Political Donations: Why Our Democracy Favors the Ultra-Wealthy

Introduction

Democracy is a core part of the American identity, but the United States lags far behind most other developed countries when it comes to voter turnout. Apart from certain systemic barriers that block those that wish to vote from voting, like Voter ID requirements and the insufficiency of widespread voting stations, many Americans of voting age simply feel that their vote doesn't matter. Even a large portion of registered voters feel this way—according to Census Bureau data, 15% of registered voters reported that they did not vote in the 2016 election because they felt that their vote would not make a difference (Pew Research). The influence of money on politics, exerted through political donations, has shifted the focus of our elections away from American voters, leading to widespread disillusionment.

In recent years, American political donation spending has ballooned. The dollar amount of donations made by Americans to political campaigns during the 2020 election cycle was greater than the entire GDPs of nations like Mauritania or Monaco, at close to 10 billion dollars (OpenSecrets). The excessive spending is working—the top-spending candidate won 95% of races in the 2016 House of Representatives elections, and 88% in 2020 (OpenSecrets). The influence of money over politics is unmistakable and unpopular—Congress's job approval rating has not surpassed 40% in over 17 years (OpenSecrets, Gallup). This essay argues that political donations should be banned because they are undemocratic, go against the interests of the average American, and allow the extremely wealthy to exert disproportionate influence over politics. Instead, political campaigns should be publicly funded, with spending limits implemented to ensure an even playing field for candidates from different backgrounds, and so that elected officials represent voters more broadly rather than just the wealthy donor class.

Voting With Money

Proponents of political donations argue that donations are crucial to campaigns and make them more equal. Bradley Smith, a former Federal Election Commission (FEC) chairman, asserts that higher spending in politics makes elections “more equal,” helping “voters identify candidates” and “connecting them to stances on issues,” through the exposure achieved with greater advertisement spending. However, this assertion that increased spending can level the playing field relies on the assumption that an even amount of money is donated to all popular candidates. In reality, political beliefs vary hugely by economic status. Candidates with policies favoring the wealthy will receive larger donations and can better fund their campaigns.

Other proponents of political donations have compared it to “voting with money,” arguing that campaign contributions act as signals of the candidate’s quality (Prat). Each voter gives money to the candidate their private information suggests is best, theoretically producing a positive relationship between the quality of each candidate and the dollar amount of donations they receive. Knowing this, other voters infer the quality of each candidate based on their ability to fundraise (Feigenbaum, Shelton). Along with the potential to act as a signal for other voters, the amount of money put into a campaign is a key factor in its success. As such, the choices that donors make have the potential to impact election outcomes, like a vote would in the election itself. In this way, the comparison equates a donation to a vote. The comparison may be acceptable prima facie, but an election can only be considered democratic if every vote counts the same. Similarly, unrestricted political donations do not belong in a democratic system when some donors can donate hundreds of millions, while (of the 5% of Americans that do donate to political campaigns) the vast majority of donors donate less than $200 (OpenSecrets). There is nothing democratic about political donations—they act as one of the many ways the wealthy can exert a disproportionate influence in politics.

The Problems with Political Donations

Political donations are undemocratic and offer wealthy groups seismic sway over the political process. According to Lee Drutman, a senior fellow at New America, 0.01% of donors are responsible for more than 80% of the money raised by American political parties. Since the wealthy are able to donate more than others, politicians are commanded by electoral imperatives to seek their donations by adopting policies favorable to the wealthy. A study conducted on Americans with $40m or more in net worth showed that the ultra-wealthy are more politically active, with 99% of study participants voting in the 2008 election compared to a nationwide turnout of just 57% (Page et al). Further, two-thirds of those surveyed reported contributing to a political campaign in the last year. Wealthy individuals are also more likely to have personal connections with elected officials—47% of study participants made at least one contact with a congressional office. In fact, most respondents "supplied the title or position of the federal government official with whom they had their most important recent contact. Several offered the officials' names, occasionally indicating that they were on a first-name basis" (Page et al).

An older study on America's civil society and unequal influence in politics across different groups found that political activity, especially financial contribution, tends to be proportional to income and other resources (Verba et al). The study found that those who have the most give the most, which means that in politics, their "voice" is louder than that of others. Through their donations, a minute group of Americans is able to exert a disproportionately large influence on the policy direction of electoral candidates. Corporate interests are also disproportionately favored. Through super PACs, corporate campaign donations "increase the total amount of money politicians raise in each election—thereby diluting everyone else's voice" (Miller, Woods). If a corporation can donate millions to a politician, then "the self-interested politician is certainly going to prioritize that company and its views more than the constituents the politician represents" (Miller, Woods). The prospect of attracting ultra-wealthy donors encourages candidates to adopt policies that serve the interest of the donor class.

As a result, politicians, and the political parties they represent, do not accurately represent the will of the people. For example, the top-spending candidate won 88% of races in the 2020 House of Representatives elections, but congress is at a dismal 16% job approval rating as of June 2022 (OpenSecrets, Gallup). The winning candidates are not those that represent their constituents best, but those who spend the most on media advertisements and tours. This disconnect is undemocratic, as wealthy donors enable their preferred candidates to increase exposure, gain prominence and win elections. Political donation spending has risen exponentially in past years, due in part to the increasingly partisan political landscape. The intense polarization of America's political parties elevates the stakes of winning each seat in any political race. These higher stakes of electoral victory offer wealthy donors more incentive than ever before to ensure that the winning candidate has their interests in mind. Against this backdrop, the wealthy donor class that funds the spending is able to dramatically sway policy direction to serve their interests.

Not only are political donations undemocratic, but they are also anti-democratic. Because the ultra-wealthy donor class has different political interests from average Americans, politicians are incentivized to adopt positions that favor the ultra-wealthy, rather than average Americans. The more that candidates and political parties adopt policies which further the interests of the donor class, the stronger their appeal is to donors. With the backing of wealthy donors, a candidate receives funding and boosts their chances of political success. A study into the political preferences of people in the top 0.1% of American wealth-holders found that the ultra-wealthy overwhelmingly favor cuts to government spending on social-safety-net programs and healthcare, while the general public wants it increased (Page et al). 69% of all Americans, regardless of party affiliation, support a national health insurance plan like Medicare for All (The Hill). However, despite strong and persistent interest from the public, no such plan has come to fruition due to opposition of the representatives elected to Congress. The prerogative of the ultra-wealthy to neglect or remove policies that benefit the average American is a key reason that the interests of most Americans are so poorly represented by real policy decisions.

Mild Reform isn't Enough

It may be argued that banning political donations is too extreme and that limiting donations would sufficiently address the problems posed by political donations. In recognition of the dangers of unrestricted spending, reformers have long proposed setting limits on campaign spending. This proposal proves popular: 77% of Americans support a limit on political campaign spending (Pew Research). Campaign spending limits are important, but without a full ban on private political donations, candidates can still avoid aligning their policies with the interests of the wider public, as the backing of one mega-wealthy donor can offer to a candidate the same spending power as another candidate supported by a few hundred thousand smaller donors.

Additionally, experience has shown that donors and political parties find ways to circumvent specific campaign finance restrictions. The rise of super PACs is an obvious example. The Bipartisan Campaign Reform Act of 2002 was supposed to limit the influence of big money in politics. However, wealthy donors turned to 'independent' expenditures financed through super PACs as a way to conduct political advertising not restricted by donation limits. While super PACs are officially independent and not connected to a political party, donors can channel money through them to conduct unlimited political advertising. Limiting the amount one can donate to campaigns, political parties or super PACs is insufficient because there are thousands of PACs that allow for donations.

Campaign finance reform appears cursed by the law of unintended consequences; donors and politicians seem to always find ways to circumvent specific restrictions. Therefore, an outright ban on political donations is needed to curb the influence of money over politics, without leaving room for potential loopholes and circumvention.

Without a full ban on private campaign financing, candidates would still have to devote time and effort to fundraising. If they are running for re-election, attending fundraiser after fundraiser can hamper their ability to run the country effectively in that time. Under the public funding system, Reagan did not attend a single campaign fundraiser when running for re-election in 1984 (Eggen). Obama, elected with only private funding, attended 220 fundraisers during his 2012 re-election campaign (Doherty). These fundraisers are not attended by average Americans but by the extremely wealthy. A candidate spending their election season attending upscale fundraisers is hearing from and understanding only a very narrow demographic of the American public.

To mitigate the role of money in politics and avoid the circumvention of restrictions by politicians, it is imperative that political donations are banned altogether. Instead, electoral campaigns must be funded entirely through public financing.

The Case for Public Financing

Between 1973 and 2014, the US implemented a public campaign financing framework. Taxpayers could check a box to allow $3 of their tax dollars to contribute to a public campaign fund. The system worked well for two decades; eight US presidents won their elections using public funding (Kiely). Use of the funds dwindled as private and corporate contributions increased in the 2010s, because drawing on funds required agreeing to limits on overall spending. The Obama administration dismantled what was left of the framework in 2014.

The crucial flaw of the public campaign financing and associated spending limits was that this system coexisted with private donations. Accepting any money from the public fund placed candidates under strict spending limits. This meant that when private donation spending increased, candidates that chose not to take from the public fund would be unfettered by the limits—allowing them to outspend their opponents with the help of billions from private investors. In 2008, Obama was the first presidential candidate to decline public funding in the general election, allowing him to outspend McCain.

Whether it's the taxpayer opt-in model, or a small donor matching system, public financing must replace political donations. A strict ban on private political donations would mean that candidates would have to rely exclusively on public campaign financing and spend within strict limits that even out the playing field. Candidates won’t have to focus on raising more money and outspending their opponents. Importantly, with the incentives of appealing to donors for campaign funds taken away, it is more likely that the candidates will focus on the issues that are important to the majority of voters instead of just the wealthy donor class.

Conclusion

In conclusion, political donations are undemocratic, go against the interests of the average American, and should be banned. This blanket ban is better than simply limiting donations or private spending, which can and have been circumvented. Limiting political campaigns to public funds can help level the playing field for different candidates and incentivize them to focus on issues that matter to the majority of voters. Banning political donations may be one of the most effective ways to increase civic engagement and voter turnout as politicians are compelled to run on platforms that appeal to wider demographics.

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