

**INVESTMENT IN POLITICIANS? EVIDENCE FROM THE 1994 ELECTIONS**

by

Nolan McCarty  
Department of Political Science  
Columbia University

and

Lawrence S. Rothenberg  
Department of Political Science  
University of Rochester

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## **Abstract**

Political organizations and elected officials are often viewed as developing long-term alliances. Given this view, it is alleged that groups should invest in politicians by providing consistent support over time in exchange for increasing returns as elected officials find their careers advancing. Others question this view and assert that politicians and groups leaders have far shorter time horizons.

Democratic dominance of the U. S. Congress has made distinguishing between these perspectives difficult, as consistent temporal support by groups of elected officials could be interpreted as investment or as reflecting stable political conditions. The 1994 Republican landslide provides a quasi-experimental situation where behavior can be examined in a qualitatively different political context. The investment perspective predicts that organizations will support previous allies and will pay penalties in the form of higher campaign contributions to those with whom they wish to curry favor but have not previously aided; the short-term view implies that groups will willingly switch their support and there will not be penalties.

Analysis of 1995-1996 campaign contributions to Republican House members generally supports the short-term perspective. There is only scant evidence of investment activity. Generally, findings indicate that alliances between groups and legislators, while they may have the appearance of being long-term under stable conditions, are actually fragile.

## INVESTMENT IN POLITICIANS? EVIDENCE FROM THE 1994 ELECTIONS

Conventional wisdom suggests that organized groups and elected officials develop symbiotic relationships. According to such logic, interest groups construct lines of access to influential politicians; indeed, some posit that organized interests make long-term investments in the careers of the politicians whom they deem potentially important and receptive. Politicians seeking reelection, in turn, frequently depend upon associations to supply resources and support.

With respect to the American Congress, this state of affairs favored the Democratic Party for the vast majority of the post-World War II era. Democrats largely controlled the legislature (generally the Senate and almost always the House of Representatives) and organized interests, even business and corporate concerns that would seem unlikely allies, provided considerable support. This Democratic majority proved so resilient that, even as the Republicans occupied the presidency for all but four years from 1968 through 1992, certain business interests and trade associations increasingly directed campaign resources to Democratic members (Sorauf 1992). More ideologically-compatible Republicans, who remained a seemingly permanent minority, were sacrificed.

As public contribution data revealed rather consistent support of legislators by specific donors over time (but see McCarty and Rothenberg 1996), many interpreted the resulting contribution patterns as evidence that the so-called *campaign contribution contract* is a long-term one.<sup>1</sup> Groups make investments in the careers of elected officials with payoffs that may be

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<sup>1</sup> The campaign contribution contract may be conceptualized as the tacit agreement between contributor and legislator. An organization furnishes electoral funds in exchange for a future

realized far in the future.

In a recent paper, we question this view (McCarty and Rothenberg 1996)--suggesting that it is based on indeterminate theoretical findings, some intuitively problematic assumptions, and weak empirical results. Nonetheless, the fact remains that contribution patterns have been fairly routinized. The principal difference is that some claim that this reflects large numbers of short-term choices where the factors entering into the decision-making process are stable while others maintain that it is the product of long-term commitments where an initial choice to provide assistance determines subsequent contribution activity.

Fortunately, at least for the cause of research, contemporary political events offer the potential to resolve the commitment puzzle more definitively. The abrupt disruption of Democratic congressional dominance in November 1994 by the election of a Republican majority in both chambers, including an astounding 73 new Republican House members, allows us to further disentangle whether group/legislator alliances are based on short-term convergence or on long-term implicit agreements. The Democratic party, stripped of all trappings of majority power, as well as of many of its more moderate, pro-business, members, has found itself trying to maintain its alliances with organized interests without institutional advantage on its side. Republicans, eager to gain the perceived rewards of majority status, have identified previously unavailable opportunities to cull organizational support and have had a key decision to make about how the opposition's previous allies ought to be treated: Should such concerns be punished or should bygones be allowed to be bygones? Similarly, organized interests have an important

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commitment of access. This may be interpreted as an option contract stipulating that (1) the group will be consulted should a relevant issue arise, or (2) the representative will be of assistance should a need for casework arise.

choice--support those with whom they had previously been in alliance in order to preserve investments or adapt to new circumstances by moving toward Republicans and away from Democrats.

How elected officials and organized interests have reacted to this situation promises to tell us a great deal. Not only will such responses specifically inform us about the dynamics of electoral support, but they will tell us about the nature of the relationship between groups and elected officials. Evidence that organizations previously supporting Democrats shy away from most Republicans and pay a premium to get in the good graces of a few GOP representatives whom they had not allied with earlier would provide evidence for investment behavior and indicate that alliances are long-term and not of the moment. Alternatively, a disposition by political action committees (PACs) to contribute to Republicans and an unwillingness by newly empowered Republicans to impose penalties on such contributors by demanding larger donations would support our belief that, *prima facie* appearances to the contrary, alliances are short-term.

Consequently, our analysis ascertains whether the reactions by members of the House and interest groups, as reflected by the behavior of PACs in light of the 1994 election results, suggest that short- or long-term alliances are the norm. To accomplish this task, we first briefly review the theoretical issues regarding cooperation which underlie our analysis. We subsequently provide a descriptive overview of the behavior of corporations and trade associations and elected representatives during the 1995-1996 electoral cycle and then distinguish between competing hypotheses by examining whether contribution choices in this period mimic those made in 1993-1994.

Our results largely buttress the contention that relationships are short-term. Organized interests have willingly abandoned previous Democratic allies despite their alleged investment in their careers. The new Republican majority, despite much bravado, has proven unwilling to impose penalties upon those wishing to switch sides.

### **Is Cooperation Possible? Theoretical Issues**

Appreciating why the existence or the absence of investment behavior is not theoretically clearcut requires understanding the limitations of formal models of cooperation. Succinctly put, existing theory produces indeterminate predictions about when commitment is credible.

Although an extensive literature on possibilities for cooperation exists, there is no unambiguous theoretical result that can be applied to answer the question that is of interest in this study: When will the threats and the rewards that are crucial for perpetuating long-term alliances be carried out and when will enforcement be weak? While, given repeated play, commitment problems may be overcome, offering precise theoretical predictions about which threats will be implemented and which will be abrogated is impossible. In other words, since organized interests and elected officials engage in repeated interactions, long-term cooperation may be generated or a lack of cooperation may be witnessed. Depending upon the patience of the players (as reflected by their discount rates), infinitely repeated play can support virtually any level of commitment as an equilibrium.<sup>2</sup>

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<sup>2</sup> This is merely an application of the well-known “folk theorems” that pertain to repeated games and demonstrate that an equilibrium can enforce any feasible, individually rational, payoffs. As a consequence, standard equilibrium concepts offer little in the way of empirical predictions about

Moreover, given that the players involved are careerists and should have reasonably modest discount rates, theoretical predictions are not very robust when it comes to the campaign contribution contract (for a good review, see Morton & Cameron 1992). Rather, expectations about what this contract entails are typically dependent upon assumptions that are subject to challenge concerning the existence and the nature of commitment. Most prominently, in a series of seminal papers, Baron (1989a, 1989b, 1994) and Baron and Mo (1992) assume that several forms of commitment are possible.<sup>3</sup> Generally, their models specify an effective, if short-term, commitment contract under which funds are furnished before an election in exchange for the provision of service in the subsequent House term.

However, these service models and the inferences they draw are dependent on assumptions that are subject to question because they require the ability to punish. For instance, two noteworthy assumptions incorporated are (1) that interest groups are incapable of furnishing contributions to both candidates in a given election, and (2) that PACs are unable to make contributions subsequent to the election in order to receive legislative access. Both assumptions are particularly crucial for the incumbency effect that these models purport to generate. If contributors do not need to choose between candidates because they will not be punished if they contribute to both, the advantage of being a sitting representative might be undermined.<sup>4</sup> Analogously, if elected officials are unable to commit credibly to punish groups not contributing before the election--if, for example, PACs can observe electoral results and afterwards give to the

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the behavior of those who have low discount rates (e.g., Fudenberg & Tirole 1992).

<sup>3</sup> Many of the assumptions found in such research may be necessary for very legitimate reasons of tractability.

<sup>4</sup> Such dual contributions to both candidates may be rare for reasons that do not involve

winner--then organizations will have a strong incentive to free ride by allowing others to provide contributions that could influence an election's outcome. If incumbent members could not collect their electoral funds in advance of the election, much of their fundraising advantage would presumably disappear.

The larger point that can be drawn from the above discussion is that, because equilibrium selection and the temporal perspective of groups and organizations cannot be specified in a general model, caution must be exercised in assessing theoretical findings that depend on assumptions regarding commitment and the related ability to punish. Since equilibrium selection is an empirical issue, determining which assumptions are reasonable requires a detailed understanding of the long-run behavior of PACs and politicians.

Only recently has such an empirical foundation begun to be developed. Initially, Snyder has attempted to demonstrate the importance of what he labels long-term investment in politicians (1992; see also, 1990, 1993). He posits a world where relevant PACs have extremely long time horizons and legislators are able to commit for very lengthy periods. Snyder claims to find evidence for this viewpoint when data from 1980-1988 are examined, suggesting that investment is greater when returns will extend for a longer period (e.g., young legislators get bigger contributions) and when future payoffs are higher (e.g., House members from small states get more, presumably because they have a greater probability of going to the Senate).

As mentioned, McCarty and Rothenberg (1996) question Snyder's work on intuitive and empirical grounds and suggest that a quite short-term perspective on legislator/organization alliances is more likely. Examining the period 1977-1986, they find that the willingness of

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punishment, such as budget constraints, ideological matching, or the benefits of seniority.

legislators to punish PACs (e.g., those giving to an opponent or to both candidates in the previous election) is marginal, indicating that commitment problems are severe and that cooperation generated by long-term relationships, as defined in a formal sense, are not realistic.

However, as implied above, one potential criticism of such empirical investigations is that they cover relatively politically stable periods. Distinguishing between investment activity and a series of short-term choices with such data is problematic. What is needed, as a quasi-experiment, is a dramatic shock to the system. The 1994 Republican congressional landslide provides just such a disruption.

### **Experience in the Republican Era**

Before proceeding with the explanatory analysis, it is instructive to examine descriptively the behavior of groups and politicians in the initial months of the new Republican era. Although such reactions only provide intuition, they do furnish some important insights as well as raise some interesting issues.

Specifically, data suggest that PACs are switching their allegiances toward Republicans. While not immediately distinguishing between whether alliances are short- or long-term, this result does indicate that contributors have not felt a great obligation to remain in the Democratic camp. The major issue is whether Republicans publicly promising retribution are actually willing and able to follow through.

Every measure of PAC behavior suggests a clear propensity to increase Republican support and to reduce it for Democrats. For example, in the first six months of the campaign

season, all types of PACs moved their contributions from Democrats to Republicans (“PACs are Placing Their Bets . . .” 1995).<sup>5</sup> Similarly, the pattern of PAC contributions in the first 15 months of the 1995-1996 election cycle reversed itself from two years previously--while Democrats and Republicans received \$46 million and \$23.7 million respectively in 1993-1994, they accrued \$33.2 million and \$44.8 million two years later (“PACs Contribute . . .” 1996). Nor are such results simply a function of few Democratic incumbents (a scant 173 in 1995-1996), as the median PAC contribution for Democrats seeking reelection has dipped by more than a quarter from two years previously while it has more than doubled for Republican incumbents (“1996 Congressional Fundraising” 1996).

As soon as Republicans had an inkling that a new majority was a possibility, party members, particularly some of their more bombastic leaders, suggested that punishment would be imposed on those whose behavior did not change in the appropriate partisan manner. Lobbying firms were warned that they needed to become more pro-Republican (e.g., Moore, Cohen, and Stone 1995). So have contributors. House Speaker Newt Gingrich frankly pronounced as far back as October 1994 that donors who were “not on board” with the Republican Party in the effort to unseat the Democrats would suffer “the two coldest years in Washington” (Weisskopf 1995, p. 13).

From our vantage point, whether the Speaker's threats are sincere and whether a rank and file worried about its next election would be disposed to behave accordingly is questionable. The

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<sup>5</sup> Categories of PACs included: agriculture, communications, construction, defense, energy, finance, health, lawyers, transportation, miscellaneous business, labor, and single-issue. These data are especially telling because there was likely very little belief that Democrats might reclaim control of either chamber of Congress in the first half of 1995; over time, this has probably been

mechanisms that Gingrich has at his disposal to get fellow Republicans to unite and enforce his pledges are unclear. And, it would only be sequentially rational for the Republican leadership to carry out a promised retaliation if it served to deter interest group defections to a future Democratic majority. This, in turn, would require meeting four specific conditions:

- The Republican's return to minority status in the near future is sufficiently probable that the party gains from engaging in deterrence.
- The expected duration of periods of Republican control is sufficiently long to impose real costs on deviant groups.
- The value of future electoral support relative to current support is rather high (i.e., discount rates must be low).
- The value that interest groups place on future access relative to current access is rather high.

Meeting these conditions in practice is problematic. Not only are the first two conditions probably in conflict, but it is dubious that the time horizons of politicians and groups are sufficiently long to make Republican threats credible at either the party or the legislator level (McCarty and Rothenberg 1996). As a result, there is likely an incentive both for Republican leaders and for the rank and file [especially] to let bygones be bygones and to accept electoral support from whoever is willing to provide such assistance.

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perceived to be more of a possibility.

In short, the evidence shows that Republicans are doing better and that PACs have substantially abandoned Democrats. There are anecdotal stories that Republicans want to adopt a long-term strategy that rewards and punishes behaving and misbehaving organizations and their PACs. Yet, there is no evidence one way or the other that these threats are being carried out and there is considerable reason to question whether the general problem in implementing such a strategy--that members of Congress must sacrifice their short-term interests for long-term benefits--has been overcome.

### **Enforcing the Contract**

To examine whether members of the Republican party have enforced a long-term campaign contribution contract, we analyze the giving of corporations and trade associations in the first 18 months of the 1995-1996 election cycle to Republicans seeking reelection and compare it to the 1993-1994 election cycle. Because the context in which freshman seeking reelection for the first time is so different (e.g., corporate and trade PAC give far less frequently to non-incumbents, especially those challenging non-incumbents, than to sitting members), we separate them out from other members of the new majority party. If the GOP effectively pursued a punishment strategy, we would expect that groups who gave heavily to Democrats in 1993-1994 would be less likely to support Republicans in 1995-1996 but, conditional on giving to Republican incumbents, would make *larger* contributions.

## *Methodology*

As punishments may be reflected in either the decision about whether or not to make a contribution or in the choice about how much to contribute, we need a methodology which allows us to discern whether the effects of the determinants of contributions differ depending upon which judgment is being considered. Given this requirement, the obvious means of estimating PAC contributions are not appropriate.

For instance, the standard Tobit model for estimating regression models with truncated dependent variables is unsuitable because it requires the assumption that all independent variables have the same impact for both choices of interest. Such an assumption is unlikely to reflect accurately how PAC contributions are actually made and its utilization could result in serious specification problems. Even more importantly, incorrectly employing Tobit would make it impossible to separate out whether punishments are implemented by legislators refusing to deal with an organization or by these elected officials demanding higher donations from potential contributors.

The simplest alternative to Tobit, utilizing probit and ordinary least squares (OLS) estimation sequentially, presents a different set of problems. While this approach would separate the decision to provide funds from that about how much to contribute, it requires the assumption that a zero correlation exists between the errors in the two equations. Intuitively, this is a hard assumption to make and, if incorrect, it could result in selection bias.

Consequently, we adopt a more general model that allows for the decision about whether to give and how much to provide to be either independent or correlated. Both Tobit and the

combination of probit and OLS are merely special cases of this model.

We specified this model as follows. Let

$$y_{ij}^* = \beta X_{ij} + \varepsilon_{1ij} \quad (1)$$

$$y_{ij} = \theta X_{ij} + \varepsilon_{2ij} \quad (2)$$

where  $y_{ij}^*$  is a latent variable which determines the decision of whether or not PAC  $i$  contributes to incumbent  $j$ . A contribution is made if and only if  $y_{ij}^* > 0$ . Generally, we may think of  $\beta$  as a measure of the influence a variable has on the discrete decision about whether or not to contribute and  $\theta$  as the effect on the nominal level of contributions. We assume that the error terms  $\varepsilon_1$  and  $\varepsilon_2$  are distributed normally with mean 0 and variances  $\sigma_1^2$  and  $\sigma_2^2$  and covariance  $\sigma_{12}$ . Note that if  $\sigma_{12} = 0$ , equations (1) and (2) can be estimated via probit and OLS estimation respectively.

If  $f(\varepsilon_1, \varepsilon_2)$  is the joint density function and  $F(\cdot)$  is the cumulative standard normal distribution function, the likelihood function is

$$L = \prod_o \Phi\left(\frac{-\beta X_{ij}}{\sigma_1}\right) \prod_i \int_{-\beta X_{ij}}^{\infty} f(\varepsilon_1, \varepsilon_2) d\varepsilon_1 \quad (3)$$

This function can be greatly simplified by employing the fact that the distribution of  $\varepsilon_2$

conditional  $\varepsilon_1$  is normal with mean  $\sigma_{12}\sigma_2^2\varepsilon_1$  and variance  $\sigma_1^2\sigma_{12}^2\sigma_2^2$ . Given the relationships between the joint, marginal, and conditional distributions, the likelihood function becomes

$$L = \prod_o \Phi\left(\frac{-\beta X_{ij}}{\sigma_1}\right) \prod_1 \left(\frac{-\beta X_{ij} + \sigma_{12}\sigma_1^{-1}\sigma_2^{-2}(y_{ij} - \theta X_{ij})}{\sqrt{1 - \sigma_{12}^2\sigma_1^{-2}\sigma_2^{-2}}}\right) \sigma_2^{-1} \phi\left(\sigma_2^{-1}(y_{ij} - \theta X_{ij})\right) \quad (4)$$

where  $f(\cdot)$  is the standard normal probability density function. Note that the term  $s_1$  does not enter the likelihood function except through  $\beta/\sigma_1$ . Thus, without loss of generality, we are able to set  $\sigma_1 = 1$ . Also, note that the likelihood function is identical to that used for estimating the standard Tobit model when  $\beta = \theta\sigma_2^1$  and  $\sigma_1 = \sigma_2 = \sigma_{12}$ .<sup>6</sup>

### *Data*

As implied, we employ the above model to test whether Republicans--freshman and previous incumbents alike--are following through on their promises of retribution. To reiterate, of fundamental importance is whether support of the Democrats in the 1993-1994 cycle is a disincentive to making contributions to Republicans during the first 18 months of the electoral cycle from 1995-1996 because the access price, as reflected by higher contribution levels, has gone up.

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<sup>6</sup> To estimate this model for our large data set, we apply Heckman's (1979) two stage model. Under this procedure, we estimate the discrete choice coefficients via probit. We then regress the positive contributions on the inverse Mills ratio derived from the probit estimates to correct for selectivity bias. As this approach does not involve full maximum likelihood, our results are

For both our analyses of Republican incumbents and freshman (whom we split between those who defeated incumbents and those who won open races), we specify two dependent variables: the discrete choice of whether a given PAC makes a contribution in the 1995-1996 electoral cycle (scored zero for no contribution and one for a contribution) and the nominal choice for how much (in dollars). Our analyses includes 130 previous Republican incumbents running for reelection (retirees, seekers of higher office, and those refusing PAC money are excluded) and 68 of the 1994 Republican freshman (the three freshman refusing PAC contributions, Representative Sam Brownback, who is running for the Senate, and retiring Congresswomen Edith Waldholdtz are omitted) and 218 large PACs (136 corporate PACs and 82 trade association PACs).<sup>7</sup> As summarized in Table 1, the probabilities of receiving a contribution given our sample range from about 24 percent (corporate contributions to freshman) to about 31 percent (trade association contributions to freshman).<sup>8</sup> Average contributions, conditional upon making a donation, range from \$1300 to \$1800 depending upon category.

As previously implied, the independent variables of primary interest involve whether a PAC made a contribution in 1993-1994 and for how much. Along these lines, we define the following relevant variables that are included in both equations: (1) the proportion of a PAC's 1993-1994 contributions to Democrats (scaled from 0 to 1), which should capture some of the effects of Republicans being the

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not the most efficient but are consistent.

<sup>7</sup> This focus on large PACs (defined as those making at least \$200,000 in contributions during the 1993-1994 election cycle would seem to work in favor of finding investment behavior. Presumably, large contributors would be far more likely to engage in such long-term planning than small organizations whose funding and, indeed, existence over the long-run is in doubt.

<sup>8</sup> Table 1 obviously combines all freshman for simplicity. It also does not include 1996 challenger contributions since such data are currently largely unavailable for the 1995-1996

**Table 1: PAC Behavior Across Election Cycles**

<b>Corporate Contributions to Non-Freshman (Number of contributions with percentage in parentheses)</b>		
<i>1994 Contributions/ 1996 Contributions</i>	Incumbent	Abstain
Incumbent	2989 (16.9)	1665 (9.7)
Abstain	1337 (7.6)	11570 (65.4)
Challenger	12 (0.1)	72 (0.4)
Dual (Challenger and Incumbent)	27 (0.2)	8 (0.1)

<b>Corporate Contributions to Freshman (Number of contributions with percentage in parentheses)</b>		
<i>1994 Contributions/ 1996 Contributions</i>	Incumbent	Abstain
Freshman	631 (6.8)	637 (6.9)
Abstain	964 (10.4)	5624 (60.8)
Opponent	438 (4.7)	737 (8.0)
Dual (Freshman and Opponent)	187 (2.0)	30 (0.3)

<b>Trade Association Contributions to Non-Freshman (Number of contributions with percentage in parentheses)</b>		
<i>1994 Contributions/ 1996 Contributions</i>	Incumbent	Abstain
Incumbent	2159 (20.3)	1156 (10.8)
Abstain	603 (5.7)	6455 (60.6)
Challenger	24 (0.2)	232 (2.2)
Dual (Challenger and Incumbent)	15 (0.1)	16 (0.2)

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election cycle.

<b>Trade Association Contributions to Freshman (Number of contributions with percentage in parentheses)</b>		
<i>1994 Contributions/ 1996 Contributions</i>	Incumbent	Abstain
Freshman	674 (12.1)	337 (6.0)
Abstain	459 (8.2)	2678 (48.0)
Opponent	449 (8.1)	798 (14.3)
Dual (Freshman and Opponent)	141 (2.5)	40 (0.7)

controlling party in the House; (2) whether a PAC made a contribution to the 1995-1996 incumbent in the previous electoral cycle (a dummy variable) and for how much (in dollars, divided by 100 for convenience); and (3) analogous measures of whether and how much a PAC gave to the 1995-1996 incumbent's Democratic opponent two years previously.<sup>9</sup> [The specification of the dummy variables for previous contributions to Democrats and Republicans means that each measure compares whether a PAC contribution to the 1995-1996 incumbent is more likely than if the PAC had given to neither candidate in 1993-1994.]

As foreshadowed, if punishment is occurring, the decision whether to give to a GOP incumbent should be negatively impacted by previous Democratic support both generally and to the Democratic opponent in 1993-1994 and should be positively influenced by previous support to the incumbent; however, in all instances, conditional on the decision to give, such factors should be positive determinants of how much is given. The joint predictions for discrete and nominal actions are particularly important since, while short-term matching could produce some

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<sup>9</sup> In our previous work, we separated out instances where contributions were supplied to both incumbent and opponent. However, given the comparatively small number of incumbents being incorporated in the present analysis, there are not enough such dual contributions to merit such treatment (as seen in Table 1, while there are quite a few dual contributions with respect to our freshman, there are only 35 and 31 such donations to experienced legislators from corporate and

of the predicted results (particularly for the nominal contribution choice), only punishment is consistent with the prediction that few contributions should be given for more money.

Besides the independent variables of interest, we include a number of control variables to capture some of the characteristics that have been defined as relevant for contribution activity:

(1) the incumbent's success in the previous election (the percentage of the vote received in November 1994); (2) candidate ideology;

(3) seniority (in number of years); (4) median district income (in dollars); and

(5) committee membership (measured with a series of dummy variables.<sup>10</sup> Additionally, as one factor that could possibly corrupt our findings is that different PACs may have different budgets, we include each group's total 1993-1994 expenditures as an exogenous measure of PAC heterogeneity according to size.

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trade association PACs respectively.

<sup>10</sup> Ideology is measured so that it is exogenous to campaign contributions and has a number of other highly desirable properties (for a detailed discussion, see McCarty and Rothenberg 1993). In earlier work, an additional measure of ideological distance was necessary but, because Republicans and Democrats have become more ideologically polarized over time, such an indicator is now unnecessary. Seniority is not included in the freshman equations, as there is obviously no variance; also, as no GOP freshman were appointed to either the Rules or the Standards and Conduct Committees in 1994, they are excluded in our analysis of first-term members. Finally, we do not incorporate measures that we had used in our previous work, such as primary results and challenger characteristics, since they are not yet available for 1995-1996.

### *Evidence for Investment*

Our results suggest that evidence for investment activity is weak. Contributors appear to behave with little worry about retribution. To the extent that there are any statistically significant findings that look like investment behavior, the "tax rate" is so extraordinarily low that it could hardly constitute effective punishment.

Consider first the findings for non-freshman, since they represent the cleanest test of the commitment model. Generally, the punishment and reward hypothesis receives little support. As seen in Table 2, PACs giving larger percentages of their contributions in 1993-1994 to Democrats were, if anything, actually *more* likely to provide support to experienced Republicans in 1995-1996, indicating that highly partisan PACs willingly deal with whatever party is in control and are uninhibited by their previous behavior.<sup>11</sup> Also, in only one in four instances, the amount given to Democratic opponents in 1993-1994 by trade associations, is the expectation that previous Democratic support deters Republican contributions in the present cycle met. Not surprisingly, earlier Republican supporters are, indeed, more likely to give two years later as well.

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<sup>11</sup> Because of the numerous coefficients in the complete equation, estimates for the control variables, which are unexceptional, are not reported but are available from the authors.

<b>Table 2: Discrete Contributions to GOP Non-Freshman (Coefficient with standard error in parentheses)</b>		
<b>Variable/PAC Type</b>	<b>Corporate</b>	<b>Trade Association</b>
<i>Intercept</i>	-5.721*** (0.347)	-3.845*** (0.317)
<i>Democratic Contributions, 1993-1994</i>	87.400*** (7.152)	9.064 (6.441)
<i>Contribution to Democratic Opponent, 1993-1994 (Discrete Choice)</i>	0.183 (0.187)	0.174 (0.144)
<i>Contribution to Democratic Opponent, 1993-1994 (Amount Given)</i>	0.007 (0.012)	-0.017*** (0.006)
<i>Contribution to Republican Incumbent, 1993-1994 (Discrete Choice)</i>	1.282*** (0.034 )	1.504*** (0.039 )
<i>Contribution to Republican Incumbent, 1993-1994 (Amount Given)</i>	0.025*** (0.002)	0.011*** (0.001)
<i>Number of Cases</i>	17680	10660
<i>-2 * log likelihood</i>	13832.57	8187.61
*** $p \leq .01$ ; ** $.01 < p \leq .05$ ; * $.05 < p \leq .10$		

The results for nominal contribution activity also reveal little that might be construed as punishment (Table 3). Conditional upon making a donation, those trade association PACs that were most Democratically-oriented in 1993-1994 gave larger amounts to the to Republicans in 1995-1996 (the coefficient for corporations is in the right direction but insignificant). When considered In light of the findings for the discrete choice, this result indicates that a subset of PACs are especially sensitive to which party is in the majority, i.e., they heavily supported the Democrats when they were in control, they now provide help to the Republicans, and if the Democrats recapture Congress they will redirect their support again. This is hardly the image of PACs restrained by long-term contracts.

Additionally, earlier contributions to an incumbent's Democratic opponent did not consistently result in a penalty for bad behavior. Only the amount given by corporate PACs in 1993-1994 served to raise the contribution price. However, even in this instance, the level of the alleged penalty that we are talking about--particularly given that corporate PACs which supported the Democrats two years previously behave just like those who abstained in making their nominal choices--seems preposterously low to constitute an effective punishment; with the estimated 3 percent penalty, and given an average non-zero contribution, the "punishment" is roughly \$45.

**Table 3: Nominal Contributions to GOP Non-Freshman  
(Coefficient with standard error in parentheses)**

<b>Variable/PAC Type</b>	<b>Corporate</b>	<b>Trade Association</b>
<i>Intercept</i>	-1043.300 (1089.000)	-5618.600*** (1721.000)
<i>Democratic Contributions, 1993-1994</i>	258.840 (167.200)	787.100*** (124.500)
<i>Contribution to Democratic Opponent, 1993-1994 (Discrete Choice)</i>	-230.180 (229.600)	189.490 (283.600)
<i>Contribution to Democratic Opponent, 1993-1994 (Amount Given)</i>	31.611** (0.148)	-16.141 (14.950)
<i>Contribution to Republican Incumbent, 1993-1994 (Discrete Choice)</i>	-391.110* (241.100)	1004.900* (552.400)
<i>Contribution to Republican Incumbent, 1993-1994 (Amount Given)</i>	37.224*** (2.174)	30.707*** (2.549)
<i>Number of Cases</i>	4365	2801
$R^2$	.31	.28
*** $p \leq .01$ ; ** $.01 < p \leq .05$ ; * $.05 < p \leq .10$		

Consequently, when viewed in the aggregate, the behavior of corporations and trade associations toward experienced Republicans suggests a pattern of different short-term adjustments to changing contexts. When discrete and nominal choices are jointly considered, the picture that emerges is that PACs are swinging toward the Republicans to the extent that they are because the GOP controls what these contributors want and these groups are able to alter their behavior with impunity. Similarly, corporations and associations stick with old Democratic allies because such incumbents are seen as still able to offer immediate rewards over the short-term. As such organizations are presumably quite sensitive to who controls Congress, groups whose past giving patterns are highly partisan are especially willing to change their behavior.

Although a bit more ambiguous, the findings for freshman suggest that contributors, Democrats and Republicans alike, were moving toward the new incumbents (Tables 4 through 7). Regardless, support for investment activity is scant.

In contrast to incumbents, virtually every possibility but the expectation for long-term cooperation--fewer but larger contributions--is realized when aggregate Democratic contribution behavior in 1993-1994 is examined. In one case behavior is unaffected, in another there are fewer contributions of the same amount, in another more contributions are discovered, and in still another there are fewer contributions at a lower level.

**Table 4: Discrete Contributions to GOP Freshman (Democratic Incumbent)**  
**(Coefficient with standard error in parentheses)**

<b>Variable/PAC Type</b>	<b>Corporate</b>	<b>Trade Association</b>
<i>Intercept</i>	-8.477*** (0.957)	-4.997*** (1.070)
<i>Democratic Contributions, 1993-1994</i>	-5.606 (13.390)	-69.742*** (11.820)
<i>Contribution to Democratic Opponent, 1993-1994 (Discrete Choice)</i>	0.527*** (0.064)	0.713*** (0.077)
<i>Contribution to Democratic Opponent, 1993-1994 (Amount Given)</i>	0.008*** (0.002)	-0.001 (0.002)
<i>Contribution to Republican Challenger, 1993-1994 (Discrete Choice)</i>	1.003*** (0.095)	1.140*** (0.104)
<i>Contribution to Republican Challenger, 1993-1994 (Amount Given)</i>	-0.008*** (0.006)	0.005* (0.003)
<i>Number of Cases</i>	4320	2592
<i>-2 * log likelihood</i>	4032.77	2488.41
*** $p \leq .01$ ; ** $.01 < p \leq .05$ ; * $.05 < p \leq .10$		

**Table 5: Nominal Contributions to GOP Freshman (Democratic Incumbent)**  
**(Coefficient with standard error in parentheses)**

<b>Variable/PAC Type</b>	<b>Corporate</b>	<b>Trade Association</b>
<i>Intercept</i>	-15695.000*** (3877.000)	-2062.200 (3162.000)
<i>Democratic Contributions, 1993-1994</i>	316.150 (291.800)	-219.030 (409.080)
<i>Contribution to Democratic Opponent, 1993-1994 (Discrete Choice)</i>	820.420*** (243.800)	-586.520** (290.200)
<i>Contribution to Democratic Opponent, 1993-1994 (Amount Given)</i>	18.362*** (3.512)	10.164*** (3.007)
<i>Contribution to Republican Challenger, 1993-1994 (Discrete Choice)</i>	1100.800*** (384.400)	-844.040* (454.000)
<i>Contribution to Republican Challenger, 1993-1994 (Amount Given)</i>	32.897*** (9.016)	20.779** (3.950)
<i>Number of Cases</i>	804	2801
<i>R<sup>2</sup></i>	.28	.27
*** $p \leq .01$ ; ** $.01 < p \leq .05$ ; * $.05 < p \leq .10$		

**Table 6: Discrete Contributions to GOP Freshman (Open Seat)**  
**(Coefficient with standard error in parentheses)**

<b>Variable/PAC Type</b>	<b>Corporate</b>	<b>Trade Association</b>
<i>Intercept</i>	-8.358*** (0.759)	-4.392*** (0.748)
<i>Democratic Contributions, 1993-1994</i>	0.486*** (0.130)	-0.251** (0.112)
<i>Contribution to Democratic Opponent, 1993-1994 (Discrete Choice)</i>	0.548*** (0.105)	0.316** (0.100)
<i>Contribution to Democratic Opponent, 1993-1994 (Amount Given)</i>	0.000 (0.003)	-0.002 (0.003)
<i>Contribution to Republican Challenger, 1993-1994 (Discrete Choice)</i>	1.016*** (0.065)	1.254*** (0.077)
<i>Contribution to Republican Challenger, 1993-1994 (Amount Given)</i>	0.011*** (0.003)	0.005** (0.002)
<i>Number of Cases</i>	4928	2984
<i>-2 * log likelihood</i>	4262.80	2812.55
*** $p \leq .01$ ; ** $.01 < p \leq .05$ ; * $.05 < p \leq .10$		

**Table 7: Nominal Contributions to GOP Freshman (Open Seat)**  
**(Coefficient with standard error in parentheses)**

<b>Variable/PAC Type</b>	<b>Corporate</b>	<b>Trade Association</b>
<i>Intercept</i>	-9011.700*** (2865.000)	-12618.600*** (3323.000)
<i>Democratic Contributions, 1993-1994</i>	128.580 (270.000)	-1398.700*** (307.800)
<i>Contribution to Democratic Opponent, 1993-1994 (Discrete Choice)</i>	118.390 (208.400)	313.330 (274.700)
<i>Contribution to Democratic Opponent, 1993-1994 (Amount Given)</i>	27.013*** (4.059)	-1.438 (5.151)
<i>Contribution to Republican Challenger, 1993-1994 (Discrete Choice)</i>	373.930 (330.000)	0.101*** (552.400)
<i>Contribution to Republican Challenger, 1993-1994 (Amount Given)</i>	23.424*** (3.781)	1314.400* (686.200)
<i>Number of Cases</i>	1125	919
$R^2$	.28	.27
*** $p \leq .01$ ; ** $.01 < p \leq .05$ ; * $.05 < p \leq .10$		

Little overall evidence for investment activity is also found when attention turns toward contributions to specific legislators. With respect to freshman defeating 1993-1994 Democratic incumbents, the evidence principally suggests that those who were contributing to the Democrat are quickly reversing their paths and giving to Republicans (with one non-significant finding and one negative finding for nominal choices being exceptions). As for open seats, those who gave to the Democratic opposition are a bit more supportive than those who abstained, although the results are not as consistent as for the case of defeated Democratic incumbents (perhaps because choosing a Democratic over a Republican in an open seat reflects a stronger preference). The only behavior consistent with investment (but with short-term models as well) is that previous supporters are generally more likely to furnish contributions after the election. Nonetheless, to reiterate, the investment perspective does not receive much confirmation.

### **Life after the Republican Landslide**

Even before the November 1994 Republican landslide, organizations were told to get on board or face retribution. While perhaps not ringing completely hollow, such warnings are probably more rhetoric than reality.

The results of our analysis serve to reinforce the belief that lobbyists and legislators are creatures of the present. Effective long-term alliances demand that *both* group and representative are committed over the long-term. Yet, members of Congress worry about the upcoming election and, while they may actually remember history well, have strong incentives to act as if they have short memories. Group leaders are also worried about their immediate political concerns and

their own personal standing in their organizations and are not disposed to make investments in the future of a legislator; even modest discount rates (after all, the elected official may not be around when the time comes and the leader may have left for other opportunities) and problems of contract enforcement (will the representative pay up when the time comes and a significant opportunity cost is involved) makes such behavior unattractive.

Consequently, if Republicans take over in Congress and a group's leader decides that the influence that goes along with majority status makes providing support desirable, help will be forthcoming. Analogously, if the same leader believes that sticking by Democrats remains attractive for any number of reasons, e.g., ideological matching or personal abilities, the group will likely continue its support. Regardless, concerns about paying a price for past behavior or maintaining returns on long-term investments are unlikely to enter into the decision calculus of such leaders or of the elected representatives with whom they are dealing.

As we move to a period where there may be far more fluidity in the partisan control of Congress than has marked the past six decades, it will be interesting to watch how groups and elected officials deal with changing circumstances. Obviously, we believe that they will adopt what looks like a short-term, pragmatic, approach. Nevertheless, we look forward to seeing if our expectations are realized.

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