



The effects of party campaign spending under proportional representation: Evidence from Germany

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ABSTRACT

Most of the literature investigating the effects of campaign spending on electoral outcomes focuses on individual candidates in majoritarian systems. This paper contributes to the literature on the effectiveness of party campaign spending on party vote shares under systems of proportional representation. German data are used to test several hypotheses derived from a simple election contest model. The results are mixed and only partially support the hypothesis of a positive effect of campaign spending on a party's vote share.

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1. Introduction

Most research concerning the effects of campaign spending on electoral outcomes is devoted to majoritarian systems. At large, the results suggest that campaign spending has a positive impact on a candidate's prospects of success, although the debate over issues such as the difference in the effectiveness of campaign spending for challengers and incumbents is still continuing (Stratmann, 2005). By analyzing the effects of campaign spending in Germany, this paper adds to the literature on the effectiveness of campaign spending under systems of proportional representation, to which considerably less effort has been devoted so far.

The existing literature on the effects of campaign spending in proportional representation systems focuses on the spending effectiveness for challengers and incumbents. For Brazilian lower chamber elections, in which an open-list proportional representation is used to elect members, Samuels (2001) finds that spending by challengers is as effective as spending by incumbents to secure electoral support. Maddens et al. (2006) find that in legislative elections in Flanders under a preferential proportional representation list, which only allows a fraction of the candidates to secure a seat in the legislature via a list position, campaign spending by challengers and incumbents is equally effective. Benoit and Marsh (2010) present results from the Irish election of 2002 that was based on a single-transferable vote system, in which voters rank candidates and the ranks are transferred from one candidate to the other as candidates get elected or dropped during the counting. The results suggest that spending increases a candidate's vote share, whereby the incumbent's spending is less effective when compared to challengers from other parties but equally effective when compared to challengers from the same party. Similar to the findings for systems of majoritarian representation, overall the results suggest that increases in campaign spending by individual candidates under proportional representation systems lead to higher vote shares. These

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studies, however, do not investigate if the effects of campaign spending by parties themselves translate into larger vote shares for the parties. In contrast, I develop a simple election contest model for parties by building on the [Tullock \(1980\)](#) contest function and investigate the effects of party campaign spending on the parties' vote shares in the German context.

Though German voters can influence the composition of a party's legislative personnel, the distribution of the seats in the legislatures is in close proportion to the parties' shares of total votes cast. Both in federal elections and state elections, the parties therefore have an interest in increasing their vote share, since a larger vote share translates into increases in legislative influence of a political party as organizational unit.¹ Germany thus provides an opportunity to investigate the effectiveness of campaign spending for a party as a whole. Building on a novel data set, I analyze the effect of campaign spending by the five most successful parties in state and federal elections for the period 1984–2008. The results are mixed. I find some evidence for a positive effect of campaign spending on vote shares in federal elections but no evidence of a positive association between campaign spending and vote shares for state elections. I delve further into campaign spending issues and investigate additional hypotheses derived from the presented model.

The next section presents a simple model of an election contest. [Section 3](#) offers a short overview of the German institutional circumstances. [Section 4](#) introduces the econometric specification and contains a description of the used data. The results are presented in [Section 5](#), followed by concluding remarks in [Section 6](#).

2. An election contest model

Consider an election under proportional representation in which n parties compete for vote share S . A party's success in the election depends on the size of its political capital, which stands for a party's brand-name capital that helps to secure support from voters.² Similar to a consumer product selling firm that engages in advertising to enhance its brand-name capital, a political party invests in its brand-name capital, or political capital, to foster electoral support.³ Party k 's vote share S_k is determined by party k 's total political capital I_k relative to the sum of the total political capital of all parties n :

$$S_k = \frac{I_k}{\sum_{i=1}^n I_i}. \quad (1)$$

A party's total political capital I_k is determined by a party's current campaign effort E_k and a preexisting political capital stock C_k accumulated through past campaign spending; $I_k = C_k + E_k$. The brand-name capital of firms in the market place as well as the political capital of parties does not get entirely eliminated from period to period.⁴ But because voters forget over time, political capital depreciates and the more distant past campaign efforts are less effective in the current period. In period t for each party the preexisting stock of political capital is a function of past campaign efforts and the rate at which political capital depreciates, β , with m indicating how many periods passed since a campaign effort was made:

$$C_t = \sum_{m=1}^{\infty} \beta^m E_{t-m}. \quad (2)$$

It is assumed that in each period a team of new political leaders, who inherit the existing stock of political capital of their party from their predecessors, enters the election contest. Therefore, in every election period, the leaders of party k take the preexisting political capital stock, C , as given. The parties compete for legislative influence, the prize P . For majoritarian systems, a winner-take-all rule for the distribution of P would be suitable. Under proportional representation, however, a proportional-share rule for the distribution of P appears to be appropriate. Although, by being part of the governing coalition, some party (or parties) may exert greater political influence per vote share gained, we can for simplicity reasons assume that all parties share the prize in proportion to their vote share. The parties are assumed to incur a constant cost, a , for each unit of campaign effort deployed. They maximize the net benefit from legislative influence, π_k , by choosing the level of current campaign effort, E_k :

$$\pi_k = P \frac{C_k + E_k}{\sum_{i=1}^n (C_i + E_i)} - aE_k. \quad (3)$$

¹ Throughout the paper the German *Länder* are labeled as states.

² I am here not concerned about the question why it is that voters cast their votes although in all likelihood the – narrowly confined – costs outweigh the benefits of voting. If individuals vote because they feel to have a civic duty ([Riker and Ordeshook, 1968](#)), use their vote to *express* their opinion ([Brennan and Lomasky, 1993](#); [Fiorina, 1976](#)), or are *mobilized* by the closeness of the election, either directly through a higher probability of casting the decisive vote ([Downs, 1957](#)) or indirectly through increased campaigning efforts by the parties ([Cox and Munger, 1989](#); [Kirchgässner and Schulz, 2005](#); [Matsusaka, 1993](#)) is not essential for this paper, because these approaches to voter behavior do not explain the pattern of party vote shares.

³ For papers that draw a connection between political campaign spending and the industrial organization literature on advertising by market enterprises see, for instance, [Lott \(1986\)](#), [Mueller and Stratmann \(1994\)](#), and [Yen et al. \(1992\)](#).

⁴ [Mueller and Stratmann \(1994, p. 69–70\)](#) remark that the analogy between political campaign spending and advertising by market enterprises is more appropriate for the multiparty parliamentary systems in continental Europe than the US majoritarian system of representation. Most elections in the US nearly entirely eliminate the political capital of the losing candidate. The political capital of parties in continental Europe that are not part of the governing coalition, however, does not get wiped-out. The losing parties still win seats in the legislatures, similar to firms in the market place that are not the market leader but still secure a share of the market.

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