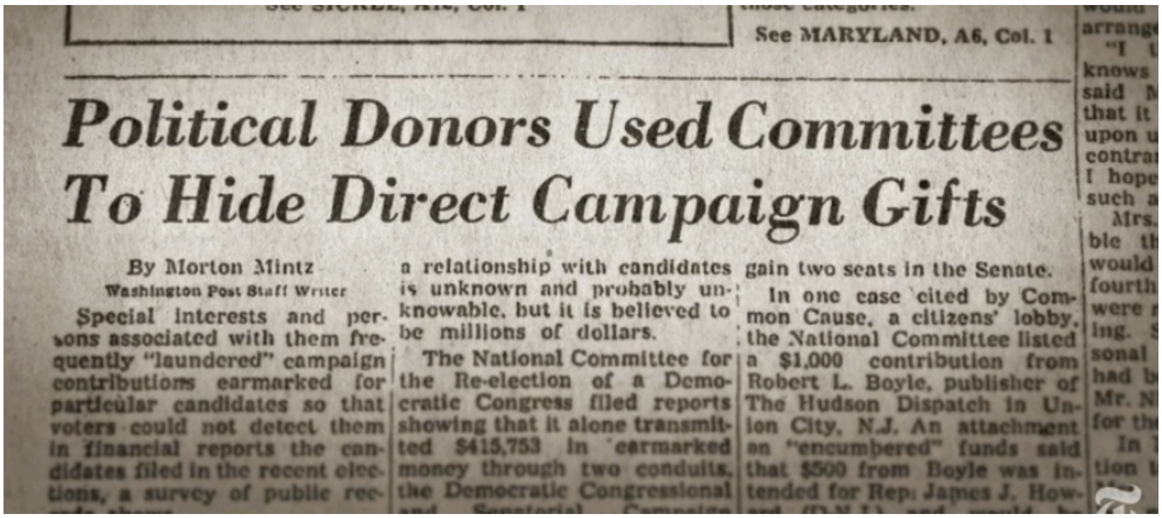
Supporting Question 4

Featured Source	**Source A:** *New York Times*, video describing the evolution of campaign contributions, "The Cost of Campaigns," *Retro Report*, 2014

NOTE: This screen shot is from the video, "The Cost of Campaigns," produced by the New York Times. *Teachers and students can view the video by clicking on this link:* http://www.nytimes.com/2014/10/20/us/the-cost-of-campaigns.html.



See MARYLAND, A6, Col. 1

Political Donors Used Committees To Hide Direct Campaign Gifts

By Morton Mintz
Washington Post Staff Writer

Special interests and persons associated with them frequently "laundered" campaign contributions earmarked for particular candidates so that voters could not detect them in financial reports the candidates filed in the recent elections, a survey of public rec-

a relationship with candidates is unknown and probably unknowable, but it is believed to be millions of dollars.

The National Committee for the Re-election of a Democratic Congress filed reports showing that it alone transmitted \$415,753 in earmarked money through two conduits, the Democratic Congressional

gain two seats in the Senate.

In one case cited by Common Cause, a citizens' lobby, the National Committee listed a \$1,000 contribution from Robert L. Boyle, publisher of The Hudson Dispatch in Union City, N.J. An attachment on "encumbered" funds said that \$500 from Boyle was intended for Rep. James J. How-

Supporting Question 4	
Featured Source	**Source B:** Stephen Colbert and Trevor Potter, video explaining shell corporations, *The Colbert Report*, 2011

NOTE: To view this video segment from The Colbert Report*, teachers and their students can click on this link:* http://thecolbertreport.cc.com/videos/3yzu4u/colbert-super-pac---trevor-potter---stephen-s-shell-corporation. *Teachers should note that an advertisement appears at the beginning of the video.*

Supporting Question 4

Featured Source	**Source C:** Stephen J. Dubner, collection of essays on campaign finance featuring Robert Shrum and Jeff Milyo, "How Much Does Campaign Spending Influence the Election? A Freakonomics Quorum," *Freakonomics*, 2012

Robert Shrum, a senior fellow at New York University's Robert F. Wagner Graduate School of Public Service, has been a senior adviser on many Democratic campaigns, including Dick Gephardt (1988), Al Gore (2000), and John Kerry (2004).

In politics there is certainly no linear relationship between amount of money and degree of success. Just ask the well-heeled Republican losers of presidential primaries past — former Texas Governor John Connally, former Texas Senator Phil Gramm, and former Mayor and front-runner Rudolph Giuliani. Or how about Howard Dean, who raised and spent nearly $40 million before crashing and burning in the 2004 Iowa caucuses?

Big money without the right message can become a penny waiting for change. Thus Dean misread the Iowa landscape. While voters were focusing in on one overwhelming question — which candidate had the best chance to beat George W. Bush? — Dean and Dick Gephardt were engaged in a well-financed exchange of petty negative ads. Maybe Dean never could have been a plausible answer to the determinative question in Iowa in any event. But he never seemed to try — and left the field almost entirely open to John Kerry who, Iowans rightly judged, could give Bush a real run for the White House. Similarly, this year no amount of cash could have rescued the malaprop Rick Perry; GOP caucus goers decided, once again rightly, that he couldn't face up to Barack Obama — or measure up to the requirements of the Oval Office.

Kerry's come-from-behind win in Iowa also illustrates the other side of the coin: You don't need the most money, but you do need enough. Kerry took out a mortgage on his home to keep his campaign afloat when he was written off in the fall.

In 1960, Hubert Humphrey's resources in the West Virginia primary weren't remotely equal to John Kennedy's — and Kennedy's victory there all but sealed the nomination for him. Gephardt, in his first run in 1988, carried Iowa but then couldn't raise enough money fast enough to compete on Super Tuesday. In 2012 the disparity in super-PAC money let pro-Romney forces dismember Newt Gingrich during December. Gingrich is probably fatally flawed, but it didn't help that he couldn't defend himself or go after Romney early on.

Finally, money doesn't make all the difference — unless it does. Much as Obama did in 2008, Kerry raised prodigious sums, a lot on the internet, during the primaries four years before. The campaign then made a mistake of accepting federal funding in the general election; this meant that Kerry had the same amount of money for a thirteen-week campaign that Bush had for eight — because the Republican convention came more than a month after the Democrats, and Bush could keep spending primary dollars in the meantime. The result was a form of financial disarmament which deterred a swift response to the Swift Boat ads — because that would have drained limited end-of-the-race funds in mid-August. More broadly, as the 2008 Obama experience suggests, staying outside federal funding could have let Kerry broaden the list of target states and potentially prevail in a tight contest where a football stadium's worth of voters in Ohio decided the outcome.

So gold doesn't always glitter in politics — but you better have some of it, and sometimes, sometimes, having the most can matter the most.

Jeff Milyo is an economics professor at University of Missouri at Columbia. His research includes campaign finance, state and local health policy.

The misperception that political spending drives electoral outcomes is reinforced every campaign season by sensational media coverage, post-election debriefs from losing candidates and the exaggerated rhetoric of professional reform advocates. And this first presidential election cycle post-*Citizens United* promises to bolster that errant view as sanctimonious posturing by pundits on the evils of money in politics will likely crescendo to a spectacle rivaling only a North Korean grief orgy.

It is true that winning candidates typically spend more on their campaigns than do their opponents, but it is also true that successful candidates possess attributes that are useful for both raising money and winning votes (e.g., charisma, popular policy positions, etc.). This "reverse causality" means that campaign spending is potentially as much a symptom of electoral success as its cause.

In order to identify the treatment effect of campaign spending on electoral success, researchers exploit natural experiments. For example, imagine re-running a race between two candidates but varying the campaign spending of each; repeat that exercise enough times and you have an experiment that will allow you to observe the causal effect of campaign spending, all else constant. That's basically the approach taken by Steve Levitt in his seminal study of repeat meetings of the same Congressional candidates over time.

Levitt finds that changes in campaign spending produce negligible changes in electoral outcomes when candidate characteristics are held constant. Now that doesn't mean that candidates don't need to get their message out to voters. We're talking about marginal changes in campaign spending. Given you are already spending a million dollars running for a House seat, another hundred grand or so won't make any appreciable difference.

Of course, repeat meetings of candidates don't happen by chance, so Levitt's study is susceptible to the criticism that it isn't the cleanest of experiments. However, I have poked at those results without being able to overturn them, even though I was highly motivated to do so (Steve is a great friend, but the professional acclaim I might have had from reversing his finding far outweighs the value of one friendship at the margin).

I have examined several other natural experiments and found similar results. For example, large shocks to campaign spending from changes in campaign finance regulations do not produce concomitant impacts on electoral success, nor do candidates with vast personal wealth to spend on their campaigns fare better than other candidates.

These findings may be surprising at first blush, but the intuition isn't that hard to grasp. After all, how many people do you know who ever change their minds on something important like their political beliefs (well, other than liberal Republicans who find themselves running for national office)? People just aren't that malleable; and for that reason, campaign spending is far less important in determining election outcomes than many people believe (or fear).

These essays are available at: http://freakonomics.com/2012/01/17/how-much-does-campaign-spending-influence-the-election-a-freakonomics-quorum/.