

“Is the American Dream for Sale?”

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Project Overview

From Rep. Tom Delay’s money laundering conviction in connection with Jack Abramoff, to Rep. William Jefferson’s freezer full of cash, money plays a central role in many U.S. political scandals. When such scandals occur, they are seen by the American public as evidence that politicians are corrupt, selling off the American dream in exchange for explicit bribes or political contributions. In a recent Gallup Poll (Dec 2010), respondents rated the “honesty and ethical standards” of 22 professions. Only 9% of respondents rated members of Congress as adhering to high or very high standards of honesty and ethics. Just two other professions fared worse: car salespeople and lobbyists (both with 7% favorable ratings). American citizens believe that our elected representatives are more dishonest and unethical than almost all other professionals. (This includes lawyers at 17%, bankers at 23%, and auto mechanics at 28%. Nurses were the highest rated with an 81% favorable rating.)

There is little consensus among academics about how rampant corruption is in the political process. Is the quid pro quo exchange of policy favors for money the exception, or is it the rule? Although there is ample evidence in the economics and political science literature showing that politicians vote for policies favored by those who provide large political contributions, this correlation alone is not sufficient evidence to conclude that money buys policy. Alternative explanations include the possibility that contributors give money to politicians who already support their preferred policies, or that money helps one gain access to a politician to plead a case but does not explicitly buy policy. Both of these explanations imply a higher ethical standard than the less optimistic situation in which money implicitly or explicitly buys votes.

Our research agenda is aimed at better understanding the relationship between political contributions and the actions taken by politicians. By measuring the timing of individual political contributions over the course of a congressional budget cycle, we are working to determine how closely linked political contributions are to earmark proposals, and eventual legislative votes. Contributions that immediately precede a vote are consistent with the access and quid pro quo stories, and less consistent with agents contributing to politicians already inclined to vote in one’s favor. Contributions that immediately follow a vote are consistent with the quid pro quo story, and less consistent with the alternative explanations. If we see political contribution only in the event that earmarks pass, this too is consistent with the quid pro quo story and less so with the access story. By looking at the timing of political contributions, we will be able to distinguish between the alternative explanations for the correlation between contributions and votes.

Such analysis has not been conducted in the past due to a historic lack of data. The Arsht Ethics and Community grant funded the collection of a dataset that far surpasses previously available data on earmark requests and political contributions. Our data set includes

- Data on all defense-related earmark proposals made by US legislators during the 2010 budget process. This includes the identity of all intended beneficiaries, location of the projects, identity of requesting legislators, total requested amount, details about the projects, and how much if any funding was eventually allocated to the project.
- Data on all political contributions made by the Political Action Committees (PACs) of the intended earmark beneficiaries, including dates, amounts, and recipients.
- Data on all political contributions made by the individual employees of the intended earmark beneficiaries, including dates, amounts, recipients, and other characteristics.
- Data on all legislators, including political contributions, whether they were up for reelection, committee assignments, party affiliation, and prior military service.

We focus on the 2010 budget cycle. The primary advantage of this year is that it is the one year for which legislators were required to disclose all earmark requests prior to the Citizens United Supreme Court ruling made it easier for special interests to spend money in support of a politician without disclosing it (e.g., prior to the rise of the Super PAC).

We emphasize two features of our dataset which distinguish it from all previously available data. First, we have data on all *requested* earmarks, including the amount requested. Previous datasets only observed successful earmark funding. This will lead to a much better understanding of the factors which determine whether an earmark passes. Second, in addition to political contributions from PACs, we also observe political contributions from all employees of potential earmark recipients. Previous analyses have only used data on PAC contributions. Even at the early stages of the econometric analysis, we are seeing evidence that individual contributions are strategic and are likely linked with earmark funding.

In collecting this data, we employed five undergraduate research assistants, in addition to graduate student David Thornton. Collecting data on the timing of earmark requests involved pulling data from earmark disclosure forms during the limited time they were posted publicly, using this data to populate a database, and then spending hundreds of hours cleaning the data, identifying earmark requests made by multiple legislators, and matching the disclosure reports with data on successful earmarks. This was a huge task given inconsistencies in the names given to the same earmark proposals in different legislators' requests, and the tendency for earmark names and dollar amounts to change over the course of the budget process. We then matched publicly available political contribution data with the earmark data we had collected. To do so, we populated a database with contributions made by individuals and PACs that were affiliated with the potential earmark recipients. To do this, we first used automated queries to identify anyone who's disclosure form listed an employer that was similar (in spelling, abbreviation, or word use) to one of the potential earmark recipients, and then we visually checked each of the entries to rule out false positives (of which there were many).

The data collection process took approximately six months longer than predicted in the original timeline. This was mainly due to delays in working with part time undergraduate RAs over the course of a school year. That is, the RAs worked fewer hours per week than expected, but did not work more total hours than expected.

We completed the final data collection in April. At that time, Dave Thornton and I added Christopher Parmeter (U Miami Assistant Professor) to the project to lead up the econometric analysis. Dr. Parmeter has spent his time since then organizing and cleaning the data, and conducting the preliminary analyses which we present below.

Going forward, we are working to complete at least two papers using this data, before making the dataset publicly available. The first will focus on the determinants of earmark funding, and the second will focus on the role of individual contributions.

Data Summary

Total number of earmark requests:	2,843
Number of unique organizations receiving earmark req:	2,003
Total number of earmarks funded:	1,307
Average amount per request:	26,808,338
Average amount per request (of those that were funded):	3,426,776
Average amount funded:	2,158,869
Average portion of request amount funded:	63%
Number of earmark recipient employees who made political contributions:	17,275
Total political contributions given by these individuals:	25,936,975
Average individual political contribution:	638
Total contributions given by potential recipient industry PACs:	23,772,718
Total political contributions given by defense-related earmark requester PACs + employees:	49,709,693
Portion of total given by PACs:	47.8%

Average defense-related individual contributions per:

Representative:	14,693
Senator:	30,337
Difference:	(15,644)
Republican Senator:	16,076
Democrat Senator:	40,976
Difference:	(24,900)
Republican Representative:	9,309
Democrat Representative:	18,365
Difference:	(9,056)
Not on their chamber's Appropriations Committee:	15,332
On their chamber's Appropriations Committee:	28,889
Difference:	(13,557)
Representative on the Appropriations Committee:	21,038
Senator on the Appropriations Committee:	44,591
Difference:	(23,553)
Not on the Defense Appr. Sub Committee:	15,162
On the Defense Appr. Sub Committee:	52,636
Difference:	(37,474)
Representative on the Def. Appr. Sub Committee:	37,859
Senator on the Defense Appr. Sub Committee:	65,080
Difference:	(28,041)

Preliminary Analysis

We are in the initial stages of the econometric analysis. Below, we report some of the correlations and other preliminary analysis that we find interesting. Although the correlations are only suggestive (compared to the more detailed econometric analysis we are conducting), they are consistent with our initial hypotheses.

Suggestive evidence that individual contributions are strategic:

Individual employees of the potential earmark beneficiaries contribute more to members of the appropriations committee and defense subcommittee than to other legislators.

- Average total individual contributions to congresspersons on the appropriations committee is nearly double the average total individual contributions to congress persons not on the appropriations committee.
- Average total individual contributions to congress persons on the appropriations defense subcommittee are even higher. Congress persons on the defense subcommittee receive nearly 3.5 times more in average total individual contributions than congress persons not on the Appropriations committee and 3.8 times more than congress persons on the appropriations committee who are not on the defense subcommittee.
- This suggests that it is the defense subcommittee where a bulk of the excess average total individual contributions are being filtered and not the appropriations committee itself.

Furthermore, individuals contribute disproportionately to the leadership of the committee and the chambers.

- For the defense subcommittee, congress persons in a leadership role receive more than 2.2 times the amount in average total individual contributions than congresspersons on the defense subcommittee who are not in a leadership role.
- This number grows to 2.8 if we look at the difference between average total individual contributions to those in a leadership role on the appropriations committee versus those congresspersons on the appropriations committee, but not serving in a leadership role.
- For the 10 congresspeople who hold a leadership role in their respective chambers, they receive roughly 1.2 times more in average total individual contributions.

Suggestive evidence that contributions go to those in Leadership positions

As can be seen by the data summary, members of the House and Senate Appropriations Committees receive more contributions from the PACs and employees of potential earmark recipients than those not on the committees.

If we consider only contributions to the leadership on the Appropriations committee, then we see this even more clearly.

- The Senators in Appropriations committee leadership positions received average total earmark related contributions of 208,000, 2.77 times the average total related contributions of an Appropriations Committee Senator and 3.31 times the average total related contributions of the average Senator not on the Appropriations Committee.
- Similarly, the Representatives in committee leadership positions received average total earmark related contributions of 138,700, 1.48 times the average total related contributions of the average House Appropriations Committee member and 2.55 times the average total related contributions of the average Representative not on the Appropriations committee.

If we consider further contributions to the leadership on the Appropriations Defense subcommittee, we see these contributions differences as well.

- The Senators on the Appropriations Defense subcommittee leadership positions received average total earmark related contributions of 208,000 (this number is identical since the two senators who were on leadership roles on the Appropriations committee also had leadership roles on the Defense subcommittee), 1.94 times the average total related contributions of a Senator on the Appropriations Defense subcommittee and 8.05 times the average total related contributions of the average Senator not on the Appropriations Defense subcommittee.
- Similarly, the Representatives in committee leadership positions received average total earmark related contributions of 218,100, 1.54 times the average total related contributions of the average House Appropriations Defense subcommittee member and 2.90 times the average total related contributions of the average Representative not on the Appropriations Defense subcommittee.

Suggestive evidence that bipartisan support matters

Earmarks requested by members of both parties pass more often.

- 1342 of the earmark requests were made by a single legislator. 1501 were made jointly by two or more legislators. Of those made by two or more legislators, 55.1 percent were proposed by at least one Democrat and one Republican.
- Earmark requests with bipartisan support were 1.26 times more likely to receive funding than the typical earmark request and 1.16 times more likely to receive funding than an earmark request made by multiple legislators who were all in the same party.
- Moreover, earmark requests made with multiple legislators across both chambers are 1.31 times more likely to be funded than requests which originate solely from senators and 1.20 times more likely to be funded than requests which originate solely from representatives.