

# Campaign Finance Reform and its Effect on House of Representatives Elections

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## Abstract

This research paper examined the House of Representative electoral effects associated with the Bipartisan Campaign Reform Act (“BCRA”) vis-à-vis the absence of the reforms set-forth in the BCRA. The applicable period of time for examination was 1998-2014; in particular, the elections examined were those of 1998, 2000, 2002, 2004, 2008, 2010, 2012, and 2014. The research compared money spent by the incumbents and their challengers, and evaluated incumbency success rates and margins of victory. The research finds that although financial contributions changed, there appeared to be no statistically significant impact on House of Representative electoral outcomes – incumbency success rates were substantially the same although there appears a change in victory margins.

## Background

Campaign finance reform has been a hotly debated topic in U.S. politics since the late 1800’s. The first nationally successful attempt at regulating and enforcing campaign financing came with the passing of the Federal Election Campaign Act (“FECA”) of 1972. FECA required candidates to disclose the sources of any campaign contributions as well as campaign expenditures. An objective was to facilitate a new platform for a more financially transparent campaigning process.

The next major alterations to campaign finance reform legislation came with the passing of the Bipartisan Campaign Reform Act (“BCRA”) of 2002. The BCRA, popularly known as the McCain-Feingold bill, changed the following campaign finance procedures: 1. Eliminated “soft money” donations to national party committees; 2. Raised the contribution limit of hard money from \$1,000 to \$2,000 per election cycle; and 3. Banned non-party organizations from using corporate or union money to fund “electioneering communications,” defined as “broadcast advertising that identifies a federal candidate,”

within 30 days of a primary or nominating convention, or 60 days of a general election.

In 2010, however, the U.S. Supreme Court in *Citizens United v. Federal Election Commission* ruled that §203, the section that banned corporations from funding electioneering communications within a certain time period, was unconstitutional because it violated the First Amendment. This landmark decision effectively established that the First Amendment not only provides to natural born individuals, but also to non-natural legal entities, e.g., corporations. The practical effect of the U.S. Supreme Court’s ruling: the significant influx of funding in electoral politics, in particular, in the House of Representative elections.

## Research Hypothesis, Implications, and Methodology

This research evaluated and hypothesized, contrary to popular belief, that electoral outcomes were not as dependent on the amount of money each candidate spent on their race. Rather, incumbency is the biggest

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factor in determining the victor of any given race in the House of Representatives.

If incumbency is the fundamental basis for electoral success, not money, then the BCRA fails to address the root cause for overwhelming re-election success. Thus, this research could and does suggest that alternative policy approaches should be undertaken, if it is normatively believed continual re-election of incumbents suggests a weakness in our democratic process.

For each election examined for this study, five (5) key data points were observed: The candidate(s) running for position of representative; their status as incumbent or challenger; the amount of money spent by all candidates; result of election; and margin of victory in election.

Two primary sources were used: Center for Responsive Politics, a research organization that specializes in tracking and documenting the effects of money spent in Washington D.C. in all forms such as lobbying and elections; and the Federal Election Commission. The Center for Responsive Politics online public database, [www.opensecrets.org](http://www.opensecrets.org), documented how much each candidate raised and spent during their election run. The Federal Election Commission, on [www.fec.gov](http://www.fec.gov), documented whether an individual in the race was an incumbent or challenger, whether or not they won their respective race, and what percentage of the vote they received.

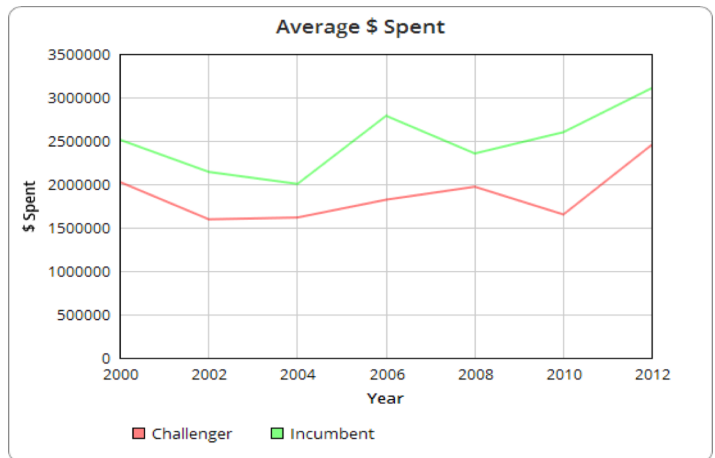
The dataset was split into three distinct periods: 1998-2002 was labeled as pre-BCRA; 2004-2008 was labeled as BCRA; and 2010-2014 was labeled as post-BCRA.

## Results

The data suggests that the Bipartisan Campaign Reform Act was successful in neither limiting the amount of money in elections, nor in making elections more fair for non-incumbents. As observed in Figure 1, in the time frame of 2004-2008, the period the

BCRA was in effect, the amount spent by challengers and incumbents actually *increased*. Spending by incumbents increased on average by approximately 3.4% from the pre-BCRA period to the BCRA period. Spending by non-incumbents increased on average by approximately 0.75%.

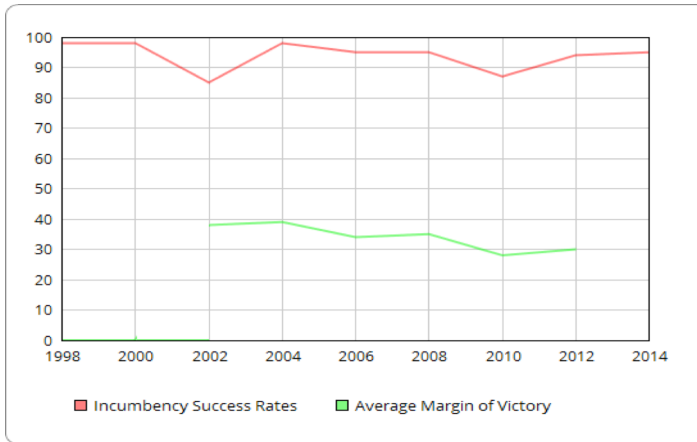
Figure 1.



Spending increased 3.4% by incumbents and .75% by challengers from 2004-2008 when the BCRA was in effect.

As observed in Figure 2, Incumbency success rates also saw no statistically significant change from 2004-2008, staying within a 3% deviation. Although the margins of victory did see a noticeable drop, from a 40% average to as low as a 28% average, there is not enough evidence to determine whether or not this was in direct relation to the BCRA. Furthermore, and most importantly, this change in margin of victory made no statistically significant change to the bottom line; that is, it had no significant effect on the electoral outcomes.

Figure 2.



Neither incumbency success rates nor margin of victory in elections saw any significant change during the BCRA time frame.

### Limitations and Reflections

The results are merely suggestive, not dispositive, given the limited amount of data.

The first limiting factor was a lack of breadth in the data available in the publicly accessible databases. Although the data provided by the Center for Responsive Politics was accurate, it lacked the financial campaign data for the year 1998, and so that had to be omitted from the research. Likewise, at the time of conducting the research, the Federal Election Commission had yet to publish the data for the outcomes of elections in 2014. Thus, a more comprehensive examination of the *ex-ante* and *ex-post* BCRA could not be undertaken. At a minimum, it would make sense to re-examine the observations and data with the 2014 data and, if possible, 2016 data, prior to formulating any policy positions.

### Conclusion

In the 2016 presidential election, the specter of campaign finance reform has been brought to the forefront by more populist movements, specifically by the Honorable Bernie Sanders (Senator, Vermont), a candidate for the Democratic party presidential nomination. Recently, Hillary Clinton, who at the time of writing this paper became the presumptive Democratic Nominee, pledged to introduce a constitutional amendment to change the U.S. Supreme Court Citizens United ruling, and to

do so within the first thirty (30) days of her presidency. Based upon the results of this paper, while merely suggestive, the focus on Citizens United may be misdirected. In addition, observation suggests that the BCRA was ineffective in limiting campaign contributions.

Campaign finance reform will continue to be the topic of many political debates in the future. In order to seriously attempt solving the issue and making elections more fair for outside candidates, politicians must thoroughly examine what has been attempted in the past, such as the BCRA, and fully understand why it was unsuccessful. In addition, other factors that could facilitate incumbency success should be examined, e.g., redistricting.

### Acknowledgments

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### Biography

Navjot Singh was born in India and emigrated to the United States at two years old. Raised in California, he grew up with a love of the outdoors. He is currently an undergraduate at the University of New Haven and is a member of the class of 2017. He is pursuing a degree in Marketing with a minor in Behavioral Economics and a minor in Professional Sales. At the University of New Haven, Navjot has served as president of the American

Marketing Association, is a member of the Sigma Alpha Epsilon Fraternity, and has also worked for the university's career development center in helping students prepare for the professional world. Navjot plans on pursuing his MBA once he has completed his undergraduate studies.

