



THE UNIVERSITY OF CHICAGO

**CENTER FOR EFFECTIVE
GOVERNMENT**

Harris School of Public Policy

DEMOCRACY REFORM PRIMER SERIES

Public Funding of U.S. Elections

A Practical Research Guide

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About the Democracy Reform Primer Series

Narrowing the gap between research and public dialogue, the University of Chicago Center for Effective Government's Democracy Reform Primers responsibly advance conversations and strategy about proposed changes to our political institutions. Each Primer focuses on a particular reform, clarifies its intended purposes, and critically evaluates what the best available research has to say about it. The Primers do not serve as a platform for either authors or the Center to advance their own independent views about the reform; to the contrary, they serve as an objective and authoritative guide about what we actually know—and what we still don't know—about the likely effects of adopting prominent reforms to our political institutions. In some instances, the available evidence may clearly support the claims of a reform's advocates. In other instances, it may cut against them. And in still others, the scholarly literature may be mixed, indeterminate, or altogether silent. Without partisan judgment or ideological pretense, and grounded in objective scholarship, these Primers set the record straight by clarifying what can be said about democracy reforms with confidence and what requires further study. This series is produced with support from Democracy Fund and the Democracy Innovation Fund.

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About the Author



Alexander Fourinaies is an assistant professor at the University of Chicago Harris School of Public Policy. His work concentrates on the political economy of elections. Most of his research focuses on how money and the media shape elections and affect representation and accountability. Methodologically, Fourinaies has an interest in causal inference and applied econometrics. Most of his projects use natural experiments to uncover causal relations between political and economic variables. Before joining Harris, Fourinaies was a Prize-Postdoctoral Research Fellow at Nuffield College, Oxford University. He earned his PhD at the London School of Economics.

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CEG Faculty Affiliate **Anthony Fowler** is a Professor at the Harris School of Public Policy at the University of Chicago. His research applies econometric methods for causal inference to questions in political science, with particular emphasis on elections and political representation. Fowler is currently the Co-editor in Chief of the Quarterly Journal of Political Science, and the co-author (with Ethan Bueno de Mesquita) of *Thinking Clearly with Data: A Guide to Quantitative Reasoning and Analysis* (Princeton University Press, 2021). Fowler earned his Ph.D. in government from Harvard University and completed undergraduate studies at the Massachusetts Institute of Technology.

Promise of the Reform

Private fundraising in U.S. elections corrupts the incentives of elected officials, advantages entrenched elites, and harms electoral competition. Public funding of elections would level the electoral playing field and better align the interests of elected officials and citizens.



Key Takeaways from Existing Research

- It is difficult to study the consequences of public-funding programs because of the small number of cases, the problem of establishing good counterfactuals, and limited data availability.
- The most compelling evidence suggests that full public-funding programs promote electoral competition and benefit challengers.
- Some evidence suggests that public funding may help ideological extremists and exacerbate political polarization.
- Evidence suggests that public funding may allow politicians to spend less time on fundraising activities.

Important Questions that the Research Does Not Answer

- We do not have good empirical evidence on the impact of public funding on the quality and performance of elected officials, in part because it is difficult to quantify and measure these characteristics.
- We do not have good empirical evidence on whether public-funding programs ultimately affect public policy and economic outcomes.

Introduction

“The two main types of public funding of electoral campaigns are partial public-funding programs (sometimes called ‘matching funds’ programs) and full public-funding programs (sometimes called ‘clean elections’ programs).”

In the aftermath of Watergate, Congress amended the Federal Elections Campaign Act (FECA) in 1974 and introduced a new voluntary program that made public funding of presidential campaigns conditional on compliance with spending limits. According to the FECA rules, a presidential candidate who can document broad-based public support and who is willing to accept certain limits on their campaign expenses, can choose to run a partially public-funded primary election campaign (in which private campaign contributions from small donors are matched with public funding) and a fully funded general election campaign (in which private campaign contributions are banned). The U.S. Supreme Court struck down many parts of FECA in the case *Buckley v. Valeo* (1976), but it upheld the public-funding provisions because candidates could voluntarily opt into or out of the program. Over the subsequent decades voluntary public funding of electoral campaign programs spread to elected offices at the state and local level in several states.

The two main types of public funding of electoral campaigns that are currently used in state and local elections are partial public-funding programs (sometimes called “matching funds” programs) and full public-funding programs (sometimes called “clean elections” programs).

The partial public-funding programs resemble the public funding of presidential primary campaigns: candidates who meet the eligibility requirements and who are willing to limit their expenses, may opt into a program where private contributions are matched with public funds. The private-to-public matching ratio varies across jurisdictions; in some places the ratio is higher than one, in other places it is lower. Many of these programs were implemented in the 1970s and 1980s, and they are currently used in gubernatorial and state legislative elections in Hawaii and Minnesota, and in gubernatorial and certain statewide elections in Florida, New Jersey, Maryland, Massachusetts, Michigan, and Rhode Island.

The full public-funding programs resemble the public funding of general election presidential campaigns. Candidates who can document support from a particular number of small donors can opt into receiving a certain level of public funding if they agree to not raise or spend more than this amount. Most of these programs were implemented in the 1990s and 2000s, and they are currently used in gubernatorial and state legislative elections in Arizona, Connecticut, and Maine, and in gubernatorial and certain statewide elections in New Mexico, North Carolina, and Vermont.

Research on Election Funding

Empirical studies of the consequences of public-funding programs in the U.S. face important challenges, and some studies address these challenges more compellingly than others. The first challenge is that we observe a relatively small number of elections with public funding. There are not that many gubernatorial and presidential elections where candidates had the public-funding option, and consequently most of the empirical evidence is based on state legislative elections. However, all these observations come from only a handful of states. Consequently, any empirical analysis will have relatively limited statistical power.

“The most compelling evidence comes from states that introduced or repealed public funding programs for state legislative elections in the last 30 years.”

A second challenge is identifying appropriate counterfactuals. If we want to assess the consequences of implementing public-funding programs, we need to know what would have happened in the places with these programs if the programs had not been implemented. Some studies make comparisons across states, but there are good reasons to think that states with public-funding programs are systematically different on many dimensions from states without these programs. The same is true when studying the impact of public funding for individual candidates. The candidates that self-select into public funding are presumably systematically different from the candidates that opt out of public funding. The most compelling evidence comes from studies that compare a state before and after the introduction of public funding.

The third challenge is data availability. There are many interesting outcomes that we unfortunately cannot observe. For example, we do not observe legislator quality (which is important if we want to study selection questions), and we do not observe whether interest groups influence the behavior of legislators unduly (which is important if we want to study incentives questions). Moreover, for the outcomes that we do observe, for example campaign contributions or candidate characteristics, we typically only have systematic data for the last 30 years or so.

Because of these challenges, some of the most compelling evidence comes from states that introduced or repealed public-funding programs for state legislative elections in the last 30 years, and the bulk of this evidence concerns the full-public-funding programs introduced in Arizona, Connecticut, and Maine.

What Are the Consequences of Public-Funding Programs?

Most of the empirical academic literature on publicly funded electoral campaigns in the U.S. studies the effect of public funding on electoral competition, ideological extremism, and fundraising efforts.

“The best empirical evidence suggests that public-funding programs promote candidate entry and electoral competition.”

A central argument in favor of publicly funded campaigns is that it may promote electoral competition. In private fundraising systems, certain candidates enjoy systematic fundraising advantages (e.g. incumbents and well-connected individuals), and this may translate into electoral advantages. By giving all candidates access to a certain level of campaign finance, public funding may reduce fundraising inequalities, level the electoral playing field, and strengthen electoral selection and incentives.

The best empirical evidence suggests that public-funding programs promote candidate entry and electoral competition. One of the most comprehensive studies examined how public funding affects the number of candidates running for office.¹ Using data on all 99 state legislative chambers from 1976 to 2018, the study compared the number of candidates who ran in a state before and after the

state introduced (or repealed) a public-funding program while differencing out general trends in candidate entry in unaffected states. The study found that public funding causes an increase in the number of candidates running for office. In the average state legislature, public funding encourages approximately 18 extra candidates to run for a state legislative seat, the equivalent of an extra candidate in one out of five seats. Further, the effects appear to be stronger for full-funding programs than partial-funding programs. Similarly, a 2008 study using a before-and-after design in the upper chambers in Maine and Arizona, looked at how the introduction of public-funding programs affected the effective number of candidates running for a seat. The paper found that the programs strengthened electoral competition.²

Some studies examine how public funding affects the performance of incumbents. One paper used a regression-discontinuity design to estimate the financial and electoral incumbency advantages in different states and time periods and examine whether the estimated incumbency advantages in Arizona, Connecticut, and Maine changed when these states introduced public funding of campaigns. It found that public funding systematically reduces the financial and electoral incumbency advantages.³ In contrast, a 1995 study looked at the effect of the partial public-funding program in Wisconsin. It sought to compare the electoral performance of incumbents in Wisconsin before and after the introduction of the partial-funding program in 1977 and compare the change to the performance of incumbents in 12 unaffected states. It found that partial funding has no impact on the performance of incumbents.⁴

Does Public Funding Promote Moderation or Polarization?

“Legislators become more extreme when they opt into public funding.”

The above paper on incumbency advantages Arizona, Connecticut, and Maine also looked at whether public funding affects political polarization. It estimated polarization as the difference between legislator ideology, measured by roll-call votes, in districts where the Democrats marginally won and districts where they marginally lost an election. The paper then examined whether the ideological gap between Democrats and Republicans changed when public funding is introduced, relative to changes in the gap in unaffected states. The paper found that public funding increases polarization.⁵

Another study explored the impact of public funding on the gap between state legislators' ideological positions (as measured by roll-call votes) and the ideological positions of the voters they represent (as measured in surveys).⁶ The study examined whether the ideological gap changes when a district elects a publicly funded candidate relative to a privately funded candidate, and it found that public funding increases the ideological gap. To disentangle whether the effect is driven by selection or incentives, the paper compared changes in the ideological gap for the same legislator before and after they opt into public funding. It found that the same legislators become more extreme when they opt into public funding.

Does Public Funding Give Politicians Better Incentives?

An argument in favor of public funding is that it may improve the incentives of elected officials. If candidates in private-funding systems need to raise large amounts of campaign finance, it could give them incentives to spend too much time fundraising or to give too many policy favors to special interests relative to what the broader public would like. By limiting the need to raise money from private groups, public-funding programs may align the interest of citizens and elected officials better than private funding systems.

“State legislative candidates who selected into full public-funding programs spent less time—15 percentage points—on fundraising-related activities relative to privately funded candidates.”

Overall, we do not have great evidence on the way public funding affect the incentives of elected officials. While we do not know much about whether public-funding programs reduce potential undue influence of moneyed special interest groups, we do have some evidence on how public funding shapes the way politicians allocate their time. (It is important to recognize, however, that this evidence relies on self-reported information from politicians.)

A 2003 paper surveyed state legislative candidates and used their responses to describe how much time privately and publicly funded candidates spent on fundraising-related activities.⁷ On average, the percentage of their time that state legislative candidates spent on fundraising-related activities was 15 percentage points lower for candidates who selected into full public-funding programs relative to privately funded candidates. Unfortunately, the study did not tell us what publicly funded candidates do with their extra time. The results further showed that partially funded candidates appear to allocate the same percentage of their time to fundraising as privately funded candidates. The authors adjusted their estimates for certain observable characteristics (e.g. party, incumbency, district competitiveness), but there are, of course, many unobservable characteristics that could influence both selection into public-funding programs and the allocation of candidates' time. The evidence is suggestive, but we should be cautious about making strong causal claims based on this study.

Conclusion

There are many important questions about the consequences of public-funding programs that we cannot answer—in part because we do not have good measures for many important outcomes, and in part because we do not have enough observations of public-funding programs. Ideally, we would like to know whether public-funding of electoral campaigns:

- promotes the selection of high-quality politicians,
- aligns the incentives of elected officials and citizens, and
- ultimately impacts public policies and economic outcomes.

Most of the existing empirical evidence concerns the effect of public-funding programs on electoral competition and ideological extremism. The best evidence on these issues suggest that policy makers face a trade-off: Public-funding programs promote electoral competition and candidate entry, but they may also encourage ideological extremism and polarization. People may reasonably disagree about whether entrenched political elites are more concerning than ideological polarization in contemporary American politics, but discussion about campaign finance reforms should openly consider this trade off.

“The best evidence on these issues suggest that policy makers face a trade-off between promoting electoral competition and encouraging ideological polarization.”

Endnotes

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