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You have to pay to play: Candidate and party responses to the high cost of elections in Japan

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A B S T R A C T

What effect does the financial cost of running for office have on candidate entry decisions, and does it differ depending on a candidate's motivations for running? We use a regression discontinuity design and panel data analysis to estimate the causal effect of campaign costs on candidate entry in Japan, where the amount of money required as a deposit for ballot access increased periodically to become one of the highest in the world, and a considerable part of campaign costs. We find that candidates from the major office-seeking parties were likely to be replaced after losing the deposit, and that these parties nominated fewer candidates following increases in the deposit amount. However, we find no such deterrent effect for fringe candidates. This finding calls into question the effectiveness of the deposit at fulfilling its supposed purpose, and sheds light on the differences between the financial and strategic coordination incentives that influence the nomination decisions of parties.

1. Introduction

Running for elective office under majoritarian (or plurality rule) electoral systems entails a strategic calculation on the part of individual candidates or the parties that nominate them. The number and quality of candidates who decide to run in a given election can be based on several considerations, including each candidate's perceived prospects for victory given the competition (e.g., Osborne and Slivinski, 1996; Congelton and Steunenberg, 1998). For example, multiple studies have investigated the deterrent effect of incumbency on the entry of candidates (e.g., Jacobson and Kernell, 1983; Bianco, 1984; Banks and Kiewiet, 1989; Jacobson, 1989; Cox and Katz, 1996; Levitt and Wolfram, 1997; Gordon et al., 2007; Hirano and Snyder, 2009).

There is also a rich literature detailing the strategic coordination incentives generated by the electoral rules and the resultant effect on the number of candidates and parties. Duverger's Law (Duverger, 1954) and the M + 1 Rule (Reed, 1990; Cox, 1994, 1997) predict that the effective number of candidates in an M-member district will converge toward an equilibrium of M + 1, particularly at lower values of M (district magnitude). The key mechanisms behind both Duverger's Law and the M + 1 Rule are the mechanical certainty that only M candidates will be elected, and the psychological effect that this certainty exerts on both voter and party behavior—short-term instrumentally rational voters will strategically abandon sure-losers in favor of more viable candidates; parties, aware of these voter incentives, will strategically nominate the "optimal" number of candidates in order to avoid wasting the party's resources, including financial resources.

The financial cost of campaigns can thus play an important role in the calculus of candidate entry decisions. Elections can be an expensive endeavor and, particularly in "winner-take-all" majoritarian elections, the cost of

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candidate entry must be balanced with the expected probability of winning a seat. If the cost is significantly high, then candidates (or the parties that provide financial support for them) may find it too financially risky to enter a race where the prospects for victory are uncertain. However, existing studies have neither provided consistent evidence on whether campaign costs actually deter candidate entry, nor identified the situations in which campaign costs matter. For example, although some studies have shown that challengers in the U.S. must spend more money to overcome the advantages enjoyed by incumbents (e.g., Jacobson, 1980), and that larger campaign "war chests" of incumbents deter the entry of high-quality challengers (Box-Steffensmeier, 1996), other studies have found no such deterrent effect (e.g., Ansolabehere and Snyder, 2000; Goodliffe, 2001).

The deterrent effect of campaign costs on entry decisions becomes more complicated when one considers that individual candidates may have different reasons for running for office. As Cox (1997, 158–159) points out, in order for Duverger's propositions to play out, voters and parties must behave according to short-term instrumentally rational goals related to winning office. However, some "office-seeking" candidates or parties may still enter a hopeless race as part of a long-term instrumentally rational strategy—such as establishing a presence in the district, showing the flag, chipping away at a rival's vote share, or building a local party organization. Other candidates may run in hopeless races in order to pursue "performative" goals that are not directly related to winning office, such as publicity for their personal interests or an ideological issue they support.[1] Such candidates are often thought of as "fringe" candidates. To our knowledge, no study has evaluated the potential heterogeneity of the deterrent effect of campaign costs on candidates with these different motivations for running.

In this paper, we exploit the institutional use of high-cost election deposits in Japan to test how the financial cost of running for office affects the entry (and re-entry) decisions of these different types of candidates. Election deposits are used in many democracies to limit frivolous candidacies by imposing a financial cost to ballot access. In order to enter a race, a candidate must first pay a sum of money as a deposit, which is only returned after the election if the candidate passes a pre-determined threshold of votes. Such deposits are common in countries employing majoritarian electoral systems modeled after that of the United Kingdom, where deposits first originated with the 1918 Representation of the People Act. The monetary amount of the deposit and the threshold of votes required to secure its reimbursement vary, but the rationale for its existence is generally the same: to protect the quality and integrity of the democratic process by limiting the number of fringe candidates.[2] As we will explain, however, Japan has one of the highest deposits among all democracies where they are in use, so losing the deposit results in a considerable financial cost—more than half of the average total cost of a candidate's campaign expenditures in some election years.

The institutional use of election deposits in Japan allows us to evaluate the causal effect of campaign costs on candidate entry decisions with a regression discontinuity (RD) design applied to candidate-level elections data from the Japanese House of Representatives from 1947–1993.[3] Because a candidate's forfeiture of the deposit is based on a pre-determined threshold, candidates who fall marginally on either side of the threshold can be assumed to be randomly assigned. Those who marginally lost the deposit and those who marginally kept it can thus be considered comparable in all other respects, such as quality, so that any observed difference in subsequent candidacies can be attributed to the financial cost of losing the deposit. We additionally address the problem of "unseen" candidates (Fowler and McClure 1989)—those who might have otherwise ran, but chose not to—with a district-level panel data analysis that exploits variation in the number of candidates given the size of the population, and periodic increases in the amount of the deposit over time.

The results of both approaches indicate that the high cost of campaigns in Japan is not an effective deterrent against the entry of fringe candidates. However, we find that losing the deposit *does* have an effect on the nomination decisions about specific candidates within strategic, office-seeking parties. Parties might sometimes run candidates in hopeless races for long-term strategic purposes, but those candidates tend to be replaced if they cost the party the deposit. This finding calls into question the effectiveness of the deposit at fulfilling its supposed purpose, but sheds new light on the internal personnel decisions within parties. Elections are expensive to contest, and when a significant cost is imposed on non-competitive candidates, party leaders alter their nomination strategies accordingly. In the next section, we provide a brief comparative history of the election deposit in Japan before presenting our theory and hypotheses.

2. Election deposits and candidate entry in Japan

The election deposit in Japan was first introduced in 1925 as part of an election law extending suffrage to all

[1] For example, in the United Kingdom, "Screaming Lord Sutch" of the Official Monster Raving Loony Party contested nearly 40 House of Commons elections, losing his deposit each time. Since 1979, John C. Turmel has contested (and lost) over 30 elections to the Canadian House of Commons, as well as many more local elections. In Japan, candidates like the eccentric inventor Yoshiro Nakamatsu (also known as Dr. NakaMats) and "smile therapist" Mac Akasaka have run in several recent elections to promote their own personal image. Right-wing anti-communist activist Gan Takada ran (and nearly always lost the deposit) in multiple elections between 1963 and 1992, when the end of the Cold War deflated his ideological goals. For its part, the Japanese Communist Party has routinely nominated a candidate in every district until very recently, even where it had no chance of winning.

[2] Particularly in plurality-rule elections, excess fringe candidates have the potential to distort the outcome of an election by siphoning off votes from one or more of the main contenders, sometimes intentionally and strategically.

[3] Our data come from the Reed-Smith Japan MMD Elections Dataset, created by Steven R. Reed and Daniel M. Smith. The dataset contains 17,627 candidate-election observations in panel format for the 18 general elections of the House of Representatives from 1947 to 1993.