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Citation

Knowledge@SMU. Voting and Campaign Contributions: Greater Inequality, Lesser Redistribution?. (2008).
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Voting and Campaign Contributions: Greater Inequality, Lesser Redistribution?

Published: December 04, 2008 in Knowledge@SMU

The recent US presidential elections saw unprecedented levels of campaign funds raised and spent. Filipe Campante, public policy professor at the John F. Kennedy School of Government at the Harvard University presented a paper on "Redistribution in a model of voting and campaign contributions", as part of a seminar series at the Singapore Management University's School of Economics.

Standard vs Extended Model

Campante's paper examines US Presidential election data to reassess the relationship between income inequality and the redistribution of wealth in the US. His work extends the basic standard median-voter based model of political participation, which is currently the established standard in the academic literature on this subject.

The standard model states that redistribution should increase with inequality. Campante proposes a mechanism which can possibly explain why the standard median-voter-based prediction has received little empirical support. Empirically, it has been noted that, in fact, increasing inequality has eventually led to lesser redistribution of wealth. His extended model builds further upon the standard model. "In equilibrium, there is a non-monotonic relationship such that redistribution of wealth is initially increasing (as suggested by the standard model), but eventually decreasing in income inequality," Campante said.

He explained that the relationship between inequality and redistribution plays out through political participation, moving the policy platforms of parties closer to or further away from redistributive policies. He proposes a framework that recognises two distinct but important forms of individual political participation: casting votes and contributing resources to campaigns.

The model shows that, even though each contribution has a negligible impact, the interaction between contributions and voting leads to a bias in the political process. The advantage of wealthier individuals in providing contributions encourages parties to move their policy platforms closer to those individuals' preferred positions. As income inequality increases, it endogenously shifts the political system further in favour of the rich towards lesser and lesser redistribution.

Redistributing Wealth

Campante analyses the relationship between income inequality and redistribution of wealth through progressive taxation policies. According to him, "Redistribution works through progressive taxation. To increase redistribution, the tax rate has to be increased. In practice, there are different ways of bringing about redistribution. The essence, however, is taking more away from the rich and distributing across the wider general public."

The standard prediction is that the more inequality there is, the more redistribution of wealth should occur. This is because politicians recognise that the number of voters who are relatively poor is greater than the rich minority which accumulates a disproportionate share of wealth. When campaign contributions are disregarded, votes are the only form of political participation considered. So the conclusion is that political parties will launch policies that are in the interest of the poor majority so as to secure majority votes which, at first glance, would seem intuitive.

However, both votes and campaign contributions are important for the parties. Campaign contributions enable the parties to canvass and secure an even greater number of votes, as they employ these funds to increase the turnout of their supporters. Thus it makes sense for the parties to shift their policy positions towards those of the rich voters who have an advantage in terms of providing those contributions.

Campante has encountered interesting evidence along these lines during the course of his research. "The main empirical message", he said, "is that inequality affects 'patterns' of campaign contributions (rather than just the quantity). Increasing inequality leads to a higher volume of campaign contributions and a smaller number of contributions. They get more concentrated. It also increases campaign contributions to the anti-redistribution party, as campaign contributions from the wealthy individuals rise." This persuades the parties to more aggressively court the fewer and fewer wealthy individuals who are making increasingly larger contributions. The result is a move to a more anti-redistribution stance.

In the standard model, as Campante explained, "the decisive agent is the median voter. However, in our model the decisive agent is a wealthier voter." Wealth enables the rich to make large campaign contributions, in addition to

votes. Thus, wealthy individual voters have more weight because they bring not just votes but also money. He also clarified that, "The assumption, of course, is that parties target resources to ensure that their supporters turn up for voting rather than opposition's supporters".

In essence, it is not necessarily optimal to increase the base of supporters, but rather to try to maximise the turnout from the existing supporter base. In most cases, since wealthier individuals are in favour of lesser redistribution of wealth, party policy platforms move closer to less redistributive policies. This increases campaign contributions which, in turn, are used to increase voter turnout from the supporter group. "Inequality affects the identity of the decisive agent," said Campante.


As he puts it , "Votes wins elections, and are equally distributed regardless of the wealth of an individual. Campaign contributions help you get votes, and depend on whether or not there is money available. Therefore there is the incentive to chase both of them. This shifts the policy platform since big money can buy policies. Aggregate up effects of small contributions, from a group of people with similar policy preferences, can have important consequences on policies."


No Easy Solutions

This mechanism has been verified to work in the US elections, and could possibly function similarly in some western European countries. In others, where political systems are starkly different, this may provide the case for another policy dimension. Where there is a distinction between the preferences of rich and poor, those of the rich will likely be given more weight. "Institutional details like different systems of campaign funding will govern how the policy platforms shift," observed Campante.

There are no easy policy solutions, however. Campante suggests that imposing stringent limits on campaign contributions is one way of restricting the impact on the political process. This may not necessarily be desirable to the extent that a relevant form of political participation is constrained. Some combination of public and private funding for campaigning may work too, he believes, such that while campaign contributions are not completely outlawed, political parties would become more responsive to individual voters. These are both positive types of political participation.

As for future areas of research, Campante stated that this mechanism could be strengthened by applying it to other cases where the preferences of rich and poor on policy decisions are diagonal. Future research could seek to quantify this effect, measure how quantitatively significant this mechanism is, and how much the policy choices of parties could be explained satisfactorily.

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