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Corporate PAC Campaign Contributions in Perspective

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ABSTRACT *There is a vast empirical literature on the allocation of corporate PAC contributions in Congressional elections and the influence that these contributions have on the policy-making process. The attention given to PAC contributions is far in excess of their actual importance. Corporate PAC contributions account for about 10% of Congressional campaign spending and major corporations allocate far more money to lobbying or philanthropy than their affiliated PACs make in contributions.*

1. Introduction[1]

Campaign contributions from political action committees (PACs) are often portrayed in the media as the functional equivalent of bribes. In particular, corporate PAC contributions are described in the popular press as being 'generously ladled out' in order to buy subsidies and tax breaks.[2] The director of the National Association of Business PACs, Steven Stockmeyer, has even claimed that business PACs receive a higher proportion of negative media coverage (98.4%) than did the Oklahoma City bomber, Timothy McVeigh.[3] The jaundiced public perception of PACs is further bolstered by popular accounts that relate lurid anecdotes and compile descriptive statistics consistent with the claim that corporate PAC contributions buy legislation.[4] It is no surprise then, that a recent opinion poll by the Center for Responsive Politics revealed that most respondents support an outright ban on PAC contributions.[5]

Much of this mistrust of PACs is attributable to ignorance; for example, the same poll cited above also revealed that just 41% of respondents were aware that contributions to candidates are limited by existing laws, while only 4% of respondents knew that current law already prohibits corporate contributions to candidates. Indeed, this is a manifestation of a more general phenomenon: there is a dearth of systematic and consistent evidence to support the conventional wisdom that money plays a dominant and nefarious role in American politics.[6] The familiar mantra of reform, which advocates that corporate PAC contributions are bribes, is therefore a simplistic and exaggerated view that plays on this public ignorance. As a tactic of public debate, hyperbolic analogies are to be expected; however, the academic

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literature on campaign finance has done a disservice to the public policy debate—and to the general advancement of knowledge—by too often taking as self-evident that PAC contributions are highly valuable to the recipient and donor alike.

Simply put, PAC contributions are not the only route by which interested money might influence policy makers and, given existing limits on the size of PAC contributions, neither are they the most likely route. The very idea of building a majority coalition by buying off individual members of Congress (a group not renowned for their fidelity or trustworthiness) with small campaign contributions and without an explicit contracting mechanism, as all the while competing interests work at counter purposes, sounds something akin to herding cats. In contrast, unlimited donations to issue advocacy campaigns or political parties (soft money), would seem a more straightforward means to buy political favors from party leaders, who in turn can then wield the levers of party influence to deliver on promised favors. Nevertheless, PAC contributions have been and remain the primary focus of the empirical literature on campaign contributions.

The inordinate attention given to PAC contributions is essentially an exercise in 'looking under the lamppost'; data on contributions are readily available and PACs are easily linked to their corporate or industry sponsors. It is therefore a straightforward endeavor to explore statistical relationships between corporate or industry PAC contributions and the committee assignments or roll call votes of legislators. Indeed, political economists have conducted a myriad of such studies. This literature provides ample evidence that PAC contributions can be understood 'as if' they were bribes. For example, it is well-established that PAC contributions flow disproportionately to incumbent office holders, majority party members, members of powerful committees and to members on committees with jurisdictions relevant to the PAC sponsor.[7] Similarly, firms and industries that are more highly regulated are more likely to form PACs and provide more aggregate PAC contributions than other firms or industries.[8] But there remains one lacuna in this empirical literature: relatively little attention has been devoted to the substantive importance of PAC contributions to either candidates or donors. In short, political economists have expended admirable effort in demonstrating that PAC contributions are a form of 'interested money', but have largely neglected the question 'how interested?' We argue that the appropriate answer to this question is 'not very'.

We first describe the rules governing the flow of interested money into politics and present some basic facts about PAC contributions. We then discuss the way in which interested money is thought to influence policy. Finally, we argue that PAC contributions are not particularly valuable to either candidates or corporate sponsors. Regarding this latter point, we exploit the recent disclosure of lobbying expenditure data to demonstrate that corporations spend an order of magnitude more on lobbying activities than they do on soft money contributions or than their affiliated PACs spend in campaign contributions. Further, corporations spend several orders of magnitude more on philanthropic activities. For these reasons, we suggest that corporate PAC contributions are a far less important phenomenon than has been previously understood.

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2. What is a PAC contribution?

The current federal regulations governing PAC contributions were established in 1976, in the wake of the landmark Supreme Court decision, *Buckley v. Valeo*.[9] Current law allows corporations, unions and interest groups to form political action committees (PACs) and pay for operating expenses, but all campaign contributions from PACs must be funded by donations from individuals, parties or other PACs; contributions made by parties must come from the same three sources. Consequently, all 'hard money' campaign contributions must derive from individuals. These campaign contributions are subject to strict limits: individuals may give $1000 to a candidate (per election), $20,000 to a national party committee and $5000 to a PAC, up to a $25,000 annual limit on aggregate campaign contributions; PACs may give up to $5000 to a candidate (per election).[10] Further, these limits have never been adjusted for the effects of inflation, so in real terms they have become more restrictive with each passing year.

In contrast to limited hard money, political parties or interest groups may also raise 'soft money' for activities that are not directly related to Federal campaigns, such contributions are not limited. Soft money donations may come from any non-foreign individual or group, but these funds may not be used to expressly advocate for or against a candidate.[11] Of course, parties and interest groups may use soft money in ways which are close substitutes for campaign spending (e.g., generic issue advocacy or get-out-the-vote advertisements), or they can transfer soft money among the several state and federal party organizations in order to free up more hard money for direct campaign contributions.[12]

Generic issue advocacy advertisements by non-party organizations are often mistakenly referred to as 'independent expenditures'; however, independent expenditures are defined by federal law to be campaign expenditures made by non-candidates on behalf of (or against) candidates for federal office.[13] The distinction is important: funds raised for independent expenditures are subject to the same hard money contribution limits described above; issue advocacy is completely unregulated, so it is not known how much money is used for issue advocacy. Consequently, it is difficult to gauge the extent to which issue advocacy is a substitute for direct campaign spending. For example, AFL–CIO directed an issue advocacy campaign against freshmen House Republicans in the 1996 national election, however, estimates of the amount spent by the AFL–CIO vary between $15 million and $30 million, and the allocation of this spending across districts is not known, so it is difficult to assess the efficacy of this activity.[14]

3. Basic PAC facts

The importance of PACs in federal elections begins with the advent of federal limits on campaign contributions in the mid-1970s. The number of federal PACs jumped from about 1600 in 1978 to over 4000 six years later (see Table 1).[15] The number of PACs has since leveled off and has remained close to 4000 ever since. PAC contributions follow a similar pattern; in 1978, aggregate contribu-

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TABLE 1. PACs and PAC contributions by type

Election cycle	Number of PACs	Total PAC contributions	Corporate #	Corporate $	T/M/H #	T/M/H $	Labor #	Labor $
1998	3798	$219.9 mil.	41%	35%	22%	28%	8%	20%
1996	4079	228.7	40	35	21	28	8	23
1994	3954	208.6	42	36	20	28	8	23
1992	4195	221.0	41	36	18	28	8	22
1990	4172	203.6	43	35	19	29	8	23
1988	4268	222.9	43	34	18	26	8	23
1986	4157	206.9	42	35	18	25	9	23
1984	4009	180.1	42	34	17	26	10	24
1982	3371	153.3	44	33	19	26	11	24
1980	2551	131.8	47	35	23	29	12	24
1978	1653	92.6	47	28	27	32	13	29

Note: Contributions in millions of 1998 constant dollars. T/M/H denotes trade association, membership organization and health PACs.

tions were just over $92 million dollars (in 1998 dollars), but doubled by 1984. Real PAC contributions have since hovered between $200 million and $220 million.

Table 1 also describes the relative importance of the three major types of PACs, as defined by the Federal Election Commission. Corporate PACs account for about 40% of all PACs and 35% of all PAC contributions; despite a modest decrease in the proportion of corporate PACs over time, these PACs account for a greater share of contributions than they did 20 years ago. Trade associations, membership organizations and health PACs (T/M/H) are the second most important PAC type. Labor PACs have declined in number and their share of total contributions, but still account for 20% of all PAC contributions. This suggests that labor PACs give out far more contributions on a per-PAC basis than do corporate PACs.

Table 2 shows the size distribution of PAC contributions by type; this table confirms that corporate PACs operate on a smaller scale than labor or trade PACs. Only 13% of corporate PAC contributions come from PACs that give out a total of one million dollars or more; in contrast, 70% of labor PAC contributions come from million-dollar PACs.

PAC contributions flow mostly to congressional elections; Table 3 reports the allocation of PAC contributions between current House and Senate candidates. House candidates currently receive over 70% of all PAC contributions, while another 22% go to current Senate candidates. Despite this, more PAC contributions flow to Senate elections on a per contest basis, since only 33–35 Senate seats are up for election in any given electoral cycle versus all 435 House seats. The remaining 8% of PAC contributions is received almost entirely by the two-thirds of Senate candidates that are not up for re-election; less than 1% of PAC contributions are made to Presidential candidates.

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TABLE 2. Distribution of PACs by total contributions in the 1998 election cycle

Aggregate contributions	Less than $50,000	$50,001–$100,000	$100,001–$250,000	$250,001–$500,000	$500,001–$1,000,000	More than $1,000,000
			All PACs			
Number	72.3%	9.7	10.3	3.6	2.0	2.0
Contributions	7.3%	6.8	15.9	12.2	13.9	44.0
			Corporate PACs			
Number	68.6%	12.2	12.1	4.3	2.1	0.7
Contributions	12.1%	11.3	25.3	19.6	18.6	13.1
			Trade, Membership and Health PACs			
Number	69.7%	9.8	10.4	4.0	2.3	3.0
Contributions	6.4%	5.6	13.4	11.5	12.2	50.8
			Labor PACs			
Number	61.2%	10.5	11.6	4.5	4.0	8.2
Contributions	3.0%	2.8	6.6	5.8	11.0	70.8

The figures in Table 3 also reveal that the share of campaign contributions from PACs has fallen from 37% to 32% in House races and from 27% to 21% in Senate races. Despite the growing share of total PAC contributions from corporate PACs, the fraction of total contributions from corporate PACs has held steady in House races at 11%, while falling slightly in Senate races from 10 to 7%. Consequently, corporate PAC contributions are neither an important nor growing source of campaign funds for federal candidates. Nevertheless, some of the conventional wisdom about PACs is true. Table 4 verifies that PACs give a disproportionate share of contributions to incumbents, which is consistent with the idea that PAC contributions buy access or legislation.[16] In addition, Table 5 shows that while overall contributions to Democrats tend to be in proportion to their share of House or Senate seats, this is only because labor PACs give such a disproportionate share of their contributions to Democrats. Otherwise, corporate and trade PACs tend to favor Republicans and this partisan difference has become slightly more pronounced in the most recent elections.

4. How do PAC contributions influence legislators?

There are two central questions addressed by the literature on PAC contributions. First, are PAC contributions like ‘cash on the barrel-head’, exchanged simultaneously for legislative favors, or are PAC contributions and political favors exchanged as part of a long-run cooperative equilibrium? In other words, is there a spot market for political favors or is the market characterized by the existence of implicit contracts? The second debate concerns the terms of trade: do PAC contributions buy legislation, or do they simply buy access to a legislator?

There are many examples in the political economy literature of theoretical models of a spot market for campaign contributions.[17] Morton and Cameron (1992) review the early literature and find a common weakness: these are one-period models which implicitly assume the existence of enforceable con-

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TABLE 3. PAC contributions to current candidates

Election cycle	PAC total in House races	PAC contributions in House races (as a % of all campaign receipts)			
		All PACs	Corporate	T/M/H	Labor
1998	$158.3 (72%)	32.4%	11.1%	10.3%	8.2%
1996	162.8 (72)	31.0	10.8	9.3	8.4
1994	145.3 (70)	31.6	13.6	12.2	10.5
1992	148.7 (67)	32.4	11.0	9.9	7.8
1990	138.8 (68)	38.1	9.9	9.1	7.7
1988	114.9 (64)	37.1	10.8	11.3	10.6
Electoral cycle	PAC total in Senate races	PAC contributions in Senate (as a % of all campaign receipts)			
		All PACs	Corporate	T/M/H	Labor
1998	$48.0 (22%)	21.2%	7.3%	4.3%	2.1%
1996	47.9 (21)	21.0	6.4	4.2	2.4
1994	51.8 (25)	18.1	5.1	2.8	1.8
1992	59.9 (27)	23.1	7.8	4.6	3.2
1990	52.7 (26)	27.1	11.3	8.1	3.4
1988	64.0 (29)	27.3	10.2	5.2	1.4

Notes: PAC total in millions of 1998 constant dollars. Percent of all PAC contributions in parentheses; remainder goes primarily to Senate candidates not running in current election. Less than 1% of PAC contributions are given to Presidential candidates.

tracts between legislators and contributors. In the absence of such contracts, it is difficult to understand how a 'spot' market for political favors can exist. In a simple one-period model (absent of perfectly simultaneous exchange) either contributors or legislators will surely renege on the deal, so no deals are ever made. Ignoring this theoretical difficulty, there is some evidence which is at least consistent with the existence of a spot market.

The best direct evidence comes from anecdotes[18] and from the correlation between the roll-call votes of incumbents and the interests of their PAC contributors.[19] However, evidence of this sort fails to control for the preferences of the legislators or their constituents, either of which might have led legislators to vote in a similar fashion in the absence of campaign contributions. Studies that do attempt to control for ideological and constituent preferences[20] find no evidence of any *quid pro quo* manifest in the roll-call votes of members of Congress.

In contrast, Stratmann (1992, 1995, 1998) provides some indirect evidence that is consistent with the existence of a spot market; for example, the timing of PAC contributions is often coincident with important votes, while PAC money flows more freely to marginal incumbents (who are presumably willing to sell more favors). Of course, these same patterns might emerge for other reasons; for

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TABLE 4. Distribution of PAC contributions

Election cycle	House races with incumbents	All PACs	House incumbents: Corporate	T/M/H	Labor
1998	92.4%	78.1%	87.8%	82.3%	70.7%
1996	88.3	72.9	86.2	78.1	55.4
1994	89.0	76.4	83.7	77.8	71.0
1992	84.6	74.0%	86.9	76.0	65.6
Election cycle	**Senate races with incumbents**	**All PACs**	**Senate incumbents: Corporate**	**T/M/H**	**Labor**
1998	85.3%	71.3%	73.2%	72.8%	66.7%
1996	61.7	42.5	61.2	44.2	24.6
1994	74.3	55.9	56.3	59.1	50.1
1992	80.0	62.3	68.9	65.6	45.3

example, important votes on legislation may be a focal time to make contributions, while marginal incumbents may raise more contributions because they devote more effort to that end.[21]

Hall and Wayman (1990) argue that political favors may not take the form of roll-call votes, but instead may be more difficult to observe activities, such as changes in the content of legislation; however, in important new work, Wawro (2000) constructs a measure of the legislative effort and finds it largely unrelated to PAC contributions. Further, if PAC contributions were part of a spot market

TABLE 5. Distribution of PAC contributions

Election cycle	House Democrats	All PACs	House Democrats: Corporate	T/M/H	Labor
1998	47.4%	48.9%	32.2%	38.1%	91.4%
1996	45.5	49.6	30.0	36.8	92.9
1994	58.9	66.6	50.3	57.0	95.5
1992	61.1	67.0	54.5	59.8	94.5
Election cycle	**Senate Democrats**	**All PACs**	**Senate Democrats: Corporate**	**T/M/H**	**Labor**
1998	45.0%	43.0%	33.0%	36.8%	90.0%
1996	48.0	36.4	20.2	29.2	94.2
1994	57.0	50.8	37.5	42.6	97.3
1992	56.0	56.6	41.5	52.8	96.5

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exchange, one might expect more contributions to be given to candidates for the most powerful elective office, the presidency. In addition, the fact that the one-third of Senators up for election raise three times more PAC money than the remaining two thirds of Senators raises further doubts; if favors are traded simultaneously, then one might expect that Senators would raise similar amounts from PACs in election and non-election years.

The alternative conception of the market for favors is a repeat-play reciprocal favors model in which participants provide favors when the opportunity arises, then cash in 'chits' as needed.[22] In this model, the potential for cooperation (favor-trading) between contributors and legislators increases in the following factors: the electoral security of the incumbent, the incumbent's place in the legislative hierarchy, and the expected number of years until the incumbent retires. These implications find support in several studies.[23] In a recent study, Kroszner and Stratmann (2000) find additional support for the existence of a long-run relationship between PACs and legislators: PACs respond favorably to legislators that generate a reputation for supporting certain interests. Consequently, despite the probable absence of a spot market for political favors, there is little doubt that PAC contributions are interested money.

But what exactly do PAC contributions buy? Several authors argue that PAC contributions buy access to a legislator.[24] To the extent that access translates directly into substantial legislative favors, this is a distinction without a difference, but if access is merely a chance to provide information and argument, then the normative implications of a market for access are not obvious.[25] Consequently, PAC contributions are better characterized as an entrance fee, rather than a bribe. Still, this does not inform us about whether PAC contributions and access are important phenomena.

5. Corporate campaign contributions in perspective

McCarty and Rothenberg (1996) provide some of the most stunning evidence on the limited importance of PAC contributions (although they do not recognize it as such). McCarty and Rothenberg analyze contributions from the largest PACs operating during the 1978–1986 election cycles; the mean of non-zero PAC contributions in this data is $1500 for labor PACs, $1300 for trade PACs and just $700 for corporate PACs. Even after adjusting for the effects of inflation, it is difficult to imagine that much of consequence is being sold at such low prices.

These amounts are also trivial from the perspective of a candidate. In a competitive race for the House, it is not uncommon for an incumbent to spend well over $1 million; campaign spending in competitive Senate races now rises into the tens of millions of dollars. Given this, the marginal value of a $700 (or even $5000) PAC contribution would seem to be quite low. This intuition is confirmed by the empirical literature on the electoral effects of campaign spending. The estimated effects of campaign spending vary across studies. For example, neither Levitt (1994) nor Milyo (1998) find statistically significant effects of marginal campaign spending in House races, but Gerber (1998) does find significant effects of campaign spending in Senate races. Nevertheless, even using Gerber's more generous estimates, the impact of a $5000 PAC contribu-

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TABLE 6. Corporate PAC campaign contributions in perspective

	1991–1992	1993–1994	1995–1996	1997–1998
	Hard Money Expenditures			
Presidential candidates	391.4	—	495.2	—
Congressional candidates	795.8	797.7	803.6	740.4
All PACs	221.0	208.6	228.7	219.9
Corporate PACs	79.6	75.1	80.0	78.0
T/M/H PACs	53.9	52.9	60.2	62.3
	Soft Money Expenditures			
Party	93.0	108.7	285.1	220.7
All issue advocacy advertisements	NA	NA	135.0–150.0	275.0–340.0
	Lobbying Expenditures			
All	—	—	—	2600
Corporate and T/M/H	—	—	—	2300
	Philanthropic Giving			
All	283,900	285,100	312,900	329,000
Corporate	14,200	14,400	14,900	17,400

Notes: All figures are in millions of constant 1998 dollars. The 1998 election cycle is the first full two-year cycle for which complete data on lobbying expenditures are available.

tion on the vote share in a typical Senate race is approximately nil.[26] Consequently, individual PAC contributions have little to no value at the margin to incumbents in either House or Senate elections.[27] Still, it is possible that PAC contributions are very important from the perspective of the donor.

In Table 6, we compare total campaign spending in the most recent presidential and congressional elections to contributions from PACs. As noted above, corporate PAC contributions account for about one-tenth of all Congressional campaign spending. Data on party soft money expenditures are available beginning in the 1992 election cycle; soft money spending has doubled since then and now stands at $220 million, or just about the same amount as the total of all PAC contributions.[28] This is somewhat surprising given that soft money is probably the more efficacious route for buying political favors, although soft money spending is expected to double again in the 2000 election cycle. The Annenberg Policy Center at the University of Pennsylvania compiled data on issue advocacy expenditures in the last two election cycles; using this data, Adat (2000) estimates that issue advocacy spending has also exceeded the total of all PAC contributions.

The 1995 Lobbying Disclosure Act has made information on lobbying expenses available beginning in 1996.[29] Expenditures on lobbying in the 1997–1998 election cycle were $2.6 *billion*, or an order of magnitude greater than total PAC expenditures. Corporate and trade association, membership organization and health lobbying accounted for about 90% of this total. Perhaps more stunning is the fact that corporations gave over $17 *billion* to charity during the 1998 election cycle.[30] This is not to say that firms engage in philanthropic

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TABLE 7. Industry profiles

	PAC money	Party soft money	Lobbying expenses	Corporate philanthropy	Net sales
Tobacco	$2.3 mil.	$4.3 mil.	$105.6 mil.	—	—
Philip Morris	0.8	2.4	38.8	$120.0 mil.	$148,200 mil.
RJR Nabisco	0.5	1.1	11.0	10.9	34,200
UST Inc.	0.3	0.4	6.2	6.0[a]	2800
Pharmaceutical & Medical Products	$4.1 mil.	$4.5 mil.	$148.6 mil.	—	—
Eli Lilly & Co.	0.3	0.4	9.0	$102.8 mil.[b]	$17,100 mil.
Pfizer	0.3	0.7	18.0	216.3	24,500
Merck & Co.	0.3	0.1	10.1	400.3	50,400
Telephone Utilities	$5.9 mil.	$5.7 mil.	$129.7 mil.	—	—
Bell Atlantic	0.8	0.9	35.6	$24.5 mil.[b]	$61,700 mil.
SBC Comm.	0.8	0.5	11.5	21.2[a]	55,400
AT&T	0.7	1.0	15.5	125.7	104,800
Defense Aerospace	$2.5 mil.	$1.0 mil.	$56.1 mil.	—	—
Lockheed Martin	1.0	0.2	9.5	$17.5 mil.[c]	$54,300 mil.
Northrop Grumman	0.5	0.1	12.0	3.2[a]	18,100
United Technologies	0.3	0.2	10.6	14.1[b]	49,900
Computers	$1.1 mil.	$3.0 mil.	$63.9 mil.	—	—
EDS	0.2	0.1	5.5	$0.6 mil.	$1,500 mil.
Microsoft	0.2	0.8	5.8	166.2	27,200
Intel	0.1	0.0	1.7	96.3[b]	4300

[a] 1996 only; [b] 1997 only; [c] 1998 only.

activities for purely altruistic reasons, but the allocation of resources to charity versus lobbying or soft money contributions is perhaps informative of the priorities of American corporations, as is the fact that charitable giving and lobbying expenses dwarf the sum of all contributions made through PACs.[31]

We depict this lesson with the data presented in Table 7. We compare the political and charitable activities of firms across five industries reputed to wield vast political influence (tobacco, pharmaceuticals, telephone utilities, defense aerospace and computers) for the period 1997–1998.[32] For each industry, we list the firms that are affiliated with the largest PACs in that industry; for example, Philip Morris, RJR Nabisco and UST, Inc. account for well over half of all tobacco PAC contributions. But these same firms spend nearly twice as much on soft money contributions and at least 20 times more on lobbying expenses. Nevertheless, corporate philanthropy appears to be at least as high a priority as lobbying for RJR Nabisco and UST, and a much higher priority for Philip Morris, which spent $120 million on philanthropic activities. The tobacco industry as a whole spent 10 times more on lobbying than soft money and affiliated PAC contributions combined ($105 million versus $6.7 million), while Philip Morris alone gave more to charity than the sum of contributions from all PACs in 1997–1998.

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This basic pattern in spending is repeated for each industry. All pharmaceutical firms as a group spent $148 million on lobbying, compared to less than $5 million in either soft money or contributions from affiliated PACs. Individual pharmaceutical firms spent at least two orders of magnitude more on corporate philanthropy than soft money and affiliated PAC contributions combined. Only for defense aerospace did the affiliated PAC contributions exceed party soft money, while in every industry lobbying expenses dwarfed PAC or soft money contributions. Further, with only two exceptions (Northrup Grumman and EDS) every firm spent far more on corporate philanthropy than soft money or affiliated PAC contributions.

6. Conclusion

The popular wisdom, which is echoed in numerous academic studies, asserts that corporate PAC money is extremely influential in politics. According to this wisdom, corporate PAC contributions: (1) significantly determine vote shares and electoral outcomes; (2) distort public policy; and (3) are an important component of corporate business strategies. However, we present several facts that raise some difficult questions for the conventional wisdom. If corporate PAC contributions are so important:

(1) Why are they such a small proportion of total campaign spending?
(2) Why do so few PACs give the maximum contribution allowed by law?
(3) Why is so little PAC money given to presidential candidates?
(4) Why is so little given to senators who are not running for reelection?
(5) Why do corporations allocate so much more money to lobbying?
(6) Why do corporations allocate even more money to philanthropy?

We think these questions pose very serious challenges to the conventional wisdom about PAC contributions.

Notes

1. David Primo gratefully acknowledges the support of the Institute for Humane Studies.
2. For example, Al Hunt (1999); also, *Time Magazine* (7 February 2000), pp. 37–56, and *The Washington Post* (11 February 1997), p. A01.
3. Statement before the Committee on House Oversight, 16 November 1995, United States House of Representatives.
4. See, for example, Stern (1991, 1992), Morris and Gamache (1994), Makinson and Goldstein (1996).
5. *Money and Politics Survey* (1997).
6. Sorauf (1992), Levitt (1995) and Milyo (1997c, 1999).
7. See, for example, Snyder (1990, 1992, 1993), Grier and Munger (1991a,b), Romer and Snyder (1994), Kroszner and Stratmann (1998, 2000) and Rudolph (1999).
8. See, for example, Grier *et al.* (1994).
9. *Buckley v. Valeo, 424 U.S. 1 (1976).*
10. Note that candidates run in two elections per electoral cycle (a primary and a general election), so the limits on donations to candidates are effectively doubled.
11. Party funds that do not meet the criteria for campaign contributions must be kept segregated from those that do; this requirement is meant to ensure that soft money contributions do not get transferred directly to candidates.
12. See Dwyre (1996) and Anon (1998).

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13. The infamous 'Willie Horton' advertisement from the 1988 presidential campaign is an example of an independent expenditure.
14. Jacobson (1999).
15. All information on PACs and campaign contributions is from the Federal Election Commission (www.fec.gov).
16. Information on the number of incumbents and the number of Democrats running for reelection is from Ornstein *et al.* (2000).
17. See, for example, Austen-Smith (1987) and Baron (1989).
18. See, for example, Stern (1991, 1992).
19. See, for example, Moore *et al.* (1994).
20. See, for example, Chappell (1982), Grenzke (1989), Levitt (1998) and Bronars and Lott (1998).
21. Milyo (1997a, 2001).
22. Calvert (1989).
23. See Grier and Munger (1991a,b), Snyder (1990, 1992, 1993), Romer and Snyder (1994) and Milyo (1997a,b).
24. See, for example, Wright (1989), Hall and Wayman (1990), McCarty and Rothenberg (1996).
25. See Wright (1989) and Milyo (1999).
26. Gerber (1998) reports that a $300,000 increase (in 1974 constant dollars) in incumbent spending in a state with mean population will increase the incumbent's vote share by 0.33 percentage points; consequently, a $5000 PAC contribution (in 1998 dollars) to an incumbent yields an increase in vote share of less than 0.002 percentage points.
27. So why do candidates raise and spend so much money? This question ignores the fact that the marginal value of contributions and spending is low precisely *because* candidates raise and spend so much money. A low marginal value does not imply that the inframarginal value is low, but it is the marginal value that determines how important any particular contribution is to the candidate.
28. For comparison, this amount is approximately equal to the combined annual salaries of the New York Yankees and Baltimore Orioles for 1997–1998, or the National Science Foundation's budget for the Social, Behavioral and Economic Sciences Program for fiscal years 1997 and 1998.
29. The Center for Responsive Politics has compiled these data for the most recent election cycle and made them available on their website (www.crp.org). Lobbying data is available only as an aggregate amount; it is not possible to allocate these expenditures by the target of these lobbying efforts (i.e. unelected regulatory officials versus elected officials). Nevertheless, all such spending is directed at influencing policy.
30. Information on philanthropic giving is from the *Corporate Giving Directory*, 19th–21st editions. Maryland: Taft Group.
31. Some caution is in order: philanthropic activities have some tax advantage.
32. These data are also compiled by the Center for Responsive Politics (www.crp.org).

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