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Media markets, special interests, and voters

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ABSTRACT

This paper examines the role of mass media in countering special interest group influence. I use the concentration of campaign contributions from Political Action Committees to proxy for special interests' capture of US Senate candidates from 1980 to 2002, and compare the reaction of voters to increases in concentration in two different types of media markets: in-state media markets and out-of-state media markets. Unlike in-state media markets, out-of-state markets focus on neighboring states' politics and elections. Thus, if citizens punish political capture, increases in concentration of special interest contributions to a particular candidate should reduce his vote share in in-state counties relative to the out-of-state counties, where the candidate receives less coverage. I find that a one-standard deviation increase in concentration of special interest contributions to incumbents reduces their vote share by about 0.5 to 1.5 percentage points in in-state counties relative to the out-of-state counties. Robustness checks suggest that these results are not driven by omitted Senator characteristics or by differences between in-state and out-of-state counties along dimensions other than the media environment.

1. Introduction

Interest groups pursue different strategies to influence policy. These include gathering information that supports their positions, taking their arguments to politicians and the public to win sympathy, and undertaking disruptive activities to coerce policymakers into making concessions (Grossman and Helpman, 2001). Yet, the activity that receives perhaps the most attention from media, the public, academia, and policymakers, is interest groups' campaign contributions to parties and candidates as a vehicle for influencing policy.

How can these practices be avoided? In a democracy, elections form the most basic safeguard against potential undue influence of interest groups through campaign money. If financial support from special interest groups appears improper, voters may punish the candidate by voting against him. Of course, for this mechanism to be valid voters need to be well informed. Since the main source of political information for voters is mass media, the presence of a free, independent mass media is a key component of democratic political institutions. While not all campaign contributions are "bad" (total contributions, in fact, may partly signal candidate quality), media may help voters react to potential political capture by few special interest groups contributing large campaign funds.

In this paper, I examine the role of mass media in countering special interest group influence. I do so by examining the extent to which county-level support for candidates to the United States Senate from 1980 to 2002 varies as a function of media exposure and candidates' campaign finance profiles.

To measure media exposure I rely on media market structure. I compare Senate election results for counties located in in-state TV markets (markets centered within a given state) with those located in out-of-state TV markets (markets centered in a city outside of a given state). Voters in out-of-state markets receive much less television coverage of their state's politics than voters covered by in-state media markets (Ansolabehere et al., 2006). Thus, comparing the behavior of in-state market voters with that of voters in out-of-state media markets provides one possible approach to examine the role of mass media.

I use campaign contribution data to construct a proxy for "capture" of politicians by special interests. In particular, I use data on contributions from Political Action Committees (PACs) to candidates to build Herfindahl concentration indices. The idea behind this approach is that a more concentrated pattern of contributions (i.e., a high Herfindahl index) is a good proxy for the extent to which a candidate is "captured" by narrow interest groups. Put differently, candidates with more dispersed contribution sources are preferred by voters because they are less susceptible to capture by one of the (many) interest groups sponsoring them.

Another, perhaps simpler measure of interest group influence could be the share of *total* interest group money accruing to the campaign, relative to other sources like individual and party contributions. The reason I prefer the concentration measure is that a politician could receive a large share of money from interest groups, but if these groups represent many sectors of the economy, it is unlikely that he be "captured". Instead, in such case his sources of support suggest that he represents a large cross section of the economy, not just of a few sectors.

To verify that high concentration within PAC contributions is correlated with concerns about a candidate's independence vis-à-vis interest

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groups, I conduct automated news searches for a sample of US newspapers. I count the total number of Senate candidate stories and the number of stories that discuss PAC money in the campaign ("PAC stories"). The results are reassuring about the validity of the approach: there is a positive and significant correlation between the share of PAC stories for a candidate and the candidate's Herfindahl concentration index. This holds even after controlling directly for the total number of news stories, a measure of how popular or appealing the candidate is in the media, which in fact turns not to be a good predictor of campaign finance concentration.

Using this strategy, my main finding is that an increase in the concentration of campaign contributions leads to a differential response from voters across different media markets. The estimates suggest that the share of the two-party vote for an incumbent with a Herfindahl index one-standard deviation higher than average is about 0.5 to 1.5 percentage points lower in in-state counties relative to out-of-state counties, where the candidate receives less coverage. I offer a number of robustness checks to address the concern that these results may be driven by the fact that counties in out-of-state dominated media markets are different in other dimensions from in-state counties, and find similar results. Moreover, since the pattern of campaign finance may vary with candidate characteristics, I verify that the results are robust to including important candidate traits such as seniority, age, gender, whether the candidate represents his state of birth, and other characteristics like education and army experience.

Also, in regressions where the share of interest group money is used as the proxy for political capture, I find no differential patterns of support across media markets. That is, voters do not seem to punish contributions from PACs of economic interest groups per se, but rather that such contributions come from few sectors of the economy. This, again, reinforces the idea that concentration of campaign contributions from a few industries, and not PAC money per se, is punished by voters as it signals capture.

In sum, the overall evidence presented in this paper supports the idea that mass media, by informing voters, may reduce the influence of special interest groups in policy. Better access to mass media allows voters to react to potentially negative information about their candidates, and specifically to the possible influence of narrow interests in the politicians' agenda.

1.1. Related literature

This paper is related to several strands of literature, most notably, to the relatively recent but fast-growing economics literature on the political economy of mass media (see Prat and Strömberg (2010)). A central topic in this line of research is the role of free media in affecting policy and improving political accountability. A number of empirical contributions show how availability of information empowers voters and affects policy (e.g., Banerjee et al. (2010), Besley and Burgess (2002), Ferraz and Finan (2008), Snyder and Strömberg (2010), and Strömberg (2004b)).

I follow this line of research by studying the role of free media on improving political accountability, and in particular in changing the electoral support for certain types of candidates. However, unlike previous work, I emphasize the role of mass media in countering special interest group influence.[2] In terms of the empirical strategy, the differences between in-state and out-of-state counties were first studied by Ansolabehere et al. (2006) to examine the implications of television on the incumbency advantage in the US.

The paper is also related to a vast empirical and theoretical literature on campaign contributions. In the theoretical work, funds for advertising provided by interest groups depend upon the positions taken by the candidates, and these positions take the implications on contributions and votes into account (Morton and Cameron (1992) offer an early review).[3] While this work incorporates the response of voters to overall campaign expenditures, less research investigates whether the sources of money matter. This occurs partly because it is often assumed that "uninformed" voters–who can be swayed by campaign advertising–do not have rational expectations: if they did, they could realize that a party involved in advertising must distort its policy platform to obtain funds, and switch their votes *against* the advertised party (Coate, 2004). Similarly, empirical work has focused mostly on the effect of *gross* campaign expenditures on electoral outcomes and in altering policy positions or securing favors (see Stratmann (2005) for a review).

In more recent theories with rational voters, private campaign finance creates a trade-off between a policy distortion and an informational benefit (Prat, 2006). In equilibrium, qualified candidates receive more contributions than unqualified candidates. However, candidates distort their policy choices (away from voters' interests) in order to attract private donations. When voters are aware of this, the amounts and sources of campaign contributions may provide information and influence voting decisions. Some evidence supporting the idea that sources of campaign finance are informative of candidate quality has been found by Prat et al. (2006) using surveys on state legislators effectiveness in North Carolina. Also, Houser and Stratmann (2008) show in experiments that voters respond to advertising differently between special interest and publicly-financed campaigns.

However, only a few other papers have examined the impact of campaign finance composition on voter behavior. Vanberg (2008) finds no evidence of a negative relation between US House candidates' reliance on large contributions and votes from 1990 to 2002. Instead, Dharmapala and Palda (2002) find a negative relationship between the concentration of contributions and vote shares for open-seat candidates and challengers in the US House from 1980 to 1992, with no robust relation for the incumbents. As a potential explanation, they suggest, in line with the argument put forward in this paper, that candidates with more dispersed contribution sources are less susceptible to being captured by any one group and are preferred by voters. However, they admit that their empirical strategy cannot rule out that causality runs the other way: candidates with a higher likelihood of winning may attract a wider pattern of contributions.[4] By exploiting the differential impact of concentrated patterns of contributions across different media markets, I attempt both to incorporate the impact of media and to rule out the reverse causality story.

The rest of the paper proceeds as follows. In Section 2, I spell out the basic research design and describe the main data (an Online Appendix presents a more complete description of the variables and sources). Section 3 discusses the validity of the campaign concentration measure as a proxy of capture. In that section, I show the results from automated news searches, and also discuss the correlation between campaign finance concentration and candidate observable characteristics. Section 4 presents the main results for the impact of concentration of campaign contribution on incumbent vote shares across different media markets as well as a number of robustness checks. In Section 5, I present evidence that confirms the main mechanisms driving the results. I conclude in Section 6.

[2] Some theoretical contributions, like Strömberg (2001) and Strömberg (2004a), imply a role of media in countering special interest group influence.

[3] A much-cited contribution is Grossman and Helpman (1996), which builds on Baron (1994).

[4] See also Palda and Palda (1998) who suggest that French voters punish candidates who raise money from narrow sources.