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How Reelection Constituencies Matter

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Center for the Study of
the Economy and the State

The University of Chicago

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**HOW REELECTION CONSTITUENCIES MATTER:
EVIDENCE FROM POLITICAL ACTION COMMITTEES'
CONTRIBUTIONS AND CONGRESSIONAL VOTING**

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**How Reelection Constituencies Matter:
Evidence from Political Action Committees' Contributions
and Congressional Voting**

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Abstract

This paper presents evidence suggesting that voting in the U.S. Congress and contribution strategies of Political Action Committees (PACs) are not guided by the median voter model but a model that emphasizes the characteristics of legislators' unobserved reelection constituencies. This paper identifies which legislators of a given party have conservative or liberal reelection constituencies. The proposed method indicates that the importance of party affiliation for congressional voting differs for legislators with identical party affiliation. Differences are caused by dissimilar characteristics of their reelection constituencies. The proposed model implies distinct patterns of giving by corporate and labor PACs to legislators of the same party with dissimilar reelection constituencies. The evidence is consistent with the proposed theory and is consistent with the objective of PACs to influence congressional decisions and assemble a voting majority in Congress. For example, consistent with the hypothesis that Democrats with conservative support constituencies have higher supply prices to vote in labor interests, I find that labor PACs contribute heavily to those Democratic legislators with conservative reelection constituencies.

Key words: Political Action Committees (PACs). Congressional voting. Contribution strategies.

JEL Classification: D72

I. Introduction

A main result of Anthony Downs' (1957) seminal analysis has been the convergence of parties' platforms as the outcome of competition for votes in a two party democracy. Downs arrived at this result by applying Hotelling's (1929) model of spatial competition to his analysis. The notion that platforms converge is not found only in the early writings in the public choice literature. Since the original contributions, the convergence of platforms has been a key implication of most economic or public choice models of political competition. In the theory's recent sophisticated modifications, for example the probabilistic voting models, convergence of platforms still results as the outcome of two party competition. In discussing these models, Mueller (1988, p. 200) concludes, that "if the probability functions are strictly concave, the equilibrium is unique, with both candidates offering the same platforms."

This view of political competition has found only few challenges (see, for example, Fiorina 1974, Peltzman 1984) even though the evidence does not appear to support the hypothesized convergence outcome.¹ Party affiliation matters in empirical studies of congressional voting. Empirical studies that regress votes of legislators on a set of constituency variables, and a dummy variable capturing party affiliation, find that the estimated coefficient on the party variable is statistically significant. This evidence appears too pervasive to argue that party matters solely because important characteristics of the median voter are omitted from the estimated equations or are unobserved. The importance of party affiliation in vote regressions is even more surprising since these studies typically do not analyze votes that run

¹Related to the lacking support for the convergence hypothesis is the finding that senators from the same state have dissimilar voting records (see, for example, Jung, Kenny and Lott 1993).

along party lines. Thus, one has to be skeptical of models predicting convergence of parties' platforms. The data do not appear to bear out that prediction.

This paper develops implications of an alternative model to the Downsian model of representation. The model presented in this paper suggests that platforms do not converge but reflect the preferences of the reelection (support) constituency of legislators. Based on this model, implications for the voting behavior of representatives and the behavior of Political Action Committees are derived and tested. The emphasis on reelection constituencies offers a unique view for understanding contributor and legislator actions, enhancing our knowledge of their behavior.

Support constituencies are unobserved. This paper develops a measure for the preferences of support constituencies. This measure is employed to assess how important support constituencies are in explaining congressional voting behavior. To the extent that geographic constituency measures are poor indicators of the characteristics of the support constituency for some legislators, but not for others, systematic differences in voting behavior between these groups are predicted. Tests are offered and votes from one legislative session in Congress are examined.

The emphasis on reelection constituencies will help to solve puzzles surrounding the allocation pattern of contributions from labor and corporate Political Action Committees (PACs). Labor PACs give almost ninety percent of their contributions to Democrats, and corporate PACs give about sixty percent of their contributions to Republicans. These patterns are puzzling if parties' platforms converge. Further, the Downsian model does not explain how labor PACs allocate their funds within the Democrat group, nor does it explain how corporate PAC allocate their funds within the Republican and within the Democrat group.

Previous work on corporate giving included a party dummy variable which was intended to control for the contribution behavior of labor and corporate PACs (see, for example, Snyder 1992, Grier and Munger 1991). This variable does not explain allocation patterns between and within parties. Rather, its inclusion reflects our ignorance about the observed patterns.

Evidence for a rational allocation pattern of PAC contributions that is consistent with the objective of buying votes and assembling a majority in Congress is virtually non-existent (Kau, Keenan, Rubin 1982).² Without reference to reelection constituencies, the allocation pattern of labor PACs and corporate PACs is difficult to understand. A model that incorporates reelection constituencies produces hypotheses about the allocation of contributions within the groups that are consistent with the objective of buying legislation. Further, it provides a rationale for the allocation pattern between these groups. Data are examined to test the implications of the proposed model. The tests give show whether the allocation pattern of PACs is rational and consistent with the objective of maximizing influence.

This paper analyzes data over three Congresses in the 1980s. The results of the investigation show that reelection constituencies determine congressional voting and the contribution behavior of labor and corporate PACs. Legislators' voting behavior differs systematically with the characteristics of their support constituencies. With reference to reelection constituencies, it is possible to show that PACs maximize influence. As explained later, labor PACs give more of their contributions to potential foes and corporate PACs follow a similar strategy.

²The exception is the contribution behavior of farm PACs (Stratmann 1992). Snyder (1992) finds support for the hypothesis that PACs invest in incumbents.

The following section develops the model underlying the empirical specification. The third section examines the validity of the model by analyzing sample means and develops a methodology that helps to measure the preferences of reelection constituencies. The subsequent section shows evidence for rational contributor behavior. Results on the voting behavior of congressmen are shown in the fifth section and conclusions are drawn in the last section.

II. Model

a. Platforms of Parties and Behavior of Legislators

Downs (1957) applied Hotelling's (1929) model of spatial competition to the political process. In the Downsian model, voters' preferences are represented along one dimension. In the simplest case, the distribution of preferences over this dimension is symmetric and unimodal. As in Hotelling, where two firms move to the middle of 'main street', Downs predicts that parties compete for voters in the middle of the distribution of voter preferences. Parties, in their competition for votes, move to the median of the distribution, and in equilibrium are virtually indistinguishable. "Both parties strive to capture moderate votes; finally the two parties become nearly identical in platforms and actions." (Downs 1957, p. 177). "Like the two grocery stores in Hotelling's famous example, they (parties) will converge on the same location until practically all voters are indifferent between them." (Downs 1957, p.117).

Though the competition of parties over the median voter is the analog to the Hotelling model, it does not necessarily follow that platforms of parties are identical in equilibrium. Competition for the median voter does not imply that only the median voter is served by the winning candidate. In a spatial model, the firms not only serve customers at their location, but

also customers either to their left or to their right. Similarly, candidate competition can also result in servicing not only the voters in the middle, but also voters either to the left or to the right of the center, including the extremes. Competition of parties can be viewed the following way: parties compete for voters in the middle with characteristics X; one party devises policies that benefit voters with more of characteristics X, and the other party delivers policies benefiting voters with less X. As a result, platforms differ. In fact, this is essentially Hotelling's (1929) conclusion: positions of the two parties will not be quite identical and each party will serve a "hinterland", either to the left or the right of the center. This model of candidate competition has a built-in mechanism that mitigates abstentions from the extremes. Since a party serves not only voters in the middle but also every voter to the left of the middle or to the right of it, extremists' incentive to abstain is reduced.

Casual observation supports this view of political competition. In Congress, many decisions benefit all individuals with more or less of characteristic X. Examples are decisions that benefit all individuals who are in a certain income range, as, for example, decisions to increase the minimum wage, or issues of general taxation.

This model predicts similarity among the characteristics of the support constituencies within the Democrat group and within the Republican group and distinctly different characteristics between these groups (Fiorina 1974, Peltzman 1984). Though the characteristics of support constituencies and geographic constituencies are not identical, one still may expect the average constituency characteristics to differ between districts sending a Republican representative and sending a Democratic representative to Congress.

Further, one expects a measure of the reelection constituency to be important for congressional voting behavior. Section 3 proposes estimates of a measure of the support

constituency and Section 5 assesses whether this measure is important to explain legislative voting behavior.

As previously noted, party affiliation is usually significant for explaining voting behavior. One expects that party affiliation is more important in vote regressions if geographic constituency measures serve poorly as a proxy for support constituency measures. Based on the model emphasizing reelection constituencies, one predicts that party affiliation is more important, the less the geographic constituency is representative of the support constituency. Smaller effects of party affiliation on legislators' voting decisions are expected when average constituency characteristics are similar to those of the reelection constituency than when they are not. Further, I expect that the voting behavior of legislators, whose geographic constituency measures serve well as a proxy for support constituency, will exhibit a significantly different voting pattern: as explained in detail in Section 5, I expect that for these legislators observed constituency characteristics are more important in explaining voting behavior than for the other group.

2. Behavior of Interest Groups

Interest groups exert influence, for example, through the votes that they can marshal at the polls, the provision of information, contributions to the election campaigns of candidates, or through the direct exchange of money for legislative favors.³ Since data on campaign contributions have become publically available, one line of research has examined the effects of campaign contributions on congressional voting behavior. The results have been

³Examples of important contributions to the working of interest groups in the political process are Bentley 1907, Olson 1965, and Stigler 1971.

mixed. Some scholars failed to find the hypothesized relationship, others reported significant effects (see, for example, Chappell 1982, Stratmann 1994).

An alternative approach to understanding the behavior of PACs is to analyze their contribution strategies. If PACs attempt to influence voting behavior, one expects that they follow strategies that will maximize the probability that a legislator is voting in their interest. Economic theory makes specific predictions about which legislators will be targeted by interest groups. Rational allocation of campaign contributions implies that legislators with a higher supply price of voting will receive more contributions (Denzau and Munger 1986). Also, legislators who exert special effort on behalf of the group are expected to receive more contributions. Since issues are decided not with unanimity, but with majority rule, one expects that not more is contributed than necessary to achieve a majority in Congress. Evidence for this allocation pattern of campaign contributions is scarce. This paper builds on these noted predictions, adds reelection constituencies to the model, and applies the model to the contribution behavior of labor and corporate PACs.⁴

About ninety percent of all labor PAC contributions to members of the House of Representatives are received by Democrats. Corporate PACs favor Republican members. Over sixty percent of corporate campaign contributions to members of the House of Representatives go to Republicans. These patterns are puzzling if parties' platforms converge as predicted by the Downsian model.

If support constituencies play an important role in a congressman's platform, then one expects that PACs recognize the differences in congressmen's support constituencies and adjust

⁴Depending on the election cycle, contributions from labor and corporate PACs account for about one half and two-thirds respectively of all PAC contributions given to members of the House of Representatives.

their contribution strategies accordingly. Suppose a Democrat is elected from a district that is fairly conservative as measured by average constituency characteristics. Thus, some of his reelection constituency must include conservative voters, likely to be opposed to labor interests. If, for example, all Democrats in Congress vote for a higher minimum wage, this Democrat is in more danger of losing to his challenger in the next election than a Democrat who comes from a district that is more sympathetic to labor issues. Therefore, this legislator's supply price of voting in labor's interest is higher than the price of someone who comes from a typical blue collar district. Rational allocation of funds by labor PACs requires that more is given to legislators with a reelection constituency unfavorable to labor interests, that is to legislators with support constituencies that are susceptible to being captured by an opposing Republican candidate in the next popular election. Thus, I expect that a Democrat with a conservative reelection constituency will receive more labor contributions than a Democrat with a liberal reelection constituency. Noting that most issues in Congress are decided by majority rule and that Democrats have a majority in the House of Representatives, one expects that labor PACs concentrate their funds on Democrats, contributing the largest amounts to Democrats who have the most conservative reelection constituency. Extra campaign funds help these legislators to persuade their reelection constituencies that they are voting in supporter interests.

Mirroring the prediction for the allocation pattern of labor money among Democrats, one expects that corporate PACs give more to Republicans who have a liberal reelection constituency.⁵ If legislators voted only according to the interests of their support

⁵If, however, the desire to achieve a Republican majority dominates the desire to buy votes from Republicans, corporate PACs may focus on getting Republicans reelected instead of influencing their voting behavior. This issue is addressed in the fourth section.

constituencies, and if corporate PACs contributed only to Republicans, few or none of the bills in the interests of corporations would get passed; Republicans do not have a majority in the House of Representatives. Therefore, one expects that corporate PACs contribute to Democrats besides contributing to Republicans.

Democrats have supply prices to support labor interests. These legislators also have supply prices to support corporate interests. The latter prices tend to be higher, the more liberal the reelection constituency of a Democrat. Rational allocation of corporate contributions implies that corporate PACs contribute more marginal members of a majority coalition, namely conservative Democrats. However, corporate PACs are much more diverse in their interests than are labor PACs. While labor is unified in their desire for higher wages, safer working conditions, etc., there is substantial competition between corporate interests. Here, this competition will take the form of competing for votes from Democrats. As one corporation has secured the votes of conservative Democrats, who have the lowest supply price to vote in corporate interest, the competing corporation will attempt to secure votes from the less conservative Democrats who have a higher supply price for voting in corporate interests. In this competition for congressional votes, corporations will trace out the supply curve for all democratic votes and in the aggregate, most is contributed to the most liberal Democrats.

In sum, corporations have incentives to impose costs on other firms to increase their own competitiveness. Thus, to assemble a voting majority, corporate PACs may bid for favors from different Democrats, and in the aggregate, virtually all Democrats receive corporate contributions. However, the predicted pattern is expected to hold: corporate PACs are

expected to contribute more to Democrats with a higher supply price of supporting corporate interests, i.e. Democrats with liberal reelection constituency.

III. Preliminary results

All variables in this study that measure average constituency characteristics pertain to a congressional district of a representative. BCOL measures the ratio of blue collar workers to all workers, MINC is the median income expressed in thousands of dollars, COLLEGE is the fraction of voting age individuals with at least four years of college education, WHITE is the fraction of white population, URBAN measures the ratio of urban area to total area in a congressional district, OWNER is the fraction of owner occupied housing, MANUF is the ratio of the workers employed in manufacturing to the total number of workers.⁶

Means and standard deviations for the entire sample for the 1985-86 session are presented in the first column of Table 1. Column 2 and 3 of Table 1 show the means and standard deviations of the characteristics by party affiliation. Only a few districts switched from Democratic to Republican representation and vice versa over the three sessions analyzed in this paper. Consequently, the means and standard deviations for 1987-88 and 1989-90 are very similar and are therefore not presented. Table 1 shows that Democrats come from districts with different characteristics from Republicans. For example, Democrats tend to come from districts with more blue collar workers and lower median incomes. For both parties, the percent of population employed in manufacturing is about twenty-two percent. Assuming that constituency characteristics are normally distributed, simple tests for the equality of means of

⁶These data were obtained from the U.S. Bureau of Census, United States Census of Population and Housing, 1980. Data on campaign contributions were obtained from the Federal Election Commission.

the constituency variables between the two parties show that the differences between all means except that of the MANUF variables are statistically significant (Table 1, Column 4).

In all three Congresses analyzed in this paper, Democrats have a majority in the House of Representatives: for example, in the 1985-86 House, 253 legislators are Democrats and 182 legislators are Republicans. I decompose the party affiliation into a predicted element and a residual. The probit regression results with party affiliation as the dependent variable and average constituency characteristics as explanatory variables are given in Table 2, with Republicans coded as one, Democrats as zero. Though some variables are not statistically significant, the estimation results correspond to differences in the means between the parties as shown in Table 1. The selection of the explanatory variables was guided by the desire to purge the residual of important observable characteristics that determine the representative's party affiliation. In each regression, about 71 percent of the observations are correctly classified. The average percent of Democrats in each sample is about 58 percent.

The generalized residual (Gourieroux et al. 1987) from the party regression captures important characteristics of the support constituency. Large residuals for particular districts imply that party affiliation is not well explained by average constituency variables, i.e. districts that do not have characteristics that are typical for a Republican or Democratic district have large residuals. Given the coding of the party variable (Republicans = 1, Democrats = 0), Republicans have positive residuals and Democrats have negative residuals. A Republican comes from a typical Republican district if the party residual associated with his district is small and positive. Similarly, if a small negative party residual is associated with a Democrat, the legislator comes from a typical Democratic district. Thus, the residuals' magnitudes help determine which legislators have typical Democratic or Republican constituencies. I create one

sample containing the half of the observations with the smallest party residuals in absolute value, and one sample with the other half of the observations, calculate the means of the constituency variables, and test for equality of the means (Table 3). The results show that for the sample with small party residuals, means differ between Democrats and Republicans and that for the sample with large residuals the means between Democrats and Republicans do not differ. The variable WHITE is the only exception to this finding. Relative to the SMALL group, for the LARGE group the relative magnitudes of all constituency variables are reversed. For example in the LARGE group, Republicans represent lower income people than Democrats. Table 1 shows that both parties represent the same percent manufacturing. Using the half of the sample with the smallest party residuals in absolute value, Democrats represent significantly more manufacturing interest than Republicans (T-stat=3.5). Further, in Table 1 the difference in BCOL between Republicans and Democrats is two percent. In Table 3, for well-predicted districts, the difference is over seven percent.

If a large party residual is associated with a Democrat, it implies that some individuals in her reelection constituency are relatively conservative: to get a majority of the votes, she had to have the votes of some conservative voters. Consequently, this Democrat will have a conservative platform relative to other Democratic platforms. As noted previously, a large proportion of conservative voters among the reelection constituency of a Democrat make that Democrat vulnerable to defeat in the next election, for voting in the interests of labor PACs: voting for the labor interest is more costly for Democrats with a large residual. These Democrats will charge a higher price to vote in the interest of labor, and a lower price to vote in corporate interests, than a Democrat with a small residual.

Our model predicts that more labor campaign contributions flow to atypical districts (district with a large party residual) represented by Democrats than to typical Democratic districts (districts with a small party residual). Regression results will be presented in a later section. However, to ensure a good understanding of the data, means and standard deviations of campaign contributions are given in Table 4A. The first column shows the results for Democrats with small residuals in the party regression. The entries are the average contributions from labor PACs (LABORC) and corporate PACs (CORPC) and the percent of the popular vote received in the general election (PERCENT). The second column gives the same information for Democrats with large party residuals. As expected, labor PACs give more to atypical districts (large party residual) than to typical districts (small party residual). For example, Democrats with small party residuals in the 1984-85 session received on average \$41,266 in their 1983 campaign while Democrats with large party residuals received \$65,514. Since the legislators from atypical districts also have lower winning percentages, the results have to be interpreted with caution. Democrats in the LARGE group may receive more contributions because they are in a greater danger of losing the election. The regression analysis will shed some light on this issue. Over all three cycles, corporate PACs tend to give more contributions to safe (small party residual) Democratic legislators. Further, corporate PACs give more contributions to unsafe (large party residual) Republicans, though for members of the 1989-90 Congress the average contribution amounts are virtually identical for the two groups. The gap in corporate contributions to Republican safe and unsafe legislators has been narrowing over the three sessions.

Another interesting finding is that there is virtually no difference in the percent of the popular vote received by both Republican groups, while Democrats in the SMALL group are

much more successful at the polls than Democrats from in the LARGE group. Moreover, safe Democrats receive a significantly higher percentage of the popular vote than safe Republicans. These patterns may help contribute to an explanation of Republicans' recent inability to obtain a majority in the House of Representatives.

Finally, in each of the three election cycles studied, more challengers won in LARGE districts than in SMALL districts, providing further evidence that reelection constituencies differ along the lines captured by the party regression. Incumbents from districts with big party residuals are expected to be more vulnerable to defeat at the polls since average constituency characteristics are not typical of their parties. Over all three cycles, 28 challengers won against the incumbent from the opposition party in the general election: nine challengers came from safe districts; nineteen challengers came from unsafe districts. A breakdown by the different sessions are given in Table 4B.

IV. Campaign Contributions

a. Specification

Democrats with conservative reelection constituencies are predicted to receive more labor contributions and fewer corporate contributions. Contributions are assumed to be a function of the preferences of the support constituency, observed constituency characteristics, and legislator characteristics. In the regression analysis contributions are pooled over three election cycles and are expressed in 1982 dollars; year dummy variables are included to account for the rise in campaign contributions.

To assess the robustness of the findings on supporter characteristics, three reelection constituency measures are introduced: a dummy variable for the fifty percent of the legislators

with the largest residual (LARGE), the dummy variable interacted with the absolute value of the residual (LARGE*ARES), and the absolute value of the residual itself (ARES).

The predicted index (XBETA) of the party regression serves as a measure of observed constituency interest. The index from the party equation measures the degree to which the observed constituency tends to prefer the Democratic or Republican platform. For the interpretation of the coefficients in later tables it is helpful to recall that XBETA is negative, typically between 0 and -2, for correctly predicted Democrats and positive for correctly predicted Republicans. Thus an increase in the index implies the constituency is more Republican.⁷

The remaining variables used in the analysis are characteristics associated with the legislator and are motivated by previous work on campaign contributions (see, for example, Snyder 1992, Grier and Munger 1991). The contribution regressions include the percent of the popular vote (PERCENT), seniority (SENIOR) and membership on various House committees.

Seniority measures the number of years the legislator has served in the House of Representatives. To protect the most vulnerable Democrats from defeat in the polls, I expect labor PACs to give less to senior Democrats. Moreover, I expect that corporate PACs will contribute more to senior Democrats since these legislators are in the best position to block or promote corporate agendas early on in Congress, for example in committees. Committees considered as potentially relevant for labor and corporate interests, and therefore included in

⁷The estimated index XBETA captures the underlying constituency variables better than the estimated probability of being of Republican. The estimated probability is a non-linear transformation of XBETA while XBETA is a linear combination of constituency variables. Further, the variation in the estimated probability is much smaller than in XBETA, potentially reducing the precision of the estimate in the contribution equation.

the regression analysis, are Ways and Means, Appropriations, Energy and Commerce, Education and Labor, and Public Works.

The anticipated closeness of the race is measured by the actual percentage the legislator received (PERCENT). For example, for legislators in the 1985-86 Congress, contributions are from the 1983-84 cycle and the percent of the popular vote used is from 1984. One may object to the measure on the grounds that contributions and the percent of the popular vote are simultaneously determined; this problem is mitigated by the fact that this study examines only a fraction of the entire spending determining the outcome of the race. Further, the expected vote share used is a better measure because it is more accurate as a measure of anticipated closeness than the vote share in the previous election. However, the results presented in the next section are virtually the same if the percent in the previous election is used.

Given that Republicans do not have a majority in Congress, it will be interesting to examine whether corporate PACs focus on electing Republicans to Congress on one hand and buying votes from Democrats on the other hand. If corporate PACs follow both strategies simultaneously, one would expect that Democrats with more liberal constituencies will receive more corporate contribution, but that Democrats in close races would not receive extra contributions. For Republicans one expects that corporate PACs' giving focuses primarily on the closeness of the race rather than on buying votes. Separate regressions will be run for Democrats and Republicans.

b. Results

The first three columns in Table 5 contain the OLS results when the contribution equation is estimated, using only PERCENT, one of the three alternative specifications

capturing the preferences of the reelection constituency, and year dummies.⁸ Dummies for House committee membership, seniority and XBETA are included in the next three columns. The estimates on year dummies and committee dummies are not reported. The year dummies have the hypothesized positive signs. With one exception, the committee variables are either statistically significant and positive, or zero. The exception is the Education and Labor Committee: corporate PACs contribute less to representatives on these committees.

Panel A of Table 5 shows that labor PACs contribute more to Democrats with a conservative reelection constituency. Contributions are expressed in hundreds of dollars. The coefficient on LARGE indicates that Democrats with big party residuals receive an extra \$10,700 from labor PACs (Panel A, Column 1). Labor PACs protect their most vulnerable members, as measured by the closeness of the race, from defeat: a one percent increase in the popular vote leads to a reduction of \$1,156 in labor contributions (Panel A, Column 1). Labor PACs contribute more to Democrats that are in close races. Further, more senior congressmen receive fewer contributions. This is a rational allocation strategy if more senior members are less vulnerable to defeat in the polls, because, for example, they have more name recognition than junior congressmen.

If freshman are vulnerable to defeat, one expects that Democrats with a conservative reelection constituency are especially prone to losing the next election. Thus one anticipates that labor PACs contribute more to these types of freshman. The positive and statistically significant coefficient on the interaction variable (LARGE*FRESH) in the last column of Panel A shows support for this hypothesis.

⁸I also reestimated these equations using Tobit. The results were very similar since less than five percent of the contributions were zero.

It appears that corporate PACs mirror the behavior of labor PACs in their contribution strategies to Democrats (Table 5, Panel B). Corporate PACs do everything labor PACs do, just in the reverse. More is contributed to legislators with liberal reelection constituencies. This finding reflects that corporations compete against each other for democratic votes. Each corporation bids for favors from different Democrats, thus in the aggregate corporate PACs trace out the vote supply curve. Due to the competition for votes most Democrats receive corporate contributions with the largest contributions going to Democrats with the highest supply price, that is Democrats with a liberal support constituency. The results in Table 5, Panel B show that corporate PACs buy votes from Democrats but do not help Democrats to get elected by contributing to Democrats in close races: the coefficients on PERCENT are statistically insignificant.

Though corporate PACs do not give extra contributions to Democrats in close races, they contribute extra funds to Republicans in close races (Table 5, Panel C). However, the results do show only weak evidence that the characteristics of the reelection constituency matter for the contribution decision. Republicans receive more corporate contributions the longer they have been members of Congress. The finding can be interpreted to indicate that corporate PACs rely on the efforts of senior Republicans in pushing corporate legislative agendas and in turn pay for this effort.

An interesting finding is that labor PACs contribute more to Democrats with a liberal observed constituency (a negative sign on XBETA) but contribute less to Democrats with a liberal reelection constituency (a positive sign on ARES). Analyzing the combined effect of XBETA and ARES for Democrats gives some further insight into the contribution strategies of PACs. For about eighty percent of all observations an decrease of .1 in XBETA corresponds

to an increase of .05 in ARES. The estimated coefficients indicate that the effect of ARES dominates XBETA's effect for most Democrats. These effects are illustrated in Figure 1 and 2. The graphs stem from the specification in Table 5, Panel A, Column 6 but allowing for a non-linearity in XBETA in the regression equation. In this regression equation the coefficients on ARES, XBETA, and XBETA squared are 1378, -718, and 100; the associated t-statistics are 3.0, -2.6, and -2.1. Both Figures show how labor contributions change as the probability increases that a Democrat comes from a Republican district. Figure 1 traces out the relationship using ARES only. The difference in contributions to Democrats with the most conservative and most liberal reelection constituency is a sizable \$300,000 in 1982 dollars. That difference shrinks to about \$100,000 if XBETA's coefficient of 430 in column 4 is used.

Figure 2 adds XBETA and XBETA squared. For about eighty percent of all Democrats labor contributions are declining with the probability of being a Democrat, lending further support for the hypothesis that PACs buy votes. From those with a high probability of being a Democrat, no votes have to be bought; they would vote in labor's interests anyway. Higher contributions on their behalf may be explained as a payment for the unobserved extra effort these representatives spent in furthering the interests of labor PACs. The graph illustrating the behavior of corporate contributors is very similar to the graphs in Figures 1 and 2 and thus not presented.⁹

An important question is whether the reelection constituency is the primal or primitive in the analysis, or whether legislators' voting behavior is the underlying force, determining contribution behavior. Put differently, do Democrats in the LARGE group receive more labor

⁹The presented results on XBETA and ARES are virtually unchanged when the percent of people over 65 years of age is included in the party regression.

contributions because they have a conservative support constituency, or do they receive more labor contributions because they tend to vote conservatively. To address this question, first the correlations between the rating of the Americans for Democratic Action (ADA) and ARES, the measure of preferences of the support constituency, were computed by party affiliation.¹⁰ These raw correlations are below .10 and are negative for both Republicans and Democrats. Thus, there appears to be little if any systematic relation between ADA and ARES. To assess whether the results in Table 5 are robust to the inclusion of a measure of a legislator's voting behavior, I included the ADA measure in the regressions in Table 5. The qualitative results in Table 5 proved to be robust with respect to the inclusion of ADA. In some cases the magnitude of the reelection constituency coefficients was increased by 10 percent, in other cases the magnitude was reduced by about 10 percent. For example, for labor contributions to Democrats, the coefficient on LARGE in Table 1, Column 1 increased from 107.1 to 144.8 and the coefficient on LARGE in column 4 reduced from 177.6 to 161.1. In summary, the results indicate that the preferences of the support constituency have an effect on PAC contribution allocation patterns that is independent of legislators' voting behavior. The results did not change appreciably when I allowed for the potential endogeneity of ADA via using the rank (calculated in quintiles) of ADA as instruments.

V. Roll Call Votes

To assess the importance of support constituencies for congressional voting, I selected a number of roll call votes in the House of Representatives in 1985. Since I want to analyze

¹⁰The ADA rating ranges between 100 and 0 and is based on actual roll call votes in a legislative session. A higher rating implies a more liberal voting record.

why party affiliation matters so much in vote studies, it makes sense to analyze votes where party affiliation in fact appears to be important. A standard selection criterion is votes where at least fifty percent of members of one party oppose at least fifty percent of the other party. In 1985 these are over ninety percent of all votes, after eliminating votes where ninety percent of the legislators were on one side of an issue. Analysis of the latter votes is of limited interest because little variation is to be explained on these votes. Of the remaining votes, I selected those that fit into one of four categories. The categories are Budget General Interest (BGI), Budget Special Interest (BSI), Regulation (REG), and social policy issues (SOC). Votes on the budget concern expenditures or taxes. The GI-SI distinction is related to the magnitude or target group of the program. Some amendments in which only the degree of appropriations were considered were omitted from the analysis. Examples for BSI are funding for special housing programs, for BGI, appropriations for the Department of Interior, and for REG, the elimination of the tobacco quota program. In 1985 issues on social policy were issues on abortion. Though the categorization of votes is subjective, the analysis has its merits in that the results for large numbers of votes can be easily presented. Further, the confidence in the results is enhanced if many votes are analyzed than rather just a few.

Constituency characteristics better capture the preferences of the support constituency for legislators with small party residuals than for legislators with big party residuals. Therefore, I expect that party affiliation is more important for the voting decision of the latter type (big residuals) of legislator. Specifically, I expect that party affiliation increases the probability of voting for or against the issue by more if the legislator comes from the sample with big party residuals than if the legislators have small party residuals. Put differently, the party dummy variable captures more unobserved characteristics of a legislator's reelection

constituency, the more his district's characteristics are not typical of either a Democratic or Republican district. Therefore I expect that the marginal effect of PARTY will be larger in a sample that contains observations where average characteristics do not serve well in capturing the support constituency. Party affiliation will have a bigger effect on a legislator's voting decision, the worse average district constituency serves as a measure for the support constituency.

Included in the vote regression are party affiliation (PARTY), the percent of labor contributions of total contributions to a legislator (PERLAB), and the constituency variables BCOL, MINC, COLLEGE, WHITE, and MANUF. The findings, shown in Table 6, confirm the hypothesis. The party marginal effect (ME) produces a reasonable approximation to the change in the probability of a yes (no) vote at the regressor means. For 32 of the 33 BGI votes, the absolute values of the party marginal effects in the sample with the large residuals are larger. The next two columns show the mean absolute change in the probability of voting yes due to party (evaluated at sample means). Table 6, Column 3 shows this result for the sample with big residuals and column 4 shows the result for the small residual sample. The result can be interpreted to mean that, for BGI votes, party affiliation increases the probability of voting along party lines by 35 percent for legislators with big party residuals. The increase for the other group of legislators is 25 percent. Columns 8 shows the results of significance tests for those observations where the predictions about the relative size of the marginal effects are correct. With the exception of SOC, the t-statistics indicate rejection of the hypothesis that the probabilities are the same for both groups.

Simulation results, not reported in this paper, indicate that the results in Table 6 could not be generated by a random model. A more formal test of the hypothesis that party

affiliation is more important in vote regressions for legislators in the LARGE group is to restrain the coefficients on constituency and PERLAB variable to be equal (therefore not separating the sample). This suggests to estimating an equation of the form

$$\text{VOTE} = \text{CONSTANT, PARTY*LARGE, PARTY*SMALL, X, PERLAB} \quad (1)$$

where X stands for the vector of noted constituency characteristics and LARGE (SMALL) is an indicator variable for legislators with large (small) party residuals. Consistent with the previous argument, I expect that the coefficient on PARTY*LARGE is bigger in absolute value than the coefficient on PARTY*SMALL. The regression results are summarized in Table 7. They are very similar to the results in Table 6. The hypothesized effect is pronounced in budget and social issues and appears less important on regulatory issues. The reason may be that beneficiaries of regulatory issues, as for example, the tobacco quota program, are in Republican as well as in Democratic districts. Nonetheless, for 63 percent of all regulation votes, party affiliation is more important for legislators from the LARGE group. On votes where party affiliation has a bigger effect on the voting behavior of the LARGE, party affiliation increases the probability of voting along party lines on regulation votes by 36 percent for the SMALL group and by 43 percent for the large group.

In summary, the findings in Tables 6 and 7 are consistent with the hypothesis that the party dummy reflects unobserved support constituency characteristics. This finding is revealed by dividing the sample along the lines of the party residual (Table 6) and allowing for separate effects of party affiliation on congressional votes for the LARGE and SMALL groups (Table 7). If average or median constituency characteristics would determine voting behavior the

previous findings would not have been expected. Party affiliation is a veil in the sense that it reflects unobserved support constituency interests rather than average or median constituency interests.

VI. Conclusions

One of the most important questions in political economy is how preferences of voters find representation in the actions of their representatives. A given pattern of representation leads to distinct predictions for the behavior of legislators. The pattern of preference representation in platforms in turn leads to predictions about how interest groups attempt to influence the political process.

This paper distinguishes legislators by the extent to which the characteristics of their support constituency are unobservable. Two groups of legislators are identified using as a criterion the importance of unobserved support constituency interests relative to observed geographic constituency interests. It was found that both groups of legislators have significantly different voting patterns, supporting the hypothesis that support constituencies influence legislative voting, and shedding doubt on platform convergence. Legislative voting behavior differs to the extent that the preferences of the support constituency are proxied by average constituency characteristics.

Majority rule in Congress leads labor and corporate PACs to follow distinct strategies. Given that Democrats have a majority, labor PACs attempt to get Democrats elected and follow rational strategies to influence Democrats' votes. Labor contributors give more money to Democrats who are in close races and they give less money to Democrats who have a more conservative reelection constituency. Corporate PACs try to get Republicans elected and

follow strategies to influence Democratic votes. Corporate contributors give more to Republicans in close races and more to Democrats with a liberal reelection constituency. As noted, the latter finding reflects that different corporations, in their attempt to assemble a majority in Congress for their preferred policy, compete for votes from different Democrats.

Previous work simply included a party dummy in vote and campaign contribution equations, making the estimated coefficient hard to interpret. This paper provides a alternative and theoretically more satisfying specification of vote and campaign contribution regressions. The results in this paper suggest that party affiliation is a veil that conceals the importance of reelection constituencies in congressional voting and PAC strategies. The fact that campaign contributors invest money in candidates based on preferences of legislators' support constituencies is a fine proof that representatives consider the support constituency, and not the average or median voter, in their legislative decisions.

A challenging question for further research is why legislators chose a specific party affiliation. It appears that a Democrat with a conservative support constituency faces a lower probability of defeat if he would embrace a Republican party affiliation. Similarly, a Republican from a blue collar district may fare better at the polls if he was a Democrat. What function does party affiliation serve for these legislators? Though the answer of this question is beyond the scope of this paper, it appears to be vital for a better understanding of decision process in political economy.

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Table 1: Constituency Characteristics
Means and Standard Deviations for 1985-86

Variable	Mean (Standard Deviation)			 T-Stat
	Full Sample	Republicans	Democrats	
MANUF	0.2239 (0.0839)	0.2199 (0.0854)	0.2268 (0.0829)	0.82
BCOL	0.3160 (0.0721)	0.3038 (0.0686)	0.3248 (0.0735)	3.02
MINC	17.1046 (3.6724)	18.2104 (3.8282)	16.3091 (3.3440)	5.50
COLLEGE	0.1606 (0.0630)	0.1780 (0.0654)	0.1482 (0.0583)	5.00
WHITE	0.8337 (0.1644)	0.8972 (0.0859)	0.7880 (0.1904)	7.23
URBAN	0.7370 (0.2253)	0.6949 (0.2015)	0.7673 (0.2368)	3.34
OWNER	0.6494 (0.1244)	0.6881 (0.0758)	0.6216 (0.1437)	5.70

Table 2: Party Regression (Probit)
 Parameter Estimates and Asymptotic Standard Errors

Variable	Parameter Estimates (Standard Errors)		
	<u>1985-86</u>	<u>1987-88</u>	<u>1989-90</u>
INTERCEPT	-3.390 (1.451)	-2.835 (1.464)	-2.271 (1.450)
MANUF	-0.243 (1.353)	-1.380 (1.380)	0.433 (1.370)
BCOL	-2.373 (2.649)	-3.857 (2.700)	-5.251 (2.688)
MINC	0.035 (0.036)	0.060 (0.036)	0.032 (0.036)
COLLEGE	5.961 (2.458)	4.828 (2.527)	4.307 (2.493)
WHITE	1.791 (0.744)	1.355 (0.730)	1.336 (0.718)
URBAN	-1.514 (0.532)	-1.678 (0.535)	-1.603 (0.530)
OWNER	2.956 (1.169)	3.183 (1.196)	3.521 (1.186)
Log Likelihood	-241.1	-237.3	-239.2

Table 3: Constituency Characteristics
Means and Standard Deviations by Party Residual

	Small Residual			Large Residual		
	<u>Democrat</u>	<u>Republican</u>	<u> T-Stat </u>	<u>Democrat</u>	<u>Republican</u>	<u> T-Stat </u>
MANUF	0.2349 (0.083)	0.1909 (0.021)	3.52	0.2161 (0.0804)	0.2268 (0.089)	0.85
BCOL	0.3323 (0.0718)	0.2618 (0.0539)	6.94	0.3124 (0.0749)	0.3251 (0.0655)	1.33
MINC	15.5770 (3.073)	20.6890 (4.299)	9.80	17.5060 (3.439)	16.9610 (2.858)	1.27
COLLEGE	0.1370 (0.0498)	0.2201 (0.0737)	9.59	0.1665 (0.0663)	0.1568 (0.0487)	1.23
WHITE	0.7089 (0.1982)	0.9391 (0.0397)	8.99	0.9173 (0.0669)	0.8761 (0.0949)	3.60
URBAN	0.8355 (0.2187)	0.7194 (0.2084)	3.56	0.6558 (0.2234)	0.6825 (0.1976)	0.93
OWNER	0.5762 (0.1567)	0.7080 (0.0601)	6.38	0.6960 (0.0741)	0.6780 (0.081)	1.68
N	157	61		96	121	

Table 4A: Campaign Contributions and Electoral Safety
Means and Standard Deviations by Party Residual and Party Affiliation

	Mean (Standard Deviation)			
	<u>Democrat</u> <u>Small Residuals</u>	<u>Democrat</u> <u>Large Residuals</u>	<u>Republican</u> <u>Small Residuals</u>	<u>Republican</u> <u>Large Residuals</u>
1985-86				
N	155	98	66	116
LABORC (\$)	41,266 (32,342)	65,514 (49,660)	5,304 (7,713)	5,016 (8,334)
CORPC (\$)	39,048 (35,911)	33,553 (31,707)	54,264 (27,536)	63,828 (38,533)
PERCENT	76 (17)	64 (12)	67 (10)	69 (12)
1987-88				
N	160	98	61	116
LABORC (\$)	52,037 (40,036)	76,425 (52,911)	7,988 (11,404)	9,108 (14,088)
CORPC (\$)	49,709 (46,085)	42,505 (39,303)	64,419 (38,729)	68,935 (43,767)
PERCENT	78 (15)	69 (13)	66 (11)	69 (14)
1989-90				
N	167	93	54	121
LABORC (\$)	61,871 (42,733)	89,091 (57,410)	9,184 (15,788)	11,029 (16,389)
CORPC (\$)	61,263 (49,640)	56,216 (50,337)	77,029 (42,458)	77,779 (47,034)
PERCENT	78 (16)	68 (12)	68 (11)	71 (13)

Table 4B: Winning Challenges in the General Election

Congress	Small Residuals	Large Residuals
1985-86	5	11
1987-88	2	4
1989-90	2	4
Total, 3 cycles	9	19

**Table 5: Campaign Contributions
Parameter Estimates and Standard Errors**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A - Labor PACs - Democrats							
PERCENT	-11.56 (0.91)	-11.3 (0.91)	-12.1 (0.92)	-11.5 (0.9)	-11.3 (0.89)	-11.67 (0.89)	-11.6 (0.88)
LARGE	107.1 (28.9)			177.6 (35.3)			127.5 (35.7)
LARGE*ARES		133.3 (31.1)			237.3 (39.1)		
ARES			72.9 (40.9)			430.1 (85.6)	
XBETA				-68.2 (17.8)	-84.7 (18.3)	-150.2 (30.6)	-67.8 (17.5)
SENIOR				-10.2 (1.8)	-10.2 (1.79)	-10.0 (1.8)	-8.1 (1.8)
LARGE*FRESH							319.3 (56.4)
R ²	0.24	0.25	0.23	0.31	0.32	0.31	0.35
N	771	771	771	771	771	771	771
Panel B - Corporate PACs - Democrats							
PERCENT	0.23 (0.96)	0.03 (0.96)	0.62 (0.97)	-0.33 (0.89)	-0.49 (0.88)	-0.22 (0.89)	
LARGE	-51.4 (30.5)			-105.2 (34.9)			
LARGE*ARES		-73.3 (32.8)			-151.4 (38.8)		
ARES			-18.2 (42.9)			-243.5 (84.6)	
XBETA				52.7 (17.6)	65.7 (18.1)	97.7 (30.3)	
SENIOR				7.4 (1.8)	7.3 (1.8)	7.3 (1.8)	
R ²	0.03	0.03	0.03	0.22	0.22	0.22	
N	771	771	771	771	771	771	

Table 5: Campaign Contributions
(table continued)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel C - Corporate PACs - Republicans							
PERCENT	-8.22 (1.26)	-8.18 (1.26)	-8.06 (1.26)	-9.54 (1.24)	-9.56 (1.23)	-9.44 (1.23)	
LARGE	67.5 (32.7)			47.3 (49.9)			
LARGE*ARES		65.6 (31.8)			106.2 (72.0)		
ARES			67.4 (47.5)			180.4 (252.7)	
XBETA				13.6 (41.6)	65.8 (61.8)	85.6 (145.5)	
SENIOR				7.6 (2.8)	7.4 (2.8)	7.7 (2.8)	
R ²	0.08	0.08	0.08	0.18	0.18	0.18	
N	553	553	553	553	553	553	

Note: In the first three columns, the regressions include indicator variables for years. In columns 4 to 7, regressions include indicator variables for years and indicator variables for membership on various House Committees, as explained in the text.

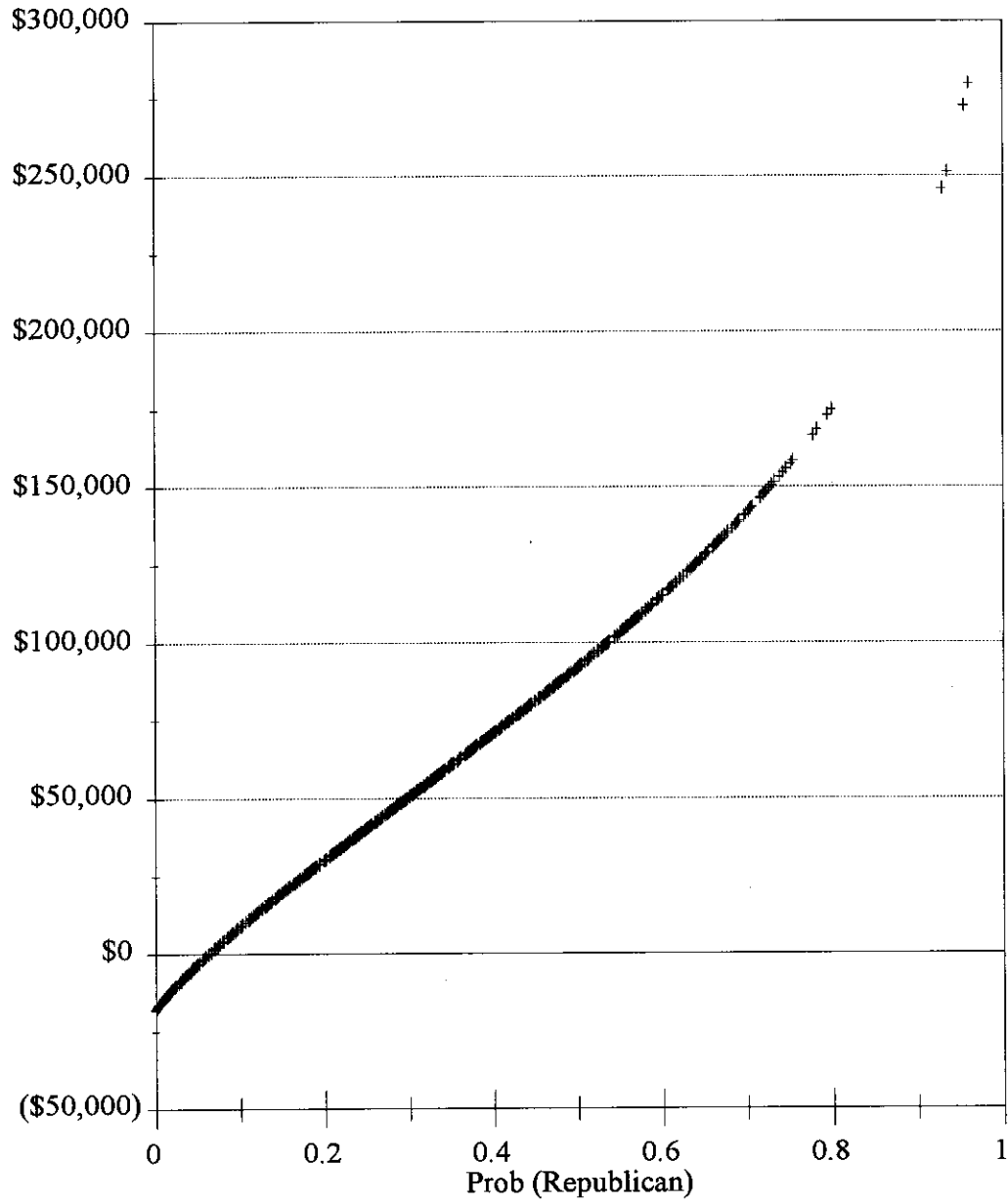
Table 6: Effect of Party on Probability (Vote = 1), 1985
 (separate regressions for SMALL group and LARGE group)

Type of Vote	(1) Number of votes	(2) ME LARGE > ME SMALL	Mean (Standard Deviation)				(7) ME SMALL for (2)	(8) T-Stat
			(3) ME LARGE for (1)	(4) ME SMALL for (1)	(5) T-Stat	(6) ME LARGE for (2)		
Budget General Interest	33	32	0.35 (0.09)	0.25 (0.09)	4.5	0.36 (0.09)	0.25 (0.10)	4.7
Budget Special Interest	26	21	0.33 (0.10)	0.23 (0.10)	3.6	0.35 (0.10)	0.21 (0.10)	5.1
Regulation	43	33	0.30 (0.12)	0.21 (0.12)	3.5	0.33 (0.10)	0.19 (0.09)	6.0
Social	4	4	0.36 (0.08)	0.30 (0.05)	1.3	0.36 (0.08)	0.30 (0.05)	1.3

Table 7: Effect of Party on Probability (Vote = 1), 1985
 Estimate of Equation 1

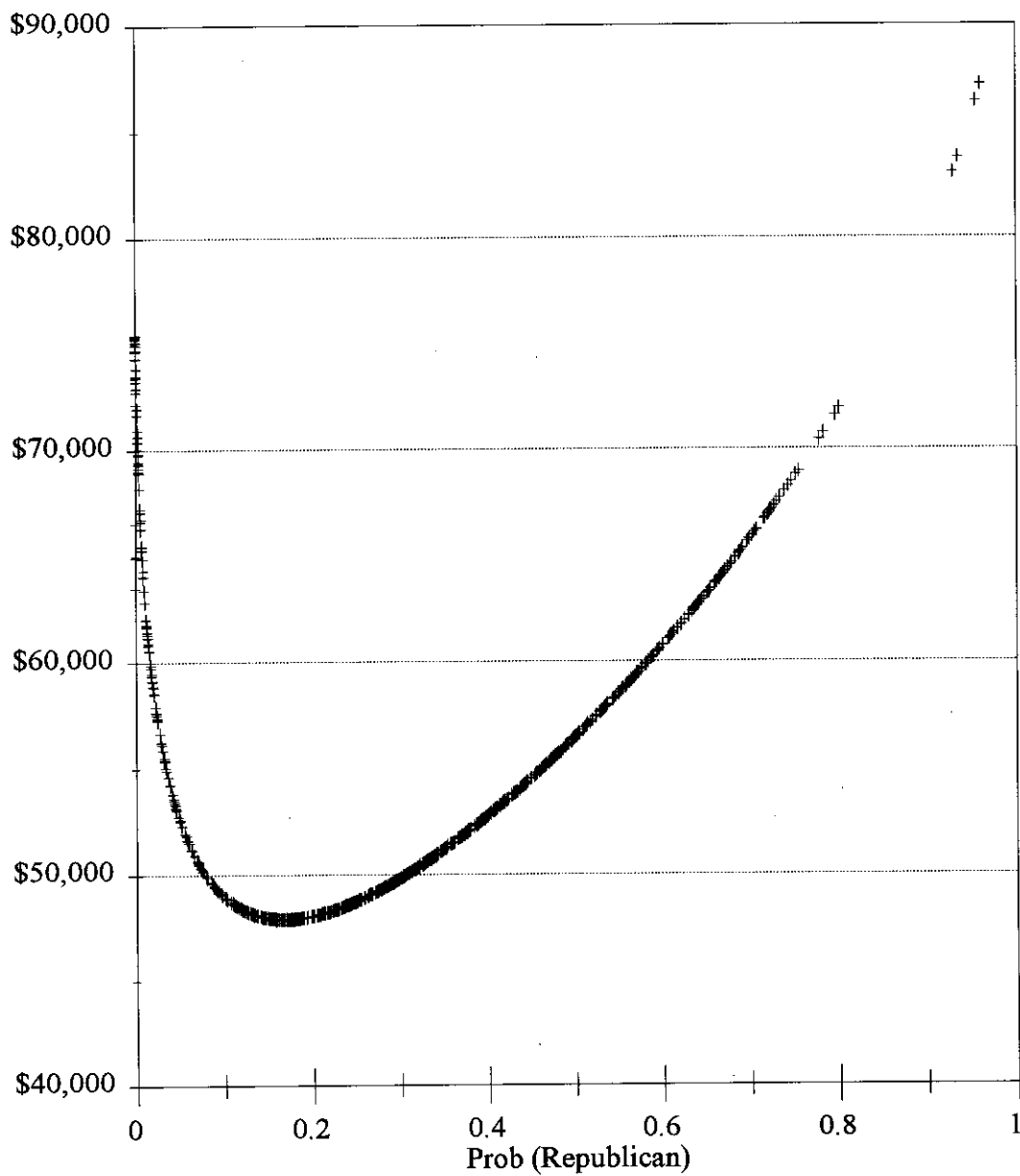
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Type of Vote	Mean (Standard Deviation)							
Budget General Interest	33	27	0.40 (0.08)	0.34 (0.09)	2.9	0.42 (0.06)	0.33 (0.08)	4.2
Budget Special Interest	26	21	0.40 (0.09)	0.34 (0.09)	2.3	0.41 (0.08)	0.32 (0.09)	3.2
Regulation	43	27	0.40 (0.09)	0.37 (0.08)	1.6	0.43 (0.08)	0.36 (0.08)	3.1
Social	4	4	0.41 (0.05)	0.25 (0.05)	5.0	0.41 (0.05)	0.25 (0.05)	5.0

Figure 1
Labor Contributions to Democrats



Note: \$ = 1378 * ARES

Figure 2
Labor Contributions to Democrats



Note: $\$ = 1378 * ARES - 718 * XBETA + 100 * (XBETA * XBETA)$