

Rewarding Political Supporters

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Abstract

Consider an elected politician who wants to identify people who are politically savvy, and who can therefore offer him good advice. Since the incumbent won an election, people who supported him are probably savvier than people who did not. Therefore the official should rationally listen to people who had supported him. For similar reasons, he may grant more access to groups which had given him political contributions than to groups that had not. And a candidate who is initially unsure about which best voters best recognize benefits promised them will favor groups which he had previously favored and which had supported him.

1 Introduction

We often see leaders rewarding their supporters. They may do so to reward loyalty, or to induce other people to support the leader. This paper offers a different explanation, based on a simple observation: the leader gained power while his opponent did not. A leader who values advice from perceptive people can therefore do well by surrounding himself with those who were

*I am grateful to Alan Simpson for his insights into the relation between lobbyists and senators.

sufficiently perceptive to predict that he, and not his opponent, would gain power. In the following, I shall call this the “supporters are smart” principle.¹

More concretely, suppose a congressman wants to protect the environment. Because the congressman is initially uncertain about which environmental policies will be most effective or most popular, he seeks advice. He must therefore decide which lobbyist (or special interest group) supporting the environment is likely to be the best informed, and so to which one to give access. He does know which lobbyists had supported which candidate. Other things equal, among lobbyists with similar policy preferences, a lobbyist who had the foresight to support the eventual winner is probably more knowledgeable or capable than a lobbyist who had supported the loser. The congressman (who had been the winning candidate) would thus rationally give access to the lobbyist who had supported him.

I apply the principle to several areas of politics. First, a leader (such as a president) may appoint to high positions (such as cabinet heads) those people who had supported him. The reason, as indicated above, is that he aims to appoint good people, rather than to reward his supporters. Second, a politician elected to office who seeks politically savvy advice may grant access to those lobbyists who had sufficient savvy to recognize who would win election. If campaign contributions are one measure of a lobbyist’s expectations, then donors to winning candidates will gain better access. Lastly, I will show how the “supporters are smart” principle can also apply to the relation between voters and candidates.

2 Literature

2.1 Access

My discussion of lobbyists supposes that they seek access to an official, giving him information the official expects to be helpful. Access is widely discussed in the literature. One common view has a lobbyist buy access through campaign contributions (see Herndon (1982), Langbein (1986), Schlozman and Tierney (1986), Baron (1989), Snyder (1990), and Austen-Smith (1995)). The model I present here explains why (apart from any considerations of in-

¹Callandar (2002) briefly mentions an idea related to mine: voting for the winner may signal intelligence, or some other desirable trait.

ducing future contributions) an official would grant access to a contributor. That is, I shall model contributions and the granting of access as subgame perfect equilibria.

A second approach, related to mine, focuses on the information provided by interest groups. The information can concern the importance of the problem a legislator is considering (Hansen (1991), Smith (1995)), the effectiveness of policy (Krehbiel (1991), Smith (1995)), and the electoral consequences of different policies (Kingdon (1984), Arnold (1990), and Hansen (1991)).

Empirically, it appears that special interests usually contribute to politi-

3 Assumptions

3.1 Candidates

Two candidates compete in an election; each has fixed positions or characteristics before the election. Given their positions, one will win and one will lose.

The winning candidate will grant access to whichever lobbyist he thinks is better. If he thinks the two lobbyists have equal ability, he grants each access with probability $1/2$.

3.2 Lobbyists

There are two lobbyists. Each observes the candidates' positions. Each knows something about the voters in the group from which the lobbyist came. Lobbyists come in two types. A high-ability lobbyist (a type-H lobbyist) correctly identifies which of the two candidates will win with probability H . A low-ability lobbyist correctly identifies with probability L (with $L < H$) which of the two candidates will win. The prior probability that a lobbyist has High ability is f . A lobbyist knows his own ability, but is unsure of other lobbyists' abilities.

The lobbyists announce who they support, or make their campaign contributions, simultaneously, before knowing what the other lobbyist says.

4 Results

Models can differ, depending on whether the lobbyist does or does not know his own ability. If he does not, then endorsements alone, with no campaign contributions, can appear in equilibrium. Each lobbyist will endorse the candidate he thinks is better. The winning candidate will give preferential access to lobbyists who had endorsed him. The analysis when a lobbyist knows his own ability is given later.

4.1 Endorsements

Here I examine endorsements. Since by assumption, the quality of a lobbyist's advice is correlated with his ability to predict which candidate will win,

the winning candidate will give preferential access to a lobbyist who had endorsed him over a lobbyist who had not. If both lobbyists endorsed the same candidate, then the winner will listen to each lobbyist with probability $1/2$. A lobbyist's benefit from access is W . If the lobbyist is the only one who endorsed the winner, he gets access.

Consider the decision of a lobbyist, say **A**, who knows his ability is **High**. Suppose the other lobbyist, **B**, also endorses the candidate lobbyist **B** thinks is better. Lobbyist **A**'s utility when endorsing the candidate he thinks is better is determined as follows.

The winning candidate is endorsed by both lobbyists with probability $HfH + H(1-f)L$. The winning candidate is endorsed only by lobbyist **A** with probability $Hf(1-H) + H(1-f)(1-L)$. Both lobbyists endorse the losing candidate with probability $(1-H)f(1-H) + (1-H)(1-f)(1-L)$.

Thus, lobbyist **A** gains access with probability

$$\begin{aligned} & (HfH + H(1-f)L)/2 + Hf(1-H) + H(1-f)(1-L) + \\ & ((1-H)f(1-H) + (1-H)(1-f)(1-L))/2. \end{aligned} \quad (1)$$

Suppose that if lobbyist **B** endorses a candidate but lobbyist **A** does not, then lobbyist **A** gains access in half the events in which **B** endorsed the loser. That is **A** gains access with probability

$$\frac{1}{2} (f(1-H) + (1-f)(1-L)), \quad (2)$$

which is less than when he does endorse a candidate. Similarly, a low-quality lobbyist is more likely to gain access when he endorses than when he does not. So if the winning candidate follows the strategy we assumed, it is a Nash equilibrium for the lobbyists to endorse a candidate. And if $H > L$, the winning candidate does best by granting preferential access to a lobbyist who had endorsed him. Thus, it is a Nash equilibrium for lobbyists to endorse candidates, and for an incumbent to grant preferential access to a lobbyist who had endorsed him.

4.2 Campaign contributions

The analysis of endorsements (which is a binary variable) can be extended to consider monetary contributions (which can come in any amount). The

question I address here is whether a separating equilibrium exists in which the high-ability lobbyist makes a contribution, but the low-ability one does not.

Suppose that a high-ability lobbyist contributes C , and that a low-ability lobbyist contributes no money. Any one lobbyist, however, does not know at the time he makes a contribution the type of the other lobbyist. Let the winning candidate give access to a lobbyist under three conditions: (1) that lobbyist is the only one who made a contribution; (2) both lobbyists made contributions, but the lobbyist in question gave to the winner; (3) both lobbyists gave to the loser, and the lobbyist in question was given access with probability $1/2$.

Consider the utility of a high-ability lobbyist, lobbyist A . He will gain access under the following conditions:

- Only A contributed. From A 's viewpoint, this happens with probability $(1 - f)$.
- Both lobbyists contributed to the winner. Each then gets access with probability $1/2$. The probability that A gets access this way is $HfH/2$.
- Candidate B contributed to the loser while candidate A contributed to the winner. This happens with probability $Hf(1 - H)$.
- Both contributed to the loser, and so the winner grants each access with probability $1/2$. The probability that A gets access this way is $(1 - H)f(1 - H)/2$.

Let a high-ability lobbyist contribute C ; his benefit from access is W . Then lobbyist A 's expected utility is

$$-C + W((1 - f) + HfH/2 + Hf(1 - H) + (1 - H)f(1 - H)/2). \quad (3)$$

We must check that this is an equilibrium, in the sense that a high-ability lobbyist would contribute, whereas a low-ability one would not. So consider a low-ability lobbyist, and suppose he contributes. His expected utility is

$$-C + W((1 - f) + LfH/2 + Lf(1 - H) + (1 - L)f(1 - H)/2). \quad (4)$$

We can determine the minimal contribution C that makes a low-ability lobbyist indifferent between contributing and not, or that makes his expected

utility zero when contributing. Setting (4) to zero and solving for C yields $C = W(f(-H/2 + (L - 1)/2) + 1)$. This is positive if $(H + (1 - L)) < 2/f$, which will be satisfied for sufficiently large f .³

An implication of my analysis is that a lobbyist cannot gain by contributing to opposing candidates. Indeed, few Political Action Committees contribute to both candidates in an election: McCarty and Rothenberg (1996) report that fewer than two percent of PACs make dual contributions; Sabato (1985) also reports that dual contributions are rare.

4.3 Benefits to voters

The “supporters are smart” principle can be extended to consider electoral politics. A voter can be considered a special interest group that seeks favors from government. It gains support not from campaign contributions or from preferential access, but by voting for the winner. The question that will be addressed here are which groups a winning candidate will favor. One answer is that the candidate favors his supporters as payment for their votes. My analysis builds on this story. But I go further in asking how an incumbent decides to which groups to promise benefits, and how that depends on the previous election results. Under what conditions will he court the same groups he had courted in the past?

My approach follows Lohmann (1998) in supposing some groups are better informed than others about the benefits a candidate promised them. Well informed voters are more likely than poorly informed voters to support a candidate who promised them a benefit. The winning candidate who seeks to maximize his support in the next election will wisely court those voters most likely to realize that he proposes to benefit them.

Consider two candidates who compete in an election. The candidates initially do not know the information held by members of different groups. A candidate faces a cost of announcing a policy favoring a group, so that of n groups in the population, each candidate can propose benefits to $m < n$ of them.

A voter either hears the proposal or not. A voter who hears the proposal votes for the candidate who proposed it. Otherwise he is equally likely to vote

³Another equilibrium does exist, in which an official grants preferential access to whichever lobbyist gave more to the loser.

for each candidate. The probability a high-ability voter hears the proposal is H . A low-ability voter hears the proposal with probability $L < H$. The greater the number of voters who heard candidate A's proposal, the greater the number who will vote for him.⁴ Let the proportions of high-ability voters differ in different groups. Then the greater the fraction of high-ability voters in group to which the candidate promised a benefit, the more votes the winning candidate receives from that group.

In a future election, the incumbent will attract more votes by proposing benefits to those voters who will realize he proposes those benefits. These voters are likely to be members of groups to which the winning candidate (and now the incumbent) had proposed benefits—one reason he won is because his proposals happened to benefit better informed voters than had the opponent's proposals. An incumbent who is observed to reward his supporters may thus be motivated to attract high-ability voters.⁵

Moreover, such behavior can give an individual an added benefit from voting: the more votes a group gives the winner if he had promised them benefits, the more he will favor them in future campaigns. A citizen can thus have two incentives to vote: to determine (though with low probability) which candidate wins, and to increase the benefits his group gets from the winner.

My consideration of group benefits relates to work by Schwartz (1987) and by Uhlaner (1989). Uhlaner (1989) supposes that a leader of a group can induce turnout by granting members of his group private benefits.⁶ Schwartz (1987) discusses a "local public benefit" to a group which increases with the number of votes the winner received from that group. My analysis goes beyond his by showing why the relation between votes and benefits can appear in equilibrium with rational behavior by candidates and by voters, and by explaining to which groups a candidate will promise benefits.

⁴Or we can view a candidate as setting out a platform. It hurts or helps any one group. A group shows that it is high quality if it supports a candidate whose platform benefits it, and opposes a candidate if his proposal hurts it.

⁵A candidate will think poorly of a group which gave him few votes even though he had promised it benefits, and will think poorly of a group which gave him many votes when he had not promised them benefits. Thus, an incumbent need not favor all his supporters.

⁶Lapp (1999), however, testing the model, finds little empirical evidence that ethnic leaders can increase turnout among members of their group.

5 Conclusion

I do not claim that the “supporters are smart” principle explains all activity by lobbyists. Some observations may contradict my approach. On some occasions, special interest groups do contribute to both sides. Candidates appear to spend much time raising campaign funds, whereas my approach (and most others) assume that special interests are keen to make contributions. Entrenched incumbents receive contributions, even when few doubt that the incumbent will win the election, which makes contributions a weak signal.

Nevertheless, applying the principle offers a different, complementary, view of campaign contributions. Special interest groups or lobbyists would make campaign contributions not solely to affect the election outcome or to implicitly bribe officials to grant them access, but because in equilibrium campaign contributions signal a group’s ability, and so induce a congressman to grant preferential access to groups which had supported him. That is, campaign contributions may come from groups that share the interests of the congressman, but who compete for access.

The “supporters are smart” principle may explain several features of politics: why an elected official will appoint people who had supported him before the election; why an elected official will grant preferential access to campaign contributors, even in the absence of an enforcement mechanism; why campaign contributions often come from groups which share the preferences of the elected official; and why it is rare for a group to contribute to both candidates in an election.

Lastly, the principle may be applicable outside politics. A successful firm may view its earliest employees as especially capable, for they had recognized that the firm had special capabilities, or that the market it was entering was especially promising. A country engaged in a successful war may value the advice and opinions of allies who had joined it at the beginning of the war. More generally, behavior which appears to reward loyalty may, at least in part, arise because winners rationally view their supporters as smart.

6 Notation

W Benefit to lobbyist of access

C Campaign contribution

f Probability lobbyist has high ability

H Probability that candidate supported by high-ability lobbyist is the better candidate

L Probability that candidate supported by low-ability lobbyist is the better candidate

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