12 State Campaign Finance Reform, Competitiveness, and Party Advantage in Gubernatorial Elections

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Electoral competition is thought to be the cornerstone of democratic rule, yet many policymakers, scholars, and concerned citizens perceive the existence of a competitiveness crisis in the United States today. As the introductory chapter to this volume notes, U.S. House races are becoming increasingly uncompetitive; this is no mean feat, as reelection rates for House incumbents have been in the 90 percent range for much of the postwar era. If the dearth of electoral competition is a problem, what is the solution? One popular remedy among "good government" groups and policymakers is campaign finance reform, especially partial or complete public funding of campaigns.

Campaign finance reform addresses what many perceive to be the central problem with elections: money. It can easily cost a million dollars to run a competitive House race these days, and upwards of $5 million to do the same in the Senate. Races for governor far exceed these figures and sometimes cost in excess of $100 million. The high cost of campaigning is thought to be a barrier for challengers, who have relatively more difficulty raising funds, especially from political action committees (PACs) and other organizations

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that tend to give primarily to incumbents. Given these hurdles, campaign finance reform that aids challengers in raising money, or in leveling the playing field with incumbents, has the potential to increase electoral competition if implemented properly.

Perhaps the most straightforward way to increase competitiveness via campaign finance laws, constitutional issues aside, would be to set the size of campaign spending exogenously and provide both incumbents and challengers with a set amount of funds. There is, after all, ample evidence that the marginal impact of an additional dollar of campaign spending is close to zero or, at best, small but positive.[1] Once a challenger spends "enough," more money has little impact on vote share. The problem for policymakers is determining what "enough" is—that amount will vary from race to race, district to district, state to state. In addition, much as reformers might like, the politics cannot be taken out of reform. Most campaign finance rules are implemented through the legislative process. Incumbents may have an incentive to set artificially low limits, and Democrats and Republicans may favor campaign finance rules that are likely to give their party an advantage.

In short, in addition to constitutional constraints, which prevent the implementation of policies such as mandatory expenditure limits, there are three obstacles to other potentially effective reforms—informational limits, incentives for incumbent protection, and partisan battles. In the realm of the possible, the current menu of constitutional campaign reforms that plausibly relate to competition are limits on contributions by organizations, limits on contributions by individuals, and full or partial public funding of campaigns tied to voluntary expenditure limits. We explore all of these reforms in this chapter.

Despite the attention given to electoral competitiveness and campaign money, and the assertions made by both proponents and opponents of campaign finance reform in court cases and other public debates, we know surprisingly little about the impact of campaign finance laws on electoral outcomes. The following comment was made in 1981, but is still applicable, with few exceptions, today: "Although the impact of public funding on the electoral process is a popular topic of speculation for political journalists and pundits and a source of practical concern for political parties and candidates, neither they nor the research community has had adequate information

1. Recent work includes Levitt (1994); Gerber (1998); and Milyo (1998); but compare Erikson and Palfrey (1998, 2000). A related literature examines the electoral consequences of campaign war chests (for example, Goodliffe 2001) and candidate wealth (for example, Milyo and Groseclose 1999).

about campaign financing in general and information about public financing at the state level in particular."[2]

Most empirical research linking campaign finance and competitiveness has focused on the marginal impact of spending at the federal level. There is some work at the state level linking spending and competitiveness,[3] but extant state-level research typically does not address a fundamental endogeneity problem. Namely, spending both influences and is influenced by the competitiveness of a race.

In this chapter, we take a different tack. Rather than wandering into the spending-competitiveness thicket, we estimate the *net* effect of campaign finance laws on competitiveness and party advantage (which can be thought of as something like "party competition") in gubernatorial elections. Because campaign finance laws vary greatly across states, the U.S. states are an ideal arena for exploration. Yet surprisingly, there is a limited amount of systematic empirical work in this area that does not suffer from the same endogeneity problem described above.[4]

In fact, we know of only one such study, by Thomas Stratmann and Francisco Aparicio-Castillo, who examine competitiveness in state legislative elections.[5] These authors advance the previous literature in two important ways. First, they examine a more comprehensive set of state legislative elections over a longer time period (twenty years) than any previous study. Second, the authors control for unobserved state effects that might influence both electoral outcomes and the presence of state campaign finance laws. Previous studies of legislative elections have not addressed the potential confounding effects of unobserved heterogeneity across states. Stratmann and Aparicio-Castillo find that contribution limits do appear to help challengers in legislative elections; such regulations are associated with both an increase in the number of challengers and a decrease in incumbents' reelection margins.

In this chapter, we focus on gubernatorial elections from 1978 to 2004, the era following a landmark Supreme Court decision, *Buckley* v. *Valeo*, which altered the landscape of campaign finance reform.[6] Like Stratmann and Aparicio-

2. Jones (1981, p. 344).

3. For example, see Gross and Goidel (2003).

4. The limited work that has been done (for example, Gross and Goidel 2003; Bardwell 2003; Gross, Goidel, and Shields 2002) fails to address the interrelationships among challenger spending, incumbent spending, competitiveness, and campaign finance laws. For a summary of research at the state level, see Ramsden (2002). For a more general review of the literature, see Stratmann (2005).

5. Stratmann and Aparicio-Castillo (2006).

6. *Buckley* v. *Valeo,* 424 U.S. 1 (1976).

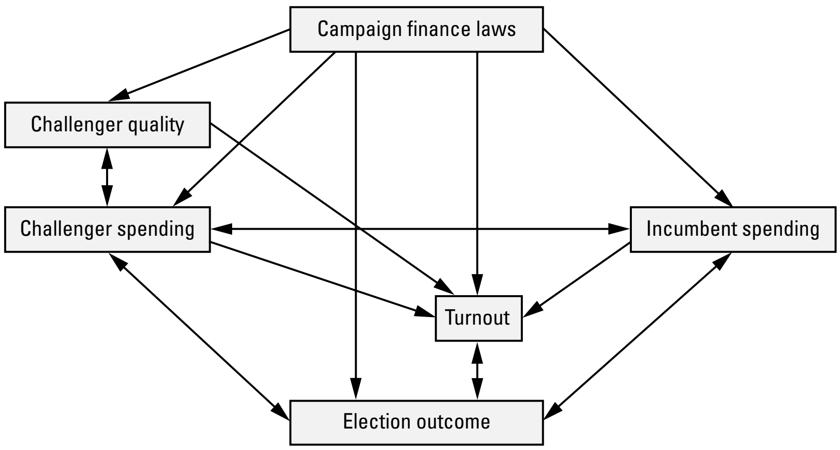
Castillo, we employ state fixed effects in our analysis in order to control for unobserved state-specific heterogeneity. In addition, unlike previous studies of gubernatorial campaign finance that rely on ad hoc models and questionable identification strategies, we estimate the reduced-form effects of state campaign finance laws. For the most part, we find that only limits on individual contributions to candidates have statistically and substantively significant effects on the winning margins in gubernatorial races, narrowing such margins. However, these effects are not driven by an impact on close races. In contrast, limits on organizational contributions and public financing regimes have small but statistically insignificant effects on winning vote margins. Finally, we also examine whether state campaign finance reforms confer any electoral advantage to one party over the other, and we find that campaign finance laws have no effect on party advantage in gubernatorial races. In the discussion section, we address the implications of these findings for future reform efforts.

Linking Campaign Finance Laws and Election Outcomes

We think about the impact of campaign finance laws on competitiveness and party advantage as part of a system of relationships. Campaign finance laws have an indirect effect on election outcomes via spending, turnout, and challenger quality. These variables are in turn interrelated. See figure 12-1 for a visual description of these relationships, assuming that an incumbent is in the race. Statistical identification and estimation of the causal pathways within this system require strong assumptions about the structure of the related process in the system; sometimes such assumptions are untenable, and so unbiased estimation of even some of the direct causal relationships within the larger system is not possible. Specifically, we are concerned with "endogeneity bias," which occurs when there is dual causality, as in figure 12-1, or when there are important unobserved phenomena present in such a system (for example, unobserved state-specific heterogeneity).

Fortunately, in order to understand the *net* effects of these laws on competitiveness and party advantage, we do not need to estimate the full set of causal relationships. Instead, we model the process depicted in figure 12-1 as a system of equations, then solve the system for the one dependent variable of interest in terms of only exogenous variables (that is, all determinants within the larger system that are not themselves caused by either competitiveness or unobserved determinants of competitiveness). Regression analysis of the "reduced-form" equation yields unbiased estimates of the net effects of state campaign finance laws on competitiveness, thereby offering policymakers and

Figure 12-1. The Complex Web of Campaign Finance Laws and Election Outcomes



scholars a "bottom-line" estimate of the impact of reform that does not suffer from an endogeneity bias.[7]

One disadvantage of a reduced-form approach is that it does not enable us to determine the specific pathways by which campaign finance laws affect competitiveness.[8] For instance, we cannot identify and estimate the direct effects of challenger versus incumbent spending on competitiveness. However, since it is state campaign finance laws that are the relevant policy lever for policymakers, we are able to answer an important question in this study—namely, what is the *net* impact of laws on competitiveness?

We examine the effects of three distinct types of laws that occur in the states and that have been the focus of reformers and scholars alike: restric-

7. Primo and Milyo (2006a, 2006b) estimate the reduced-form effects of state campaign finance reforms on voter turnout and political efficacy.

8. One implication of a reduced form is that the laws may affect both challenger and incumbent spending, but if the effects work in equal but opposite directions, a reduced form will find that the laws have zero effect. For instance, public funding may have large effects on certain aspects of the process—for instance, an incumbent may redouble efforts to raise money in response to a publicly funded challenger—but on net have no effect on competitiveness. Such a situation merely underscores the importance of reduced-form analysis, since this procedure avoids the problems that might occur by focusing on just one aspect of a larger system. Namely, one might find a large effect at one stage of the process, but miss an equally large (unmodeled) effect that moves the dependent variable in the opposite direction.

tions on campaign contributions form organized interests, restrictions on contributions from individuals, and public financing of political campaigns. Starting with limits on organizations, we expect these to have a modest positive effect on competitiveness, since organizations are more likely to contribute to an incumbent than to a challenger. Consequently, these limits are unlikely to help either party systematically. Limits on individuals may also decrease winning margins, since incumbents are more likely to be successful at fundraising in general (since, after all, incumbents have already succeeded in the previous election). However, we expect that limits on individual contributions may advantage Democrats, who in general do not have as deep a donor pool as Republicans.

Things get more interesting when we turn to public funding. First, we follow the convention of using the term "public funding" to describe any state subsidy for qualifying candidates who agree to limit their campaign spending. We do not have a strong expectation about the likely impact of public financing in gubernatorial elections, in part because the literature is somewhat mixed. For example, Gross, Goidel, and Shields, as well as Gross and Goidel, find no effect of public funding on competitiveness in state elections, while Mayer and Wood argue that public funding in Wisconsin has had little impact on legislative election outcomes, in part because grants were too small and recruiting quality challengers still proved difficult.[9]

In contrast, Donnay and Ramsden find that public financing of legislative elections in Minnesota increased competitiveness.[10] And in another chapter of this volume, Mayer, Werner, and Williams argue that properly funded public funding programs will increase competitiveness in legislative races. They base these findings on recent reforms in Maine and Arizona, although the long-term effect of these laws remains to be seen. More important, none of these authors adequately address the concerns about endogeneity bias described above. For example, none of these studies employ state fixed effects in order to control for unobserved state-specific heterogeneity. Our study addresses these limitations.

In theory, public funding could be expected to help challengers, provided that expenditure limits are set high enough and contribution limits are not so restrictive as to prevent the challenger from raising funds. However, public funding, which is often enacted or amended through the legislative process, may be crafted so as to aid incumbents over challengers, via either a small

9. Gross, Goidel, and Shields (2002); Gross and Goidel (2003); Mayer and Wood (1995).
10. Donnay and Ramsden (1995).

matching component or artificially low limits. Ultimately, it is an empirical question whether the net effects of public financing in state elections increase competitiveness.

The impact of public funding on party advantage is also open. In a pioneering 1981 study, Jones found that the money advantage of the majority party (at the time typically Democrats) in states with public funding varied according to the types of laws in place, but that typically the advantage was not much different than the electoral advantage the majority party already enjoyed.[11] Since that article was written, divided government has come to dominate the states, but the larger lesson still applies: the net effect of incumbents battling over the design of public funding laws may result in a wash, maintaining the existing political equilibrium.

Data and Method

We analyze the determinants of competitiveness and party advantage in gubernatorial elections from 1978 to 2004, or the post-*Buckley* era. We include every state gubernatorial election from this period; data on election outcomes were obtained from *America Votes*.[12] We measure competitiveness by the winning candidate's percentage vote margin over that of the closest competitor, which can range from 0 to 100. Similarly, we measure party advantage by the Democratic candidate's percentage margin over the top Republican candidate, which can range from –100 to 100. Descriptive statistics for the key variables in this analysis are found in table 12-1; the rest are listed in table 12A-1 in the appendix.

Several previous studies of electoral competitiveness examine open-seat races separately from races that include an incumbent. But because term limits on governors' terms of service are so common, there are simply too few cases of gubernatorial incumbents running for reelection to follow this precedent. Further, given our reduced-form estimation strategy, it would be inappropriate to do so. This is because the choice of a non-term-limited

11. Jones (1981).

12. Because Louisiana's open primary system is unique, we check whether our results change when we drop Louisiana elections from the analysis. The only result that is affected is the impact of individual contribution limits on the log of margin, which is statistically significant at the .10 level when Louisiana is omitted. Throughout, whenever we discuss robustness checks like this, we will only mention noteworthy deviations from our reported results. Finally, for all sensitivity results mentioned in this paper, further details are available from the authors upon request.

Table 12-1. Descriptive Statistics for Key Variables in Gubernatorial Elections, 1978–2004

N = 370

Variable	*Mean*	*Standard deviation*	*Minimum*	*Maximum*
Winning margin (percent)	15.84	13.45	0.00	64.74
Democratic margin over Republicans (percent)	1.34	20.78	–58.34	64.74
Limits on organizational contributions	.76	.42	0	1
Limits on individual contributions	.59	.49	0	1
Public funding of gubernatorial candidates	.15	.36	0	1
Term limits for governor	.61	.49	0	1

incumbent to run for reelection or not is itself a function of the electoral environment, including state campaign finance regulations. And while in principle we could examine open-seat races that occur because the incumbent is term-limited, there are even fewer of these. Consequently, we pool all gubernatorial elections and estimate a common specification, and we do not include controls for instances in which incumbents run for reelection (since the incumbency indicator is endogenous and does not appear in the reduced form).

We estimate least squares regressions with robust standard errors; in addition, we adjust the standard errors to account for the clustering of errors by state, since multiple observations over time within the same state may not be independent.[13] Our primary specifications also include fixed effects for states and each two-year electoral cycle;[14] these fixed effects serve as a proxy for unobserved heterogeneity in the data, and also serve to mitigate any concerns about the possible endogeneity of state campaign finance laws.

We code campaign finance laws as being present if they apply to gubernatorial elections and were put into effect before the election in question. Three dichotomous campaign finance variables represent the laws in each state.[15] These are indicators for the presence of:

13. Bertrand, Duflo, and Mullainathan (2004).

14. An odd-year election at time *t* was coded as part of the even-year electoral cycle at time $t + 1$. We do not include an indicator to control for odd-year elections; such a variable is collinear with the set of state fixed effects, since it does not vary over time.

15. We do not create an index of laws because we do not expect their effects to be additive. Also, in this analysis, we do not examine the effects of different types of public financing regulations (that is, full versus partial public funding) due to a lack of variation in our data.

Table 12-2. State Campaign Finance Laws, 1976–2004[a]

Number

Laws	*1976*	*1980*	*1990*	*2000*	*2004*
Limits on organizational contributions	34	35	36	44	45
Limits on individual contributions	23	25	27	36	37
Public funding of gubernatorial candidates	1	5	6	14	13

a. Cell entries indicate the number of states with each type of law.

—limits on contributions by organizations (for example, corporations);
—limits on contributions by individuals; and
—public subsidies to candidates who abide by expenditure limits.

Campaign finance laws have changed dramatically in the states in recent decades. In 1976 few states had restrictions on campaign contributions by individuals, but by 2004 such limits were the norm. Similarly, the number of states that limit contributions from both organizations (corporations, unions, and PACs) and individuals has increased substantially over the past thirty years. State campaign finance reforms were particularly frequent in the 1990s, with more than one-third of states altering their laws during this period.[16] We are currently in what might be called an era of "mature" campaign finance regulation, since most states have some restrictions on contributions (see table 12-2).[17]

As noted above, we consider contribution limits on organizations, contribution limits on individuals, and the presence of public financing tied to voluntary expenditure limits. While there are several ways to categorize and measure state-level laws, in this case simpler is better. We measure the presence or absence of particular types of laws, such as contribution limits and public financing. Using specific dollar amounts leads one into a morass, in part because states differ greatly in many respects, including cost of living, wealth, and the cost of media markets. Put concretely, does a $1,000 limit on individual contributions to a candidate mean the same thing in Arkansas as it does in California? If not, how would one compare specific limits across states? Other aspects of campaign finance law, such as enforcement quality, suffer from similar problems. In contrast, the pres-

16. Malbin and Gais (1998).

17. In table 12-2, we include Maryland among the states with public funding for gubernatorial elections and treat it as such in our statistical analyses. However, because few candidates have taken public funds in Maryland, some observers do not consider this state to have an effective public funding program. An alternate construction of the public funding variable, treating Maryland as not having such a law, attenuates the estimated impact of public funding in every model that we examine.

ence or absence of particular laws can be clearly measured and is directly comparable across states.

In addition to these key independent variables of interest, we include several control variables in our analysis. First, in every specification, we control for competitiveness or party advantage in the lower chamber of the state legislature, as a proxy for party strength.[18] That is, when estimating the determinants of the winning margin, we include a control variable that describes the "seat margin" enjoyed by the party to which the governor belongs. Similarly, when estimating the Democratic margin, we include a control for the Democratic seat margin in the lower chamber of the state legislature. In addition, we include the margin in the most recent or concurrent presidential vote as a second proxy for party strength.

We also examine the effects of several other institutional control variables, including the presence of term limits for governors, the length of gubernatorial terms, and the ease of voter registration (same-day registration or registration not required). Finally, we examine the impact of controlling for several state demographic control variables, the log of real per capita income, percent black, percent Hispanic, the percentage of voters age 21 and up, and the percentage of voters age 65 and up. Data on political institutions are taken from *The Book of the States* and *Campaign Finance Law*, while demographic and income data are taken from the *Statistical Abstract of the United States*. Missing years for state-level demographic variables are linearly interpolated from adjacent years.

Results

In table 12-3 we present the main results for the impact of campaign finance laws on winning vote margins. In the first column, we present our key estimates for only a sparse model with few control variables; in the second column, we present estimates for the same key variables when a richer set of controls is included in the model (estimation results for the remaining variables are shown in table 11A-2 in the appendix). Regardless of the specification, there are several noteworthy findings. First, merely having organizational contribution limits in place has no impact on competitiveness. In

18. This variable takes the value of zero for Nebraska, which has a nonpartisan legislature. Our results are little changed by dropping Nebraska from the analysis, so we work with all fifty states. In cases where an independent candidate is victorious, we also code party strength as zero. We have checked our findings by dropping races where independents were victorious from our analysis; this also does not change the reported results in any noteworthy way.

Table 12-3. Least Squares Regression Estimates of the Winning Margin in Gubernatorial Elections, 1978–2004[a]

N =370

Variable	*(1)*	*(2)*
Limits on contributions from organizations	0.10 (3.78)	–1.82 (3.73)
Limits on contributions from individuals	–9.70*** (3.46)	–7.57** (3.43)
Public funding of gubernatorial candidates	–5.02 (3.49)	–4.01 (3.36)
Term limits for governor	–1.73 (3.30)	–3.32 (4.02)
Other institutional controls	No	Yes
Demographic controls	No	Yes
R^2	.26	.28

a. Heteroscedastic-consistent standard errors in parentheses (White's method); all standard errors are also adjusted for clustering within states. In columns 1 and 2, the dependent variable is the difference between the winner's vote percentage and that of the next highest finisher. In column 3 the dependent variable is the natural log of that value. All regressions include controls for electoral cycle and state fixed effects, and the strength of the winning candidate's party (see table 12A-2 for complete results).
*** $p < .01$
** $p < .05$

contrast, individual contribution limits have a large, statistically significant, and negative effect on the size of the winning vote margin, implying an increase in competitiveness. However, moving beyond individual limits appears to do little to improve competitiveness. Public funding has only a modest and statistically insignificant effect on winning margins. Finally, another law thought to affect competitiveness, term limits, has a small (pro-competitive) effect, albeit one that is also not statistically significant.

One potential disadvantage of focusing on winning margins in this analysis is that some laws may not affect races in which the winner routs the opposition, but may nevertheless have an important impact in more competitive races. For this reason, we checked the sensitivity of our findings by examining whether state campaign finance laws have a different effect on the natural log of competitiveness. In this model, no campaign finance laws achieve statistical significance. We also ran the same specification for the square of margin—this captures whether the impact of the laws is larger for uncompetitive races; here individual limits are statistically significant. These results suggest that campaign finance laws do not affect close races more than lopsided races, and that in fact the reverse may be true.

Table 12-4. Least Squares Regression Estimates of the Democratic Margin in Gubernatorial Elections, 1978–2004[a]

N = 370

Variable	*(1)*	*(2)*
Limits on contributions from organizations	–13.46**	–6.77
	(5.99)	(6.88)
Limits on contributions from individuals	4.93	–0.30
	(5.59)	(5.77)
Public funding of gubernatorial candidates	–3.97	–1.74
	(6.64)	(6.44)
Term limits for governor	–9.59*	–11.67*
	(4.90)	(5.85)
Other institutional controls	No	Yes
Demographic controls	No	Yes
R^2	.29	.32

a. Heteroscedastic-consistent standard errors in parentheses (White's method); all standard errors are also adjusted for clustering within states. The dependent variable is the difference between the Democratic candidate's vote percentage and that of the Republican candidate. All regressions include controls for electoral cycle and state fixed effects, and for the strength of the Democratic party (see table 12A-3 for complete results).

** $p < .05$

* $p < .10$

The winning margin is one way to characterize competitiveness, but another important measure of competitiveness is the difference between the vote percentages of the major-party candidates, or "party advantage." We are particularly interested in this dependent variable, since Democrats and Republicans alike may oppose campaign finance reform out of perceived party interest.

In table 12-4 we present the key results from a similar analysis as above, except this time looking at party advantage (the remaining estimates associated with this specification are presented in table 12A-3). The results here may offer solace to partisans who are concerned that particular reforms will harm their party. In the sparse specification, limits on contributions from organizations are associated with a lower Democratic vote margin, while individual limits have the opposite effect (only the former is significant). However, with the addition of more control variables, these estimated effects do not hold up (see column 2 in table 12-4); in fact, none of the state campaign finance laws are significant.

Overall, the observed performance of public financing on competitiveness is unimpressive. However, one concern may be that in this analysis we do not control for whether a candidate actually accepts public funding. So it might be argued that if candidates choose not to accept public funding, then that election should not be counted as being conducted under a public funding system. However, a candidate's decision whether to accept public funding depends on other exogenous variables in the larger structural system that motivated our reduced-form model. Therefore, an individual candidate's choice to take public funds or not should not be controlled for in our estimation models. This is because the inclusion of variables that do not belong in the reduced form may bias the coefficients of interest in our analysis.

Discussion

Though campaign finance laws are often heralded as the cure for what ails elections in the United States, such optimism must be tempered by statistical reality. In an examination of gubernatorial races from 1978 to 2004, we find evidence that only contribution limits on individuals benefit electoral competition, and that this effect is not driven by an impact on close races. We also find that none of the laws confer an advantage on either political party. Most notably, we find no statistically or substantively significant impact of public funding on electoral competitiveness. Given that public funding is where most reform is headed today, our results suggest caution in this regard.

One possible reason why state campaign finance laws have a limited impact on competitiveness is that these rules are typically designed by elected officials who have either incumbent- or party-based reasons for desiring ineffectual reforms. While we cannot test whether an "incumbent protection" scheme is at work in the states, the absence of a strong and consistent impact on competitiveness suggests that state reforms at least do not to give challengers a significant leg up.

What does this mean for future reform efforts? As the Supreme Court considers the constitutionality of spending limits and contribution limits in *Randall* v. *Sorrell* and reformers continue to push for "clean money" or "clean elections" reforms that provide for full public funding of campaigns, we hope that our findings are taken into account.[19] Also, we want to be clear that our findings do not suggest that contribution limits cannot have deleterious effects on competition if set too low; our findings here suggest that contribution limits, as enacted in the states, have on net had a modest positive impact on competitiveness. Still, very low limits like those in Vermont, which have

19. At the time of this writing, the Court had not yet ruled in *Randall*.

concerned even pro-reform Supreme Court Justice Stephen Breyer, merit caution. Reformers sometimes learn this the hard way. A successful 1997 campaign to limit contributions to $100 per donor in Austin, Texas, has by all accounts been an utter failure. As one of the reform leaders said, "The point of it was to increase the competitiveness of elections. It hasn't done that."[20] Again, since we are in a mature era of regulation, with most states having some reforms in place, imposing stricter limits or additional reforms may do more harm than good.

To be sure, some might think us overly pessimistic. After all, "clean elections" reforms are often passed by direct democracy, which insulates them to some degree from incumbents who may want to stack the deck against challengers. Though direct democracy may offer more hope for effective reform, it is unclear that many states would be able to adopt reforms via this method. More significantly, the jury is very much still out on clean elections laws. Mayer, Werner, and Williams's findings in this volume suggest that, at least initially, reforms in Arizona and Maine have been net positives for competition, but our results suggest that the historical experience of reform is not in accord. One explanation for these disparate findings is that campaign reform limits may have different consequences for legislative elections than they do for gubernatorial elections. However, it is also possible that Mayer and his coauthors' positive findings would be attenuated if their data were analyzed using the same methodological approach adopted in this study.

Finally, large short-term effects of a law may dissipate over time for a variety of reasons. For instance, there is a great deal of uncertainty when a new law takes effect. Once political actors have adjusted to the new law, the effects are likely to be dampened. Also, there may be a "culling" phenomenon associated with campaign reforms: incumbents on the fence regarding retirement may choose to retire rather than confront an uncertain electoral environment. However, once this cohort has been replaced, it is quite possible that incumbent reelection rates will return to their customary levels.

The evidence presented here suggests that only limits on individual contributions have an appreciable impact on electoral competitiveness, albeit less so in close races. This, together with recent studies that find state campaign finance reforms have little to no impact on either voter turnout or citizens' perceptions of government,[21] suggests that such reforms do not appear to

20. Sarah Coppola, "Campaign Donation Plan May Not Work, Critics Say," *Austin American-Statesman*, March 21, 2006, p. A1.

21. Primo and Milyo (2006a, 2006b).

achieve their stated goals. Even so, the desirability of reform rests on normative judgments, but such subjective opinions should nevertheless be informed by objective analysis of the actual effects of reform. Therefore, we present these statistical findings to better inform the debates over reform that will undoubtedly ensue in coming years.

Table 12A-1. Descriptive Statistics[a] (continuation of table 12-1)

Variable	*Mean*	*Standard deviation*	*Minimum*	*Maximum*
Seat margin in lower chamber of legislature (winning candidate's party)	6.15	37.28	–88.00	94.34
Vote margin in most recent presidential election (winning candidate's party)	–0.75	19.27	–62.75	49.00
Democratic seat margin in lower chamber of legislature	14.26	35.50	–74.29	94.34
Democratic vote margin in most recent presidential election	0.72	19.72	–62.75	46.36
Two-year term for governor	0.11	0.32	0	1
Easy voter registration	0.09	0.29	0	1
Log of real per capita income	10.09	0.18	9.60	10.61
Percent with high school education	76.31	9.06	41.3	91.90
Percent with college education	20.41	5.13	9.08	35.50
Percent black	9.26	9.25	0.12	36.82
Percent Hispanic	5.43	7.44	0.41	43.07
Percent age 65+	12.06	2.14	2.58	18.54
Percent age 21+	68.08	3.68	40.14	74.84

Table 12A-2. Least Squares Regression Estimates of the Winning Margin in Gubernatorial Elections, 1978–2004 (continuation of table 12-3)[a]

Variable	*(1)*	*(2)*
Seat margin in lower chamber of legislature (winning candidate's party)	0.09*** (0.02)	0.08*** (0.02)
Vote margin in most recent presidential election (winning candidate's party)	0.00 (0.06)	–0.01 (0.05)
Two-year term for governor		4.76 (4.08)
Easy voter registration		–0.81 (2.75)
Log of real per capita income		1.53 (17.50)
Percent with high school education		–0.38 (0.27)
Percent with college education		–0.92 (0.85)
Percent black		–0.58 (1.23)
Percent Hispanic		–0.05 (0.26)
Percent age 65+		–0.72 (1.35)
Percent age 21+		–0.60 (0.36)
R^2	.26	.28

a. Heteroscedastic-consistent standard errors in parentheses (White's method); all standard errors are also adjusted for clustering within states. The dependent variable is the difference between the winner's vote percentage and that of the next highest finisher. All regressions include controls for electoral cycle and state fixed effects.

*** $p < .01$

Table 12A-3. Least Squares Regression Estimates of the Democratic Margin in Gubernatorial Elections, 1978–2004 (continuation of table 12-4)[a]

Variable	*(1)*	*(2)*
Democratic seat margin in lower chamber of legislature	0.09 (0.12)	0.10 (0.12)
Democratic vote margin in most recent presidential election	0.19 (0.17)	0.17 (0.15)
Two-year term for governor		–1.37 (4.26)
Easy voter registration		–5.66 (4.89)
Log of real per capita income		–48.09 (28.73)
Percent with high school education		–0.42 (0.52)
Percent with college education		–0.61 (1.47)
Percent black		–0.85 (0.84)
Percent Hispanic		–0.85 (0.67)
Percent age 65+		–2.69 (2.84)
Percent age 21+		1.37*** (0.33)
R^2	.29	.32

a. Heteroscedastic-consistent standard errors in parentheses (White's method); all standard errors are also adjusted for clustering within states. The dependent variable is the difference between the winner's vote percentage and that of the next highest finisher. All regressions include controls for electoral cycle and state fixed effects.

***$p < .01$

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The first attempt to regulate campaign finance came in 1837, when Congressman John Bell of Tennessee, a member of the Whig Party, introduced a bill prohibiting assessments. Congress, however, did not vote on it.Â Substantial reform, however, did not occur until the Pendleton Civil Service Reform Act of 1883, which banned the assessment system altogether and established the United States Civil Service Commission. Under the act, government employees were no longer expected to pay for the incumbent party's political campaigns, and most federal government jobs became classified as civil service positions to be filled on merit.Â In order to circumvent campaign finance laws, labor unions established the first political action committees (PACs). Monetary Competitiveness and Public Financing. Gubernatorial elections in states with public financing were more likely to be monetarily competitive, though that waned over the years. In 2001-2004, 13 of the 15 gubernatorial races in public financing states were competitive. The competitiveness rate fell to 69 percent in 2013-2016.Â The average cost of a major party candidateâ€™s campaign in the least competitive states varied considerably. The 2001-2016 average in Texas was the highest in the country ($38.9 million), and New York was not far behind ($28.1 million) in fifth place. But three of the least competitive states were near the bottom-â€”Nebraska (39th), Delaware (47th), and North Dakota (48th)â€”while the others were in the middle of the pack.