

“The vast majority of Americans believe money buys results in Congress; less than a quarter of Americans believe the institution worthy of their trust.”

-Lawrence Lessig, Professor at Harvard Law School

INTRODUCTION

It has long been debated if dark money, or election campaign funding that comes from organizations that are not required to reveal their donors, influences election results and is therefore detrimental to U.S. democracy.

The term “democracy” originated from the Greek word “δημοκρατία” (“dimokratia”), which means “ruled by the people,” or that the opinions of the majority should be reflected in the voting outcome. While the U.S. claims to be a democracy, Gilens and Page (2014) found and reported in the *Washington Post* that average citizens have little to no influence on outcomes, casting doubt on the fairness and democratic legitimacy of the infrastructure of the U.S. government. One potential cause of this phenomenon is the landmark *Citizens United v. FEC* (2010) ruling, which significantly deregulated dark money.

This literature review explores dark money contributions, particularly from political action committees (PACs), and their effects on campaign financial, electoral, and legislative outcomes from and the effects such funding has on policy-making and corruption. This review ends with a proposal for direction of research to further explore this issue.

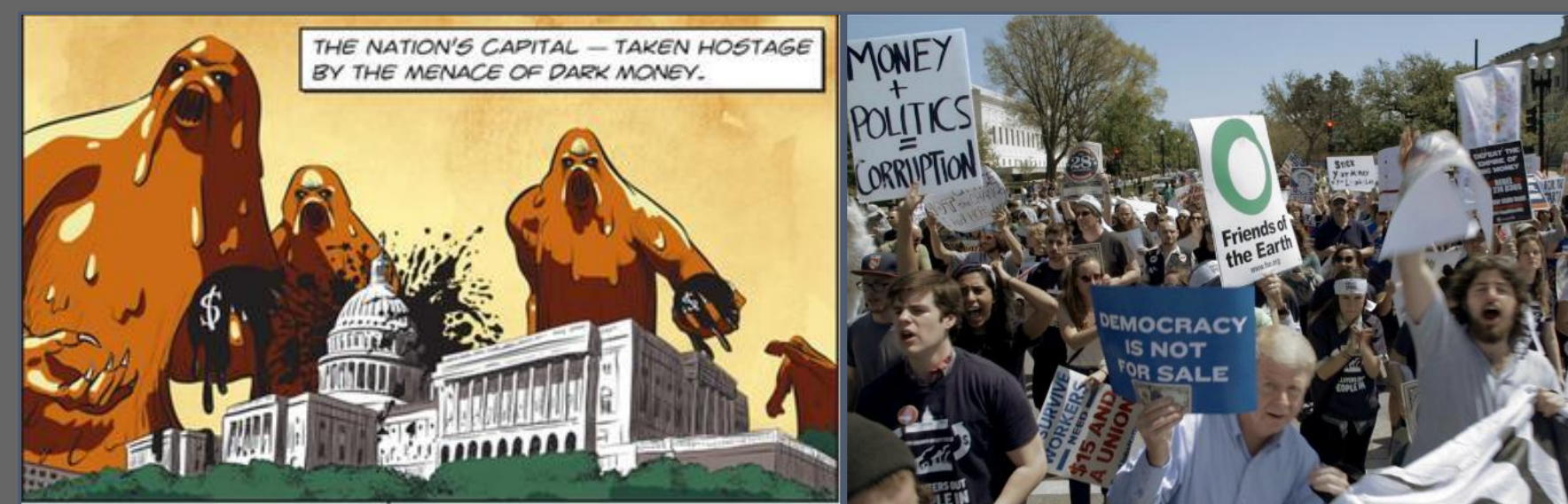


Figure 1: (Top left) Anti-“dark money” advertisement in April 2015 that was part of a comic book-themed campaign sponsored by three groups that were pressuring Mary Joe White, Securities and Exchange Commission chairwoman, to rein in dark money. (Top right) Protesters in Washington, DC, from the PBS documentary “Dark Money” by Kimberley Reed (PBS Distribution).

RESEARCH METHODOLOGIES

This literature review uses peer-reviewed sources from political science, sociology, and economics journals, among others. In addition, a few articles from popular non-peer-reviewed sources (such as PBS) are referenced because they heavily influence the public’s perception of dark money. Due to the nature of this topic, qualitative data was collected and all sources were evaluated for soundness of data, credibility, and biases in assessing the effects and consequences of dark money.

DATA & FINDINGS

A total of eleven sources were analyzed to understand dark funding’s effects. The data collected from these sources are in Table 1.

Table 1: A list of the sources analyzed in this literature review organized in chronological order, highlighting key points. (By Author)

Year	Peer review	Article/Source	Summary	Policy Suggestion
1983	Yes	<i>Options to Limit PAC Political Financing and Independent Expenditures Regardless of Source in Congressional Elections—Some Legal and Constitutional Considerations</i> by Elizabeth Yadlosky	- Legislation pertaining to PAC funds must be “vital to government interest.”	- Should limit PAC contributions more by amending Constitution - Prefers public funding - Limit funding amount candidates can accept from PACs - Reduce campaign costs
1993	No	“The Rising Cost of Democracy” by Larry Reynolds	- Lobbyists still find loopholes around rules - Parties lack the will for reforms	- Eliminate loopholes such as soft funding
1999	Yes	“Political action committees, ‘soft’ money, foreign contributions and US politics: Lessons from the American experience” by James Hutton & Mahmoud Watad	- Legislation to regulate campaign finance after Watergate backfired, leading to PACs - PACs are problematic (foreign funding, tax exemptions, evasion of donation limits) - PACs include lower participation and political inequality	- Limit donors to U.S. citizens - More rigorous enforcement - Limit non-monetary contributions
2005	Yes	“Good Money Bad Money” by Brad Alexander	- “Good” money is self financing (correlates to candidate defeat and bad candidate) - “Bad” money is from PACs (correlates to candidate victory but uncertain of other effects)	None
2010	No	“Democracy After Citizens United” by Lawrence Lessig	- Common voters have conflicting interests with organizations that fund elections - Institutional corruption is widespread due to economy of influence and does not require direct coordination - Author objects to Citizen United ruling because: 1. PACs can exert influence without direct coordination. 2. Regulating PACs is in public interest, therefore consistent with legal precedent	None
2012	No	“Look Who’s Buying the Election” by Lee Fang	- Covers election funding from Bestbuy & Target, big pharma, and Saudi Arabia to highlight its corruption problems	None
2015	Yes	“Why Isn’t Congress more Corrupt” by Richard L. Hasen	There is less corruption in Congress than at the state level because: - Muckraking discourages corruption - Individual legislator lacks power to deliver results - Campaign finance leads to inequality, but separate from enforcement of corruption laws	- Subsidize investigative journalism - Use public financing - Voucher system
2016	Yes	Does corruption suppress voter turnout? by Stefan Dahlberg & Maria Solevid	- In industrialized countries with strong institutions, market influence leads to corruption - Countries with weaker institutions have non-market based corruption - Voters’ perception of corruption decreases voter turnout	None
2017	Yes	“Professional Networks, Early Fundraising, and Electoral Success” by Adam Bonica	- Lawyers are over-represented in politics because connections to donors and PACs - More funds, more likely to win primary (primaries important in 1-party states)	- Proposes public financing
2018	No	“Dark Money” by PBS	- Montana fought pollution industries with campaign finance laws, but these were repealed under Citizen United - John Ward (anti-pollution) was defeated by PAC funded ads	None
2019	Yes	“The Increasing Value of Inexperience in Congressional Primaries” by Rachel Porter	- Computer simulation for primary elections using machine learning algorithms - Before Citizens United, candidate experience was the dependent variable; after Citizens United, PACs matter.	None

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Does Dark Money Affect Election Outcomes?

While funding affecting voting outcomes was debated in the past, the newest research suggests that funding has a strong influence on election outcomes. “American Tradition Partnership,” a PBS documentary, shows that funded attack ads were the cause of John Ward’s failed election in Montana. An analysis of many elections indicated “[...] there is an extremely strong statistical relationship between early fundraising and electoral success” (see Figure 2) (Bonica 2017, 163). Further, Porter (2019, 31) used machine learning algorithms and found that “PAC contributions have been shown to be most predictive of future electoral success.”

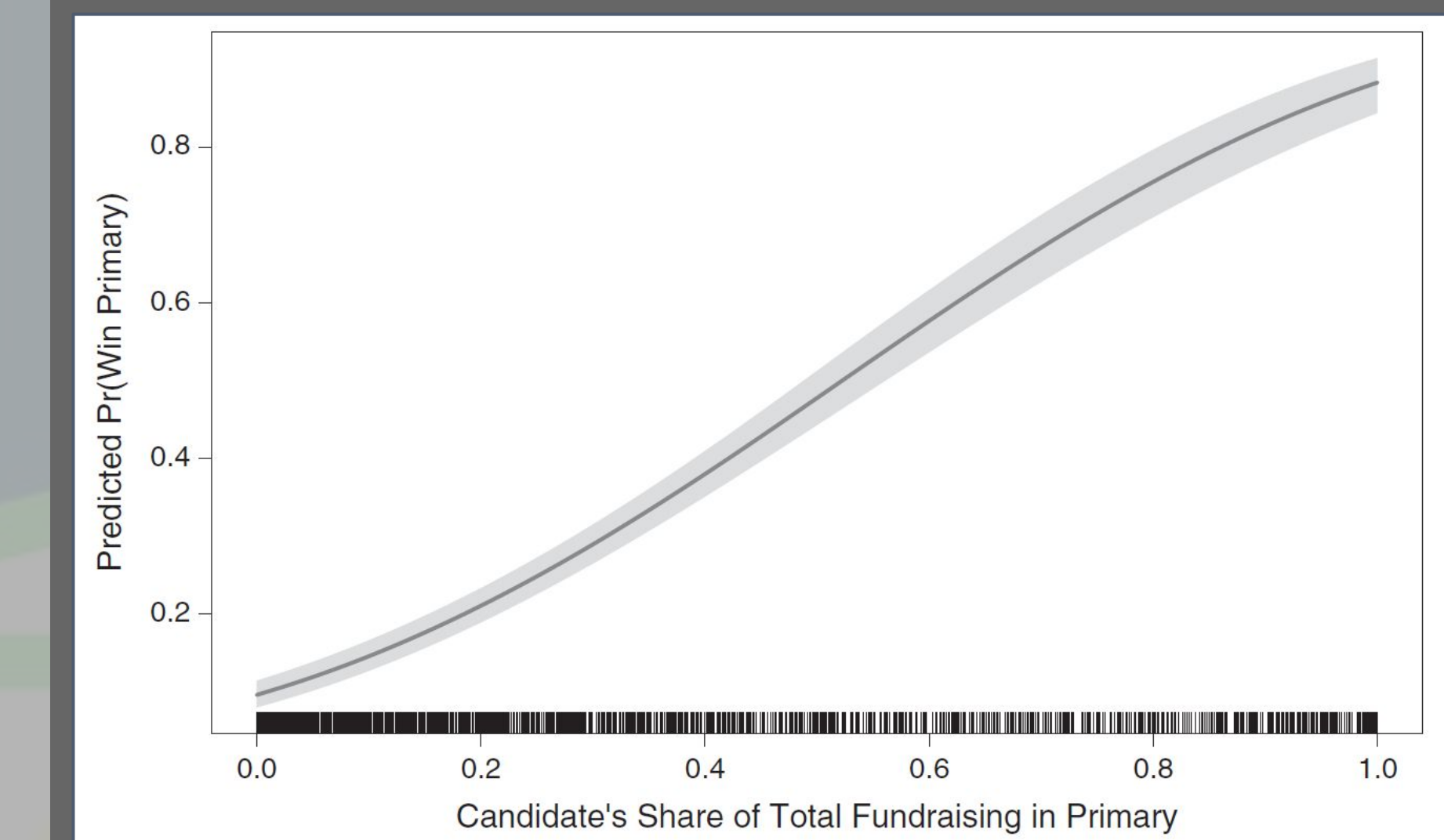


Figure 2: Graph showing that the predicted probability of winning primary elections is conditional on the normalized value of total fundraising (Bonica 2017, 154).

What are the Consequences?

Dark funding influences legislative outcomes, but why does this matter? Several articles have studied the sociological, psychological, and ethical consequences of dark funding with regard to policy-making, corruption, and democracy. A few believe that existing checks and balances, such as the structure of congress and anti-corruption muckraking, are able to keep the most blatant corruptions at bay, and that small reforms like public financing can remedy most problems (Alexander 2005; Hasen 2015). On the other side, some believe that dark money greatly eroded Americans’

confidence in their institutions, causing suppressed voter turnouts and exacerbating political inequality (Reynolds 1993; Hutton and Watad 1999; Lessig 2010; Fang 2012; Dahlberg and Solevid 2016). PACs also created a loophole allowing foreign money into America elections, raising even greater concern that “oligarchal” corruption in foreign nations would penetrate into American institutions (see Figure 3) (Walke et al. 1989; Fang 2012).

U.S. Corporation	Foreign Owner	Per- cent Owned	PAC contributions to Federal candidates 1985- 1986	No. of candi- dates
Republic Financial Services Inc.*	Winterthur Swiss Insurance Co. (Switz.)	100	\$5,650	11
Revere Sugar Corp.	Antonio Florendo (Philippines)	100	\$0	0
Royal Group Inc.*	Royal Insurance PLC (UK)	100	\$6,400	20
Sabon Inc.	Minerals & Resources Corp. Ltd. (Bermuda)	14	\$7,700	64
Sandoz Inc.*	Sandoz Ltd. (Switzerland)	100	\$21,500	60
Santa Fe International Corp.*	Govt. of Kuwait, through Kuwait Petroleum	100	\$71,700	49
SOM Corp. #	Hanson Trust PLC (UK)	100	\$6,100	9
Security Life of Denver Insurance Co.*	Nationale Nederlanden NV (Netherlands)	100	\$25,290	22
SEDCO Inc. #	Schlumberger Ltd. (Netherlands Antilles)	100	\$1,000	2
Shell Oil Co.*	Royal Dutch Shell (Netherlands/UK)	100	\$160,200	206

Figure 3: Examples of U. S. Corporate PAC Sponsors With Foreign Ownership in 1987–1988 Election Cycle (Walke et al. 1989, 34).

DISCUSSION

The consequences of dark money in this study’s results fit in the larger picture of other issues facing the U.S. and humanity. Saudi Arabia and domestic fossil fuel industry PACs spearheaded climate change denial campaigns, big pharma and insurance lobbied to weaken the Affordable Care Act, and the political inequality which dark money facilitates translated into rising economic inequality.

CONCLUSION AND NEXT STEPS

The incredible influence of dark money, specifically PACs, derail the U.S. from the path to better implementation of the democratic ideal. Future research could answer new questions posed by this study:

- Despite policies proposed as early as the 1980s, why has there only been minimal progress in campaign finance reform?
- Does the problem of PACs and campaign finance apply to other countries that have similar policies?

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