A Simple Explanation for Why Campaign Expenditures Are Increasing: The Government Is Getting Bigger*

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Abstract

This paper shows that most of the large recent increases in campaign spending for Federal and state offices can be explained by higher government spending. This result holds for both Federal and state legislative campaigns and gubernatorial races and across many different specifications. Evidence is also examined on whether it is the composition and not just the level of expenditures which determines campaign expenditures and whether higher government expenditures similarly results in more candidates competing for office. The data provide some indication that legislative term limits reduce campaign expenditures and increase the number of candidates running for office. Finally, by focusing on the symptoms and not the root causes of ever higher campaign expenditures, this paper argues that the current public policy debate risks changing the form that payments are made rather than actually restricting the level of competition.

JEL numbers: H1, H5, D72

Keywords: Campaign Expenditures, government growth, rent seeking
I. Introduction

Federal campaign spending for all candidates running for the House and the Senate has risen by 180 percent in real terms from 1976 to 1994, and per capita real expenditures increased by 136 percent. In fact, even before the Federal government started formally collecting data on campaign contributions, the claims that too much money was being spent and that those giving the donations were too influential justified the 1974 Federal law restricting donations. For Presidential campaigns accepting Federal funding, total dollar spending during the general election is thus now rigorously limited. More recently, other initiatives have proposed to limit campaign spending for congressmen and senators with detailed rules determining how much senators in different states can spend. At the state level, Kentucky placed a $1.8 million spending limit on its gubernatorial candidates in 1995, and similar legislation was recently introduced in virtually all state legislatures. In 1996, Californians will likely be voting on an initiative to limit campaign expenditures. However, the legislative proposals universally concentrate on the symptoms (restricting the increases) rather than on the underlying causes. Meanwhile, the debate by economists largely concerns whether limits benefit incumbents or challengers. The economics and political science literature fails to discuss why spending has grown so quickly.

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1 Press reports are filled with concerns over these ever growing expenditures. As Morris writes: “Modern politics is expensive — extremely expensive — and getting more so with each passing campaign.” See Dwight Morris, “Myths and Money: Campaign Stories,” ElectionLine (at www.ElectionLine.com) (February 5, 1996).


3 During the 103rd congress the main proposal on this score was the Congressional Campaign Spending Limit and Campaign Finance Reform Act (S 3, HR 3). The House bill would have provided public funding to candidates who accept spending limits, and the Senate version would tax those who breach limits.


5 The support for these limits is quite bi-partisan. For example, in Ohio, Republicans Gov. George Voinovich and Secretary of State Bob Taft both wanted strict limits on total campaign expenditures. See Tim Miller, “Senate OKS Campaign Finance Reform,” Dayton Daily News 1B (March 23, 1995).

6 The limits will be set at $300,000 for Assembly races and $500,000 for the state Senate candidates. See Shelby Grad, “Popejoy Backs Statewide Campaign Reforms; Legislation: Former county chief executive officer, speaking at news conference, says ballot measure would encourage political newcomers by limiting incumbents' ability to amass huge war chests,” Los Angeles Times A1 (November 2, 1995).
The real increase in campaign expenditures is not an issue limited only to the Federal government. Candidates for state legislatures increased campaign expenditures about half as quickly as those for Federal office. Comparing the ten states for which campaign expenditure data are available for at least 4 state election cycles with both state Senate and House elections, real per capita campaign expenditures rose by 22 percent in Missouri to as much as 185 percent in Oregon. State gubernatorial campaign expenditures also rose quickly. For the 36 states that held elections in 1982, 1986, and 1990, real per capita total expenditures rose 58 percent over the period, and for the states that staged gubernatorial elections every four years from 1980 to 1992 experienced a 61.8 percent real increase.

Possibly, expenditures are rising because the costs of advertising are changing or because the returns to advertising greatly increased over the last couple of decades. Indeed, the change in campaign expenditures and product advertising have changed in similar ways during the last couple of decades. While real per capita product advertising in the United States grew 16 percent slower than real per capita Federal legislative campaign expenditures from 1976 to 1994, it grew 26 percent faster than the average for State legislative campaign expenditures.

While the work explaining how product advertising has varied over time is scarce, comparable work on political markets is even more scarce. While Snyder finds that contributions decline with age and Lott asks whether increased expenditures by the incumbent or the challenger changes his opponent’s expenditures and both look at the effect of tenure, no inferences are drawn for how total campaign expenditures have been changing over time.

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7 Of course, this first point depends upon one’s beliefs about the demand elasticity for advertising. To my knowledge, there are no studies that measure the elasticity of demand for advertising.

8 This is obtained from various issues of Leading National Advertisers, Inc.’s BAR Multimedia Reports.

9 Surprisingly little systematic work has been done to explain the overall secular increase in product advertising, though portions of this question have been addressed. Pashigian and Bowen point to the greater reliance on brand names as female opportunity costs have risen. Sullivan points out that new product introductions have increased because the advent of scanner technology reduces the costs of both managing new line extensions and doing the marketing research required for introducing a new product. Thus, product advertising expenditures may have increased simply because the number of new products has increased. However, while the number of new product announcements has been increasing over time, the turnover rate of politicians has been declining over most of the period for Federal legislative offices (Reed and Schansberg). See B. Peter Pashigian and Brain Bowen, “The Rising Cost of Time of Females, The Growth of National Brands and the Supply of Retail Services,” 32 Economic Inquiry 33 (January 1995); Mary W. Sullivan, “A Competitive Explanation for Slotting Allowances,” University of Chicago Working Paper (June 1995); and W. Robert Reed and Eric Schansberg, “The Behavior of Congressional Tenure Over Time: 1953-1991,” 73 Public Choice 183 (March 1992).

10 Another large literature asks who gives to candidates and how politicians’ behavior is affected by these contributions (see e.g., Stratmann supra note 2), though only one paper in this area deals with time series data (Bronars and Lott supra note 2). Another large literature deals with the marginal support produced from campaign expenditures by both incumbents and challengers (see, for example, James B. Kau, Donald Keenan, and Paul H. Rubin, "A General Equilibrium Model of Congressional Voting," 97 Quarterly Journal of Economics 271 (May, 1982)).

The notion that “this explosion in spending is a direct result of the modern campaign’s ever-increasing dependence on television advertising” appears to be a myth.\textsuperscript{12} Morris provides some very rough evidence that no relationship exists between the percentage of campaign expenditures spent on radio and television (both development and airing costs) and total campaign expenditures for Federal House and Senate campaigns from 1990 to 1994.\textsuperscript{13}

Ironically, unless the underlying motivations for the larger campaign contributions are addressed, the current approach of simply limiting total expenditures might increase the total societal resources devoted to campaigning. Limits on expenditures might simply change the form that expenditures take. For example, where individuals would previously written a check to a candidate, they now must spend the time making in-kind contributions. Accordingly, the total portion of society’s wealth devoted to campaigning can either increase or decrease depending upon the elasticity of demand.

The closest policy analogy to this type of restriction is price controls. Gasoline price controls during the 1970’s did not reduce consumer competition to obtain gasoline, but merely changed the form that it took -- customers may have paid a lower dollar price, but they spent more time waiting in line. Likewise, limits on campaign donations may reduce the amount directly given to candidates, but if the benefits are there, potential beneficiaries of government programs will find other ways of trying to elect candidates who support their positions.

Queuing is only one form that competition takes when price controls prevent prices from equating the quantity of goods supplied and demanded. Other less desirable forms of competition are also possible. For example, it is quite common with rent controls to observe under the table payments of money (e.g., they are even given special names like “key money”). At the national level, there is accumulating evidence that many people who made campaign donations during the 1996 campaign were “straw donors” -- people who merely served as intermediaries to illegally funnel money to candidates. States with their own donation limit laws have experienced similar schemes. As alternative forms of competition for elective office are foreclosed our political system also risks forcing more of this competition “underground” and producing the unintentional result of creating more corruption. One problem that

\textsuperscript{12} Morris \textit{supra} note 1.

\textsuperscript{13} House incumbents in 1990 to 1994 spent between 20 and 25 percent of expenditures on radio and television advertising.
these circumventions create is that they make it more difficult for voters to determine who is providing a candidate with money.\textsuperscript{14}

The different forms that these contributions can take is essentially infinite. For example, in the extreme case, it would be possible to buy up television and radio stations or newspapers to support particular candidates. Providing favorable news coverage for desired candidates would certainly benefit their candidacy, but it is difficult to see how these types of “in-kind” donations would be regulated.

The following section provides an explanation for increasing campaign expenditures based upon the growth of government: the more transfers the government has to offer, the more resources people will spend to obtain them. Section III provides detailed cross-sectional time-series data linking both state legislative and gubernatorial campaign expenditures to the growth of state governments. Section IV investigates: changes in the intensity of the competition due to events like retirements, other measures of the returns to winning, and any technological changes in running for office. Evidence is also examined on whether higher government expenditures increase the returns to higher campaign expenditures or whether the regressions might be capturing the reverse relationship. Section V decomposes the growth in state campaign expenditures by the type of state government expenditure. Sections VI and VII ask whether higher government expenditures increase the returns to more politicians running for office or the length of time politicians remain in office.

II. The “Growing Government” Explanation for Increasing Campaign Expenditures

This paper offers a simple “growing government” explanation for why campaign expenditures have increased so dramatically. A contributor’s demand for a politician winning office is a product of: 1) the marginal increase in the probability of the candidate winning and 2) the benefit or reward produced by having the politician win elected office. This benefit may include pecuniary as well as psychological rewards.\textsuperscript{15} If one’s candidate wins, that can mean either increased expected transfers to those one values or to oneself. In either case, the benefits are related to the size and scope of the government. As government has more favors to grant, the effort spent to obtain those favors should increase.\textsuperscript{16}

\textsuperscript{14} Allowing all donations and simply requiring that they be disclosed should make it easier for voters to monitor who is trying to influence the outcome of the election.

\textsuperscript{15} Presumably, if the level of government expenditures is related to the prestige associated with the office, even a candidate may be willing to spend more of his own money in order to win office.

\textsuperscript{16} While this paper asks how the size of government affects competition in the political market, Besley and Case and Crain and Oakley provide interesting evidence that the size of government is affected by constitutional restrictions on the political market such as term limits for governors and whether an initiative process is present. Besley and Case also ask
In general, rent seeking takes many forms (Tullock, 1967). Specifically with regard to government transfers, Browning (1974) and Tullock (1974) have also described the time investments made by politicians and bureaucrats in competing for resources. In addition, constituents and other interest groups obviously spend time assisting in campaigns to affect political wealth transfers. If these costs were as easily measurable as campaign expenditures, one would expect to find that they also vary with the size of government. While Laband and Sophocleus mention PACs and broadly discuss how rent seeking can involve campaign contributions, even they do not attempt to explain campaign expenditures when measuring the United States’ rent seeking costs.

Government transfers take many forms. If the hypothesis presented here is correct, increased abilities to transfer wealth in any form (e.g., regulations or expropriation of property) should lead to increased campaign expenditures. Government expenditures are treated here as a proxy for this increased ability to create transfers. For example, the fact that Federal campaign expenditures have increased faster than state campaign expenditures is consistent both with the Federal government’s more rapid growth and with the growth in the Federal government’s relative importance on regulatory issues. The evidence presented here examines expenditures simply because it is easily measured. There is no way to compare the changing level of transfers created through regulations.

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17 Organizations like Common Cause are quick to point to gifts, junkets, meals, and drinks bought by lobbyists.
19 Regulations are broadly meant to include not only economics regulations involving firms but also other types of transfers that government can create such as whether abortion will be legalized or people can own guns for self-defense. Likewise, other issues like trade policy are also included. See Burton A. Abrams and Russell F. Settle, “A Modest Proposal for Election Reform,” Public Choice 37 (1976) at 47.
20 Table 2 indicates that during the period from 1976 to 1992 Federal legislative campaign expenditures rose by 137.5 and that the increases in either state gubernatorial or legislative expenditures were less than half as large.
To determine whether the “growing government” explanation is correct, I will try to control for other explanations. They include altruism, closeness of election campaigns, number of candidates running for office, and the mix of information produced by campaigns.

III. Cross-Sectional Time-Series Evidence on State Campaign Expenditures

Letters to all state Secretary of States and state election commissions and follow-up telephone calls produced time series cross-sectional data on total campaign expenditures during each election cycle for sixteen states: Alabama (1990), Alaska (1976 to 1992), California (1976 to 1992), Connecticut (1988 to 1992), Florida (1978 to 1992), Idaho (1976 to 1992), Kansas (1982 to 1990), Massachusetts (1986 to 1992), Michigan (1978 to 1992), Missouri (1978 to 1990), North Carolina (1990 to 1992), New Mexico (1988 to 1990), Ohio (1990 to 1992), Oklahoma (1988 to 1992), Oregon (1972 to 1992), and Washington (1978 to 1992, with the exception of 1986) (see the appendix for a detailed discussion of these data sources). Ninety-one observations on total primary and general election campaign expenditures were obtained for the state houses and eighty-one for the state senates, though the number of observations is reduced to sixty-nine and sixty-one respectively when other variables are included to measure such things as the total number of candidates, how competitive individual’s general and primary races were, and whether an incumbent was running for re-election. (The sample means and standard deviations are reported in Table 1.)

Figure 1 plots of all 216 gubernatorial observations linking campaign expenditures with government expenditures over the period from 1977 to 1994. The Pearson correlation coefficients is 0.7720, and it is statistically significant at the .01 level. Similar lower, though still statistically significant, correlations are obtained whether one compares per capita measures of campaign and government expenditures (0.6986) or compares the natural log of these per capita values (0.6504). The correlation coefficients were even higher for the 91 State House observations and the 81 State Senate observations linking campaign expenditures with government expenditures.

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21 The Pearson correlation coefficients for the State House is 0.912 and for the State Senate 0.885 (both are statistically significant at the .01 level). Similar high and significant correlations are obtained whether one compares per capita measures of campaign and government expenditures (for the State Houses correlation is 0.9454 and for the State Senates 0.9427) or compares the natural log of these per capita values (for State Houses it is 0.8077 and the State Senates 0.8015). Thus, there appears to be a very strong relationship between government expenditures and campaign contributions.
The raw data emphasizes that total state legislative and gubernatorial and Federal campaign expenditures represent a small fraction of government expenditures. Total state legislative and gubernatorial campaign contributions represent about a tenth of one percent of state government expenditures, and the percentage for the federal government is less than half of them.

IV. Controlling for Other Factors that Determine the Level of Legislative Campaign Expenditures

A. Measuring Changes in Competition, the Returns to Winning Office, and the Technology of Running for Office

Many factors influence the campaign expenditures, though only pooled cross-sectional time-series state level data affords us enough observations to control for these effects. The three types of factors that I will account for are the intensity of the competition, the returns to winning a race, and any technological changes in running for office. With respect to the intensity of competition, there may be year-to-year variations in competition resulting from such things as retirements and not simply from changes in the level of government transfers. Two measures of competition are used. The first method simply controls for the number of candidates running for office. However, since the number of seats being competed for vary not only across states but also over time within some states, I will also control for the number of seats being decided in an election. Some specifications will allow the effect to vary by party so that the variables take the form of the number of Republican candidates (primary plus general election) divided by the number of seats and the number of Democratic candidates (primary plus general election) divided by the number of seats.

Earlier work found that campaign expenditures for the U.S. House of Representatives in 1978 were greatest for the closest expected races and that an incumbent’s past tenure and past campaign expenditures reduced opponent’s expenditures and increased his own.\textsuperscript{22} Specifications 1 and 3 in Table 2 also control for how competitive general election, Republican primary, and Democratic primary races are by including controls for incumbency, number of challengers, and closeness.\textsuperscript{23}

\textsuperscript{22} Lott supra note 11.
\textsuperscript{23} While I do not control for incumbent’s past campaign expenditures, a separate unreported set of regressions were run on a smaller data set that included a variable for the percent of races with incumbents having served eight or more years as a proxy for past investments in reputation or sorting of politicians by ability. However, this variable was never significant and did not alter the results pertaining to government budget expenditures. The data sources for all the variables that control for the intensity of competition are discussed in the appendix.
A second category of control variables involves measures of the return to candidates winning office other than the size of government. For example, the benefit from winning a race depends not only on the size of the transfers the government creates, but also on the distribution of those transfers. This, in turn, depends on which party is in the majority. However, as a political party adds to its majority, there are likely to be diminishing marginal returns. This is controlled for by taking the percentage difference in representation between the Republicans and the Democrats in the State House and then likewise for the Senate in each election year.24

Economists have also long argued that the value of obtaining a political office depends upon how long lived the property rights are to that office. Offices that have longer terms or that allow politicians to remain in office for an unlimited number of terms are more valuable, and politicians will spend more to try and obtain them.25

Variations based upon both the length of terms and limiting the number of terms exist for state legislative offices.26 If term limits reduce total expenditures, recent initiatives that have imposed legislative term limits provide an opportunity to test it. Data were obtained from U.S. Term Limits listing what states adopted legislative term limits in what years. A dummy variable was included which equaled one in the year that term limits were passed (on the belief that campaign expenditures would already have been effected due to the expectations that limits were being passed). Limiting the term limit dummy to only those states where it was already in effect would have limited the dummy to being equal to one for only two observations: California and Oklahoma in 1992. The reported regression specifications were rerun using this narrower definition of the term limit dummy, but it does not affect the results. Florida,

24 The data were obtained from the Statistical Abstract of the United States.
25 Crain and Tollison provide some weak evidence that campaign expenditures were greater for gubernatorial elections where the winner received a four year term than where the terms were two years long. They also found that gubernatorial term limits that restricted the number of successive terms a governor could hold office reduced campaign expenditures. Term limits seem likely to lower expenditures if only because of the reduced incentives to creating long term sunk nontransferable political reputations, and this effect is compounded by the fact that reduced returns to creating nontransferable individual reputations also reduce entry barriers (Lott supra note 11). However, Crain and Tollison’s study was quite limited in that it examined only cross-sectional evidence and was unable to control for any other factors which could affect the level of campaign expenditures. See W. Mark Crain and Robert Tollison, “Attenuated Property Rights and the Market for Governors,” 20 Journal of Law and Economics 205 (April 1977); Hersch, P.L. and G.S. McDougall, “Campaign War Chests as aBarrier to Entry in Congressional Races,” 32 Economic Inquiry 630 (October 1994); and Gi-Ryong Jung Lawrence W. Kenny; and John R. Lott, Jr., “An Explanation for Why Senators from the Same State Vote Differently So Frequently,” 54 Journal of Public Economics, 65 (May 1994).
26 While longer terms will increase campaign expenditures when a race takes place, the question is whether this rule will increase total campaign expenditures. Will the campaign expenditures for two two-year terms be equal to one 4-year term? The preliminary evidence from Crain and Tollison indicate that in fact total expenditures are higher for two 2-year terms.
Ohio, and Washington passed their initiatives during 1992, the last year that I have observations on those states.

Finally, I recognize the possibility of technological change. Over the time studied, innovations include computers, refinements in polling, and mass mailings. These are proxied for by year and state fixed effects dummies.

B. The Results for State Campaign Expenditures After Controlling for Other Effects

Table 2 presents separate results for State House and Senate elections. The relationship between state budget expenditures and state House or Senate campaign expenditures continues to be both statistically and economically significant with or without the political control variables. For example, in specifications 1 through 4 implies that a one standard deviation change in state government spending leads to a 1.13 to 1.40 standard deviation change in state House campaign spending and a 0.71 and 1.12 standard deviation change in state Senate campaign spending. Combining specifications 1 and 3 indicates that a $1000 increase in per capita state government expenditures (an increase of less than a third for these observations) will increase real per capita state legislative campaign expenditures by 54 percent (or $1.53). While other variables are at times significant, only the coefficient for state expenditures is statistically significant in all the specifications.

The only other variables that indicate a consistent, though usually not statistically significant, pattern are the state’s population, and the percentage of seats in the general election that were won by less than 5 percent. The more rapidly growing states tend to exhibit some economies in campaigning. The absence of incumbents in the general election and general election races that are decided by less than 5 percent tend to raise campaign expenditures. The percentage difference in party control of the legislative bodies was consistently negative as predicted only for senate races, and even then it was statistically significant only once.27

27 Since I had no strong prior beliefs concerning the exact functional relationship between state government expenditures and income, specifications 3 and 4 in these two tables were rerun with a new variable included for squared per capita income. The coefficients indicated that campaign expenditures increased at a decreasing rate with income, though neither of these variables were ever statistically significant. At least for legislative races, the bottom line seems to be that it is the amount transfers controlled by the government that determines campaign expenditures and not the potential income that governments can acquire as represented by a state’s personal income.

28 The year dummies were almost always insignificant, and they only implied a consistent (though insignificant) pattern in the state senate regressions examining per capita campaign expenditures.
The results examining gubernatorial campaign expenditures are shown in Table 3 and are fairly similar to those already reported. State government expenditures again stands out as the most consistently significant coefficient and important variable. The state government expenditure coefficients imply that a one standard deviation increase in government expenditures leads to about 134 percent of a one standard deviation change in state gubernatorial campaign spending. Using either specifications 1 or 2, a thousand dollar increase in per capita state government expenditures implies about a 112 percent increase in total gubernatorial campaign expenditures.

The most consistent results indicate that campaign expenditures are highest when there are no incumbents running for office, the winning margin between the top two general or primary election candidates is small, there is split control of the legislature, and there are many candidates running for office. Term limits again have no significant effect on campaign expenditures. The results continue to indicate that per capita income is not particularly important in explaining campaign expenditures.

C. The Impact of Campaign Finance Laws on Total Expenditures

States also differ in terms of the maximum amount that either individual, corporate, or PAC donations. In the extreme many states ban corporate donations all together. Including these variables into the regressions shown Tables 2 and 3 however have no significant impact on campaign expenditures. While the coefficients are negative two thirds of the time, the coefficients never have a t-statistic greater than .5 and the effect of the limitations are always quite small.

D. The Question of Causality

Do higher government expenditures increase the returns to higher campaign expenditures or are the regressions capturing the reverse relationship? Higher government spending could be the result of higher campaign expenditures, as winning candidates may provide greater transfers to those groups that gave them money. Alternatively, however, winning candidates may reduce existing negative transfers from their supporters. It is not obvious whether higher campaign expenditures will generally be followed by either greater or lower transfers.

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29 The year dummies were again almost always insignificant.
30 Baron models a contest where candidates offer political services or interventions with the bureaucracy to attract contributions. The greater the expected offered level of services the greater the contributions made to the campaign. See David P. Baron, “Service-Induced Campaign Contributions and the Electoral Equilibrium,” 104 Quarterly Journal of Economics 45 (February 1989).
Yet, even if higher past campaign contributions do increase future government expenditures, some evidence already exists on the timing of campaign expenditures and changes in legislative outcomes. Lott and Bronars show that while campaign contributions do not alter how individual politicians vote, donors give money to politicians who agree with the donors.\textsuperscript{31} Other evidence also indicates that individual politicians exhibit extremely stable voting patterns over time (Lott and Davis; Poole and Romer; and Lott and Bronars).\textsuperscript{32} The way to produce new government policies is to alter the legislature’s composition and larger campaign expenditures can help do this. Any reward to donors from electing a different type of politician does not occur until after the election.

Campaign expenditures in a given year may also be partly determined by their own past levels.\textsuperscript{33} This could lead to a spurious relationship when one is simply by looking at contemporaneous values of campaign and government expenditures. The causation could then run from past campaign expenditures to current campaign spending and government expenditures. A simple way to account for such a possibility is to include past campaign expenditures as an explanatory variable. Thus, I reran the second and forth specifications in Table 2 and and the second specification in Table 3 by including a variable for the preceding election’s campaign expenditures.

The results consistently support the earlier findings that higher government spending produces significantly higher campaign expenditures, and the sizes of these coefficients are between 70 and 102 percent of their corresponding values in the earlier reported specifications. Though the coefficients for lagged campaign expenditures are always positive, they are statistically significant in only four of the six specifications. The other coefficients are generally similar, though less significant, than those shown in earlier specifications. For example, the gubernatorial evidence on shorter length term limits reducing

\textsuperscript{31} By combining the campaign contributions literature with the evidence that politicians intrinsically value policy outcomes, Lott and Bronars tests whether politicians’ voting patterns change when the retire and no longer face the threat of lost campaign contributions. If contributions are causing individual politicians to vote differently, there should be systematic changes in voting behavior when future contributions are eliminated. On the other hand, if voters give to candidates who intrinsically value the same policies that they do, there should be no last period changes in how a politician votes. The evidence strongly confirms this second hypothesis. See John R. Lott, Jr. and Stephen G. Bronars, “Time Series Evidence on Shirking by Members of the U.S. House of Representatives,” 76 Public Choice 125 (June 1993).

\textsuperscript{32} See John R. Lott, Jr. and Michael Davis, “A Critical Review and An Extension of the Political Shirking Literature,” 74 Public Choice, 461 (December 1992); Keith T. Poole and Thomas Romer, “Ideology, ‘Shirking,’ and Representation,” 77 Public Choice 185 (September 1993); and Lott and Bronars supra note 29.

\textsuperscript{33} There is some evidence that an individual’s past campaign expenditures affects his level of current campaign expenditures (Lott supra note 11). There is also the possibility that there are other unmeasured factors that determine a state’s legislative or gubernatorial campaign expenditures over time and that a state’s campaign expenditures are correlated over time because of these factors.
campaign expenditures is similar to the evidence reported in Table 3, and the legislative evidence that term limits reduce expenditures remains extremely weak.

Table 4 addresses the question of whether lagged campaign expenditures increase or decrease current government expenditures. Here current government expenditures were regressed on both lagged campaign expenditures and government expenditures plus state and year dummies and per capita income. Lagged government expenditures are included because of the literature that indicates that current government expenditures are not determined independently of past expenditures.\textsuperscript{34} Using the other control variables employed in the previous test or the squared values of income and population tends to make the coefficients reported for lagged campaign expenditures slightly more negative.\textsuperscript{35}

The results indicate that past campaign expenditures have insignificant effects on current government expenditures. There is no consistent pattern across types of office. In addition, the effect is always quite small economically. For example, specification 3 in Table 4 implies that a one standard deviation change in campaign expenditures explains about two percent of a standard deviation change in per capita state government expenditures.

VI. Is it the Composition of Expenditures or Revenues that Matters?

If it is the size of government that determines how much effort is spent competing for political office, do certain types of expenditures draw more intense competition than others? One view would be that at the margin politicians have allocated resources so that the marginal intensity of feelings are equalized.\textsuperscript{36}


\textsuperscript{35} When the term limit variable is included it affect is always negative but insignificant. The results seem most consistent with Besley and Case’s findings that term limits either do not affect state government spending under Republican governors or that when they do affect spending under Democratic governors the net affect over a governor’s entire tenure in office is essentially zero. While Crain and Oakley find a significant effect of term limits on the level of state government capital expenditures, they do not examine the question of total government expenditures. Wittman’s political science survey provides an explanation for why term limits for legislators might have different implications for government growth than term limits for governors. He examines the literature that argues that legislators favor government growth more than governors. If true, term limits on governors would tend to weaken them relative to the legislatures and thus tend to increase government spending, while term limits on legislators would tend to do the reverse. Wittman’s arguments against these beliefs about the biases of legislator and governors on spending may help explain these insignificant results. See Timothy Besley and Anne Case supra at 15; Crain and Oakley supra at 15; and Wittman, Donald, “Why Democracies Produce Efficient Results,” 97 Journal of Political Economy 1395 (December 1989) at 1409-1410.

In that case increasing educational expenditures by $10 per capita should not generate a more intense response in terms of campaign expenditures than would the same increase in highway construction.

To examine this question, I broke down state government expenditures into its four largest categories: education, highways, welfare, and health. Likewise, revenues were broken down into individual income taxes, corporate income taxes, sales taxes, and property taxes.\textsuperscript{37}

The results reported in Table 5 implies that the view of equating . They show that larger educational expenditures are most consistently associated with higher campaign expenditures in state House and gubernatorial races, while most of the estimates indicate that higher welfare spending increases all three kinds of state campaign expenditures. It is puzzling why educational expenditures seem to be so important in explaining state House and gubernatorial campaign expenditures and tend to have the opposite (though insignificant) effect on state senate expenditures.\textsuperscript{38}

\textbf{VII. Other Possible Dimensions of Competition}

Competition for resources can take many dimensions. While interest groups are willing to spend more money to elect their representatives as winning office becomes more valuable, they may also compete by having more politicians run for office or increasing legislator tenure. As government becomes larger, the attractiveness of becoming a politician or staying in office should increase. Using the variables I have already employed to explain campaign expenditures, I examined changes in the number of candidates running for state House, state Senate, and Gubernatorial races. The results (not shown) suggest that there is no systematic significant relationship between per capita state government expenditures and the total number of candidates. The effect is significant for state Senate races, but it is relatively small: a one standard deviation change in per capita income explains only 10 percent of a one standard deviation change in the total number of candidates. Putting an additional state House or Senate seat up for election produces slightly more than two new contestants.

The most consistent significant effects are whether there are incumbents running in the Republican and Democratic primaries with the legislative results implying that on average between 2 to 2.8 new candidates enter for each incumbent who decides not to run for reelection and the gubernatorial results

\textsuperscript{37} All the data were collected from the \textit{Statistical Abstract of the United States}.

imply that its range is between 2.3 and 2.4. The insignificant results for the effect of whether there is an incumbent in the general election may simply result from the high degree of collinearity with the other two measures of whether incumbents are running for reelection. More lopsided control of a state legislature appears to discourage entry, but the effects are insignificant. Term limits increase the number of candidates running for office. Donation limits reduce the number of candidates, with lower limits producing even further reductions. A one standard deviation change in donation limits explains over 20 percent of a one standard deviation change in the total number of candidates.

Similar results are obtained for the expected length of time that governors serve in office. The size of government is not directly related to the length of tenure. One variable that seems to be particularly important in explaining this is the imposition of donation limits which significantly increase tenure.

VIII. Federal Data

A simple measure of a congress’s expected tenure is the number of terms congressmen who enter into congress during that year stay in congress. To calculate this, entering congressmen were followed over their next ten terms. While some congressmen did remain in office for more than twenty years, using longer periods reduces the number of observations. While tenure exhibits a continuous upward trend over the entire period from 1856 to 1992 for which I have data, government expenditures do not indicate a similar relationship until the mid-1920’s. The definite break in the data pattern shown for government expenditures does not appear to coincide with any obvious changes in tenure. Controlling for other variables such as male life expectancy, number of days that congress is in session, and real congressional salaries or the relative salary of legislators to lawyers produces no significant relationship between congressional tenure and government expenditures. However, a variable for real donation limits as a result of the 1974 reforms was significant and indicated that the impact of the donation limit increased over time as inflation reduced the real value of donations.

39 The number of days in session and salary data are used to measure the costs and benefits to being in congress, while life expectancy can be interpreted either in terms of opportunity costs or the physical limits face to being in office. The data on life expectancy were obtained for 1900 to the present from Historical Statistics of the United States and various issues of the Statistical Abstract of the United States. Data on the number of days congress was in session and salary information were obtained either from Stigler (Appendix 4) or a Nexis search of news articles on congressional salaries and days in session. Congressional salaries and the number of days congress is in session is available from 1856 to 1992, and the data on law partners’ salaries is available from 1930 to 1978. Not having observation after 1978 is not a binding constraint on the number of observations used in the regression because tenure requires ten terms to calculate.) Stigler finds some evidence that the increases in tenure can be explained by the relative salaries of congressmen and lawyers and a time trend. Presumably the changing prices and time costs of transportation also played an important role, but I was unable to find such indexes. See George J. Stigler, “Legislative Tenure with a Supplement on the Tenure of Business Executives,” Center for the Study of the Economy and the State Working Paper Series, undated at 11 and Appendix 4.
Federal data for legislative offices are limited by the fact that data on campaign donations and expenditures were not systematically reported until the 1975-1976 election cycle. Given both the purely time series nature of this data and the small number of available observations, this data can only be viewed as suggestive. The only major change in campaign finance laws occurred in 1974, prior to when the campaign data were collected.

I regressed the per capita values of Federal Senate plus House campaign expenditures in both the primary and general elections on the per capita Federal budget expenditures. The regression attempts to measure political competition using the number of candidates running in the primary and general elections during that campaign cycle, changes in the desire to make charitable contributions or opportunity costs of voters by using per capita income, the scale effects of campaigning by controlling for the nation’s population, and any secular changes that are likely to have been occurring by using a time trend variable. The sample means and standard deviations are reported in Table 1, and all values are in real 1992 dollars. This specification yields the following results:

\[
(Federal \ Legislative \ Campaign \ Exp./Population) = 0.001198 (Federal \ Gov \ Budget \ Exp./Population) + 0.00007 (GDP/Population) + 0.0003 \text{ Number of Candidates} + 3.08 \times 10^{-7} \text{ Population} - 0.77668 \text{ Time Trend} - 71.584\]

\[
(2.291) \quad (0.884) \quad (1.576) \quad (2.013) \quad (2.041) \quad (2.080)
\]

\[
\text{Adj-R}^2 = 0.8611 \quad \text{Observations} = 10 \quad (1)
\]

absolute t-statistics are shown in parentheses. Rerunning these regressions using the Cochrane-Orcutt method produces virtually the same estimates.

---

40 While running the regressions on data for individual races would produce many more observations, no new real information would be produced with respect to the size of the Federal or state government since those vary at either the Federal or state levels.

41 In an important sense the campaign expenditure limits have become consistently more binding over time since campaign donation limits were set in nominal terms.

42 The data on total real Senate and House campaign expenditures in both the primary and general elections along with the data on the number of candidates running in the primary and general elections during a campaign cycle were obtained from press releases published by the Federal Election Commission. Data on population, gross national product, and the Federal budget expenditures were obtained from the Statistical Abstract of the United States.

43 Rerunning specification using the Cochrane-Orcutt method raises the t-statistic of Federal Gov Budget Exp./Population to 5.121.

In addition, recognizing that using population as an explanatory variable on the right hand side of the specification can produce artificial collinearity due to measurement error, the specification was reestimated after all the variables were multiplied by the population, though the results were essentially unchanged. Rerunning these regressions by replacing all these variables with their differences and dropping the time trend variable produces similar economic, though less statistically significant, results. The coefficient for the differences in per capita government spending is significant at the .15 level for a two-tailed t-test.
The budget variables is significant and indicate some economic importance. A one standard deviation change in the Federal budget produces more than a one standard deviation change in campaign expenditures in specification 2. The impact of government expenditures on campaign expenditures can be seen in another way. For example, while real per capita Federal budget expenditures increased from $4,219 to $5,320 between 1976 and 1994 and real per capita Federal legislative campaign expenditures rose from $1.12 to $2.64, the specification implies that $1.32 (or 87 percent) of the $1.52 increase in campaign expenditures was explained by rising Federal government expenditures.\textsuperscript{44}

As with any purely time-series data, there is always the concern that Federal campaign expenditures are merely correlated with some other variable which Federal government expenditures is tracking. As a simple test, I replaced Federal campaign expenditures with total national product advertising in the United States and reestimated the preceding four regressions.\textsuperscript{45} The specifications produced the opposite relationship to that which was found for campaign expenditures. Using the Cochrane-Orcutt method the t-statistic was -6.215.\textsuperscript{46}

I also reexamined the expected tenure with Federal data from 1856 to 1992. A simple measure of a congress’s expected tenure is the number of terms congressmen who enter into congress during that year stay in congress. To calculate this, entering congressmen were followed over their next ten terms. While some congressmen remain in office for over twenty years, longer periods reduce the number of

\begin{itemize}
  \item In an important sense the campaign expenditure limits have become consistently more binding over time since campaign donation limits were set in nominal terms. I attempted to test whether this constraint reduced campaign expenditures by including a separate variable for the price index. While the coefficient was negative, it was insignificant with t-statistics having values less than 1.
  \item This is obtained from various issues of Leading National Advertisers, Inc.’s BAR Multimedia Reports.
  \item The regressions were as follows:
\end{itemize}

\begin{align*}
(National Advertising Expenditures/Pop.) &= -.000096 \text{ (Federal Gov Budget Expenditures/Pop)} + 9.06 \text{E-6 (GDP/Population)} \\
&\quad \text{(6.215)} \\
&\quad \text{(4.765)} \\
&- .000013 \text{ Number of Candidates} - 1.25 \text{E-8 Population} + 0.0406 \text{ Time Trend} + 3.0118 \\
&\quad \text{(2.176)} \\
&\quad \text{(3.298)} \\
&\quad \text{(4.232)} \\
&\quad \text{(3.488)} \\
\text{Adj-R}^2 &= 0.9958 \quad \text{F-statistic} = 384.09 \quad \text{Observations} = 10 \quad (2)
\end{align*}

\begin{align*}
\text{Ln (National Advertising Expenditures)} &= -.3847 \text{ Ln (Federal Gov Budget Expenditures)} + .00061 \text{ (GDP/Population)} \\
&\quad \text{(2.620)} \\
&\quad \text{(2.943)} \\
&- .000038 \text{ Number of Candidates} + 1.58 \text{E-9 Population} + 0.0520 \text{ Time Trend} + 22.76 \\
&\quad \text{(0.583)} \\
&\quad \text{(0.742)} \\
&\quad \text{(3.327)} \\
\text{Adj-R}^2 &= 0.9939 \quad \text{F-statistic} = 259.74 \quad \text{Observations} = 10 \quad (3)
\end{align*}

Eliminating the number of candidates variable form these two regressions still leaves Federal budget expenditures coefficient significantly negative with t-statistics of -3.77 and -2.96.
observations. The data plotted data in Figure 2 does not indicate a relationship. The definite break in the
data pattern shown for government expenditures does not coincide with any obvious changes in tenure.

**X. Conclusion**

Over the last couple of decades, most of the increase in campaign expenditures can be explained by
higher government spending. This result holds for both Federal and state legislative campaigns and
gubernatorial races. The paper also finds that the level of government expenditures more consistently
predict higher campaign expenditures than does either the composition of the expenditures or the
percentage of government revenue derived from different revenue sources. While the competition for
government transfers seems to take the form higher campaign expenditures, there is little evidence that it
takes the form of increasing the number of candidates running for office or lengthening term lengths.

The public policy debate presumes that all the supposed evils of campaign finance would be simply
solved by putting limits on donations or on the total amount that candidates can spend. Yet, as with other
types of controls, one risks merely changing the form of payments rather than really restricting the level
of payments. The debate unfortunately focuses on the symptoms and not the root causes of the ever
higher expenditures. This paper suggests that if one really wants to reduce the resources society spends
on campaigns, the solution is to make the government smaller.

Indeed, the real puzzle should actually be: why are campaign expenditures so small when there is so
much money at stake? Why are Federal budget expenditures 2500 times larger than total Federal
legislative campaign expenditures and State budget expenditures 1250 times larger than total state
legislative campaign expenditures? Possibly, government expenditures produce few rents or that the
expenditures are taking many other forms. If this last point is true, the question then becomes: why is it
preferable that the rent-seeking primarily take forms other than campaign contributions, or does it matter?
Alternatively, it just might be extremely costly to produce the what rents the government produces.
Bibliography


Grad, Shelby, “Popejoy Backs Statewide Campaign Reforms; Legislation: Former county chief executive officer, speaking at news conference, says ballot measure would encourage political newcomers by limiting incumbents' ability to amass huge war chests,” Los Angeles Times (November 2, 1995): 1.


DATA APPENDIX: LIST OF SOURCES

Gubernatorial Election Data

Total campaign expenditures (in 1992 $) by candidates for primaries, runoffs, and general elections were obtained from The Book of the States 1994-1995 and earlier years.

Total state expenditures (in 1992 $) were obtained from either the Statistical Abstract of the U. S. or the World Almanac and Book of Facts.

Per capita income of state residents (in 1992 $) were obtained from various years of the Statistical Abstract of the United States.

Total state taxes (in 1992 $) were obtained from the Statistical Abstract of the U. S.


The absolute margin of control in the State Senate and House of Representatives: Offices that were either vacant or occupied by an independent were not counted in either the numerator or the denominator. The source for this was the World Almanac and Book of Facts.

The dummy variable for whether the control of the state legislatures is split takes the value of 1 if there is split control of the Legislature and the Senate in a given and year. Missing values were assigned to Nebraska for all years, because it has a unicameral legislature of 49 members who are elected on a nonpartisan ballot. The source for this was the World Almanac and Book of Facts.

The length of a governor’s term (in years) is obtained from The Book of the States 1978-1995, Tables entitled “The Governors.”

The maximum number of consecutive years that a governor may serve were also obtained from The Book of the States 1978-1995, and from Congressional Quarterly’s Guide to U. S. Elections, Third Edition, p. 635. An entry of 0 means that there is no limit. Between 1978 and 1992 six states (California, Colorado, Hawaii, New Mexico (1991), South Carolina, and Tennessee) changed their policies regarding the maximum number of consecutive years that a governor could serve. Since our election data only go through 1990 for New Mexico its change will not be observed in our sample.

A term limit dummy variable takes the value of 1 if there is a limit on the number of consecutive terms a governor may serve and takes the value of 0 if there is no such limit. Between 1978 and 1992 three states (California, Colorado, and Hawaii) introduced a term limit for governors. During this period three other states (New Mexico, South Carolina, and Tennessee) increased from one to two the number of consecutive terms that a governor could serve. This is obtained from The Book of the States 1978-1995, and from Congressional Quarterly’s Guide to U. S. Elections, Third Edition, p. 635. An entry of 0 means that there is no limit.

The dummy variable for whether there is an incumbent in the general election takes on the value of 1 if there was an incumbent in the general election and a 0 if an incumbent was not in the general election. (Sources: 1990-1992 data taken from The Book of the States 1994-1995, p. 39. For 1986-1989, the data is taken from The Book of the States 1990-1991, p. 52.)

The absolute margin of victory in the general election was calculated as the difference in the percentage of votes between the top two candidates in the race. The sources for this data are The Book of the States and The Almanac of American Politics which was used for the elections in which third party or independent candidates finished in the top two in the general election.
The number of candidates in the general election that received more than 5% of the vote was obtained from Congressional Quarterly’s Guide to U. S. Elections, Third Edition, pp. 667-716. The data for Louisiana is omitted from this variable because of its open primary system.

The variables for whether there was an incumbent in the Republican or Democratic primaries, the absolute margin of victory between the top two contestants in those primaries, the number of candidates with over 5 percent of the vote in those primaries, and information on whether those primaries were uncontested were all obtained from Congressional Quarterly’s Guide to U. S. Elections (third edition).

In Connecticut, party conventions nominate candidates by convention. However, if an individual receives at least 20% of the convention vote, then he is allowed to petition for a challenge primary. Only in 1986 was there a Republican challenge primary. For the other years the dummy for whether the primary was contested was set equal to 1 and the margin of victory in the primary was set equal to 100, thus interpreting the lack of a challenge to imply that the convention was uncontested.

In Delaware, party conventions nominate candidates by convention. However, if an individual receives at least 35% of the convention vote, then he is allowed to petition for a challenge primary. Challenge primaries occurred in 1980, 1984, 1988 and 1992. However, only in 1992 did someone not receive 100% of the primary votes. Therefore, the dummy for whether the primary was contested was set equal to 1 and the margin of victory in the primary was set equal to 100 for all years except 1992.

Utah had Republican and Democratic primaries in 1976, 1984 and 1992. In 1980 and 1988 it had conventions for both parties. Virginia had a Republican primary in 1989 and a Democratic primary in 1977. For all other years there were conventions. For these convention observations no values were assigned to the data. Louisiana’s values were omitted for all years, because it has a non-partisan open primary that requires all candidates, regardless of party affiliation, to appear on a single ballot.

State Legislative Election Expenditures

Primary and general election information on vote margins, number of seats up for election, percent of seats with no challengers or incumbents, the total number of candidates, campaign expenditure information were obtained from the following sources. The information was collected by first writing to the state Secretary of State offices and state election commissions and then following up with telephone calls.

Alabama

Printed information for 1990 was obtained from Alabama’s Secretary of State Jim Bennett’s office.

Alaska

Primary Election Results
Alaska Secretary of State, State of Alaska Official Returns by Election Precinct Primary Election August 22, 1978; August 27, 1980; August 24, 1982; August 28, 1984; August 26, 1986; August 23, 1988; August 28, 1990; September 8, 1992

General Election Results
Alaska Secretary of State, State of Alaska Official Returns by Election Precinct General Election


California

Primary Election Results
California Secretary of State, Statement of Vote and Supplement Primary Election, June 6, 1978; June 5, 1984; and June 3, 1986.

General Election Results
California Secretary of State, Statement of Vote and Supplement General Election November 7, 1978
California Secretary of State, Statement of Vote General Election November 4, 1980; November 2, 1982;
November 6, 1984; November 4, 1986; November 8, 1988; November 6, 1990, General Election; and
November 3, 1992, General Election

Campaign expenditures are obtained from Fay, James S., editor, California Journal (6th edition), Santa

Connecticut

Primary Election Results
State of Connecticut Office of the Secretary of State Elections Services Division, Statement of Vote,
September 14, 1988; September 11, 1990; and September 15, 1992.

General Election Results
State of Connecticut Secretary of the State, Statement of Vote General Election November 8, 1988;
November 6, 1990; and November 3, 1992

Campaign expenditure information is contained separately on photocopied sheets from the secretary of
state’s office.

Florida

Primary Election Results
Florida Department of State Division of Elections, Tabulation of Official Votes Florida Primary Elections
Democratic, Republican and Nopartisan September 12, 1978 and October 5, 1978; September 9, 1980
and October 7, 1980; September 7, 1982 and October 5, 1982; September 4, 1984 and October 2, 1984;
September 2, 1986 and September 30, 1986; September 6, 1988 and October 4, 1988; September 4, 1990
and October 2, 1990; and September 1, 1992 and October 1, 1992.

General Election Results
Florida Department of State Division of Elections, Tabulation of Official Votes Florida General Election;
November 6, 1990; and November 3, 1992

Campaign expenditure information is contained separately on photocopied sheets from the State Division
of Elections’ office.

Idaho

Primary Election Results
Idaho Secretary of State, Official Vote Totals Primary Election - May 27, 1986; May 24, 1988; May 22,
1990; and the Idaho Secretary of State, Legislative District Totals 1992 Primary Election.

General Election Results
Idaho Secretary of State, Official Vote Totals/Legislative Districts General Election - November 4, 1986;
also November 8, 1988; November 6, 1990; and November 3, 1992.

Campaign expenditure information is contained separately on photocopied sheets from the secretary of
state’s office.

Kansas

Primary and General Election Results: Kansas Secretary of State, Election Statistics State of Kansas
were also used).
Campaign expenditure information is contained separately on photocopied sheets from the secretary of state’s office.

**Michigan**


**General Election Results**

Campaign expenditure information is obtained from various issues of Michigan Election Statistics.

**Missouri**

**Primary and General Election Results**

**Ohio**

**Primary and General Election Results and Campaign Expenditures**

**Oregon**


**North Carolina**


**Washington**

**Primary Election Results**

**General Election Results**
Other Data

Federal and state data on per capita income, population, state government expenditures and the breakdown of those expenditures by type were obtained from the Statistical Abstract of the United States.

Total Federal campaign expenditures for the House and Senate and the total number of candidates for those offices were obtained from press releases put out by the Federal Election Commission.
Table 1

Sample Means and Standard Deviations

(All dollar values are in real 1992 dollars. Standard deviations are in parentheses and the number of observations are listed below that. The column entitled “All State Legislative Campaigns” sums up the campaign expenditure data for State Senate and House races when data for both races are available for a particular year in a state.)

<table>
<thead>
<tr>
<th>Variable Descriptions</th>
<th>Federal Legislative Campaigns</th>
<th>All State Legislative Campaigns</th>
<th>State Senate Legislative Campaigns</th>
<th>State House Legislative Campaigns</th>
<th>Gubernatorial Campaign Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ln (Campaign Expenditures)</td>
<td>20.001 (0.299)</td>
<td>15.93 (1.009)</td>
<td>14.72 (1.100)</td>
<td>15.26 (1.086)</td>
<td>15.52 (1.068)</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>81</td>
<td>81</td>
<td>91</td>
<td>216</td>
</tr>
<tr>
<td>Per Capita Campaign Expenditures</td>
<td>2.09 (0.4524)</td>
<td>2.78 (2.60)</td>
<td>0.903 (0.9896)</td>
<td>1.51 (1.566)</td>
<td>2.556 (2.364)</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>81</td>
<td>81</td>
<td>91</td>
<td>216</td>
</tr>
<tr>
<td>Ln (Federal Budget Expenditures)</td>
<td>27.785 (0.151)</td>
<td>. . .</td>
<td>. . .</td>
<td>. . .</td>
<td>. . .</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ln (State Budget Expenditures)</td>
<td>. . .</td>
<td>23.02 (0.969)</td>
<td>23.02 (0.969)</td>
<td>16.07 (0.9892)</td>
<td>22.56 (0.9693)</td>
</tr>
<tr>
<td></td>
<td>81</td>
<td>81</td>
<td>91</td>
<td>216</td>
<td></td>
</tr>
<tr>
<td>Per Capita Federal Budget Expenditures</td>
<td>4922 (452.8)</td>
<td>. . .</td>
<td>. . .</td>
<td>. . .</td>
<td>. . .</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per Capita State Budget Expenditures</td>
<td>. . .</td>
<td>2945 (2226)</td>
<td>2945 (2226)</td>
<td>2894.88 (2131.26)</td>
<td>2360.28 (1101.02)</td>
</tr>
<tr>
<td></td>
<td>81</td>
<td>81</td>
<td>91</td>
<td>216</td>
<td></td>
</tr>
<tr>
<td>% Difference in Representation Between Major Parties</td>
<td>. . .</td>
<td>. . .</td>
<td>0.253 (0.168)</td>
<td>0.265 (0.1596)</td>
<td>. . .</td>
</tr>
<tr>
<td></td>
<td>81</td>
<td>91</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Number of Candidates</td>
<td>2014.9 (523.7)</td>
<td>275 (87.6)</td>
<td>59.45 (28.41)</td>
<td>249 (84.32)</td>
<td>5.029 (2.22)</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>61</td>
<td>61</td>
<td>69</td>
<td>205</td>
</tr>
<tr>
<td>Population</td>
<td>238,188,600 (14,153,412)</td>
<td>6,902,488 (7,595,000)</td>
<td>6,902,488 (7,595,000)</td>
<td>6,685,681 (7,355,442)</td>
<td>4,644,727 (5,164,589)</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>81</td>
<td>81</td>
<td>91</td>
<td>216</td>
</tr>
</tbody>
</table>
The Relationship Between Total Campaign Spending for Governorial Races and State Government Expenditures

Figure 1
Table 2
Explaining Total Campaign Expenditures for State House and Senate Races
(Absolute t-statistics are in parentheses, state and year dummy variables are not reported)

<table>
<thead>
<tr>
<th>Dependent Variables</th>
<th>Total Campaign Spending for State House Races/Population</th>
<th>Total Campaign Spending for State Senate Races/Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exogenous Variables</td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>Per Capita State Government Expenditures</td>
<td>0.00103 (4.80)</td>
<td>0.00084 (9.48)</td>
</tr>
<tr>
<td>Term Limits</td>
<td>0.0382 (0.15)</td>
<td>0.0998 (0.42)</td>
</tr>
<tr>
<td>% Difference in Control of State House or Senate</td>
<td>0.0697 (0.51)</td>
<td>-0.65 (0.97)</td>
</tr>
<tr>
<td>Total Number of Candidates Running for Office</td>
<td>. . .</td>
<td>0.00082 (0.55)</td>
</tr>
<tr>
<td>Population</td>
<td>-7.3 E-8 (0.93)</td>
<td>-1.2 E-7 (2.06)</td>
</tr>
<tr>
<td>Per Capita Income</td>
<td>4.42 E-5 (0.382)</td>
<td>2.1 E-5 (0.122)</td>
</tr>
<tr>
<td>General Election Variables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Seats Up for Election</td>
<td>-0.0155 (0.25)</td>
<td>. . .</td>
</tr>
<tr>
<td>%Seats with No Challenger</td>
<td>-1.526 (0.87)</td>
<td>. . .</td>
</tr>
<tr>
<td>%Seats with No Incumbent</td>
<td>0.429 (0.27)</td>
<td>. . .</td>
</tr>
<tr>
<td>%Seats with Multiple Inc.</td>
<td>0.5358 (0.06)</td>
<td>. . .</td>
</tr>
<tr>
<td>%Seats Won by Between 0 and 5%</td>
<td>3.311 (1.29)</td>
<td>. . .</td>
</tr>
<tr>
<td>%Seats Won by Between 5 and 10%</td>
<td>3.059 (1.15)</td>
<td>. . .</td>
</tr>
<tr>
<td>%Seats Won by Between 10 and 15%</td>
<td>1.123 (0.42)</td>
<td>. . .</td>
</tr>
<tr>
<td>%Seats Won by Between 15 and 20%</td>
<td>-0.0334 (0.01)</td>
<td>. . .</td>
</tr>
<tr>
<td>Republican Primary Variables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Seats Up for Election</td>
<td>0.1085 (0.16)</td>
<td>. . .</td>
</tr>
<tr>
<td>%Seats with No Challenger</td>
<td>1.15 (1.26)</td>
<td>. . .</td>
</tr>
<tr>
<td>%Seats with No Incumbent</td>
<td>-1.266 (0.90)</td>
<td>. . .</td>
</tr>
<tr>
<td>%Seats with Multiple Inc.</td>
<td>-0.4382 (0.04)</td>
<td>. . .</td>
</tr>
<tr>
<td>%Seats Won by Between 0 and 5%</td>
<td>2.88 (0.73)</td>
<td>. . .</td>
</tr>
<tr>
<td>%Seats Won by Between 5 and 10%</td>
<td>0.8296 (0.18)</td>
<td>. . .</td>
</tr>
<tr>
<td>%Seats Won by Between 10 and 15%</td>
<td>1.226 (0.23)</td>
<td>. . .</td>
</tr>
<tr>
<td>%Seats Won by Between 15 and 20%</td>
<td>-2.874 (0.66)</td>
<td>. . .</td>
</tr>
</tbody>
</table>

Democrat Primary Variables

| Number of Seats Up for Election | -0.81 (1.09) | . . . | 0.342 (1.38) | . . . |
| %Seats with No Challenger | -0.85 (1.01) | . . . | -0.0675 (0.13) | . . . |
| %Seats with No Incumbent | 0.984 (0.72) | . . . | 2.045 (3.68) | . . . |
| %Seats with Multiple Inc. | 2.873 (0.28) | . . . | 3.249 (1.54) | . . . |
| %Seats Won by Between 0 and 5% | -3.357 (0.77) | . . . | -2.387 (1.36) | . . . |
| %Seats Won by Between 5 and 10% | -5.004 (1.15) | . . . | -3.362 (2.31) | . . . |
| %Seats Won by Between 10 and 15% | 4.748 (1.18) | . . . | -0.300 (0.27) | . . . |
| %Seats Won by Between 15 and 20% | 5.57 (1.03) | . . . | 0.419 (0.27) | . . . |

| Intercept | -0.296 (0.07) | -0.729 (1.75) | -1.81 (2.38) | 0.085 (0.23) |
| adj-R² | .9404 | .9389 | .9424 | .9117 |
| Root Mean Sq Error | 0.2899 | 0.3037 | 0.1913 | 0.2707 |
| Observations | 69 | 69 | 61 | 61 |
### Table 3

**Explaining Total Campaign Expenditures for Gubernatorial Races**  
(Absolute t-statistics are in parentheses, year and state dummy variables are not reported)

<table>
<thead>
<tr>
<th>Dependent Variables</th>
<th>(Total Campaign Spending for Governorship)/Population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exogenous Variables</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Capita State Expenditures</td>
<td>0.0029</td>
<td>0.0029</td>
</tr>
<tr>
<td>Per Capita Income</td>
<td>(5.599 \times 10^{-5})</td>
<td>(0.000011)</td>
</tr>
<tr>
<td>No Incumbent Running</td>
<td>. . .</td>
<td>0.7480</td>
</tr>
<tr>
<td>Maximum Number of Years Governor allowed to Serve</td>
<td>0.0313</td>
<td>0.1008</td>
</tr>
<tr>
<td>Length of Term</td>
<td>0.1865</td>
<td>0.0682</td>
</tr>
<tr>
<td>Split Control of State Legislature</td>
<td>0.6633</td>
<td>0.4816</td>
</tr>
<tr>
<td>Abs % Difference in Control of State Senate</td>
<td>0.271</td>
<td>. . .</td>
</tr>
<tr>
<td>Abs % Difference in Control of State House</td>
<td>-0.7909</td>
<td>. . .</td>
</tr>
<tr>
<td>Total Number of Major Party Candidates Running for the Governorship</td>
<td>. . .</td>
<td>0.2133</td>
</tr>
<tr>
<td>Population</td>
<td>(7.18 \times 10^{-8})</td>
<td>(3.04 \times 10^{-8})</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>General Election Variables</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Incumbent in General Election</td>
<td>-0.2446</td>
<td>. . .</td>
</tr>
<tr>
<td>Winning Margin in General Election Between Top Two Candidates</td>
<td>-0.0237</td>
<td>. . .</td>
</tr>
<tr>
<td>Number of Candidates with more than 5 percent of Vote</td>
<td>-0.0237</td>
<td>. . .</td>
</tr>
<tr>
<td>Table 3 continued</td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>-------------------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td><strong>Republican Gubernatorial Primary Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Republican Incumbent</td>
<td>-0.0278</td>
<td>. . .</td>
</tr>
<tr>
<td></td>
<td>(0.044)</td>
<td></td>
</tr>
<tr>
<td>No Challenger</td>
<td>-0.080</td>
<td>. . .</td>
</tr>
<tr>
<td></td>
<td>(0.193)</td>
<td></td>
</tr>
<tr>
<td>Winning Margin in General Election Between Top Two Candidates</td>
<td>-0.0067</td>
<td>. . .</td>
</tr>
<tr>
<td></td>
<td>(1.123)</td>
<td></td>
</tr>
<tr>
<td>Number of Candidates with more than 5 percent of Vote</td>
<td>-0.0456</td>
<td>. . .</td>
</tr>
<tr>
<td></td>
<td>(0.349)</td>
<td></td>
</tr>
<tr>
<td><strong>Democratic Gubernatorial Primary Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Democratic Incumbent</td>
<td>-0.3704</td>
<td>. . .</td>
</tr>
<tr>
<td></td>
<td>(0.629)</td>
<td></td>
</tr>
<tr>
<td>No Challenger</td>
<td>0.4985</td>
<td>. . .</td>
</tr>
<tr>
<td></td>
<td>(1.159)</td>
<td></td>
</tr>
<tr>
<td>Winning Margin in General Election Between Top Two Candidates</td>
<td>-0.0084</td>
<td>. . .</td>
</tr>
<tr>
<td></td>
<td>(1.446)</td>
<td></td>
</tr>
<tr>
<td>Number of Candidates with more than 5 percent of Vote</td>
<td>0.2545</td>
<td>. . .</td>
</tr>
<tr>
<td></td>
<td>(0.134)</td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>-16.776</td>
<td>-18.2069</td>
</tr>
<tr>
<td></td>
<td>(3.616)</td>
<td>(3.894)</td>
</tr>
<tr>
<td>Adj-R²</td>
<td>0.8425</td>
<td>0.7223</td>
</tr>
<tr>
<td>Root Mean Sq Error</td>
<td>1.2014</td>
<td>1.2491</td>
</tr>
<tr>
<td>Observations</td>
<td>200</td>
<td>200</td>
</tr>
</tbody>
</table>
Table 4: Do Lagged Campaign Expenditures Explain Higher Government Expenditures?
(Absolute t-statistics are in parentheses, year and state dummy variables are not reported)

Dependent Variables

<table>
<thead>
<tr>
<th>Exogenous Variables</th>
<th>House</th>
<th>Senate</th>
<th>Governorship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lagged Per Capita State Expenditures</td>
<td>0.1866 (2.58)</td>
<td>0.2577 (3.18)</td>
<td>0.2647 (3.465)</td>
</tr>
<tr>
<td>Lagged Per Capita Campaign Expenditures</td>
<td>-0.2052 (0.139)</td>
<td>-6.58 (0.66)</td>
<td>10.094 (0.893)</td>
</tr>
<tr>
<td>Per Capita Income</td>
<td>0.1339 (4.23)</td>
<td>0.12998 (4.89)</td>
<td>0.1026 (3.991)</td>
</tr>
<tr>
<td>Population</td>
<td>-1.5 E-5 (2.08)</td>
<td>-1.2 E-5 (1.94)</td>
<td>4.58 E-5 (0.974)</td>
</tr>
</tbody>
</table>

Adj-R^2 = 0.9687 0.9696 0.9751
Observations = 75 64 166
Table 5: Explaining Total Campaign Expenditures by Type of State Spending: Expenditures for All Candidates Running for the State Houses

(Absolute t-statistics are in parentheses. Year and state dummy variables are not reported. The specifications correspond to specifications 2 and 4 shown in Table 3 and specification 2 in Table 4. Not all variables are reported.)

Dependent Variables

(Total Campaign Spending)/Population for

<table>
<thead>
<tr>
<th>Exogenous Variables</th>
<th>House</th>
<th>Senate</th>
<th>Governorship</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>Per Capita State Education Expenditures</td>
<td>0.0008</td>
<td>-6.7 E-7</td>
<td>0.0035</td>
</tr>
<tr>
<td></td>
<td>(1.82)</td>
<td>(0.00)</td>
<td>(3.882)</td>
</tr>
<tr>
<td>Per Capita State Highway Expenditures</td>
<td>-0.0011</td>
<td>0.00172</td>
<td>0.0009</td>
</tr>
<tr>
<td></td>
<td>(0.56)</td>
<td>(1.68)</td>
<td>(0.782)</td>
</tr>
<tr>
<td>Per Capita State Welfare Expenditures</td>
<td>-0.00066</td>
<td>0.00098</td>
<td>0.0039</td>
</tr>
<tr>
<td></td>
<td>(0.23)</td>
<td>(1.82)</td>
<td>(4.821)</td>
</tr>
<tr>
<td>Per Capita State Health Expenditures</td>
<td>-0.00022</td>
<td>-0.0002</td>
<td>0.0024</td>
</tr>
<tr>
<td></td>
<td>(0.76)</td>
<td>(0.45)</td>
<td>(1.832)</td>
</tr>
<tr>
<td>Term Limits</td>
<td>0.1342</td>
<td>0.098</td>
<td>0.0422</td>
</tr>
<tr>
<td></td>
<td>(0.31)</td>
<td>(0.42)</td>
<td>(0.122)</td>
</tr>
<tr>
<td>% Difference in Control of State House or Senate</td>
<td>-1.4151</td>
<td>-0.878</td>
<td>. . .</td>
</tr>
<tr>
<td></td>
<td>(1.45)</td>
<td>(1.81)</td>
<td></td>
</tr>
<tr>
<td>Split Control of State Legislature</td>
<td>. . .</td>
<td>. . .</td>
<td>0.4412</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(1.214)</td>
</tr>
<tr>
<td>Total Number of Candidates Running for Office</td>
<td>0.0013</td>
<td>0.0063</td>
<td>0.2220</td>
</tr>
<tr>
<td></td>
<td>(0.58)</td>
<td>(1.64)</td>
<td>(3.511)</td>
</tr>
<tr>
<td>Population</td>
<td>-2.1 E-8</td>
<td>-4.9 E-8</td>
<td>3.03 E-8</td>
</tr>
<tr>
<td></td>
<td>(0.18)</td>
<td>(1.02)</td>
<td>(0.129)</td>
</tr>
<tr>
<td>Intercept</td>
<td>0.2343</td>
<td>-0.2435</td>
<td>-17.3344</td>
</tr>
<tr>
<td></td>
<td>(0.34)</td>
<td>(0.58)</td>
<td>(3.5643)</td>
</tr>
<tr>
<td>adj-R^2 =</td>
<td>0.9745</td>
<td>0.9444</td>
<td>0.7432</td>
</tr>
<tr>
<td>Root Mean Sq Error</td>
<td>0.3551</td>
<td>0.3424</td>
<td>1.2561</td>
</tr>
<tr>
<td>Observations</td>
<td>69</td>
<td>61</td>
<td>200</td>
</tr>
</tbody>
</table>
A line is added to the data to indicate 1925-26 so that the reader can better discern whether there is any change in tenure lengths before and after the change in the growth in per capita Federal government expenditures.

* Figure 2: Comparing the Change Over Time in Real Per Capita Federal Expenditures with Expected Tenure
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