estimate would imply that a large sample would not yield a more accurate estimate.¹⁰⁹ To correct these problems, the true coefficients must be estimated by a simultaneous equation system.

When one or more endogenous variables are included as independent variables in the system, these endogenous variables may be correlated with the error term. An endogenous variable is one whose value must be explained or predicted by the model. In this case challenger's expenditure, incumbent's expenditure and challenger's vote are endogenous since their values are predicted by the equations in the model. An exogenous variable need not be explained since it is determined outside of the model and is fixed when the

¹⁰⁹ Teh-Wei Hu, Econometrics: An Introductory Analysis (Baltimore: University Park Press, 1973).

endogenous variables are known. In this case, party, challenger's party strength, prior office, years and incumbent primary are exogenous variables uncorrelated with the error term so the ordinary least-squares can then be applied to yield consistent estimates of the b's. The estimation method chosen is two-stage least-squares, since the system is overidentified according to the order condition of identifiability or counting rule (it must be just identified or overidentified to be acceptable for two-stage least squares). That is, for each equation the number of exogenous variables not included in the equation (K) exceeds the number of endogenous variables that are included (M) minus one. For example, in the first equation, there is one exogenous variable, incumbent primary, that is not included in the equation. Only one endogenous is included, namely, challenger's expenditures. Therefore, $K = 1$ and $M = 1$, so $K > M - 1$ and the first equation is overidentified; this is the minimum test of acceptability. Two-stage least-squares simply applies ordinary least-squares in succession. For the model at hand, the parameters of the challenger's expenditure and incumbent's expenditure equations are estimated by ordinary least-squares. The results obtained are used to compute estimates of the challenger's expenditures and incumbent's expenditures, which are then utilized to estimate the parameters for the challenger's vote equation by ordinary least-squares.

The equations are as follows:

$$\begin{aligned} \text{NCE} = & a + b_1P + b_2\text{CPS} + b_3\text{PO} + b_4\text{YRS} \\ & + b_5\text{IP} + e \end{aligned} \quad (\text{III})$$

$$\begin{aligned} \text{NIE} = & a + b_1P + b_2\text{CPS} + b_3\text{PO} + b_4\text{YRS} \\ & + b_5\text{IP} + e \end{aligned} \quad (\text{IV})$$

$$\begin{aligned} \text{CV} = & a + b_1\text{NCE} + b_2\text{NIE} + b_3P + \\ & b_4\text{CPS} + e \end{aligned} \quad (\text{V})$$

The first step is to regress the endogenous explanatory variables, here referred to as New Challenger's Expenditures and New Incumbent Expenditures, as a function of all of the exogenous variables and obtain estimates of the b's. These b's are then used to calculate estimated Challenger's Expenditures and Incumbent's Expenditures; these estimates are purged of their correlation with the error term. Consequently, these estimated Challenger's Expenditures and Incumbent's Expenditures can be used to obtain consistent (although not unbiased) estimates of the parameters (b's) for the Challenger's Vote equation.

The results obtained by this methodology are presented in Table 19. The two-stage least-squares results are not dramatically different than those obtained with simple ordinary least squares. Excluding challenger's expenditure, the challenger's party strength, prior office, and party were the most important determinants of incumbent's expenditure in both regressions. Once again, this is because the incumbent gauges his spending according to the perceived

TABLE 19

Effects of Campaign Spending in House Elections,
1980 Estimates
(Two-Stage Least Squares)
No. of Cases 209

		Regression Coefficient	Significance Levels	Standardized Regression Coefficient
R ² = .25 Sig. .000	New Incumbent Expenditures = a	11058	.74	
	Party = b ₁	26994	.12	.100
	Challenger's Party Strength = b ₂	3868	.00	.334
	Prior Office = b ₃	67662	.00	.241
	Years = b ₄	-1582	.17	-.093
	Incumbent Primary = b ₅	23013	.21	.079
R ² = .28 Sig. .000	New Challenger Expenditures = a	95706	.01	
	Party = b ₁	-29689	.13	-.096
	Challenger's Party Strength = b ₂	5217	.00	.394
	Prior Office = b ₃	86446	.00	.269
	Years = b ₄	-269	.84	-.013
	Incumbent Primary = b ₅	13767	.51	.042
R ² = .49 Sig. .000	Challenger's Vote = a	19	.00	
	New Challenger's Expenditures = b ₁	.000069	.12	.503
	New Incumbent Expenditures = b ₂	-.000032	.54	-.194
	Party = b ₃	-.198	.95	-.009
	Challenger's Party Strength = b ₄	.389	.00	.407

threat that the challenger poses. This threat should be greater if the challenger held prior office or if his party is strong in the district. Also, all coefficients had the same signs in both regressions. Of course, the R^2 is lower in the two-stage least-squares because challenger's expenditure is not included.

Challenger's expenditures were also found to be greatly influenced by challenger's party strength and prior office. Challengers that have held prior office are more likely to have the connections and minimum abilities necessary to garner campaign contributions. Also because of district party strengths, more money would be available to a challenger running in a "friendly" district.

In both regressions (simple linear and two-stage least squares), challenger's party strength and challenger's expenditures were found to be the most important determinant of the challenger's vote. However, the two-stage least-square analysis did not yield a significant relation for challenger's expenditure. Likewise, as expected, incumbent's expenditures were not found to be significant. However, the two-stage least square results indicate spending by the challenger to be more effective, with \$10,000 yielding an additional .69 percent of the vote. Increased expenditure by the incumbent of \$10,000 decreases the challenger's vote by .32 percent giving a net impact of .34 percent gain for the challenger. These results still show campaign spending to be less effective than Jacobson's study.

A problem with the results is severe multicollinearity between challenger's expenditure and incumbent's expenditure. Multicollinearity exists when two or more independent variables are highly correlated. It may cause a variable to appear to be insignificant when, in fact, it is significant. This is to be expected since it has been hypothesized that incumbent spending is a direct reaction to spending by the challenger. This could be responsible for the lack of significance of challenger's expenditure upon challenger's vote. One way to deal with this problem is to drop one of the correlated independent variables from the analysis. This was done and the results are presented in Table 20. In this case, both challenger's expenditure and challenger's party strength were found to be significant determinants of the challenger's share of the vote. Once again, Republican challengers had no significant advantage over their Democratic counterparts.

CONCLUSION

In conclusion, it has been determined that incumbent candidates spending habits are strongly affected by the expenditures of their challengers. It follows, then, that challenger's expenditures are more important in determining the outcome of the election. In equation I, my results substantiate Jacobson's findings that the election outcome was primarily affected by the challenger's expenditures. However, the increase in the challenger's vote attributed to an increase in spending was only .27 percent for every \$10,000 in my study, compared to 1.0 percent in Jacobson's work.

TABLE 20
 Effects of Challenger's Campaign Spending in
 House Elections 1980
 (Second-Stage Equation Omitting New Incumbent
 Expenditures; No. of Cases 209)

		Regression Coefficient	Significance Level	Standardized Regression Coefficient
Challenger's Vote	= a	17	.00	
New Challenger's Expenditure	= b ₁	.000043	.00	.316
Party	= b ₂	-1.845	.15	-.083
Challenger's Party Strength	= b ₃	.390	.00	.408
		R ² = .48		
		Significance = .00		

In regard to equation II, my results parallel Jacobson's in that challenger's expenditures are the most important determinant of incumbent's expenditures. Also, both studies indicate that the longer an incumbent has been in office, the less he spends; chairmen and ranking members tend to spend more.

Like Jacobson, the results of my two-stage least-square regression do not differ dramatically from the ordinary least-squares. In my analysis equations III, IV, and V, challenger's expenditure and challenger's party strength were found to be the most important determinant of the challenger's vote. Jacobson found this to be the most

important determinant of the challenger's vote. Jacobson found this to be true in the 1972 election. However, in the 1974 election, he found challenger party strength and party to be the most significant independent variables while in 1976 challenger expenditures and incumbent expenditures were the most important. It appears as though there is no single variable that consistently explains the challenger's party vote.

When incumbent's expenditures are excluded from the analysis due to multicollinearity, my results indicate that challenger's party strength is the most significant determinant of challenger's vote, followed by challenger's expenditure. This is consistent with Jacobson's 1972 and 1976 results. However, his 1974 results found party to be the most significant independent variable, followed by challenger's expenditure.

In general, challenger's expenditures tend to be a significant determinant of the challenger's vote. Yet, expenditures do not yield large changes in the vote totals of the challenger. My study indicates that challengers gain less than 1 percent of the vote for every \$10,000 they spend, while Jacobson found a gain of about 1 percent or even slightly more.

With less than 1 percent of the vote gained for every \$10,000 spent by the challenger, it becomes clear that elections are not likely to be competitive unless

they are adequately financed. A conservative figure would be around \$250,000 for a full-scale House election. If competitive elections are a part of the democratic process then we must seriously consider public financing of elections.

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