

Mega-Donors and Representation of the Wealthy in the Wake of *Citizens United*

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Motivation

- ▶ Amount of money spent on political campaigns more than doubled in the United States from 2004 to 2016
- ▶ Majority of Americans say they would prefer to reduce the impact of big donors on the Federal Government



Pew Research Center

MAY 8, 2018

Most Americans want to limit campaign spending, say big donors have greater political influence

BY BRADLEY JONES



THE WALL STREET JOURNAL.



Influence of Money in Politics a Top Concern for Voters

By Patrick O'Connor [Follow](#)

June 21, 2015 9:00 am ET

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Elon Musk Has Said He Is Committing Around \$45 Million a Month to a New Pro-Trump Super PAC

Other backers of America PAC include Palantir Technologies co-founder Joe Lonsdale and the Winklevoss twins

Question: How does the U.S. policy-making shift in response to increased ability of the wealthy to finance political campaigns?

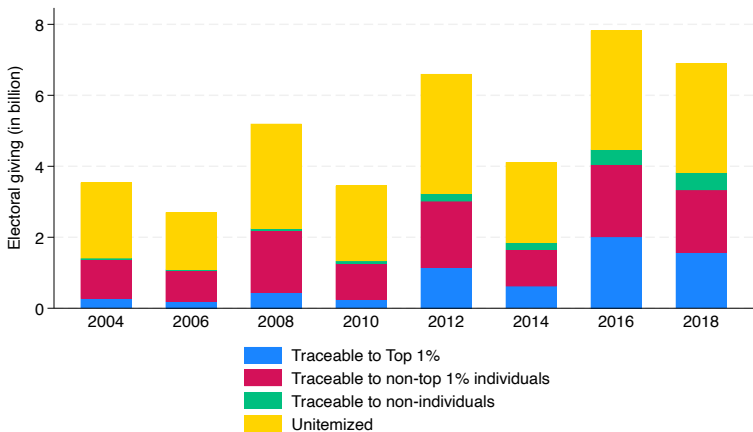
Overview

- ▶ Use *Citizens United* Supreme Court's Ruling
- ▶ The share of large individual donors (*mega-donors*) has increased post-Citizens United
 - ▶ Top 1% share rose 2.7 times (7.4% to 20.1%)
 - ▶ Top 0.1% share rose 5.5 times (2.3% to 12.7%)
- ▶ Legislative alignment with the wealthy increased by 9%
 - ▶ Effect comes from politicians that receive more money from mega-donors
 - ▶ Fiscal bills and bills on which the wealthy and the poor disagree

Literature

- ▶ Median-voter theorem (Richard and Meltzer (1981))
 - ▶ Persistent income inequality (Piketty and Saez (2003))
 - ▶ Redistribution in response to rising income inequality in developed countries (Elkjaer and Iverson (2023)), not U.S.
 - ▶ Electoral system (Alesina, Glaeser, and Glaeser (2004)), immigration (McCarthy, Poole, and Rosenthal (2016)), upward mobility (Benabou and Ok (2001)),
 - ▶ Theories of elite capture (Acemoglu (2003), Acemoglu and Robinson (2008), Petrova (2008))
- ▶ Effects of *Citizens United* (e.g., tax, political turnover)
 - ▶ Most studies focus on state campaigns (Klumpp, Mialon, and Williams (2016), Slattery, Tazhitdinova and Robinson (2023), Akey et al. (2023), Abdul-Razak et al. (2020))
 - ▶ Corporations: (Hansen, Rocca, and Ortiz (2016), Bonica (2016))
- ▶ Political representation by income
 - ▶ Bartels (2009), Gilens and Page (2014)

Electoral Giving in the United States



- ▶ Traceable individuals: direct contributions, PACs, Super PACs
- ▶ Traceable non-individuals: nonprofits, 527, corporations, unions
- ▶ Unitemized: below \$200 (62% in 2010; 46% in 2018)

Institutional Background

- ▶ Two main forms of campaign financing: (i) campaign contributions and (ii) independent expenditures
- ▶ In January 2010, the U.S. Supreme Court ruled, in *Citizens United v. FEC*, that any limits on “independent political spending” by corporations and other groups are unconstitutional because they violate the First Amendment right to free speech.
- ▶ The *Citizens United v. FEC* decision paved the way for the creation of Super PACs that can solicit and spend *unlimited* amounts of funds as long as this spending is not coordinated with the candidates’ official campaigns.
- ▶ Two months later the U.S. Court of Appeals for the District of Columbia Circuit removed limits on individual contributions to Super PACs in the *SpeechNow.org v. FEC* ruling.

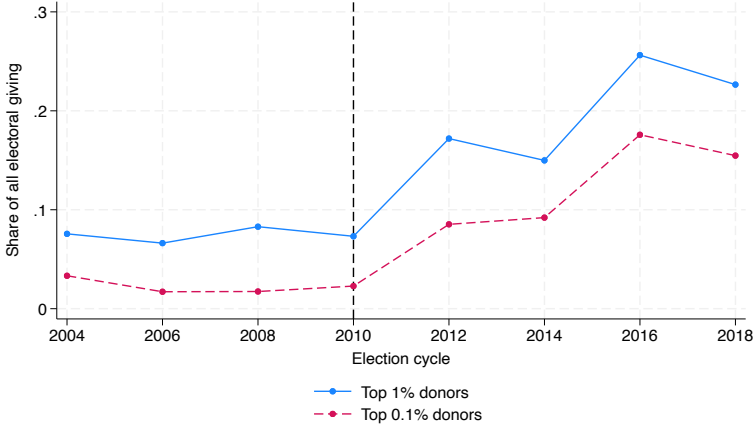
Example of Independent Expenditures

- ▶ The definition of coordination and lack thereof leaves room for interpretation
- ▶ **Zero** cases prosecuted/fined by FEC as of 2019
 - ▶ Hillary Clinton's presidential campaign benefited from opposition research gathered by Super PAC Correct the Record
 - ▶ Nevada trip by Paul Ryan and Norm Coleman to raise money from Sheldon Adelson, a casino mogul and the biggest donor of the Congressional Leadership Fund. Ryan and Coleman "laid out a case to Adelson about how crucial it is to protect the House, "then Ryan left the room, while Coleman made the 'ask' and obtained a \$30 million contribution"

Mega-Donors

- ▶ We use the term 'mega-donors' to describe individuals whose political giving in a specific election cycle places them among the top 1% (or top 0.1%) of all contributors in that cycle.
- ▶ The average top 1% (top 0.1%) mega-donor donates \$85,000 (\$510,000) per election cycle post-Citizens United, implying that mega-donors (after-tax) political spending alone exceeds U.S. median household (pre-tax) income (which was \$63,179 in 2018).

Share of Top 1% and Top 0.1% Donors in Electoral Giving



The share of top 1% rose from 7.4% to 20.1% (2.7 times).

Characteristics of Top 0.1% Mega-Donors

Variables	Donors			Donor-Election Cycles		
	<i>N</i>	<i>Mean</i>	<i>SD</i>	<i>N</i>	<i>Mean</i>	<i>SD</i>
Donor is a billionaire	5,119	0.122	0.327	8,249	0.172	0.377
Donor has a Wikipedia webpage	5,119	0.259	0.438	8,249	0.328	0.469
Donor is a CEO	5,119	0.480	0.500	8,249	0.555	0.497
Donor is a lawyer	5,119	0.082	0.274	8,249	0.087	0.282
Donor is a politician	5,119	0.030	0.172	8,249	0.034	0.181
Donor is a professor	5,119	0.007	0.082	8,249	0.008	0.087
Donor is male	5,113	0.712	0.453	8,242	0.738	0.440
Donor is retired				8,249	0.107	0.308
Donor is unemployed				8,249	0.087	0.272



George Soros



Sheldon Adelson



Alice Walton

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Steven Spielberg



Barbara Streisand

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Evan Williams



Richard Anderson

Characteristics of Top 0.1% Mega-Donors

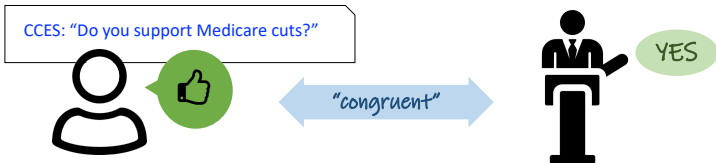
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Data Sources

- ▶ Data on political donations come from the FEC files: donations to candidate campaigns and to all political action committees (including Super PACs and PACs).
 - ▶ FEC files record the amount of each contribution, the donor (i.e., the person making the contribution), and the recipient.
 - ▶ We process over 100 million contribution records to identify *unique* contributors whose donations we can track across election cycles and political candidates.
- ▶ To estimate the impact of *Citizens United* on legislative outcomes, we combine data from two sources:
 - ▶ The Cooperative Congressional Election Survey (CCES);
 - ▶ Roll call votes by U.S. Senators and House members on specific pieces of legislation (Voteview).

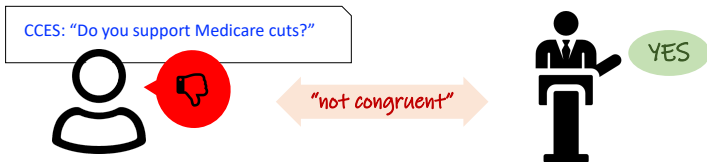
Votes and Preferences

- ▶ CCES is a nationally representative survey (50K+ individual respondents in each wave) that asks respondents about their preferences toward specific issues and about demographic characteristics such as income.
- ▶ We link issues respondents get asked about with bills their representatives vote on.



Votes and Preferences

- ▶ We aggregate congruence measure at the politician-bill-income level (how often a given politician votes in line with the preferences of voters from that income bracket on a particular bill).



Estimation

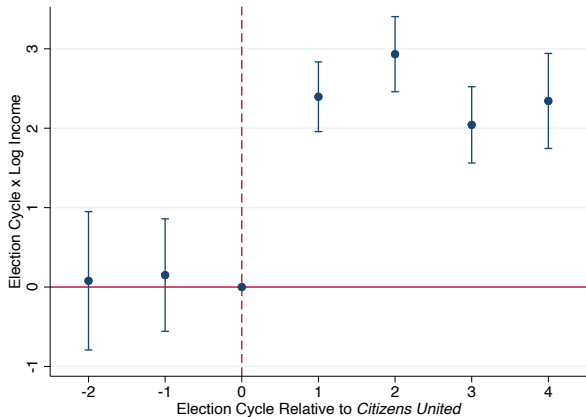
- ▶ We estimate the following baseline specification:

$$\begin{aligned} \text{Congruence}_{ijtk} = & \alpha + \beta \cdot \text{Log Income}_j \times \text{Post}_t \\ & + \gamma \cdot \text{Log Income}_j + \theta \cdot \text{Post}_t + \epsilon_{ijtk}, \end{aligned}$$

where the dependent variable is the congruence between the legislator i and their constituents from income bracket j on bill k in election cycle t .

- ▶ Specifications may include: Politician and Congress FEs, Politician and Bill FEs, Congress and Politician by Income FEs

Baseline Results



Baseline Results

<i>Dependent variable:</i>	(1)	(2)	(3)	(4)
	<i>Congruence between the legislator and their constituents</i>			
Log Income × Post <i>Citizens United</i>	2.631*** (0.164)	2.635*** (0.164)	2.650*** (0.164)	2.460*** (0.193)
Log Income	-1.787*** (0.153)	-1.789*** (0.153)	-1.794*** (0.153)	
Post <i>Citizens United</i>	-28.753*** (1.803)			
Observations	164,598	164,598	164,598	164,598
R-squared	0.002	0.051	0.171	0.094
Congress fixed effects	No	Yes	Yes	Yes
Politician fixed effects	No	Yes	Yes	No
Additional fixed effects			Roll Call	Politician × Income

- For a one SD increase in income, congruence increases by 9.2% after *Citizens United* (relative to its SD).

Splits by Politician Party and Bill Type

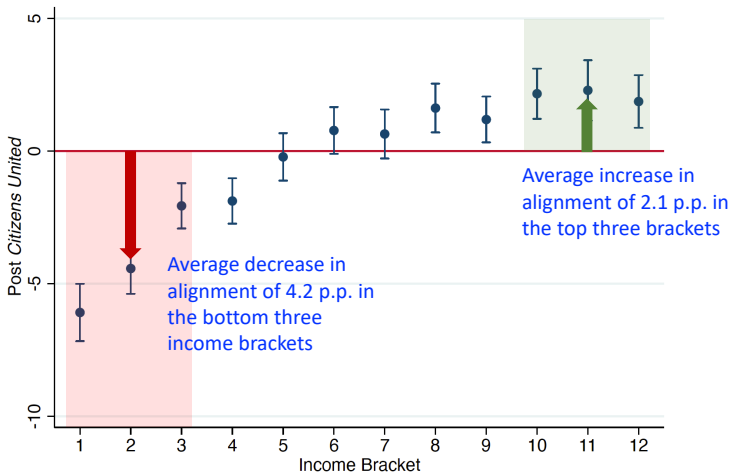
<i>Dependent variable:</i>	(1)	(2)	(3)	(4)
	<i>Congruence between the legislator and their constituents</i>			
Log Income \times Post <i>Citizens United</i>	2.699*** (0.304)	2.251*** (0.248)	3.160*** (0.286)	1.350*** (0.263)
Observations	82,985	81,613	97,636	66,962
R-squared	0.147	0.091	0.126	0.190
Sample	Republicans	Democrats	Fiscal bills	Nonfiscal bills
Fixed effects	Congress, Politician \times Income	Congress, Politician \times Income	Congress, Politician \times Income	Congress, Politician \times Income

- ▶ Increase in representation of wealthy occurs for both Republican and Democrats
- ▶ More pronounced for fiscal bills: less disagreement among wealthy (Page, Bartels, and Seawright (2013))

Implications of Increased Representation of the Wealthy

- ▶ Given the survey nature of the data, difficult to discuss welfare
- ▶ The level of representation could increase for all income levels, just more so for the wealthy
- ▶ Relative value voters place on *values* rather than on material considerations may increase in income, the wealthy could support policies benefiting the poor (Enke, Polborn, and Wu (2023))
- ▶ Wealthy and poor may agree on many issues (Gilens and Page (2014) 'democracy by coincidence').

Shifts in Representation by Income Bracket



Voter Disagreement and Legislative Behavior

	(1)	(2)	(3)	(4)
<i>"Voter disagreement" measure:</i>	Disagreement of voters across all income brackets		Disagreement between voters in the highest and lowest income brackets	
<i>Dependent variable:</i>	<i>Congruence between the legislator and their constituents</i>			
Post <i>Citizens United</i> × Log Income × Voter Disagreement	8.362*** (2.303)	7.491*** (2.626)	5.584*** (0.997)	5.526*** (1.016)
Post <i>Citizens United</i> × Log Income	1.125*** (0.378)	1.145*** (0.414)	1.145*** (0.227)	1.052*** (0.250)
Voter Disagreement	71.283*** (22.954)	60.788** (28.228)	32.744*** (9.006)	33.598*** (9.365)
Log Income × Voter Disagreement	-7.735*** (2.067)	-6.758*** (2.558)	-3.205*** (0.805)	-3.286*** (0.840)
Post <i>Citizens United</i> × Voter Disagreement	-101.304*** (25.307)	-92.116*** (28.746)	-61.413*** (10.991)	-60.781*** (11.207)
Log Income	-0.389 (0.364)		-0.875*** (0.198)	
Observations	164,598	164,598	164,598	164,598
R-squared	0.053	0.096	0.052	0.094
Congress fixed effects	Yes	Yes	Yes	Yes
Additional fixed effects	Politician	Politician × Income	Politician	Politician × Income

Is Increased Alignment with the Wealthy Related to Rise of Mega-Donors?

- ▶ Contributions from the wealthy may facilitate information exchange between the wealthy and politicians
 - ▶ Campaign contributions buy access (experimental evidence by Karla and Brockman (2016))
 - ▶ Politicians may misperceive the preferences of their constituents (e.g., Brockman and Skovron (2018))
- ▶ Campaign contributions may result in quid pro quo, e.g., some preferential legislation for wealthy
- ▶ Do not distinguish, but both mechanisms imply larger effects for politicians receiving more money from mega-donors

Funds received from mega-donors and legislative behavior

<i>Share of contributions from mega-donors measure: Dependent variable:</i>	(1)	(2)	(3)	(4)
	Top 1% donors		Top 0.1% donors	
	<i>Congruence between the legislator and their constituents</i>			
Post <i>Citizens United</i> × Log Income × Share of contributions from mega-donors	0.050*** (0.014)	0.032* (0.018)	0.094*** (0.024)	0.090*** (0.025)
Post <i>Citizens United</i> × Log Income	2.002*** (0.270)	2.066*** (0.331)	2.411*** (0.183)	2.256*** (0.209)
Share of contributions from mega-donors	0.469*** (0.138)	0.345* (0.190)	0.982*** (0.246)	0.983*** (0.241)
Log Income × Share of contributions from mega-donors	-0.044*** (0.012)	-0.033** (0.016)	-0.087*** (0.022)	-0.087*** (0.022)
Post <i>Citizens United</i> × Share of contributions from mega-donors	-0.440*** (0.159)	-0.241 (0.204)	-0.981*** (0.268)	-0.943*** (0.270)
Log Income	-1.241*** (0.239)		-1.592*** (0.169)	
Observations	164,418	164,418	164,418	164,418
R-squared	0.051	0.094	0.051	0.094
Congress fixed effects	Yes	Yes	Yes	Yes
Additional fixed effects	Politician	Politician × Income	Politician	Politician × Income

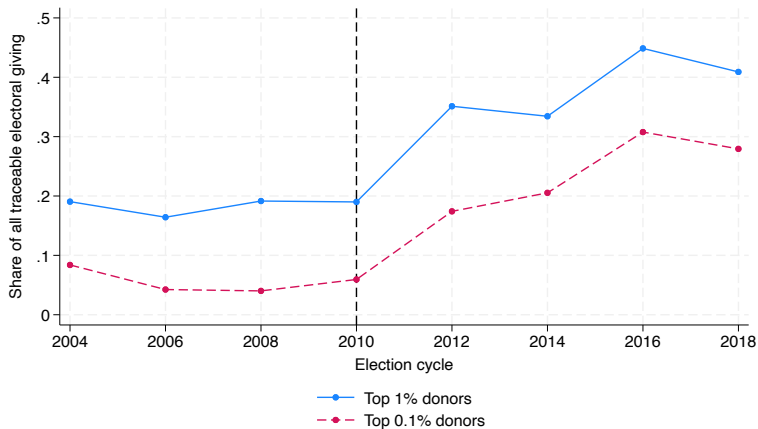
Conclusion

- ▶ We show that legislative outcomes post-*Citizens United* shift toward the preferences of the wealthy and away from the preferences of the less affluent.
- ▶ The shift in legislative behavior holds for politicians of both parties but is more pronounced for fiscal bills and bills about which voters from different income brackets disagree most.
- ▶ The shifts in representation we document are driven by those legislators who receive a larger share of their campaign funding from mega-donors.

Discussion

- ▶ Our evidence highlights the importance of campaign finance in helping the affluent shape policy outcomes.
- ▶ Our results are consistent with the idea of democracy capture by the elites that invest in de facto political power by controlling parties, media, or policymakers (e.g., Acemoglu (2003), Acemoglu and Robinson (2008), Petrova (2008), Campante (2011), Chamon and Kaplan (2013)).
- ▶ One possible implication is that concentration of campaign finance may help explain the persistence of income inequality in the United States, which is otherwise at odds with the standard median-voter model (Meltzer and Richard (1981)).

Share of Top 1% and Top 0.1% Donors in All Traceable Electoral Giving



Top 1% donors accounted for 41% of campaign funds in 2018

[back](#)



Bills on Which the Majorities of the Wealthy and the Poor Hold Opposing Views

► No 'democracy by coincidence'

<i>Dependent variable:</i>	(1)	(2)	(3)	(4)
	<i>Congruence between the legislator and their constituents</i>			
Post <i>Citizens United</i> × Log Income	2.780*** (0.503)	2.779*** (0.504)	2.778*** (0.504)	4.035*** (0.640)
Log Income	-1.175*** (0.450)	-1.191*** (0.451)	-1.189*** (0.451)	
Post <i>Citizens United</i>	-33.504*** (5.432)			
Observations	25,842	25,842	25,842	25,842
R-squared	0.008	0.153	0.208	0.367
Congress fixed effects	No	Yes	Yes	Yes
Politician fixed effects	No	Yes	Yes	No
Additional fixed effects			Roll Call	Politician × Income