

## RISING ECONOMIC INEQUALITY AND CAMPAIGN CONTRIBUTIONS FROM VERY WEALTHY AMERICANS

by Adam Bonica, Stanford University, and Howard Rosenthal, New York University

Recent decades have seen an escalation in spending on U.S. election campaigns – during an era when economic inequalities have also sharply increased. With good reason, many observers believe these trends are closely related. Concern about the possible corrupting influence of money in politics crosses ideological lines. In the 2016 presidential primaries, insurgents in both parties highlighted such issues. In the Democratic contests, Senator Bernie Sanders drew a direct link between rising economic inequality and campaign contributions from billionaires. For his part, GOP contender Donald Trump, himself a billionaire, spoke candidly about his past use of campaign contributions to secure special treatment and favors from politicians. He stressed how readily politicians are swayed by contributions and decried the system as fundamentally corrupt. In a recent *New York Times* poll on campaign finance reform, citizens were near unanimous in their belief that money has too great an influence in politics. Across partisan lines, Americans are also unified in their belief in the need to fundamentally reform the system to limit the influence of wealthy donors.

In our research, we explore the relationship between wealth disparities and campaign contributions, documenting the growing concentration of campaign contributions among a small sliver of very wealthy U.S. donors. Despite an explosion in the number of citizens donating to campaigns in recent decades, we find that in recent decades the total share of campaign contributions has risen sharply from the wealthiest donors, the top 1% of the 1% of the voting age population. Mass participation has failed to counterbalance this trend.

Although recent changes to the legal and regulatory environment have contributed to the trend, they are at best a partial explanation. Contributions were becoming more concentrated long before the 2010 *Citizens United* and the 2014 *McCutcheon* cases were decided by the Supreme Court. To fully make sense of the rise of big money, its causes and consequences, we must examine broader economic trends and understand how the political behavior of the super rich has changed over time. Our research examines donation patterns of the super-rich – and explores their broader implications.

### The Politics of the Super-Rich

Each year, *Forbes* magazine publishes a list of the 400 wealthiest Americans, and we have tracked political contributions from people appearing on these lists from 1982 to 2014. Interestingly, the *Forbes* 400 steadily trended to the left in their donation patterns over the past three decades. Why? This trend reflects in part a shift from a U.S. economy centered in manufacturing and extraction industries toward an economy where technology and information services are growing sources of wealth. Donors from Silicon Valley and Hollywood are generous to Democrats.

In theory, billionaires who give to Democrats face a tradeoff between policy preferences and economic interests. Liberal donors may support Democrats for their positions on environmental or social issues but might also expect to pay more in taxes if their contributions help to install more Democrats to office. At the level of particular individuals, these tradeoffs may very well be understood and accepted. In practice, however, our data show that the economic fortunes of the Forbes 400 have prospered under Democratic administrations.

Wealth growth for the super-rich Forbes 400 vastly outpaced overall economic growth during the Democratic presidential administrations of Bill Clinton and Barack Obama. Between 1982 and 2014, the *Forbes* 400's share of total U.S. wealth grew from 1.4 percent to 4.0 percent, with the entirety of the cumulative gains, and then some, occurring under Clinton and Obama. By contrast, the 400 did not even manage to tread water during the Republican administrations of Ronald Reagan and the two George Bushes, when their cumulative losses equaled -0.8 percent.

### Wealth and Political Giving

If giving at the very top is not intuitively related to the partisanship of different presidential administrations, what drives the wealthy to donate? The amount the super rich give ends up being directly proportional to their increases in wealth. No matter how rich people are, their political giving patterns, like those of most other donors, are influenced by partisanship. But there's a difference between how very well-off Democratic and Republican donors respond to changes in their wealth. Republican donors, on average, are much more sensitive than Democratic donors to ups and downs in their wealth.

Our findings in this area suggest that the two political parties may have different incentives in cultivating wealthy donors. If Republicans promote policies – such as tax changes – that make their current donors immediately wealthier, they can expect a proportional increase in total donations. Democrats, on the other hand, stand to gain little by inflating the fortunes of their top donors, who will not usually boost their political giving when their wealth increases. But Democrats may gain by favoring the growth of sectors of the economy, including tech and entertainment, that are inclined to produce donors to Democrats.

### Implications for Democratic Representation

Many observers claim that big campaign contributions from the wealthy must be linked to political favors. Such deals no doubt happen, but there is scant evidence to suggest that, overall, campaign contributions are driving the accumulation of wealth at the top of the U.S. economy.

Instead, big money operates in more subtle ways. The super-rich control resources that parties and politicians require and, as a result, are courted. Politicians have incentives to pay attention to the policy concerns that animate wealthy donors on left and right alike – and this dynamic influences public discussion and policymaking. The ideas, values, and preferences of wealthy donors distort the focus of U.S. democracy more than individuals' desires to grow their already vast fortunes. Rather than worry about individual corruption, citizens and leaders should worry about the many ways money in politics can amplify the voices of the privileged few over those of the majority. As wealth concentration grows, so will uneven political influence.

---

Read more in Adam Bonica and Howard Rosenthal, "The Wealth Elasticity of Political Contributions by the Forbes 400," Social Science Research Network, September 2015.