Does money equal power in American politics?

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"The executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie" (Marx, Engels 2008).

The American political system is often portrayed as a model liberal democracy where anyone can have access to power and decision making through a system of representative democracy. On the surface this is completely true, with open and transparent government at the core of the American political system. The First Amendment right "to petition the government for a redress of grievances" (US Constitution), has resulted in a system where the lobbying of politicians is a central feature of the system, with lobbying seen as an industry that is a natural part of a liberal democracy. However, a deeper look at lobbying, interest groups and political action committees (PAC's) reveal a controversial world where critics suggest that money equals power and political influence can be bought. As the above quote from Karl Marx illustrates, the power of capital is the same now as it was long ago and will be the same in the future as long as democracy is twinned with the capitalist mode of production where wealth and power is concentrated in the hands of a minority.

To discover if money equals power in American politics this essay will begin by providing a short overview of the American political system to explain the inner workings of power. The essay will then go on to discuss the lobbying industry in the United States from both a historical and current perspective before going on to discuss the role that interest groups and PAC's play in the American political system. To illustrate the role that these groups play, the essay will then focus on the policy area of finance, insurance and real estate as well the policy area of health to analyse the campaign contributions that politicians receive in an effort to discover if money does equal power in America. Finally the essay will conclude that although lobbying and political fundraising is conducted in an open and transparent manner, it does not cloud the fact that in America, as in any capitalist democracy, those groups who have access to huge sums of money have more access to the political system and to lawmakers who can implement the policies that they desire.

The constitution of the United States of America was adopted in 1787 and set forth a progressive system of federal government which was bounded by the principles of federalism, separation of powers, checks and balances and judicial review. The constitution created the three separate branches of government; the executive led by the President, the legislature consisting of a bicameral Congress made up of the House of Representatives and the Senate, and the Judiciary with the Supreme Court at its head (Griffith 1961, pp.7-15). The system was designed with a series of checks and balances so that no one branch of government would have omnipotent power neither over another nor over the people. The First Amendment to the Constitution set out, amongst other things the right 'to petition the government for a redress of grievances'. This right has been used since to legitimise a practice of lobbying that has come to dominate and control American politics.

The practice of lobbying has, in some form or another always existed in American politics, and involves a process whereby individuals are financially incentivised to try to influence and persuade politicians in positions of power to support a particular policy option. As far back as 1792, William Hull was hired by Virginia veterans to lobby for extra compensation for their war efforts (Public Affairs Links). One might question why a situation exists whereby a politician is in many respects forced by a political system to be in constant fundraising mode. This situation exists because of the hard fact that without money to fund an election campaign, it is unlikely a person will be elected. It is estimated that in order to run a sufficient campaign, a candidate for the House of Representatives will need $600,000 whilst a candidate for the Senate will require in the region of $2 Million (Katznelson, Kesselman & Draper 2002, p.234). In a system where there is little or no public funding of elections, candidates are forced to seek campaign contributions for re-election. This creates a situation whereby a politician has no chance of being elected on policy alone, and requires huge sums of money to pay for a campaign. This leaves candidates beholden to organised wealthy interests to pay for their campaigns. It seems only logical that these wealthy interests would want something in return.

The first efforts to control lobbying in the US came in 1938 with the Foreign Agents Registration Act (FARA). The aim of this act was not to stop the practice of lobbying but to make the process of campaign financing more transparent (Holman , 2009, p.4). The act was in response to a perceived threat of foreign agents distorting the political process and not the threat of wealthy interests dominating the political arena. The first substantial piece of legislation to deal with the issue of lobbying came with the 'Federal Regulation of Lobbying Act 1946'. This law was also solely a disclosure law which did not seek to end the practice of lobbying (Ibid). The act defined a lobbyist as someone "who by himself, or through any agent or employee or other persons in any manner whatsoever, directly or indirectly, solicits, collects, or receives money or any other thing of value to be used principally . . . to influence, directly or indirectly, the passage or defeat of any legislation by the Congress of the United States" (Zeller 1948, pp.443 – 444).

More recent attempts to regulate the lobbying industry have come in the form of the Lobbying Disclosure Act (LDA) of 1995 and the 2007 "Honest Leadership and Open Government Act" (HLOGA). The LDA was essentially another disclosure act, albeit one that was more comprehensive in its scope and dealt with many of the definitional issues of earlier acts. The HLOGA enhanced the disclosure of lobbying activities, but also implemented more regulation on the conduct of lobbyists. Some of the most important reforms included requiring lobbyists to electronically file their reports, establishing a disclosure database on the Internet, requiring that campaign fundraising by lobbyists be disclosed on the Internet and the prohibition of gifts and travel by lobbyists for lawmakers (Holman , 2009, pp.6-9). However, each form of legislation that has ever been enacted on the issue of lobbying has accepted the practice as a feature of the democratic system, and not something that needs to be eradicated.

To assess the true nature of lobbying in the United States, a look at the official figures is required. Data from the Senate Office of Public Records shows that the number of officially registered lobbyists operating in and around Washington D.C. is quite huge. In 2006 the number of registered lobbyists stood at 10,406. In 2007 at the onset of the worldwide financial crisis that figure had risen to 14,856. The latest figures from 2011 show that the figure has now dropped slightly to 12,242 (Center for Responsive Politics , 2012). This is a ratio of approximately twenty-three lobbyists to every one Congressperson. The amount of money spent on lobbying politicians is also quite vast. In 1998 the amount of money spent on lobbying amounted to $1.44 billion. By the year 2009 that figure had risen to $3.49 billion. The most recent figures for 2011 show a drop to a still whopping $2.47 billion (Ibid).

When one acknowledges that this money is being spent, mostly by organised industry interest groups to influence policy decisions, then it suggests that one must also acknowledge that these interest groups may have more influence than an ordinary citizen without monetary resources. The arguments put forward by those who support lobbying as a practice point out that lobbying is legitimate under the First Amendment of the constitution, and by keeping lobbying practices open and transparent, there will be less corruption in politics. In contrast to this, it can be argued that an analysis of the interest groups and PAC's who engage in lobbying show a disparity of influence between the wealthy and the less well-off.

Interest groups are a central feature of any functioning liberal representative democracy. An interest group is defined as "a group that shares common political beliefs and values and organises in an attempt to gain access to the political process" (Kaskla 2008, p.77). Such a group can come from any sector of society with an interest in any particular policy area. However, when one looks at the interest groups that dominate American politics it is quite obvious that money equals power in this sphere. This money is channelled through individual contributions and PAC's contributions. An individual may contribute up to $2,500 to each candidate per year, as well as $30,800 to a national party committee per year and a total maximum of all political contributions amount of $117,000 per year (Center for Responsive Politics , B).

PAC's were set up to circumvent funding limits. While individual contributions to PAC's are limited to $5,000 per year, as a result of the 2010 United States Court of Appeals for the District of Columbia Circuit decision in SpeechNow.org vs. FEC, campaign spending by PAC's that are coordinated with candidate's campaign or political party are not subject to contribution limits (United States Court of Appeals for the District of Columbia Circuit , 2010). This in effect leaves PAC's free to contribute as much funding as they wish to a candidate's campaign as long as it is coordinated with the candidate. 527 Groups (named after the tax law under which they fall) are essentially the same as PAC's, except they cannot explicitly advocate or oppose a candidate in a federal election. They can however advocate on policy issues. If they meet this requirement then they avoid the restrictions on contribution limits. This effectively leaves these groups free to spend as much as they like supporting a candidate's campaign indirectly. When one looks at the figures for various forms of lobbying and campaign contributions in the policy areas of finance, insurance and real estate as well the policy area of health, we begin to see that in American politics, money does equal power.

If the recent financial crisis in the United States and around the world has taught us anything, it is that the policy areas of finance, insurance and real estate are all intertwined. The financial sector has long been the largest source of campaign funding for federal election candidates and political parties. During the financial crises of 2008, the financial sector still came out on top of the pile of campaign funders, providing $468.8 million to campaigns and candidates during the 2008 election, an eighty percent increase on the two years previous to that (Center for Responsive Politics , C). What bonds each of the industries in this sector together are their opposition higher corporate taxes and the regulation of hedge funds or financial instruments, such as derivatives (Ibid). However, the financial sector enthusiastically welcomed the Emergency Economic Stabilization Act of 2008 which established the Troubled Asset Relief Program (TARP) that provided up to $700 billion of taxpayer money to buy bad subprime mortgages and other assets that were clogging the balance sheets of financial institutions. This 'bail-out' effectively put an astronomical level of private debt onto the shoulders of the US taxpayer.

The sub-prime mortgage crisis has exposed for all to see the level of interconnectedness between this industry and the higher levels of government. In order to fully grasp the level of connection between this industry and government then we must go back to the 2004 presidential election. An analysis of the campaign contribution figures for the victorious George W. Bush reveals some interesting reading. For example, 80 percent of Bush's PAC contributions came from business interests (Center for Responsive Politics , D). While it is not unusual for PAC contributions to come from business interests, it does go some way to showing where his interests lay. Further analysis of Bush's campaign contribution figures show that the finance, insurance and real estate sector was his biggest contributor at $33,844,215. This, coupled with the $20,625,735 that Bush received from the miscellaneous business sector shows the level of support that he had from bourgeois interests in general (Ibid).

In the context of the TARP bailout of the financial sector in 2008, perhaps the most interesting figures from Bush's campaign fund are those which highlight his top twenty contributors. Bush's highest contributor in the 2004 election campaign was the global financial services firm Morgan Stanley who contributed $603,480. The second highest contributor to Bush's campaign was investment banking giant Merrill Lynch who contributed $586,254. The fifth highest was the banking colossus Goldman Sachs who contributed $394,600. The ninth highest was Citigroup at $320,820, the tenth was Bear Stearns at $313,150 and finally the nineteenth highest was Bank of America at $218,261 (Ibid). What makes all these financial companies significant here is that just four years later, each of them received many multiples of what they had given to Bush's campaign through the TARP bailout of the financial sector in 2008. To suggest that President Bush gave the financial sector a bailout because of the campaign contributions he received would be a foolish conspiracy theorist fantasy. However, to suggest that Bush and his cohorts did not have an extremely close relationship with the captains of this industry is also a naive fantasy. What is undeniable in this situation is that huge amounts of money changed hands from the finance industry to get President Bush re-elected, and it is un-doubtable that the finance industry would have wanted something in return for its 'investment'. As Jerome Kohlberg, founding partner of major investment firm Kohlberg, Kravis, Roberts & Co has commented, "contributions are a small price to pay for big corporations to pay to gain political influence… Corporations give for one reason: Self-interest" (cited in Katznelson, Kesselman & Draper 2002, p.152).

While big corporate interests donating money to the campaign funds of prospective presidents and Congress-people does not signify outright corruption, it does cast doubt on the legitimacy of the decision making of elected representatives. Doubt however does not prove anything, but academic studies can attempt to do just that. One such study was 'The Impact of Legislator Attributes on Interest Group Campaign Contributions' (1986). This piece of work sought to assess whether PAC's contributed disproportionately to legislators who had an advantage over others in producing the services desired by the PAC. The study found that the legislative committee seat that a legislator 'owned' would be more likely to receive funds from an interest group that may be affected by that committee's rulings. It went on to explain that special interest groups are interested in sourcing cost-effective legislative services, and the attributes a legislator possesses, such as a powerful committee seat, will attract certain interest groups. The study suggested that having a seat on the Energy and Commerce committee could produce around $25,500 in extra corporate PAC contributions to a legislator (Grier, Munger 1986). This study was conducted in 1986 so it may need some updating.

To attempt to use the thesis above in a rather crude and unscientific way, a look through the campaign contribution figures of the two most influential members, the Chair and the Ranking Member, of the two most powerful finance related committees in Congress may be revealing. Perhaps the most powerful committee in all of Congress is the House Ways and Means Committee, the chief tax writing and all finance relating committee in Congress. It stands to reason that corporate America has an interest in having favourable decisions made by this committee. This committee also deals with issues relating to Medicare, the government's health insurance programme for over sixty-fives and the disabled. The sector contributing the highest amount to all members of this Committee in the 2012 election cycle is the finance, insurance and real estate sector, with $3,554,599 coming from PAC's and $2,517,255 from individual donors. The current Chairman of this committee is Rep. Dave Camp and its Ranking Member is Rep. Sander Levin. For the 2011-2012 election campaign two of Rep. Camp's top five industry contributors have been the securities and investment industry at $201,050 and the insurance industry at $143,331 (Center for Responsive Politics ,2012, E). Three of Rep. Camp's top five contributors are the Stephens Group, Blackstone and Citi Group, each from the finance and insurance industries (Ibid). In a similar vein for Rep. Levin, two of his top five contributors have been from the insurance industry at $72,850 and the real estate industry at $38,950. Also, three of his top five contributors are the Credit Union National Association, New York Life Insurance and Northwestern Mutual, all part of the finance and insurance industries (Center for Responsive Politics , 2012, I).

The next most powerful committee in Congress is the Senate Finance Committee. This committee is in many ways similar to Ways and Means insofar as it deals with taxation and other revenue measures. This committee also deals with both the government's Medicaid and Medicare social health insurance programmes. As with the Ways and Means Committee above, the sector contributing the highest amount to all members of this Committee in the 2010 election cycle is the finance, insurance & real estate sector with $10,985,816 coming from PAC's and $28,233,739 coming from individual donors. The current chairman of this committee is Sen. Max Baucus and its Ranking Member is Sen. Orrin G. Hatch. For the electoral cycle of 2007-2012, two of Sen. Baucus' top five industry contributors have been the Securities & Investment industry at $884,469 and the Insurance industry at $658,150 (Center for Responsive Politics , 2012, F). Interestingly, none of Baucus' top five organisation contributors come from either of these industries, but instead come from the health and pharmaceutical sectors which will be addressed later in this paper. Ranking Member Sen. Hatch's campaign contributions follow a similar pattern. Two of his top five industry contributors are the Securities & Investment industry at $522,521, and the Insurance industry at $412,994. Again, Sen. Hatch's top five organisation contributors mainly come from the health and pharmaceutical industries(Center for Responsive Politics , 2012, G).

Whist the campaign contribution figures for the two most powerful Congressmen in each of the two most powerful committees above show is that corporate interests will contribute huge sums of money to the campaigns of those who have influence over a policy area that affects their business interests. What they do not show however is corruption, for corruption would imply something illegal happening. Corporate interests donating money to candidates in US politics is all perfectly legal, as long as certain guidelines are adhered to. The figures do however show is that in American politics, the money that the finance industry contributes to the campaign funds of federal candidates is huge, and it only seems logical that these business people would expect some form of return on such an investment. But is the finance, insurance and real estate industry the only industry that uses its money to try to influence policy? A look at the area of healthcare reform shows a similar disturbing pattern.

The issue of healthcare reform has been perhaps the most contentious issue over the past few years in American politics. President Obama was elected in 2008 on a pledge to reform the way healthcare was provided in the United States. The issue threatened to divide American society, perhaps best illustrated by the division of both houses of Congress along partisan Democrat and Republican lines, with Democrats pushing for sweeping reforms with a state provided health insurance system and Republicans supporting the maintenance of the status quo. An analysis of the campaign spending and lobbying of the Health and Pharmaceutical industries, who did not want a government provided healthcare insurance system, is quite revealing when the question of money equalling power in American politics is posed.

In 2006, when Barack Obama was just starting out on his bid for the Presidency, the total number of health lobbyists stood at 3,334. When Obama was elected in 2008 on a promise to reform the way health insurance was provided the number of health lobbyists had risen to 3,520 (Center for Responsive Politics , 2012, H). In 2006 the total spending for lobbying on health issues was $383,281,126. By 2009, at the time when the reform of healthcare was being debated in Congress this number had risen to $552,267,320 (Ibid). It seems that the healthcare and pharmaceutical industries had a lot riding on the maintenance of the status quo and were willing to pay for it. A look back at the Ways and Means Committee, which has input into Medicare legislation, and the Senate Finance Committee, which has control over Medicare and Medicaid legislation shows a similar pattern.

For example, If we look at the campaign contributions that Ways and Means Committee Chairman Rep. Dave Camp received during the 2009-2010 cycle, his third and fourth top industry contributors came from health at $316,896 and pharmaceuticals at $305,450 (Center for Responsive Politics , 2012, B). His top organisation contributor was Dow Chemicals, a company involved in the production of healthcare products that would be affected by a government takeover of health insurance. In a similar fashion again, during the 2007-2012 cycle, the Chairman of the Senate Finance Committee with influence over Medicare and Medicaid, Sen. Max Baucus' second top contributor was the health industry at $807,379, and the pharmaceutical industry at $643,464 (Center for Responsive Politics , 2012, G). It is also interesting to note that four of his top five organisation contributors are from both the health and pharmaceutical industries.

Whilst none of these figures show that the money from the health and pharmaceutical industries had the power to stop the reform to healthcare in America, the fact is that Obama's plans for a government run health insurance provider never materialised, and the eventual healthcare reforms that he signed into law were a much watered-down version from his original vision. So, while money did not equal the power to stop reform, it did have the power to water down that reform. An interesting piece of research that may highlight this is from the Center of Responsive Politics. After the US House of Representatives passed its 'Affordable Health Care for America Act' in November 2009, research suggest that "opponents of the measure have received an average of fifteen percent more from health industry and health insurance interests over the past twenty years" (Beckel , 2009). The same researchers also found that upon passage of the Health Care Reform Bill in December 2009, Senators who opposed the bill approximately thirty percent more political donations from PAC's and individual employees of health and health insurance-related groups and companies since 1989 (Beckel , 2009, B). The study also found that Republicans who opposed the legislation received forty-one percent more from medical professionals, forty-one percent more from pharmaceutical companies and twenty-eight percent more from health insurers than those Democrats who supported the bill (Ibid).

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