

## 11

## Do Public Funding Programs Enhance Electoral Competition?

**Kenneth R. Mayer, Timothy Werner,  
and Amanda Williams**

**A**dvocates of public funding offer four main arguments about the consequences of taxpayer-financed elections.<sup>1</sup> First, public funding can help potential candidates overcome the barriers that might deter them from running. In a vicious cycle, potential candidates who lack the ability to raise campaign funds are not taken seriously, and candidates who are not taken seriously cannot raise campaign funds. The cost of a campaign, even at the state legislative level, prevents potentially qualified candidates from even entering. A system of public grants can give candidates the seed money necessary to launch broader fundraising efforts, or even provide them all the resources they need to run credible campaigns. By reducing the campaign funding barrier, public funding systems might encourage candidates to emerge. Grants can be especially crucial for challengers, who face particularly daunting prospects in taking on an incumbent.

A corollary advantage to public financing is that it can encourage the emergence of candidates who lack substantial personal resources. Because

1. See for example, "Clean Money Campaign Reform," a brochure produced by Public Campaign ([www.publiccampaign.org/publications/factsheets/CleanMoneyCampaignReform.pdf](http://www.publiccampaign.org/publications/factsheets/CleanMoneyCampaignReform.pdf)); and Arizona Clean Elections Institute, *Clean Elections Works!* ([www.azclean.org/documents/PositiveImpactofCleanElections.doc](http://www.azclean.org/documents/PositiveImpactofCleanElections.doc)).

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campaigning is so expensive, candidates (especially challengers) routinely put thousands of dollars of their own money—sometimes millions—into their campaigns. Candidates without deep pockets have more difficulty persuading potential contributors (and political parties) to take them seriously. Public funding lowers this barrier, and therefore might increase the ideological and demographic diversity of candidates, as well as the range of policy positions that are put before the electorate.

Second, public grants can make elections more competitive. By reducing the fundraising advantages that, in particular, incumbents have over challengers, public funding systems can “level the playing field” and reduce the number of landslide victories.

Third, public funding can reduce the influence of private contributions on both candidates and officeholders. By replacing individual, corporate, labor, or political action committee contributions with public funds not tied to any particular interest, public funding can, in theory, refocus attention away from parochial concerns to those of the broader public.

A fourth argument put forth by advocates is that public financing can control campaign costs. Since candidates who accept public grants must, as a general rule, agree to abide by spending limits, higher participation in public funding programs can prevent further escalation in the spiral of campaign spending.

Does public financing achieve any of these goals? The short answer is that nobody knows because there has been no comprehensive evaluation of public finance systems to identify what conditions and program elements lead to successful outcomes. The conventional wisdom is based on either a limited amount of data or anecdotal impression. Consequently, the elements of clean elections programs—funding amounts, eligibility rules, spending limits, and other regulations—are based more on guesswork than on solid evidence. The clean elections movement is in part motivated by axioms about the political process: that the need to raise funds deters many candidates from emerging; that candidates need protection against independent expenditures and issue ads; and that incumbents are as a rule unbeatable. While these are reasonable conclusions, they have not been subjected to rigorous analysis and testing. “The justifications normally offered for public funding,” wrote Michael Malbin and Thomas Gais, “all rest on long strings of difficult assumptions.”<sup>2</sup>

The question was also uninteresting, since only a handful of states had public funding programs. That changed, though, when Arizona and Maine

2. Malbin and Gais (1998, p. 70).

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adopted full public funding (dubbed “clean elections” by proponents) beginning with the 2000 cycle. For the first time, public grants would pay the full cost of a state legislative campaign.<sup>3</sup> Hawaii changed its public funding law in 1995, raising grant size from what had been a trivial amount (\$50 for State House candidates) to several thousand dollars, depending on the number of registered voters in each district. New York City changed its public funding program for city council candidates to a four-to-one matching formula, in which each \$1 raised in qualifying contributions is matched by a public grant of \$4 (in December 2004, the city council raised the maximum matching rate to six-to-one). We summarize provisions of the state legislative programs in table 11-1.

This combination of major change and continuity presents an unusually favorable opportunity to see if public funding has made any difference or achieved the goals that it was intended to achieve. We are particularly interested in how public funding affects legislative elections. With legislatures, because multiple elections occur at precisely the same time, we have a much larger set of races to analyze (than, for example, after a single gubernatorial or attorney general election). We also believe a plausible case can be made that public funding is more likely to affect legislative elections, since statewide races are more likely to attract well-known and experienced candidates who may be less influenced by the existence of a public funding program. For legislative candidates, especially first-time challengers, public funding is more likely to make a difference in their decision to run.

There has been some research on the consequences of these reforms, but these initial evaluations are incomplete. Some reports, especially those produced by advocacy groups that strongly support public funding, overstate the effect of the new law and ignore other factors, such as term limits or redistricting, that have without question shaped outcomes.<sup>4</sup> Others, including the General Accounting Office’s evaluation of the Maine and Arizona programs, understate the reforms’ impact.<sup>5</sup> We will navigate between these two edges and make an effort to specify the conditional nature of our conclusions, which can be summarized as follows:

—Public funding programs increase the pool of candidates willing and able to run for state legislative office. This effect is most pronounced for challengers, who were far more likely than incumbents to accept public funding.

3. To qualify for the grants, candidates had to raise a small amount of seed money and had to agree to spending limits.

4. Clean Elections Institute (2002); Breslwo, Groat, and Saba (2002).

5. General Accounting Office (2003).

**Table 11-1. Characteristics of Public Funding Programs in Five States**

Characteristic	State and date effective				
	Arizona 2000	Maine 2000	Wisconsin 1978	Minnesota 1976	Hawaii 1996
Qualification	Raise \$1,050 in qualifying contributions (\$5 each)	Raise \$250 (House) or \$750 (Senate) in qualifying contributions (\$5 each)	Win primary with at least 6 percent of total vote for office Raise threshold amount in \$100 contributions (\$1,725 for Assembly, \$3,450 for Senate)	Raise \$1,500 (House) or \$3,000 (Senate) in qualifying contributions (\$100 each)	Raise \$1,500 (House) or \$2,500 (Senate)
Maximum grant	Up to spending limit Bonus provisions against privately funded candidates and independent expenditures	Up to spending limit Bonus provisions against privately funded candidates and independent expenditures	\$15,525 for Senate (2002) \$7,763 for Assembly (2002) Grants for general election only	Up to 50 percent of spending limit Small contribution refund program reimburses individuals up to \$50 for contribution to participating candidate	Amount of grant restricted to 15 percent of spending limit
Spending limit (2004)	\$28,300 for primary/general in House and Senate elections	\$4,406 for primary/general in House \$23,278 for primary/general in Senate	\$17,250 for Assembly \$34,500 for Senate Limits unchanged since 1986	\$34,100 for House (2004) \$64,866 for Senate (2002) Separate spending limits for election and non-election years	\$1.40 x number of registered voters in district 2004 ranges (approx.): House: \$14,000–19,000 Senate: \$23,000–45,000
Special conditions	Unopposed candidates not eligible for public funds beyond qualifying contributions	Nonparticipating candidates face additional reporting requirements	Spending limits apply only if all candidates accept public funds	Spending limits increase by 10 percent for first-time candidates and by 20 percent for candidates running in competitive primary Spending limits waived when nonparticipating opponent exceeds threshold expenditures	

Source: Compiled by authors.

—Public funding increases the likelihood that an incumbent will have a competitive race.

—Public funding has reduced the incumbency reelection rates in Arizona and Maine, although the effects are marginal. We can say with certainty, though, that public funding has *not* made incumbents safer. Fears that public funding would amount to an incumbency protection act are unfounded.

—Public funding programs have a threshold effect: if grants sizes and spending limits do not have a realistic connection to what candidates actually need, programs will have no effect.

In the end, we conclude that public funding programs—particularly the full “clean elections” systems in Arizona and Maine—increase the competitiveness of state legislative elections.

### Why Worry about Competition at All?

Meaningful political competition is the foundation of democratic legitimacy. The ability to freely choose among realistic alternatives, especially at the ballot box, is a prerequisite to the exercise and protection of most other political rights. To create even a token degree of accountability, elections “must occur in circumstances that involve an appropriate degree of genuine competition.”<sup>6</sup> At some point, a minimum level of competition is essential “for legislatures to be responsive to electoral change.”<sup>7</sup>

This should not be a controversial assertion. To be sure, competition is not the only important aspect of legitimacy, and it does not by itself guarantee justice, or fairness, or rational deliberation, or individual autonomy. It is possible, as well, to have too much competition, and at least two pathologies—instability and perverse antimajoritarian outcomes—can result from too many choices.<sup>8</sup> If incumbents are always running scared, they may be unwilling to do anything even remotely unpopular, transforming government into the direct democracy that the Framers feared.<sup>9</sup> Competition is a

6. Pildes (2004, p. 686).

7. Cain, MacDonald, and McDonald (2005, p. 20).

8. An excess of competition can lead to outcomes that a large majority opposes, or to the success of extremist positions (Saari 2000, 2003; Gulati 2004). A hypercompetitive environment can also, in theory, make it harder for officeholders to establish relationships with constituents. Constant turnover can diminish the expertise of public officials.

9. Thompson (2002, p. 201 n. 16) identified an example of the tension between justice and competitiveness, noting that because of high levels of electoral competition in the post-Civil War Congress, members who feared retribution at the polls were unwilling to compromise on racial issues.

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necessary, but not sufficient, condition. And finally, a lack of competition might stem from stable preferences, or from the wisdom of the initial choices that put competent people into office. If an incumbent runs unopposed because potential challengers know she is unbeatable, and she is unbeatable because a majority thinks she is doing an outstanding job, where is the harm?

Perhaps there is too much emphasis on competition in the first place. Many of the institutional structures of contemporary politics are designed to insulate decisionmakers from public opinion, and by inference, challenges to their leadership. Complicated procedural rules, lengthy Senate terms, multiple opportunities for position-taking, diffusion of responsibility, even the dominance of the two major parties, all serve to temper public wrath and make it possible for elected officials to serve—temporarily at least—at the displeasure of the electorate.<sup>10</sup> “Competitiveness” is not synonymous with “immediate reaction to every change in public opinion.”

Most people, however, would agree that a surfeit of electoral competition is not a problem that afflicts contemporary politics. Incumbent legislators win reelection nearly 100 percent of the time, and many face no opposition at all. In 2004 the House incumbent reelection rate was 99 percent, and only a handful of districts were even remotely competitive. In the states, 93 percent of all state legislators who ran for reelection won,<sup>11</sup> and the major parties have *given up* on over a third of the legislative seats, contesting only 65 percent of races.<sup>12</sup> In California, every incumbent legislator—in the State Assembly, State Senate, U.S. Congress, and U.S. Senate—won in 2004.

Stephen Ansolabehere and James Snyder find that the incumbency advantage has grown for every office in the past half-century.<sup>13</sup> Whether the cause is campaign finance disparities, polarization of the electorate, redistricting, pork, the franking privilege, or a reluctance of potential challengers to subject themselves to the sharp elbows of the campaign environment, incumbents have a virtual lock on their seats. About the only time that incumbents lose is when they are “paired” with other incumbents by hostile cartographers and must run against each other, or when they attract the attention of the district attorney.

10. For a positive view of the major party duopoly, see Cain (2000–01). Lizzeri and Persico (2002) offer a theoretical rationale for limiting the number of parties that appear on the ballot.

11. Authors’ calculations, from data provided by the National Institute on Money in State Politics.

12. National Conference on State Legislatures ([www.ncsl.org/programs/press/2004/unopposed\\_2004.htm](http://www.ncsl.org/programs/press/2004/unopposed_2004.htm)).

13. Ansolabehere and Snyder (2002).

Even if we agree that the electoral system could use more competition, there is little consensus on the best methods of producing it. There is no way to know a priori how much competition there ought to be, no guarantee that any particular policy would succeed, and not even an agreement on how anyone would recognize the right balance among the competing normative values in play.<sup>14</sup> Tinkering with the electoral process to generate outcomes that are fair assumes that procedural changes will resolve the underlying political disputes that, having not been resolved, led to the belief that procedural changes were needed in the first place. In doing so, conflict is not resolved, but is simply moved from the political process itself (which is unable to produce “good” decisions), to making decisions about how the political process will operate (in order to make that process more likely to produce good decisions). That is a snake eating its own tail.

One way that public policies can affect political competition is by forcefully redistributing political power toward or away from particular groups. Policies that give advantages in ballot access to the two major political parties, or require district lines to be drawn by nonpartisan bodies, are two examples. In the first instance, third parties are intentionally hindered in their ability to get on the ballot; in the second, incumbents and the major parties are prevented from using the redistricting process to create safe seats or punish the opposition. Term limits are another option. Barring incumbents from running past their fourth term (or whatever limit is imposed) automatically creates open seats, which at least guarantee new faces, if not changes in party control.

But these top-down reforms, which fundamentally restructure political relationships, can be questioned in that they grant or deny political power on the basis of a prior decision about how that power should be allocated. Not only does this assume prior knowledge about what the proper distribution of power *should* be; it also presumes that reform efforts will lead to the expected results. Sometimes this works—nobody denies that Minnesota’s antifusion law (which precludes a political candidate from being listed on a ballot under more than one party for one office) does precisely what it was intended to do, which is to make life more difficult for third parties—but the history of campaign finance reform demands caution in the face of the law of unanticipated consequences.<sup>15</sup>

14. Pildes (1999, p. 1612) argues that this does not matter; we do not need a complete theory of competition, nor do we have to know what the optimal level is, to know that some outcomes are “troublingly unfair.”

15. Here, term limits are an instructive and cautionary example. A popular anti-incumbent reform, term limits were designed, in part, to force a return to the “citizen legislator” who

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Public funding programs offer a way to resolve these difficulties, by increasing the opportunities to run for office and enhancing voter choice, rather than imposing constraints. There are, of course, many ways to measure the efficacy or responsiveness of a political system or election system: citizen engagement, turnout, partisan balance, levels of corruption, openness, to give a few possibilities. But competitiveness has been a focus of past research on state politics, beginning with V. O. Key's pathbreaking studies of southern states.<sup>16</sup> It is difficult to argue with the position that, other things being equal, more competition is preferable to less. Our view is that in a state with truly competitive elections, many other problems—whether corruption, insulation, or undue interest group influence—will take care of themselves.

### Does It Work? The GAO Report and Beyond

Past work on public funding has come to a mixed result: some studies find evidence that grant programs increase election competitiveness, while others find no effect. As we noted earlier, the significant recent changes in Arizona and Maine make another round of investigation worthwhile. Until recently, any analysis of public funding was confined to a comparison of Wisconsin and Minnesota, since Hawaii's program offered only trivial grants to candidates until 1996.<sup>17</sup> As recently as 1998, Malcom E. Jewell and William E. Cassie concluded that since Wisconsin and Minnesota were the "only two states that provide for public financing of legislative elections . . . it [is] difficult to assess the impact of public financing as it could apply to other states."<sup>18</sup> In one of the few studies to even attempt to measure the impact, across states, of public funding on competitiveness, Malbin and Gais concluded that "there

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resumed private life after a short stint as a public servant. But, as Kousser (2005) documents, a consequence has instead been a concentrated hypercareerism, as term-limited legislators immediately begin thinking about what they'll do next, and often run for another office, become lobbyists, or accept political appointments upon retirement. Moreover, the new incoming classes are more likely to have political experience under term limits than before, at least in California. Finally, Kousser demonstrates that term-limited legislatures are less innovative and show more deference to the executive branch. Whether these are positive or negative consequences is debatable, but what is clear is that term limits by themselves have not transformed politics as much as advocates hoped.

16. See Holbrook and Van Dunk (1993).

17. Mayer and Wood (1995); Mayer (1998); Donnay and Ramsden (1995).

18. Jewell and Cassie (1998, p. 225).



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is no evidence to support the claim that programs combining public funding with spending limits have leveled the playing field, countered the effects of incumbency, and made elections more competitive.<sup>19</sup> However, this study, of necessity, was again limited to a focus on Wisconsin and Minnesota; other research has concluded that public funding can indeed make a difference.<sup>20</sup> More recent work has begun to challenge the efficacy of New York City's public funding program, noting that it has not done much to make municipal elections more competitive.<sup>21</sup> Through the 2000 election cycle, public funding did not have a good track record in creating competitive electoral environments, and a comprehensive study of state-level programs concluded that "full-blown public funding programs with spending limits do not seem to do much for competition."<sup>22</sup>

Section 310 of the Bipartisan Campaign Reform Act (BCRA)—more commonly known as McCain-Feingold—directed the General Accounting Office to study the Maine and Arizona public funding systems in the 2000 and 2002 election cycles. The GAO's cautious May 2003 report offered some support for the clean elections programs, but concluded that "it is too soon to determine the extent to which the goals of Maine's and Arizona's public financing programs are being met."<sup>23</sup> The report found that more candidates in both states were running and winning with public funding, and that funding differences between incumbents and challengers had narrowed. But it also found no evidence that elections had become more competitive, or that interest group influence had diminished.<sup>24</sup>

The GAO report received scant press attention, with no major mentions in the national media, perhaps in part because of its tentative nature (a Lexis-Nexis search did not result in a single mention in any national newspaper). The reform group Public Campaign, which supports public funding, criticized the report as "too cautious in [its] analysis" and argued that the GAO's own evidence could have supported stronger conclusions.<sup>25</sup> The publisher of the trade newsletter *Political Finance* argued that the authorizing language

19. Malbin and Gais (1998, p. 136).

20. Mayer (1998).

21. Kraus (2006).

22. Malbin and Gais (1998, p. 158).

23. GAO (2003, p. 5).

24. GAO (2003, pp. 3–6).

25. Public Campaign, *A Critical Reading*, May 20, 2003 ([www.publiccampaign.org/pressroom/pressreleases/release2003/release05-21-03.htm](http://www.publiccampaign.org/pressroom/pressreleases/release2003/release05-21-03.htm)).

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resulted in a report that intentionally overstated the impact of the clean elections law, attributing to public funding outcomes that actually resulted from term limits.<sup>26</sup>

A review of the GAO's methods reveals that the office did significantly underestimate most measures of electoral competitiveness, in large part because the authors performed many of their calculations using unorthodox measures. Many of these choices were justified as necessary because of some unusual features of Arizona's political landscape, but there are perfectly adequate and commonly accepted alternative methods that take advantage of data that the GAO discarded.

The GAO's analysis, in fact, should be viewed with some caution. The analysis of "contestedness"—the likelihood that a candidate would have an opponent—looked only at primary elections. The GAO's justification for this was that candidates were much more likely to run unopposed in primary than in general elections. Primary competition, though, is not a good measure of political competitiveness. There are good reasons, having nothing to do with campaign finance, why primary elections are less likely to be contested than general elections. Particularly when an incumbent is running for reelection, state and local party organizations may actively discourage—and potential candidates may be reluctant to take on—primary challenges that might weaken the party's eventual candidate in the general election. No sensible political party, moreover, will encourage primary challenges if doing so risks losing the seat to the other major party. Potential challengers may decline to run simply because of deference or party discipline, or because running against an incumbent of one's own party is a poor career move. Of course, contested primaries are more likely for the out-party, for open seats, and when an incumbent is vulnerable. But in these cases, primary competitiveness is only a rough proxy for overall district competitiveness.

Further, the GAO's calculation of incumbent reelection rates looks only at general elections and does not include incumbents who lost in the primary. Including incumbent primary losses can have a dramatic effect on reelection rates; to give one example, the GAO report calculates an incumbent reelection rate of 90 percent for the Arizona House in 2002, based on thirty incumbents running in the general election and twenty-seven winning.<sup>27</sup> But forty incumbents ran that year, with nine losing in primary contests.<sup>28</sup> The overall

26. Zuckerman (2003).

27. GAO (2003, p. 38).

28. In our calculations we counted Representative Joe Hart (R., 3rd district) as an incumbent because he was a state senator prevented by term limits from running for office again.

reelection rate in 2002 was 70 percent (twenty-eight out of forty), not 90 percent. Even if we remove from this calculation incumbents who were had to run against each other because of redistricting, the reelection rate was 75.6 percent (twenty-eight out of thirty-seven).

Finally, the GAO report did not take into account the impact of redistricting in its analysis of the 2002 elections. Redistricting can affect elections in several ways. Redrawn districts can often put incumbents in difficult political situations, especially if population shifts have been extensive or boundaries have been radically changed. Incumbents can also be paired after redistricting, if district boundaries change in a way that pits two or more incumbents against each other in a single new district (this also means that an open seat has been created somewhere else). In an election with paired incumbents, by definition at least one incumbent will lose, even though this will have nothing to do with campaign finance. A failure to correct for this will understate the true incumbent reelection rate.

Our intention in noting these criticisms is not to bash the GAO, which operated under the constraints of both a statutory mandate and the difficulties of addressing an overtly political question in the context of a broader policy analysis. Rather, our intent is to highlight some of the difficulties in sorting through an extraordinarily complex set of causal mechanisms (and we make no claim that we have had the final word on the question). We now turn to our own analysis of electoral competition, which offers a somewhat clearer picture of the impact of the Maine and Arizona reforms.

### Data on Electoral Competition

To measure the extent to which public funding has affected electoral competition, we calculated the following indicators, from 1990–2004, for elections to the lower house in the state legislatures in Arizona, Hawaii, Maine, Minnesota, and Wisconsin:

- the percentage of incumbents who faced a major-party opponent (contestedness)
- the percentage of incumbents who were in a competitive race, defined as one in which the winner received less than 60 percent of the two-party vote (competitiveness)

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Since House and Senate districts are identical in Arizona, we concluded that Hart's Senate incumbency gave him the same advantages that House incumbency would have.

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—the percentage of incumbents who ran for and were reelected to office (reelection rate)

For the first and third indicators, we controlled for the presence of paired incumbents in the 2002 elections.<sup>29</sup> We did not count a race as contested if the two (or more) major-party candidates were paired through redistricting, and we removed losing paired incumbents from our calculations of incumbent reelection rates.

For comparison, we also calculated these figures for states that do not offer public funding.

Assessing the effect of the clean elections law in Arizona is more difficult since its implementation coincided with two other significant changes to state election law. In 1992, Arizona enacted term limits for state legislators, limiting them to four consecutive terms. The 2000 elections were the first in which members were “termed out,” and fifteen legislators (nine representatives and six senators) were ineligible for reelection in 2002. Second, in 2000 voters opted to conduct the decennial reapportionment process using an Independent Redistricting Commission (IRC), rather than allow state legislators to draw district lines. Advocates of the independent commission approach hoped that the new **approach** would produce districts less tied to incumbent interests (indeed, the law prohibited the commission from identifying or taking into account incumbents’ residency when drawing the new districts). The near simultaneous effects of these three major reforms—public funding, term limits, and a new approach to redistricting—produced significant turnover in both chambers, and it is not immediately apparent how the effects should be allocated.

In addition, the 2004 election cycle was unusually tumultuous because of legal disputes surrounding the new legislative districts that the IRC created for the 2002 elections. In January 2004, a state court rejected the redistricting plan in a lawsuit challenging the constitutionality of the proposed districts. Holding that the commission did not comply with the constitutional language requiring it to create competitive districts, a State Superior Court judge ordered the IRC to draw up a new plan for the 2004 elections.<sup>30</sup> The commission complied, and in April 2004 submitted a map to the U.S. Department

29. Arizona, Hawaii, Minnesota, and Wisconsin had completed their redistricting processes in time for the 2002 elections, although Arizona is now making some changes to its new districts in response to a court order. Maine redistricts on a different schedule, with new districts put in place for the 1994 and 2004 elections.

30. *Arizona Minority Coalition for Fair Redistricting v. Independent Redistricting Commission*, Maricopa County Superior Court, CV 2002-004380, January 19, 2004.

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of Justice for preclearance under section 5 of the Voting Rights Act.<sup>31</sup> But the filing deadline for state office passed before the DOJ had approved the new plan, so state officials were forced to use a version of the 2002 plan for the upcoming 2004 elections. The uncertainty over the district maps meant that some prospective candidates had no idea which district they lived in, and some of these may have chosen to stay out of the ring until 2006.

A final problem is that Arizona's House elects its members from multi-member districts, which do not translate into head-to-head campaigns. We address some of these methodological difficulties, and describe our application of an existing method of measuring competitiveness in multicandidate systems, in the appendix.

In figure 11-1, we report contestedness from 1990 to 2004. The key to this and subsequent figures is the change in the period 2000–04 in Maine and Arizona, when the full public funding system was in place. Several patterns emerge from this graph. Arizona experienced a significant jump in the number of contested races in 2002 and 2004, increasing from under 40 percent in 2000 to over 50 percent in 2002 and 2004. This increase was not only large; it also reversed the previous trend of uniformly fewer contested elections between 1994 and 2000. While we cannot attribute this shift entirely to public funding (which was also in place in 2000), it is likely to have played a key role. Of the twenty-five major-party challengers who took on an incumbent in the general election in 2002, twelve were publicly funded. Given that these races present poor electoral odds for the challenger—incumbents are difficult to beat except in unusual circumstances—it is a defensible inference that some of these candidates would have stayed away without the existence of public funding.

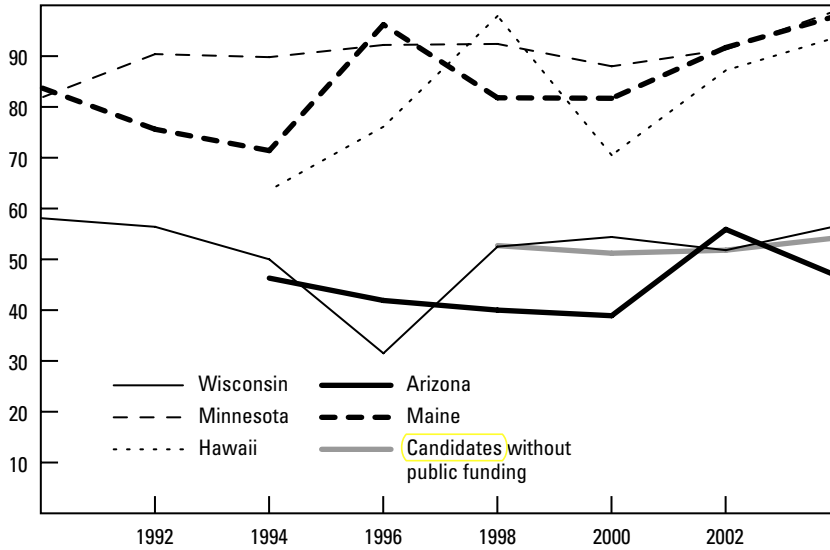
The patterns for Maine and Hawaii are murkier, though in the expected direction. Both saw the percentage of contested incumbents increase in 2002, and again in 2004. Maine's contested rate in 2004 (98 percent) was higher than it was at any point since 1990.

Wisconsin and Minnesota show a continuation of patterns that existed throughout the 1990s. Minnesota's public funding program, which combines direct grants with refunds of small individual contributions, is generally regarded as effective in both encouraging candidate participation and in fostering a competitive environment. Wisconsin, which provides grants that

31. As a covered jurisdiction under the act, Arizona may not make any changes to its voting procedures or practices without obtaining prior approval (or preclearance) from the Department of Justice.

**Figure 11-1.** Incumbents Facing Major-Party Challengers in General State House/Assembly Elections, Excluding Incumbent Pairings, 1990–2004<sup>a</sup>

Percent incumbents in contested races



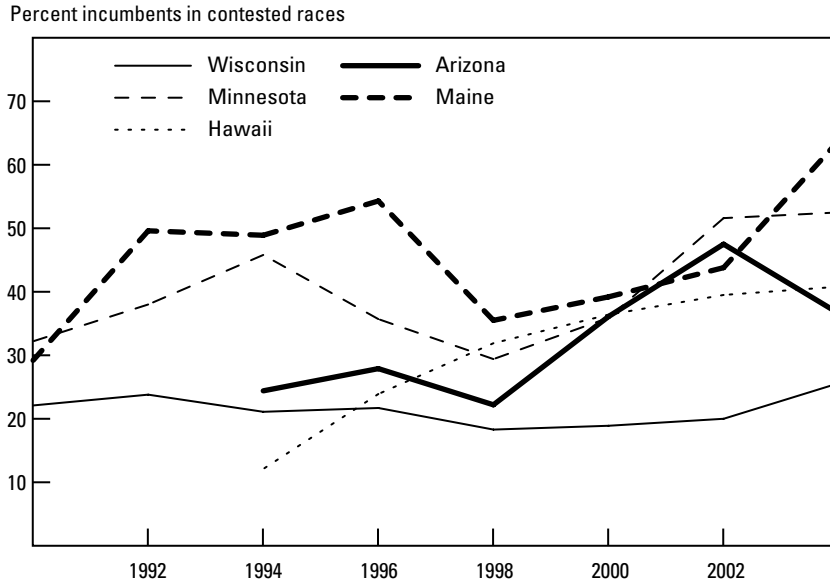
a. Incumbent pairings refers to incumbents running against each other.

have not changed since 1986, is at the other end of the spectrum, with low candidate participation rates and a program generally considered close to irrelevant. In Minnesota, uncontested House elections are rare, with contested rates almost always higher than 90 percent. In Wisconsin, uncontested incumbents are almost the norm, with just over half of incumbents facing a major-party opponent.

For comparison, we also show the contested rate for states that do not have public funding programs, using data from the Institute on Money in State Politics (IMSP).<sup>32</sup> In these states, incumbents face major-party challenges about 50 percent of the time; that figure changed little from 1998 through 2004.

32. We excluded Louisiana (which elects candidates in primary elections as long as the winner receives more than 50 percent of the vote); states with multimember districts; Nebraska (which holds nonpartisan elections to a unicameral legislature); and states that hold off-year elections.

**Figure 11-2. Incumbents in Competitive Races in General and State Assembly/House Elections, 1990–2004<sup>a</sup>**

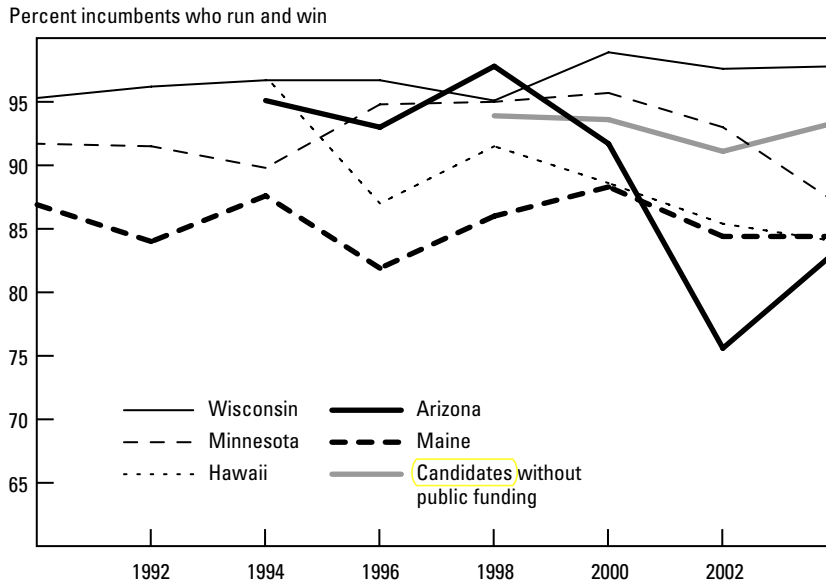


Source: A competitive race is defined here as one in which the winner received less than 60 percent of the two-party vote.

In figure 11-2 we report the levels of competition in these contested races. We defined a competitive race as one in which the incumbent received less than 60 percent of the two-party vote. This is not a universally accepted threshold—many political professionals would consider a 60–40 race something of a blowout—but we regard it as an acceptable minimum baseline of competitiveness, especially given the advantages that incumbents have in these low-visibility races.

Figure 11-2 shows that the percentage of competitive races went up in Hawaii, Maine, and Minnesota between 1998 and 2004. In Maine, 64 percent of incumbents were in competitive races in 2004, nearly double the 1998 rate (35 percent), and higher than the rate in Minnesota. The increase in Hawaii was much more modest, with only a slight improvement over the 2002 and 2000 rates.

The 2004 Arizona House elections proved something of a disappointment to campaign finance reformers: the percentage of incumbents in competitive races in 2004 was the same as it was in 2000 (about 36 percent), declining

**Figure 11-3.** Incumbent Reelection Rates in the State Assembly/House, Excluding Incumbent Pairings

Source: Wisconsin Campaign Finance Project.

from a post-1990 record of 47 percent in 2002. At the same time, in Arizona this measure of competition remained higher than it had been during the pre-public-funding era (1998 and earlier).

In 2004, Minnesota continued its pattern of close races, with over half of its House incumbents facing competitive challengers. Wisconsin trails the pack, with only one incumbent in four having faced a competitive race in 2004.

Figure 11-3 shows the incumbent reelection rate—that is, the percentage of incumbents who run and are reelected to another term. This represents what many would consider to be the payoff measure. Opponents of public funding often argue that it is nothing but an incumbent protection act: since incumbents have formidable advantages in name recognition, experience, and ability to mobilize supporters, the spending limits that always accompany public grants could, in this view, simply institutionalize the inability of challengers to overcome the incumbency advantage. But this has not happened. In Arizona, the incumbent reelection rate dropped from a Congress-like 98 percent in 1998 to 75 percent in 2002 (even after controlling for in-



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cumbency pairings), and remained low in 2004, at 83 percent. In comparison with 1998, incumbent reelection rates in 2004 were also lower in Maine, Hawaii, and Minnesota. The changes in these states, though, appear to be within normal limits and are not radically different from levels that existed throughout the 1990s.

Wisconsin, making a three-for-three sweep, again holds the record for the least competitive elections. Ninety-eight percent of unpaired incumbents won reelection in 2004 (eighty-eight out of ninety won).

We also include a measure of incumbency reelection for the states that do not have public funding, again using IMSP data. These data are not fully comparable to the lines for publicly funded states, both because they do not control for pairings and because they consider as incumbents lower House members running for Senate seats. This is one reason why the incumbency reelection rate dipped in 2002, after redistricting had occurred in most states. However, we calculated reelection rates using several different methods, and all were within a percentage point of the others. In the states without public funding, the incumbency reelection rate has remained stable, at about 93 percent.

What accounts for these results? Obviously, they cannot be attributed entirely to changes in campaign finance law, but all of the trends are in the expected direction. The dramatic changes in Arizona cannot be attributed to term limits, since we are focusing on incumbents who are running for reelection; nor can the Maine results be the result of redistricting, since the state did not begin the process until 2003. And the stark lack of electoral competition in Wisconsin clearly sets it apart from the other states in this group—even from Hawaii, which has been dominated by the Democratic Party for decades.

One difference among these states is the varying amounts of money available to candidates through the public funding programs. We can distinguish between the full public funding systems (Arizona and Maine), those that provide multiple sources of public grants (Minnesota), and those that provide relatively small grants (Hawaii and Wisconsin). Table 11-2 shows our calculation of the overall percentage of candidate spending in the 2002 and 2004 state legislative elections made up by public funds.

These data suggest a clear explanation for why public funding has apparently made so little difference in Wisconsin, as public grants make up only a tiny and shrinking share of overall campaign spending. During the 1980s, public funds made up as much as one-third of candidate spending. But in 1986, grant levels and spending limits were fixed and have not changed since then. When a candidate has to raise \$80,000 or more to run a competitive Assembly campaign, and \$250,000 or more for the Senate, the maximum

**Table 11-2.** Public Contribution to Campaign Spending in Five States

<i>State</i>	<i>Year</i>	<i>Total candidate campaign spending (dollars)</i>	<i>Aggregate public funds (dollars)</i>	<i>Percent of public funds</i>
Maine	2002	2,927,454	2,062,762	70.5
	2004	3,665,839	2,789,250	76.1
Arizona	2002	5,737,227	3,084,298	53.8
	2004	5,196,413	3,668,455	70.6
Minnesota	2002	12,370,369	6,049,863	48.9
	2004	7,573,816	4,123,662	54.4
Wisconsin	2002	8,449,888	449,684	5.3
	2004	8,969,369	283,846	3.2
Hawaii	2002	5,872,989	34,498	0.6
	2004	5,406,837	26,268	0.5

Source: Compiled by authors.

grants—\$15,525 for a Senate candidate, \$7,763 for the Assembly—are hardly worth the bother.<sup>33</sup>

The data also confirm that public funding could not possibly have had any effect in Hawaii, since grants continue to make up only a trivial fraction of overall campaign spending. This is a limiting case which shows that campaign finance is not the only factor that affects election competition.

Hawaii's experience with public funding—minimal grants, but a trend toward increased electoral competitiveness—highlights some of the limits of public funding as a comprehensive reform strategy. Although the evidence from Maine and Arizona, in particular, point to a significant improvement in electoral competition, even dramatic changes in campaign finance practices do not by themselves uproot electoral systems or produce fundamental rearrangements of political influence (at least none that we can detect so far). More to the point, when the political context does change, it may be the result of broader political forces, or even idiosyncratic events.

Although Hawaii was considered a Republican state in its early years of statehood, the Democratic Party ascended in the early 1960s to dominate state politics, with a coalition of labor unions and minority groups organized into a powerful majority by skilled politicians like Daniel Inouye and John Burns.<sup>34</sup>

33. In addition, perpetual funding shortfalls mean that the actual grants are smaller than the statutory maximum. In 2004, Assembly candidates received at most \$5,574, Senate candidates \$13,958.

34. See Coffman (2003) for an analysis of Hawaiian political history.

But the Democratic hold on state elections began to waver in the mid-1990s in response to because of a combination of stagnant economic growth, ethics scandals, and efforts to organize in response to a 1993 state Supreme Court decision opening the door to same-sex marriages.<sup>35</sup> Republicans held only seven of fifty-one State House seats in 1995, but won nineteen of fifty-one in the 2000 elections (Democrats now have a 41–10 majority). And although the state GOP has failed to cut into the Democratic legislative lock, in 2002 Hawaii elected its first Republican governor since 1962, and was considered competitive—for a time, at least—during the 2004 presidential election.<sup>36</sup>

### **Conclusion: Does Public Funding Make Elections More Competitive?**

We are left with something of a mixed picture. There is compelling evidence that Arizona and Maine have become much more competitive states in the wake of the 1998 clean elections programs. The fact that indicators of competitiveness in Arizona remained stable through the 2002 and 2004 cycles is evidence that the electoral dynamic has indeed changed. We have revised our view of the impact of Maine's program: based on the 2002 elections, we concluded that it was too early to tell whether public funding had changed the electoral landscape. With the 2004 results in hand, we can say that public funding appears to have significantly increased the competitiveness of State House elections, based on the percentage of incumbents who face major-party opponents and run in reasonably close races. Minnesota's program continues to show a high degree of efficacy.

Not everyone agrees with our conclusions. Elsewhere in this volume, Primo, Milyo, and Groseclose argue that "the jury is still very much out on clean elections laws," observing that the changes we noted here may be fleeting. In particular, they note that the decline in incumbency reelection rates may be the result of a culling effect, in which the best and most experienced incumbents are the first to be forced out by term limits. The incumbents who are left are, by definition, the ones with less experience. It is possible, then, that the incumbents we are observing in 2002 and 2004—that is, post-reform—are less experienced and of lower quality than those who stayed in

35. John M. Broder, "Death and Scandal Leaving Democrats in Chaos in Hawaii," *New York Times*, October 19, 2002; Rohter (1997).

36. Bush lost the state to John Kerry, receiving 45.3 percent of the vote. This was an improvement over his 2000 total, however (35.5 percent).

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office before term limits. If this is true, these incumbents would have wound up in closer races (because they are less experienced and skilled, or because term limits reduced the incumbency advantage in some other way) even without clean elections.

It is of course possible that the effects we have observed will ebb. Everyone who studies elections will concede that the environment is complex, with many interactions, simultaneous relationships, and causal chains that are hard to pin down. Even so, we are confident in our results, because while we cannot claim to have controlled for every possible alternative explanation, we have eliminated the most obvious ones. Moreover, a growing literature suggests that term limits may *decrease* electoral competition by giving potential challengers a reason to bide their time until a seat opens up. In any case, we expect that a few more election cycles will clear up disagreement over the public funding effect.<sup>37</sup>

Hawaii and Wisconsin are states with ineffective programs; the key characteristic in both states is that public funds make up only a fraction of what candidates raise and spend. Although there is some evidence from Hawaii that elections have become slightly more competitive, this has more to do with long-term changes in the political composition of the electorate than with campaign finance law (and in any event, Hawaii Republicans have yet to seriously challenge the Democratic Party's hold on the legislature, even as they have achieved some statewide successes).

One significant inference that we draw is that there is no merit in the argument that public funding programs amount to an incumbent protection act. The fear that spending limits would put challengers in an impossible strategic situation and make incumbents even more unbeatable has simply not been realized.

There are limits to what these data can tell us, in any event. We do not yet have evidence that public funding has altered roll-call voting patterns or legislative coalitions, as might be expected if interest group influence or party influence has declined as legislators utilize their newfound independence. But the evidence points strongly to the conclusion that, under the right set

37. Early data from 2006, while not definitive, are consistent with our argument. In Maine, 321 candidates have filed for the 151 House seats, with 81 percent stating an intention to accept public funding. One hundred forty-six of the 151 seats are contested. In the Senate, all thirty-five seats are contested by the major parties, with 71 percent of candidates accepting public funding. These figures will change, since Maine ballot laws are flexible. But they suggest that the competitive effects observed have not yet dissipated. See Maine Commission on Governmental Ethics and Election Practices ([www.state.me.us/ethics/candidate-list.htm](http://www.state.me.us/ethics/candidate-list.htm)).

of circumstances, public grants can significantly increase the level of election competition.

### Appendix. Assessing Competitiveness in Arizona House Elections

Calculating margins of victory and competitiveness in multicandidate districts poses some challenges; it is not immediately obvious how to translate the typical definition of competitiveness—say, a winning margin of 55–45 percent in a two-candidate race. Moreover, some districts might be fully contested—with each party running as many candidates as seats—while others might be partially contested, with, say, one party running only a single candidate in a two-slot election. The GAO, in noting these difficulties, skirted the problem by simply not including Arizona House races in its analysis. But this is not an ideal solution, since it requires jettisoning valuable data. Niemi, Jackman, and Winsky (1991) offer a few possible metrics: proportion of races fully contested, partially contested, or uncontested; incumbent success rates; the number of districts that elect candidates from both major parties. These authors offer as well an innovative method of creating “pseudo-single-member districts” in fully contested districts, by pairing the candidates against each other in ways that simulate two-candidate races. In this method, the top Democratic (or Republican) vote getter is paired with the weakest Republican (or Democratic) vote getter; the Democrat (Republican) with the second most votes is paired with the Republican (Democrat) with the most votes. Each of these pairings is analyzed as if it were a single election.

For elections that are not fully contested—meaning that one party runs two general election candidates, the other only one—we count the highest vote getter of the fully contesting party as unopposed.

Example: consider the result from the 2000 Arizona House election in district 4:

Candidate	Party	Votes won
Jake Flake	R	26,806
Debra Brimhall	R	23,836
Claudia Maestas	D	19,997
M. Phil Martin	D	17,908

To create two pseudo-pairs, we match Flake against Martin and Brimhall against Maestas, yielding the following:

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Candidate / party	Votes won	Percent
Flake / R	26,806	59.9
Martin / D	17,908	40.1
Brimhall / R	23,836	54.4
Maestas / D	19,997	45.6

Under our definition of competitive—a winning total under 60 percent—both races would count as competitive, the first comfortably so, and the second by a narrow margin.

We use this method to create pseudo-pairs for each election, and count these as the equivalent of single-member results.

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