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***Citizens United*, States Divided: An Empirical Analysis of Independent Political Spending**

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What effect has Citizens United v. FEC had on independent spending in American politics? Previous attempts to answer this question have focused solely on federal elections, where there is no baseline for comparing changes in spending behavior. We overcome this limitation by examining the effects of Citizens United as a natural experiment on the states. Before Citizens United, about half of the states banned corporate independent expenditures and thus were “treated” by the Supreme Court’s decision, which invalidated these state laws. We rely on recently released state-level data to compare spending in “treated” states to spending in the “control” states, which have never banned corporate or union independent expenditures. We find that, while independent expenditures increased in both treated and control states between 2006 and 2010, the increase was more than twice as large in the treated states, and nearly all of the new money was funneled through nonprofit organizations and political committees where weak disclosure laws and practices protected the anonymity of the spenders. Finally, we observe that the increase in spending after Citizens United was not the product of fewer, larger expenditures as many scholars and pundits predicted, and we note that people were just as likely to make smaller expenditures (less than \$400) after Citizens United as they were before. This finding is particularly striking because it cuts against the conventional wisdom of spending behavior and also challenges the logic of those who disagree with the most controversial element of the Citizens United decision—the rejection of political equality as a valid state interest.

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INTRODUCTION

The U.S. Supreme Court opinion in *Citizens United v. FEC*¹ sparked a national conversation about campaign finance laws² that included a multitude of predictions about the decision’s effect on political spending. Most of the commentary and related scholarship about the decision correctly anticipated that election-related spending would increase after *Citizens United*. Indeed, during the 2012 federal election cycle, independent spending related to all federal races exceeded \$1 billion, which was approximately three times more than spending in 2008 and approximately six times more than spending in 2004.³ Independent spending has, in fact, increased in every federal election cycle since 1996.⁴ Pundits and scholars

1. 130 S. Ct. 876 (2010).

2. In the twenty-seven months following the decision, the *Wall Street Journal*, *USA Today*, and *Washington Post* ran a combined 787 stories that mentioned *Citizens United* (an average of one every three days per paper) while the *New York Times* ran an astonishing 1100 stories mentioning *Citizens United* (an average of 1.3 articles per day). This count includes columns and opinion pieces but not blog posts. Numbers are based on the authors’ search of individual newspapers’ online archives. The numbers for all four newspapers are:

Newspaper	Number of articles about <i>Citizens United</i>
<i>New York Times</i>	1100
<i>Washington Post</i>	327
<i>USA Today</i>	220
<i>Wall Street Journal</i>	195

3. Independent spending includes electioneering communications, independent expenditures, and other noncandidate and nonparty communications. See Ctr. for Responsive Politics, *Total Outside Spending by Election Cycle, Excluding Party Committees*, OPENSECRETS.ORG, http://www.opensecrets.org/outsidespending/cycle_tots.php.

4. *Id.*

have sharply disagreed, however, whether the *type* of increased spending warrants caution and a legislative response.⁵ To date, the general focus of this disagreement has been on federal elections,⁶ which, as we discuss below, severely limits any causal inferences about the effect of *Citizens United* on spending. As with any analysis of federal-level behavior, there is no control group against which to compare changes in spending behavior before and after an event. As a result, it is very difficult to ascertain whether changes in political spending after *Citizens United* are attributable to changes in the law or to other factors. In this Article, we examine the effects of *Citizens United* as a natural experiment on the states. Before *Citizens United*, about half of the states banned corporate independent expenditures and thus were “treated” by the Supreme Court’s decision, which invalidated these state bans. By comparing spending in states affected by the decision to spending in states that were not affected by the decision, we provide the first systematic estimates of the effect of *Citizens United* on independent political spending.

We begin in Part I by retracing the steps that led to the Supreme Court’s decision in January 2010. Originally a relatively trivial challenge about disclosure,

5. Compare, e.g., Fred Wertheimer, *Supreme Court Decision in Citizens United Case is Disaster for American People and Dark Day for the Court*, ACSBLOG (Jan. 21, 2010), <http://www.acslaw.org/acsblog/node/15151> (“The decision will unleash unprecedented amounts of corporate ‘influence-seeking’ money on our elections and create unprecedented opportunities for corporate ‘influence-buying’ corruption.”), with Bradley A. Smith, ‘*Pure Science Fiction*,’ USA TODAY, Jan. 22, 2010, at 8A (“[T]he various ‘doomsday’ scenarios being floated by critics of the decision, claiming that corporations will dominate American politics with billions of dollars in expenditures, are pure science fiction.”).

Other critical responses include Rick Hasen, *Citizens United: What Happens Next?*, HUFFINGTON POST (Jan. 21, 2010, 1:53 PM), http://www.huffingtonpost.com/rick-hasen/citizens-united-what-ha_b_431696.html (lamenting the Supreme Court’s decision as “a very bad day for American democracy” and describing how none of the four most feasible legislative responses or a proposed constitutional amendment are likely to make any difference); Bob Kerrey, *The Senator from Exxon-Mobil?*, HUFFINGTON POST (Jan. 21, 2010, 10:38 AM), http://www.huffingtonpost.com/bob-kerrey/the-senator-from-exxon-mo_b_431245.html (“With \$85 billion in profits during the 2008 election, Exxon Mobil would have been able to fully fund over 65,000 winning campaigns for U.S. House or outspend every candidate by a factor of 90 to 1. That’s a scary proposition when you consider that the health of our planet is at stake.”).

Examples of arguments that *Citizens United* warrants no concern include Kenneth P. Doyle, *Ban on Corporate, Union Campaign Money Swept Aside by 5-4 Supreme Court Decision*, BLOOMBERG BNA MONEY & POLITICS REPORT, Jan. 21, 2010, (describing arguments on both sides and quoting Joseph Sandler that “the impact of the Supreme Court ruling would be ‘more marginal than cataclysmic’ to the current campaign finance system”); Ilya Shapiro, *Supreme Court Ruling on Hillary Movie Heralds Freer Speech for All of Us*, CATO AT LIBERTY BLOG (Jan. 21, 2010, 9:29 AM), <http://www.cato-at-liberty.org/supreme-court-ruling-on-hillary-movie-heralds-freer-speech-for-all-of-us/> (“Today’s ruling may well lead to more corporate and union election spending, but none of this money will go directly to candidates—so there is no possible corruption or even ‘appearance of corruption.’ It will go instead to spreading information about candidates and issues. Such increases in spending should be welcome because studies have shown that more spending—more political communication—leads to better-informed voters.”).

6. See *supra* note 5.

the case ultimately invalidated well-established laws at the federal level and in twenty states. The public backlash to the Court's opinion was swift, and the response was generally negative. Barely one week after the decision was announced, President Obama argued in his State of the Union address that the opinion had "open[ed] the floodgates" for spending "without limit in our elections."⁷ This Article is motivated by the President's remarks and is organized around the simple empirical question of whether *Citizens United* actually "opened the floodgates" of independent spending.

In Part II, we present our empirical findings. Using recently released data from a sample of eighteen states—the universe of states for which data on independent expenditures are currently available—we address three questions related to spending before and after *Citizens United*: (1) Has spending increased after the decision and, if so, by how much? (2) Has the distribution of spending shifted toward corporate and union expenditures? (3) Are spending increases disproportionately driven by large expenditures? Using a difference-in-differences model, we find that spending increased in every state but that the increase was twice as large in states that were affected by *Citizens United* relative to states that were not affected. We also observe that the large increase in spending is driven almost exclusively by section 501(c) nonprofit organizations and section 527 political committees (so named because of the federal tax code under which they are organized). Information about the donors to these groups is unavailable, so we cannot empirically verify the extent to which corporations and unions backed these groups. We do find, however, that the spending increase in states that were affected by *Citizens United* is not driven by the largest expenditures (i.e. larger than \$55,000); rather the effect is most pronounced in the center of the distribution (twentieth to seventieth percentile)—that is, expenditures ranging from \$1,000 to about \$40,000. This finding is particularly striking because it cuts against the conventional wisdom of spending behavior and raises questions about the states' equality interest, generally framed as a problem of disproportionate spending by the wealthiest, which we do not observe.

In Part III, we provide some context for our analysis and consider the implications of our findings. First, we note that independent expenditures represent a fraction of overall campaign dollars at both the state and federal level. Campaign finance is still dominated by direct contributions to candidates, and *Citizens United* did not change the rules governing contributions. Second, we discuss the disconnect between the political system that the Supreme Court envisions and the political system that actually exists. As more and more political spending goes underground—26% of all outside federal spending in 2010 was by groups that do not disclose their donors—it becomes increasingly difficult to measure the effects of campaign finance laws on the political process. Finally, we discuss the Supreme Court's decision to create a legal rule that defines away the risk of independent expenditures. In *Citizens United*, the Court admits that it does not care whether independent expenditures *actually* corrupt the political process because, in the Court's view, independent expenditures *cannot* corrupt as a matter of law, any

7. President Barack Obama, State of the Union Address (Jan. 27, 2010), in 156 CONG. REC. H414, H418 (daily ed. Jan. 27, 2010).

empirical evidence to the contrary notwithstanding. We strongly disagree with the Court's reliance on this legal fiction. It is a blunt instrument for judging regulations of the political process. This is particularly true in cases that impact state campaign finance laws. The Court's indifference to the empirical record, as well as its general aversion to as-applied challenges and its narrowing of acceptable evidence in campaign finance cases, is, in our view, both shortsighted and imprudent.

I. *CITIZENS UNITED*

A. *Background*

The Supreme Court's sweeping decision in *Citizens United v. FEC* culminated a controversial case that was initially motivated by a very modest challenge. *Citizens United* is perhaps best known for extending First Amendment protections to the political speech of corporations, yet the case had almost nothing to do with corporations or corporate identity. The opinion reaffirmed the proposition, first articulated in *Buckley v. Valeo*,⁸ that independent expenditures do not corrupt the political process.⁹ The initial complaint in *Citizens United*, however, was not about independent expenditures (which are made independent of the campaign and advocate the election or defeat of a candidate), nor was it about alleged corruption or appearance of corruption. The plaintiff, a conservative nonprofit advocacy organization called Citizens United, wanted to broadcast a series of television commercials to promote a new political documentary it had produced and did not want to disclose the donors who funded the film or the television advertisements.¹⁰

In 2002, Congress passed the Bipartisan Campaign Reform Act (BCRA)¹¹ to regulate "sham issue ads," which are advertisements that look like a public service announcement about a political or social issue but that are intended to persuade listeners to vote for or against a particular candidate. As part of BCRA, Congress coined a term—"electioneering communication"—to precisely define the kind of ads that would be subject to regulations under the new law. As defined in the Act, an electioneering communication is (1) a broadcast ad on television or radio that (2) refers to a federal candidate that (3) airs within thirty days of a primary election or sixty days of a general election and that (4) can reach an audience of 50,000 or more.¹² This statutory creation was Congress's response to the Supreme Court's ruling in *Buckley* that any regulation of expenditures for ads that did not *expressly* advocate a candidate's election or defeat risked being void for vagueness.¹³

8. 424 U.S. 1, 45 (1976) (per curiam) ("We find that the governmental interest in preventing corruption and the appearance of corruption is inadequate to justify [FECA] § 608(e)(1)'s ceiling on independent expenditures.").

9. *Citizens United v. FEC*, 130 S. Ct. 876, 909 (2010) ("[W]e now conclude that independent expenditures, including those made by corporations, do not give rise to corruption or the appearance of corruption.").

10. Verified Complaint for Declaratory and Injunctive Relief at 8, *Citizens United v. FEC*, 530 F. Supp. 2d 274 (D.D.C. 2008) (No. 07-2240).

11. Bipartisan Campaign Reform Act of 2002, Pub. L. No. 107-155, 116 Stat. 81.

12. BCRA § 201, 2 U.S.C. § 434(f)(3) (2006).

13. See *Buckley*, 424 U.S. at 44.

Congress's bright-line definition of electioneering communications responded directly to the Court's concern about vagueness.¹⁴ Under BCRA, electioneering communications (i.e., clearly defined ads that do not *expressly* advocate the election or defeat of a candidate) were subject to several regulations, including, but not limited to:

- (1) *Disclosure* rules for identifying donors.¹⁵
- (2) A *disclaimer* requirement (e.g., “_____ is responsible for the content of this advertising.”).¹⁶
- (3) A *prohibition* against corporations and unions from using general treasury funds to make electioneering communications.¹⁷

As the 2008 presidential primary heated up, Citizens United produced a documentary film about Hillary Clinton as well as several television spots advertising the film.¹⁸ Citizens United understood that the television commercials it wanted to air met the statutory definition of electioneering communications: they would be broadcast on television, would refer to a federal candidate without expressly advocating her defeat, would air thirty days before the 2008 primary, and would reach 50,000 or more households.¹⁹ Furthermore, among Citizens United's long list of donors that had contributed more than \$1 million to fund the film and its advertisements were two for-profit corporations that contributed a combined amount of \$2000 to the project.²⁰ Although BCRA prohibited all electioneering

14. See *McConnell v. FEC*, 540 U.S. 93, 189–94 (2003).

15. BCRA § 201, 2 U.S.C. § 434(f) (2006).

16. BCRA § 311(d)(2), 2 U.S.C. § 441(d)(2) (2006).

17. BCRA § 203, 2 U.S.C. § 441(b) (2006).

18. Verified Complaint, *supra* note 10, at 2–7 (text of the advertisements presented in exhibit 1).

19. *Id.*

20. Citizens United reported that it collected \$1 million for the production and distribution of the film. Brief for Appellant at 7, 33, *Citizens United v. FEC*, 130 S. Ct. 876, (2010) (No. 08-205). Among its donors, Citizens United only refers to its “large donors,” or those that gave at least \$1000 aggregate to Citizens United. See *id.* It is possible the amount of corporate money backing the film was higher, contributed in small amounts (less than \$1000) by many corporations, though Citizens United only references the \$2000 figure in its briefs. See *id.*

By accepting corporate contributions, Citizens United was not eligible for a “qualified nonprofit” exemption that the Court recognized in *FEC v. Mass. Citizens for Life, Inc. (MCFL)*, 479 U.S. 238 (1986). In order to qualify as an “MCFL corporation,” and thus be exempt from regulation by the FEC, a nonprofit must (1) “[be] formed for the express purpose of promoting political ideas, and cannot engage in business activities” *id.* at 264; (2) “ha[ve] no shareholders or other persons affiliated so as to have a claim on its assets or earnings,” *id.*; and (3) not be “established by a business corporation or a labor union” or “accept contributions from such entities,” *id.* The Court's reasoning for exempting MCFL organizations is that they pose no risk for corrupting the political process: “MCFL was formed to disseminate political ideas, not to amass capital. The resources it has available are not a function of its success in the economic marketplace, but its popularity in the political marketplace.” *Id.* at 259; see also 11 C.F.R. § 114.10(a) (2012) (“set[ting] out the procedures

communications created with corporate general treasury dollars, the Supreme Court had carved out an exemption in a 2007 case, *FEC v. Wisconsin Right to Life, Inc. (WRTL II)*.²¹ Wisconsin Right to Life was a conservative nonprofit advocacy organization that, like Citizens United, accepted contributions from corporations and wanted to run television and radio advertisements that met the statutory definition of electioneering communications.²² The organization urged listeners to contact their Senators and ask them to stop filibustering President Bush's judicial nominees, but they did not urge listeners to vote against the Senators.²³ Prior to 2007, BCRA section 203 prohibited these advertisements from being broadcast because of the corporate dollars used to fund them. The Supreme Court had already upheld section 203 against a facial challenge in 2003,²⁴ but the Court had held open the door for as-applied challenges, and Wisconsin Right to Life obliged in 2006.²⁵ The Supreme Court ultimately accepted Wisconsin Right to Life's argument that the definition for electioneering communications was overbroad.²⁶ In the Court's opinion, a ban on corporate or union expenditures is constitutional (per *Buckley*) when the expenditures expressly advocate the election or defeat of a clearly identified candidate.²⁷ When there is no express advocacy, the constitutionality of a ban on corporate or union expenditures depends on whether a court interprets the expenditure as a "genuine" issue ad or as a "sham" issue ad.²⁸ In the case of genuine issue ads, a ban would be unconstitutional. In the case of a sham issue ad (what the court referred to as an advertisement that is "the functional equivalent of" express advocacy), a ban on corporate or union expenditures would be constitutional.²⁹ In *WRTL II*, the Court established a standard for determining

for demonstrating qualified nonprofit corporation status, for reporting independent expenditures and electioneering communications, and for disclosing the potential use of donations for political purposes.").

In his *Citizens United* dissent, Justice Stevens argued that one possible (and narrower) solution to the case would have been "expand[ing] the *MCFL* exemption to cover § 501(c)(4) nonprofits that accept only a *de minimis* amount of money from for-profit corporations. Citizens United professes to be such a group" *Citizens United*, 130 S. Ct. at 937 (Stevens, J., dissenting).

21. 551 U.S. 449 (2007).

22. See *id.* at 458–60.

23. See *id.* at 458–59.

24. *McConnell v. FEC*, 540 U.S. 93, 201–02 (2003).

25. *Wis. Right to Life, Inc. v. FEC*, 546 U.S. 410, 411–12 (2006) (per curiam) ("In upholding § 203 against a facial challenge [in *McConnell*], we did not purport to resolve future as-applied challenges.").

26. *WRTL II*, 551 U.S. at 471.

27. *Id.* at 469–70.

28. *Id.* at 474 ("[It] is not enough to establish that the ads can only reasonably be viewed as advocating or opposing a candidate in a federal election. . . . Discussion of issues cannot be suppressed simply because the issues may also be pertinent in an election. Where the First Amendment is implicated, the tie goes to the speaker, not the censor.").

29. "Resolving [this case] requires us first to determine whether the speech at issue is the 'functional equivalent' of speech expressly advocating the election or defeat of a candidate for federal office, or instead a 'genuine issue a[d].'" *Id.* at 456 (citations omitted). "We further conclude that the interests held to justify restricting corporate campaign speech or its functional equivalent do not justify restricting issue advocacy . . ." *Id.* at 457.

whether an advertisement is the functional equivalent of express advocacy: “only if the ad is susceptible of *no reasonable interpretation other than* as an appeal to vote for or against a specific candidate.”³⁰ In the case of Wisconsin Right to Life’s ads about the filibuster, the Court held that the ads “may reasonably be interpreted as something other than as an appeal to vote for or against a specific candidate, . . . [so] they are not the functional equivalent of express advocacy, and therefore fall outside the scope of *McConnell*’s holding.”³¹

Citizens United believed, correctly, that its ads could reasonably be interpreted as something other than an appeal to vote against Hillary Clinton—namely, that they promoted a commercial product (the documentary film).³² Thus, Citizens United’s motion for preliminary injunction did not mention section 203 but took for granted that the ads could air under a *WRTL II* exemption. The goal of the preliminary injunction was to extend the *WRTL II* exemption to other provisions of BCRA, specifically sections 201 and 311.³³ Section 201 would require Citizens United to disclose the “names and addresses of all contributors who contributed an aggregate amount of \$1,000 or more.”³⁴ Citizens United argued that this disclosure requirement would put its donors in a position to suffer retaliation by political opponents.³⁵ Section 311 would require that each advertisement include a four-second disclaimer that “[Citizens United] is responsible for the content of this advertising,” where the disclaimer appears in a “clearly readable manner” and “conveyed by an unobscured, full-screen view of a representative” from the sponsoring organization.³⁶ Citizens United argued that four-second disclaimers would substantially distract from the message of its ten- and thirty-second ads.³⁷

Citizens United’s motion had clear, practical goals: get its advertisements on television without a costly four-second disclaimer and without the need to disclose the identity of donors, who presumably wanted to remain anonymous. However, it is clear that Citizens United had jurisprudential goals as well. As one of the original plaintiffs in the inaugural constitutional challenge to BCRA, Citizens United signaled that it did not agree with the trajectory of American campaign finance reform and that it was willing to take action to limit the effects of new regulations,

30. *Id.* at 469–70 (emphasis added).

31. *Id.* at 476.

32. See Verified Complaint, *supra* note 10, at 4–6.

33. Citizens United’s original prayer for relief included the following:

1. a declaratory judgment declaring BCRA §§ 201 and 311 unconstitutional as applied to (a) communications that may not be prohibited as electioneering communications under *WRTL II* and (b) Citizens United’s ads.

2. a preliminary and permanent injunction enjoining the FEC from enforcing BCRA §§ 201 and 311 as applied to (a) communications that may not be prohibited as electioneering communications under *WRTL II* and (b) Citizens United’s ads.

Id. at 10–11 (emphasis omitted) (citations omitted).

34. BCRA § 201(f), 2 U.S.C. § 434(f) (2006).

35. Memorandum in Support of Preliminary Injunction Motion at 8, *Citizens United v. FEC*, 530 F. Supp. 2d 274 (D.D.C. 2007) (No. 07-2240) [hereinafter PI Memo].

36. BCRA § 311(d)(2), 2 U.S.C. § 441d(d)(2) (2006).

37. PI Memo, *supra* note 35, at 6.

specifically regulations that targeted expenditures.³⁸ However grand its ambitions, Citizens United's complaint was admittedly an incremental challenge that, at best, would chip away the scope of two provisions of a five-year-old law. A promising, though ultimately not very successful, business opportunity changed everything.

On the same day that Citizens United filed its initial motion for preliminary injunction, a national media consortium offered Citizens United a four-month video on demand (VOD) contract that would make its documentary film available to 32 million households nationwide for a fee of \$1.2 million.³⁹ With this offer on the table, the film itself became a potential electioneering communication. Citizens United recognized that the film, unlike the film's advertisement, might not qualify for a *WRTL II* exemption. With repeated direct attacks on Hillary Clinton's character and fitness for office, Citizens United feared that a court might interpret the film as the functional equivalent of express advocacy. Thus, Citizens United immediately amended its complaint to include an as-applied challenge to BCRA section 203, hoping a *WRTL II* exemption for the documentary film would permit its broadcast on demand.⁴⁰ This amendment proved to be a harbinger of the case's outcome. Though the VOD offer was never particularly lucrative,⁴¹ Citizens

38. In 2004, Citizens United formally submitted comments to the FEC in response to proposed changes to the definition of "expenditure," strongly opposing "any changes to the Commission's rules that would broaden the definition[] of 'expenditure' . . . to encompass activities that fall short of the express advocacy of the election or defeat of clearly identified Federal candidates." Comments of Citizens United Regarding Proposed Changes to the Definitions of "Expenditure," "Contribution" and "Political Committee," FEC Notice 2004-6, at 4 (Apr. 5, 2004), http://www.fec.gov/pdf/nprm/political_comm_status/boss.pdf.

39. Second Motion for Preliminary Injunction at 1, *Citizens United*, 530 F. Supp. 2d 274 (D.D.C. 2007) (No. 07-2240).

The national conglomerate, National Cable Communications (NCC) Media, is an advertising and marketing agency that develops media plans for clients that want to advertise on television, cable, satellite, and online. The agency is "jointly owned by three of the nation's largest cable system operators—Comcast, Cox Communications and Time Warner Cable—and represent[s] virtually every other TV service provider in the country." *Owners & Affiliates*, NCC MEDIA, <http://nccmedia.com/about/owners-affiliates>.

40. See Amended Verified Complaint for Declaratory and Injunctive Relief, *Citizens United*, 530 F. Supp. 2d 274 (No. 07-2240-RCL). Citizens United's legal strategy was almost entirely focused on *WRTL II*. Consider that *WRTL II* was invoked 134 times in Citizens United's original thirty-eight-page motion for preliminary injunction (on average 3.5 times per page), and sixty-six times in the sixteen-page amendment (on average 4.1 times per page).

41. In its first eight months, the Elections '08 on-demand channel on which *Hillary: The Movie* would have aired, just 500,000 segments split between all of the available programs and ads had been viewed. Stephanie Clifford, *Cable, Quietly, Introduces an Anytime Elections Channel*, N.Y. TIMES, Aug. 29, 2008, at C7. With more than eleven available ads and films on the Elections '08 station, each would have been viewed (on average) by less than 50,000 people, thus falling short of the statutory requirement for definition as an electioneering communication. As reported in the *New York Times*, "[n]either traffic nor advertising on the election channel has been particularly strong." *Id.* Citizens United offered a similar yet different explanation for why VOD failed to meet the statutory definition of electioneering communication:

United's constitutional challenge of section 203 opened the gateway for the Supreme Court to significantly restrict BCRA's reach, and to overturn twenty-two years of precedent in the process.

B. In the Courts

A three-judge panel of the District Court for the District of Columbia unanimously denied Citizens United's motion for preliminary injunction.⁴² The district court determined that the documentary film was the functional equivalent of express advocacy because it "is susceptible of no other interpretation than to inform the electorate that Senator Clinton is unfit for office, that the United States would be a dangerous place in a President Hillary Clinton world, and that viewers should vote against her."⁴³ Thus, the district court concluded that Citizens United did not have a substantial likelihood of success on the merits.⁴⁴ Pointing to an FEC advisory opinion in the footnotes, the court took for granted that VOD technology was covered by the definition of "electioneering communication."⁴⁵ Regarding the disclosure and disclaimer requirements, the district court agreed with Citizens United that the advertisements were *not* the functional equivalent of express advocacy but were merely electioneering communications.⁴⁶ However, the court disagreed with Citizens United's interpretation that *WRTL II* protects electioneering communications against *any regulation*.⁴⁷ The district court did not believe that *WRTL II* went that far: "The only issue in [*WRTL II*] was whether speech that did not constitute the functional equivalent of express advocacy could be *banned* during the relevant pre-election period."⁴⁸

Because, unlike a broadcast, [VOD] is sent only to the requesting converter box (as opposed to a geographic area), a Video On Demand transmission will generally be viewed only by the members of the household who requested the Video On Demand program. Unless the recipient converter box is located in a sold-out football stadium, the transmission will not be able to be viewed by 50,000 people.

Brief for Appellant, *supra* note 20, at 27 n.2.

42. *Citizens United*, 530 F. Supp. 2d at 275. BCRA included a provision (section 403) that set forth a jurisdictional process where initial actions are heard by a three-judge panel of the District Court for the District of Columbia, and appeals are made directly to the Supreme Court. BCRA § 403, 2 U.S.C. § 437h (2006).

43. *Citizens United*, 530 F. Supp. 2d at 279.

44. *Id.* at 278–80.

45. *Id.* at 277 n.6 ("The parties did not raise the issue of whether VOD was within the definition of 'electioneering communication.' However, a broadly worded FEC regulation defining 'electioneering communications' indicates that VOD would be a 'broadcast, cable, or satellite communication' because it is 'disseminated through the facilities of a . . . cable television system.' See 11 C.F.R. §§ 100.29(b)(1), (b)(3)(i) (indicating that 'broadcast, cable, or satellite communications' include communications 'aired, broadcast cablecast or otherwise disseminated through the facilities of a television station, radio station, cable television system, or satellite system').") (omission in original)). But see *supra* note 41.

46. See *Citizens United*, 530 F. Supp. 2d at 280–81.

47. *Id.*

48. *Id.* at 281 (emphasis added).

Citizens United appealed this decision to the Supreme Court, but the Supreme Court dismissed the appeal for want of jurisdiction.⁴⁹ The parties subsequently filed cross motions for summary judgment,⁵⁰ and the district court granted the FEC's motion.⁵¹ Citizens United appealed once more.

By the time the parties reached the Supreme Court for the second time, Citizens United had replaced its lead attorney with former Solicitor General Ted Olson. This personnel change immediately wrought changes to Citizens United's arguments. Gone were the platitudes⁵² and the strict reliance on *WRTL II*.⁵³ In their place were more direct challenges to the law and a more aggressive assault on the constitutionality of BCRA. Consider, for example, the first question presented in Olson's brief:

Whether the prohibition on corporate electioneering communications in the Bipartisan Campaign Reform Act of 2002 ("BCRA") can constitutionally be applied to a feature-length documentary film about a political candidate funded almost exclusively through noncorporate donations and made available to digital cable subscribers through Video On Demand.⁵⁴

This question raised issues that had not yet been considered or fully fleshed out by either party or any court. For example, was section 203 systematically overbroad because it encompasses expenditures where corporate involvement is *trivial*? If so, perhaps the Court should reconsider a facial challenge to the law. Is there something special about VOD technology that makes it anomalous to section

49. *Citizens United v. FEC*, 128 S. Ct. 1732 (2008) (mem). BCRA section 403(a)(3) states that a "final decision in the action shall be reviewable only by appeal directly to the Supreme Court of the United States." 2 U.S.C. § 437h (2006). The denial of a motion for preliminary injunction was not considered a final decision for purposes of appeal.

50. See Plaintiff's Summary Judgment Motion, *Citizens United*, 530 F. Supp. 2d 274 (No. 07-2240); Defendant Federal Election Commission's Motion for Summary Judgment, *Citizens United*, 530 F. Supp. 2d 274 (No. 07-2240).

51. *Citizens United v. FEC*, No. 07-2240 (ARR, RCL, RWR), 2008 WL 2788753 (Jul. 18, 2008).

52. In each of his briefs, the original lead attorney James Bopp had framed his arguments around the idea that "campaign finance laws may only regulate communications that are 'unambiguously related to the campaign of a particular federal candidate.'" Memorandum in Support of Plaintiff's Summary Judgment Motion at 1, *Citizens United*, 530 F. Supp. 2d 274 (No. 07-2240) (quoting *Buckley v. Valeo*, 424 U.S. 1, 80 (1976)). In his briefs for *WRTL II* a few years earlier, Bopp had rhetorically set the stakes as high as possible by introducing his argument with the following statement:

The deep roots of this case lie not in the Bipartisan Campaign Reform Act of 2002, the Federal Election Campaign Act of 1971, the Taft-Hartley Act of 1947, the Tillman Act of 1907, nor even the First Amendment, but in the struggle of the Anglo-American people to (a) establish themselves as sovereign and (b) curb the power of government officials to prevent the people from criticizing official actions.

Brief for Appellee at 1, *WRTL II*, 551 U.S. 449 (2007) (Nos. 06-969 & 06-970).

53. See *supra* note 40.

54. Brief for Appellant, *supra* note 20, at i.

203? If so, perhaps the case can be resolved on narrow grounds. Olson also confronted *Austin v. Michigan State Chamber of Commerce*⁵⁵ for the first time, the controlling precedent for corporate and union bans on independent expenditures that *expressly* advocate the election or defeat of a candidate. Until Olson's brief, both parties had taken corporate and union bans on express advocacy for granted. Olson, for his part, did not equivocate: "[*Austin*] was wrongly decided and should be overruled because it is flatly at odds with the well-established principle that First Amendment protection does not depend upon the identity of the speaker."⁵⁶

These novel arguments were not lost on the FEC. Responding to the possibility of a facial challenge on section 203, the government pointed out that "[a]lthough appellant previously sought to have BCRA Section 203 declared facially unconstitutional, it later abandoned that claim, and the district court ultimately ordered dismissal of the relevant count pursuant to the parties' stipulation."⁵⁷ Regarding the petition to overturn *Austin*, the government argued that Citizens United had presented no basis for overruling *Austin* and, in any case, "[Citizens United's] argument [was] not properly before the Court."⁵⁸

Posturing aside, both parties understood that this was primarily a case about the definition and breadth of electioneering communications. Did the documentary film qualify for a *WRTL II* exemption as an electioneering communication? Do *WRTL II* exemptions extend to additional provisions of BCRA that regulate electioneering communications (e.g., disclosure and disclaimer requirements)? Both parties addressed these questions in great depth: in Olson's thirty-seven-page brief, he refers to electioneering communications seventy-eight times; the government's fifty-five-page brief has forty-six references to electioneering communications.⁵⁹ The primacy of electioneering communications in the case evaporated at oral argument in about one minute. In the space of sixty-two seconds, Deputy Solicitor General (DSG) Malcolm Stewart, responding to a query by Justice Alito, argued that regulations on electioneering communications would be constitutional, even beyond the statutory limitation of electioneering communications to broadcast, cable, and satellite communications.⁶⁰ DSG Stewart suggested that the Constitution does not prohibit the government from banning corporate electioneering communications on other media, such as books, so long as the electioneering

55. 494 U.S. 652 (1990).

56. Brief for Appellant, *supra* note 20, at 13–14; *see also id.* at 30 ("*Austin* was wrongly decided and should be overruled").

57. Brief for the Appellee at 33, *Citizens United v. FEC*, 130 S. Ct. 876 (2010) (No. 08-205) (citation omitted).

58. *Id.*

59. *See* Brief for Appellant, *supra* note 20; Brief for the Appellee, *supra* note 57. Compare these numbers to the number of references to independent expenditures or express advocacy: Citizens United's brief mentioned independent expenditures ten times and express advocacy two times, while the government's brief mentioned independent expenditures just nine times. This is worth noting, given that the eventual holding changed regulation of independent expenditures. As a reminder to the reader, independent expenditures advocate election or defeat of a candidate. Electioneering communications do not.

60. Oral Argument at 29:03–30:05, *Citizens United*, 130 S. Ct. 876 (No. 08-205), available at http://www.oyez.org/cases/2000-2009/2008/2008_08_205.

communications were the functional equivalence of express advocacy.⁶¹ This idea elicited spirited responses from Justices Alito, Roberts, and Kennedy, with Justice Alito pointing out that “most publishers are corporations.”⁶² In defense of his argument, DSG Stewart offered a reminder that proved key in broadening the scope of the ultimate decision. He said: “And it’s worth remembering that the preexisting Federal Election Campaign Act restrictions on corporate electioneering which have been limited by this Court’s decisions to express advocacy.”⁶³

This comment proved to be a key turning point in the case. On the last day of the 2009 term, the Court made a relatively rare announcement⁶⁴ that it would rehear oral arguments specifically on the topic of corporate electioneering. The parties were directed to file supplemental briefs and address the following question: “For the proper disposition of this case, should the Court overrule either or both *Austin*, and the part of *McConnell*, which addresses the facial validity of Section 203 of [BCRA]?”⁶⁵

With that, the case took on an entirely new mandate. Instead of clarifying the relationship between BCRA and *WRTL II*, the Court announced that it would revisit more than twenty years of established campaign finance precedent. Both parties responded with force in their briefs. Scattered through its arguments, the government traced the long history of well-accepted regulations on the political behavior of corporations and unions, from the Tillman Act’s 1907 ban on direct contributions to candidates and Taft-Hartley’s 1947 ban on corporate and union independent expenditures, to the fact that twenty-two states passed bans on corporate independent expenditures throughout the twentieth century.⁶⁶ Citizens United smelled blood. Twenty pages of the twenty-three-page brief were devoted to *Austin*, the bigger prize.⁶⁷ Citizens United painted *Austin* as an outlier⁶⁸ from the

61. Transcript of Oral Argument at 27–30, *Citizens United*, 130 S. Ct. 876 (No. 08-205).

62. *Id.* at 27.

63. *Id.*

64. Between 1946 and 2010, the Supreme Court called for reargument in just 2.3% of its cases (172 of 8330). See Harold Spaeth, Lee Epstein, Ted Ruger, Jeffrey Segal, Andrew D. Martin & Sara Benesh, SUP. CT. DATABASE, <http://scdb.wustl.edu/index.php> (we tabulated the number of cases in the subset of “Cases Organized by Supreme Court Citation” with an entry in the vector “dateRearg”). Despite this low number, many of the Supreme Court’s most famous cases, including *Brown v. Board of Education*, 347 U.S. 483 (1954), and *Roe v. Wade*, 410 U.S. 113 (1973), were decided after postponements for reargument. See Valerie Hoekstra & Timothy Johnson, *Delaying Justice: The Supreme Court’s Decision to Hear Rearguments*, 56 POL. RES. Q. 351, 351 (2003).

65. *Citizens United v. FEC*, 129 S. Ct. 2893 (2009) (mem.) (citations omitted).

66. See Supplemental Brief for the Appellee, *Citizens United*, 130 S. Ct. 876 (No. 08-205).

67. See Supplemental Brief for Appellant, *Citizens United*, 130 S. Ct. 876 (No. 08-205).

68. See Richard L. Hasen, *Citizens United and the Illusion of Coherence*, 109 MICH. L. REV. 581, 582 (2011). Hasen points to Chief Justice Roberts’s opinion that portrays *Citizens United* as a doctrinally unifying opinion, restoring coherence to campaign finance law by invalidating the “outlier” *Austin* case. *Id.* at 583. Hasen argues that the decision merely created an illusion of coherence “because it is unlikely that the Court will follow [*Citizens United*] to its extreme—for example to allow spending by foreign nationals to influence candidate elections, to treat spending in judicial elections the same way as spending for other

trajectory of campaign finance jurisprudence that started in *Buckley*⁶⁹ and spelled out the weaknesses inherent in the antidistortion and equality rationales that motivated *Austin*.⁷⁰

The longer Citizens United kept its case in front of the Court, the less the case resembled anything close to its initial complaint. Perhaps sensing this transfiguration during the oral reargument, Justice Sotomayor remarked, “[W]ouldn’t we be doing some more harm than good by a broad ruling in a case that doesn’t involve more business corporations and actually doesn’t even involve the traditional nonprofit organization?”⁷¹

Ultimately, the Supreme Court decided a broad ruling would not do more harm than good. Pushing to the side more narrow constructions of constitutionality and statutory interpretation,⁷² the Court, in a 5–4 decision, held that Citizens United’s documentary film, though clearly the functional equivalent of express advocacy,⁷³ should be permitted to be broadcast on demand because the federal provision banning corporate and union independent expenditures on express advocacy (2 U.S.C. § 441b) violated the First Amendment.⁷⁴ Section 441b was a creature of the 1974 amendments of the Federal Election Campaign Act (FECA) and had been specifically upheld against a constitutional challenge in *Austin*.⁷⁵ Section 441b was amended by BCRA section 203 to include electioneering communications as well. The Court invalidated the *entire* section incorporating corporate and union bans on both electioneering communications and independent expenditures.⁷⁶

racess, or to strike down reasonable limits on campaign contributions made directly to candidates.” *Id.* at 585.

69. Supplemental Brief for Appellant, *supra* note 67, at 5, 10 (“*Austin* [w]as [a] [p]oorly [r]easoned [d]eparture [f]rom *Buckley*” and “*Austin* is simply a jurisprudential outlier.”).

70. *See id.* at 15–21.

71. Transcript of Rehearing Oral Argument at 34, *Citizens United*, 130 S. Ct. 876 (No. 08–205).

72. *See Citizens United*, 130 S. Ct. at 937 (Stevens, J., dissenting) (“First, the Court could have ruled, on statutory grounds, that a feature-length film distributed through video-on-demand does not qualify as an ‘electioneering communication’ under § 203 of BCRA Second, the Court could have expanded the *MCFL* exemption to cover § 501(c)(4) nonprofits that accept only a *de minimis* amount of money from for-profit corporations Finally, let us not forget Citizens United’s as-applied constitutional challenge.”).

73. *Id.* at 890 (majority opinion) (“Under [the functional-equivalent] test, *Hillary* is equivalent to express advocacy.”).

74. *Citizens United*, 130 S. Ct. at 917.

75. *Austin v. Mich. State Chamber of Commerce*, 494 U.S. 652, 656 (1990). Before *Austin*, the Court had explicitly upheld the corporate ban on independent expenditures (i.e., electioneering that expressly advocates the election or defeat of a candidate) in 2 U.S.C. § 441(b) in *Buckley v. Valeo*, 424 U.S. 1, 28–29 (1976). In addition, the Court had implicitly upheld the corporate ban in several other cases. *E.g.*, *WRTL II*, 551 U.S. 449 (2007); *McConnell v. FEC*, 540 U.S. 93 (2003); *MCFL*, 479 U.S. 238 (1986).

76. *Citizens United*, 130 S. Ct. at 913–14. Citizens United’s complaint against section 203 (and later section 441b) concerned corporate funding directly and not unions. However, both section 203 more narrowly and section 441(b) more generally applied equally to corporations and unions. Because the Court did not distinguish corporations from unions but ruled the entirety of section 441(b) as unconstitutional, the holding applies to unions as well.

On the question of whether the *WRTL II* exemption extended beyond corporate and union spending bans (i.e., Citizens United's original complaint), the Court answered in the negative. By a margin of 8–1, the Court upheld BCRA's disclosure and disclaimer requirements as applied to *any* electioneering communication, whether the functional equivalent of express advocacy or not.

C. The Aftermath

The Supreme Court Justices had almost no idea what the practical implications of their decision would be. They understood very well the legal implications of overturning twenty years of precedent, and they could almost certainly predict how the political spin doctors would portray their decision. But it is unlikely that they understood the impact of their decision on incumbency rates, on the composition of candidate pools, on political participation, or on the behavior of corporations and unions. Commentators and scholars were quick to make their predictions.⁷⁷

Less than one week after the *Citizens United* decision was announced, President Barack Obama addressed the decision during his State of the Union. With six of the nine Justices sitting a few feet away, the President accused them of “revers[ing] a century of law that . . . w[ould] open the floodgates for special interests—including foreign corporations—to spend without limit in our elections.”⁷⁸ He concluded his attack by arguing that American elections should not be “bankrolled by America's most powerful interests, or worse, by foreign entities. They should be decided by the American people.”⁷⁹ These American people, as it turned out, were also disappointed by the decision. Less than three weeks after the ruling, 80% of respondents to a *Washington Post*/ABC News survey said they were opposed to the decision (with 65% expressing “strong” opposition).⁸⁰ This negative opinion was shared by Democrats (85%), Republicans (76%), and Independents (81%) alike.⁸¹ As recently as January 2012 (the two-year anniversary of *Citizens United*), the Pew Research Center reported that 65% of respondents to their nationwide poll who had heard about *Citizens United* said the opinion was having a negative impact on the 2012 presidential election.⁸²

77. See *supra* note 5.

78. Obama, *supra* note 7, at H418. This statement elicited one of the great Freudian slips of all time in Congress. No sooner had President Obama finished his sentence that the Supreme Court had “open[ed] the floodgates for special interests . . . to spend without limit in our elections” than Congress began applauding and audibly cheering. Justice Alito was caught on camera during this applause muttering “simply not true.” For video of the exchange, see *CBS Evening News with Katie Couric: Alito: ‘Simply Not True,’* (CBS television broadcast Jan. 28, 2010), available at <http://www.cbsnews.com/video/watch/?id=6154907n>.

79. Obama, *supra* note 7, at H418.

80. Jennifer Agiesta, *Campaign Finance Ruling Sparks Bipartisan Agreement*, WASH. POST POL. BLOG (Feb. 17, 2010, 11:12 AM), http://www.washingtonpost.com/blogs/behind-the-numbers/post/campaign-finance-ruling-sparks-bipartisan-agreement/2010/12/20/ABslgvF_blog.html.

81. *Id.*

82. PEW RESEARCH CTR. FOR THE PEOPLE & THE PRESS, SUPER PACS HAVING NEGATIVE IMPACT, SAY VOTERS AWARE OF ‘CITIZENS UNITED’ RULING 1 (2012), available at <http://www.people-press.org/files/legacy-pdf/1-17-12%20Campaign%20Finance.pdf>.

Perhaps the most notorious consequence of *Citizens United* was the emergence of “Super PACs,” or independent-expenditure-only “Political Action Committees” that are able to amass unlimited pots of money from corporations and unions (a direct result of *Citizens United*) as well as from individuals (via *SpeechNow.org v. FEC*, which adopted the rationale of *Citizens United*),⁸³ and then spend unlimited amounts in support of or against candidates. Though Super PACs are prohibited from contributing directly to candidates or from even coordinating their expenditures with a campaign, five presidential candidates endorsed an “official” Super PAC,⁸⁴ often run by their former staffers.⁸⁵ As a result, Super PACs have become sidecars to each campaign’s motorcycle: ostensibly separate entities, but in essence comprising one vehicle.⁸⁶ In addition, despite *Citizens United*’s green light for corporate and union spending, the bulk of Super PAC money has come from individuals,⁸⁷ which creates the sense that Super PACs are merely conduits around individual contribution limits.⁸⁸

Perhaps more controversial, however, is the emergence of nonprofit political activism, specifically the increase in political spending by 501(c) organizations that do not have to disclose their donors. According to the Center for Responsive Politics, not a single dollar was spent by 501(c) organizations on independent expenditures or electioneering communications in the 2006 federal election cycle. During the 2010 election cycle (the first post-*Citizens United* election), 42% of all outside spending was made by 501(c) organizations.⁸⁹ This is particularly

83. Two months after *Citizens United*, the D.C. Court of Appeals invalidated various limits on individual contributions to independent expenditure groups, citing *Citizens United*, which, in the words of the court, “resolves this appeal” because “after *Citizens United*, independent expenditures do not implicate [quid pro quo corruption].” *SpeechNow.org v. FEC*, 599 F.3d 686, 689, 693 n.3 (D.C. Cir. 2010).

84. The five candidates (and the Super PAC they endorsed) are: Mitt Romney (Restore Our Future), Barack Obama (Priorities USA Action), Newt Gingrich (Winning Our Future), Rick Perry (Make Us Great Again), and Jon Huntsman (Our Destiny PAC). See Ctr. for Responsive Politics, *2012 Outside Spending, by Super PAC*, OPENSECRETS.ORG, <http://www.opensecrets.org/outsidespending/summ.php?cycle=2012&chrt=V&disp=O&type=S>.

85. See, e.g., Kenneth P. Vogel, *Debate Shows Super PACs’ Strength*, POLITICO (Jan. 8, 2012, 9:22 PM), <http://www.politico.com/news/stories/0112/71217.html> (reporting that Mitt Romney admitted, with regards to the staff of his Super PAC, “‘of course they’re former staff of mine’ and ‘people who support me’”).

86. This metaphor originated from an unnamed GOP operative who predicted that “‘everybody will have [a Super PAC]—there will be a sidecar for every motorcycle.”” Melanie Mason, *Jon Huntsman Latest Hopeful to Be Backed by ‘Super PAC,’* L.A. TIMES (Aug. 30, 2011), <http://articles.latimes.com/2011/aug/30/news/la-pn-huntsman-super-pac-20110830> (alteration in original).

87. According to an analysis of Super PAC filings by *USA Today*, “less than \$1 out of every \$5 flowing into super PACs’ coffers came from corporations.” Fredreka Schouten, Christopher Schnaars & Gregory Korte, *Individuals, Not Corporations, Drive Super PAC Financing; But Critics Say Donors’ Goal to Buy Influence Is the Same*, USA TODAY, Feb. 2, 2012, at A7.

88. For an in-depth overview of Super PACs, including their use and possible abuse, see generally Richard Briffault, *Super PACs*, 96 MINN. L. REV. 1644 (2012).

89. Spencer MacColl, *Citizens United Decision Profoundly Affects Political Landscape*, OPENSECRETS.ORG (May 5, 2011, 11:16 AM), <http://www.opensecrets.org/news/2011/05/citizens-united-decision-profoundly-affects-political-landscape.html>.

impressive considering that 501(c) groups are prohibited from engaging in political activity as a “substantial” part of its activities.⁹⁰

Interpreting all of these facts is quite complicated, despite the detail of available information and the clarity of comparisons across time. Proper evaluation requires an accurate expectation of the law’s effect *ex ante*. We draw our expectation from the history of modern campaign finance laws.

D. Research Hypotheses

Modern campaign finance laws are rooted in the Progressive Era of the early 1900s and were part of a broad political reform movement to limit the power of corporate interests over state legislatures (e.g., railroad “robber barons” in California and “copper kings” in Montana⁹¹) and in Congress. In 1907, the U.S. Congress passed the Tillman Act, which prohibited corporations from making campaign contributions directly to political candidates, a prohibition that survives today.⁹² Though not explicitly articulated at the time, the Tillman Act raised four important constitutional questions that are still being debated today:

90. *Exemption Requirements—Section 501(c)(3) Organizations*, IRS.GOV, [http://www.irs.gov/Charities-&-Non-Profits/Charitable-Organizations/Exemption-Requirements-Section-501\(c\)\(3\)-Organizations](http://www.irs.gov/Charities-&-Non-Profits/Charitable-Organizations/Exemption-Requirements-Section-501(c)(3)-Organizations) (last reviewed or updated Sept. 3, 2013). In other words, when a donor gives to a 501(c), over half of that money cannot be used to support political activity.

91. See, e.g., MATTHEW JOSEPHSON, *THE ROBBER BARONS: THE GREAT AMERICAN CAPITALISTS, 1861–1901*, at 347–74 (1934); Larry Howell, *Once Upon a Time in the West: Citizens United, Caperton, and the War of the Copper Kings*, 73 MONT. L. REV. 25 (2012); William P. Marshall, *The Constitutionality of Campaign Finance Regulation: Should Differences in a State’s Political History and Culture Matter?*, 74 MONT. L. REV. 79, 81 (2013).

92. 34 Stat. 864 (1907), 18 U.S.C. § 610. The federal ban on direct contributions by corporations was most recently validated by the Supreme Court in *FEC v. Beaumont*, 539 U.S. 146 (2003). Several circuits have addressed the viability of corporate contribution bans since *Citizens United* and all have ruled that *Beaumont* is the controlling authority for the regulation of direct contributions to candidates. The Second Circuit upheld New York’s “pay-to-play” contribution limits. *Ognibene v. Parkes*, 671 F.3d 174, 193–94 (2d Cir. 2011) (“[The pay-to-play scheme] is similar to a [contribution] limit and subject to the less stringent standard of review . . . [and] is closely drawn to address a sufficiently important governmental interest.”). The Fourth Circuit overturned a lower court ruling that *Citizens United* rendered *Beaumont* moot. *United States v. Danielczyk*, 683 F.3d 611, 615 (4th Cir. 2012) (“*Citizens United*, a case that addresses corporate independent expenditures, does not undermine *Beaumont*’s reasoning.”). The Eighth Circuit unanimously upheld a state ban on direct contributions by corporations in Minnesota and specifically distinguished *Citizens United* by arguing that *Beaumont* is the controlling authority for the regulation of direct contributions to candidates. *Minn. Citizens Concerned for Life, Inc. v. Swanson*, 692 F.3d 864, 879 (8th Cir. 2012) (“In light of *Beaumont*, the district court did not abuse its discretion in denying the preliminary injunction.”). The Ninth Circuit also relied on *Beaumont* to uphold a city-level ban on corporate contributions in the same year. *Thalheimer v. City of San Diego*, 645 F.3d 1109, 1124–26 (9th Cir. 2011) (describing three ways that *Citizens United* is distinct from *Beaumont*).

- (1) To what extent may Congress ban (or regulate) the participation of individuals or groups in the political process?
- (2) What "state interests" justify an acceptable ban or regulation?
- (3) Are there different standards for evaluating regulations targeting individuals versus those targeting groups of individuals (e.g., unions and corporations)?
- (4) Are there different standards for evaluating regulations that target different *types* of groups of individuals (e.g., unions vs. PACs vs. nonprofits vs. corporations, etc.)?

The Tillman Act singled out corporations as special creatures that warranted strict regulation because of the state's compelling interest in curbing widespread and well-known corruption at the hands of large corporate contributors. Congress has since banned direct contributions by unions (in 1943)⁹³ and foreign organizations (in 1966)⁹⁴ based on a similar anticorruption interest.⁹⁵ In the mid-1940s, Congress treaded into the murky waters of independent expenditures. In 1947, Congress passed the Taft-Hartley Act⁹⁶ over the veto of President Harry Truman. This post-New Deal, antiunion law statutorily prohibited unions (and by extension corporations) from making any expenditures in connection with federal campaigns.⁹⁷ Unlike the Tillman Act's ban on direct campaign contributions, the regulation of independent expenditures has proven trickier for courts to interpret. This is due in large part to the state interests that courts have accepted as justifiable (and perhaps due in larger part to the state interests the courts have *not* accepted as justifiable).⁹⁸ The Supreme Court has upheld the Tillman Act and other statutes regulating contributions to candidates on the basis that that they prevent corruption or the appearance of corruption.⁹⁹ The Court's logic is predicated on the

93. War Labor Disputes (Smith-Connally) Act, ch. 144, sec. 9, § 313, 57 Stat. 163, 167–6857 Stat. 163 (1943).

94. See 1966 Amendments to the Foreign Agents Registration Act of 1938, Pub. L. No. 89-486, 80 Stat. 244 (codified as amended at 22 U.S.C. §§ 611–618 (2006)). For a short history and discussion of the prohibition on foreign nationals (defined as individuals without "green cards," individuals with foreign citizenship, foreign corporations, foreign governments, or foreign political parties), see *Foreign Nationals*, FEC.GOV (2003), <http://www.fec.gov/pages/brochures/foreign.shtml>.

95. Note this section draws heavily from Anthony Corrado, *Money and Politics: A History of Federal Campaign Finance Law*, in THE NEW CAMPAIGN FINANCE SOURCEBOOK 7, 16–20 (Anthony Corrado et al. eds., 2005).

96. Labor Management Relations (Taft-Hartley) Act, 1947, ch. 120, 61 Stat. 136.

97. *Id.* § 304; see also Note, Section 304, *Taft-Hartley Act: Validity of Restrictions on Union Political Activity*, 57 Yale L.J. 806, 810 (1948) ("Second, Congress has supplemented its ban on 'contributions' by adding the crucial term 'expenditures.'").

98. See *infra* Part III.B.

99. The clearest articulation of the Court's respect for preventing corruption or the appearance of corruption is *Buckley v. Valeo*, 424 U.S. 1, 30 (1976) ("Congress was justified in concluding that the interest in safeguarding against the appearance of impropriety requires that the opportunity for abuse inherent in the process of raising large monetary contributions be eliminated."); *id.* at 33 ("Since the danger of corruption and the appearance of corruption apply with equal force to challengers and to incumbents, Congress had ample justification for imposing the same fundraising constraints upon both.").

proposition that contributions to candidates may stimulate quid pro quo arrangements that violate fundamental principles of representative democracy.¹⁰⁰ Using this same logic, the Supreme Court has invalidated some limits on independent expenditures because, the Court reasons, independent expenditures are, by definition, independent of candidates and thus cannot give rise to quid pro quo corruption.¹⁰¹ It is this logic that motivated the Court to invalidate the ban on corporate independent expenditures in *Citizens United*. We draw the reader's attention to the fact that the Court does not believe independent expenditures *cannot* corrupt, but that they *do not* corrupt as a matter of law.¹⁰² We address this tension in Part III below. In this Part, we note that while the logic of *Citizens United* has broad implications for campaign finance jurisprudence more generally, the scope of the decision is somewhat narrow. Our expectations for how *Citizens United* will impact spending behavior are driven by the fact that the decision was limited to the use of corporate or union general treasury funds to engage in political speech. We formulate our inquiry in the language of economics, where changes to campaign finance laws are interpreted as changes to individual demand curves, and the effect of the law is captured by the elasticity of demand for the relevant actors.¹⁰³ In other words, we credit *Citizens United* with eliminating a major cost

100. See *id.* at 26–27 (“To the extent that large contributions are given to secure a political quid pro quo from current and potential office holders, the integrity of our system of representative democracy is undermined.”).

101. See, e.g., *id.* at 46 (“[T]he independent advocacy restricted by the [FECA] does not presently appear to pose dangers of real or apparent corruption comparable to those identified with large campaign contributions.”); see also *Citizens United v. FEC*, 130 S. Ct. 876, 910 (2010) (noting that a lack of examples where votes were exchanged for expenditures “confirms *Buckley*’s reasoning that independent expenditures do not lead to, or create the appearance of, quid pro quo corruption”). The *Citizens United* Court continued, “[I]n fact, there is only scant evidence that independent expenditures even ingratiate,” and “[i]ngratiation and access, in any event, are not corruption.” Finally, see *SpeechNow.org v. FEC*, 599 F.3d 686 (D.C. Cir. 2010), where the D.C. Circuit extended the holding of *Citizens United* to the case of individual contributions to independent expenditure-only groups by writing that

the only interest we may evaluate to determine whether the government can justify contribution limits [to PACs] as applied to *SpeechNow* is the government’s anticorruption interest. Because of the Supreme Court’s recent decision in *Citizens United v. FEC*, the analysis is straightforward. There, the Court held that the government has *no* anti-corruption interest in limiting independent expenditures.

Id. at 692–93 (emphasis in original). Therefore, “contributions to groups that make only independent expenditures also cannot corrupt or create the appearance of corruption.” *Id.* at 694.

Not all observers agree with the Court. See, e.g., Michael S. Kang, *After Citizens United*, 44 IND. L. REV. 243, 244 (2010) (calling this distinction “the greatest absurdity of campaign finance law—that independent expenditures pose no threat of campaign finance corruption.”).

102. See *Citizens United*, 130 S. Ct. at 910.

103. For a broad discussion of laws as transactions costs, see generally IAN AYRES & JOHN BRAITHWAITE, *RESPONSIVE REGULATION: TRANSCENDING THE DEREGULATION DEBATE* (1992); JAMES M. BUCHANAN & GORDON TULLOCK, *THE CALCULUS OF CONSENT* (1962); JAMES M. BUCHANAN & ROGER D. CONGLETON, *POLITICS BY PRINCIPLE, NOT INTEREST* (1998).

Cast as a public choice problem, all of the actors in the campaign finance ecosystem—incumbents, candidates, lobbyists, bundlers, donors, supporters, and

for firms. Before *Citizens United*, firms that wanted to make independent expenditures had to clear legal hurdles (e.g., setting up a PAC or giving to outside groups like 501(c) organizations) as well as practical hurdles (e.g., convincing employees to contribute). *Citizens United* eliminated that price for political participation. Assuming that no other election laws and regulations change, (which we know to be false—see Hypothesis 2b below) we would, as President Obama (and others) predicted, expect an increase in the amount of independent spending after this transaction cost has been removed. We articulate this expectation as a hypothesis:

*Hypothesis 1: Citizens United “opened the floodgates” of independent expenditures generally.*¹⁰⁴

More specifically, because the scope of *Citizens United* is limited to bans on corporate and union independent expenditures, we would expect to see an increase in the amount of independent expenditures made from the general treasuries of corporations and unions relative to other sources of independent expenditures.

Naive hypothesis 2(a): Because Citizens United eliminated the transaction costs for corporations and unions, corporate/union independent expenditures will be larger as a share of all independent expenditures after Citizens United.

As we point out above, nonprofit organizations that do not contribute funds directly to campaigns or coordinate their expenditures with a campaign (i.e., 501(c) and 527 groups) may solicit unlimited sums of money from corporations and unions, among other sources. Because 501(c) nonprofits are not required to disclose their donors, and because we might predict that corporations, like people, typically prefer to remain anonymous when spending money on political activities, we might expect the amount of independent expenditures made by nonprofit organizations to increase substantially after 2010.¹⁰⁵

regulators—simultaneously pursue their own self-interest. *See generally* DANIEL A. FARBER & PHILIP P. FRICKEY, *LAW AND PUBLIC CHOICE: A CRITICAL INTRODUCTION* (1991); *RESEARCH HANDBOOK ON PUBLIC CHOICE AND PUBLIC LAW* (Daniel A. Farber & Anne Joseph O’Connell eds., 2010). This hypothesized premise led John Samples to argue against campaign finance “reform,” which he writes is code for “incumbency protection” inasmuch as no incumbent would vote for reform unless it benefited him or her. *See* JOHN C. SAMPLES, *THE FALLACY OF CAMPAIGN FINANCE REFORM* 233–54 (2006).

104. President Obama referred to an opening “floodgate.” Obama, *supra* note 7, at H418. This metaphor characterizes campaign finance laws as a blockage or barrier to political spending. Strict campaign finance laws are like dams, and when spending restrictions are lifted, the “floodgate theory” predicts that money will pour into political campaigns like flooding after a dam breaks.

105. Some scholars, expanding on the water metaphor of floodgates, have called this the hydraulic theory. *See, e.g.,* Samuel Issacharoff & Pamela S. Karlan, *The Hydraulics of Campaign Finance Reform*, 77 *TEX. L. REV.* 1705 (1999); Raymond J. La Raja, *Will Citizens United v. FEC Give More Political Power to Corporations?* (Sept. 2010) (unpublished manuscript), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=162175 (paper presented at the 2010 annual meeting of the American Political Science

Strategic hypothesis 2(b): Facing a lower price for political action after Citizens United, strategic corporations and unions will funnel their independent expenditures to nonprofit organizations that have weaker disclosure requirements.

Finally, we explore the possibility that *Citizens United* had an effect on the distribution of individuals and groups of individuals that make independent expenditures. If it is true that *Citizens United* opened the floodgates to corporate and union spending in elections (whether via the general mechanism in *Hypothesis 1* or the more specific mechanism(s) in *Hypothesis 2*), and if it is true that corporations and unions spend large amounts of money on independent expenditures, then we might expect to see smaller spenders crowded out as the probability that their expenditure is pivotal shrinks. At some threshold, the cost of spending will outweigh the expected benefit and rational would-be spenders will opt out.

Hypothesis 3: If Citizens United opened the floodgates to corporate and union spending, then small spenders, behaving rationally, will be less likely to participate after Citizens United.

One major limitation on the ability to answer these questions comes from an almost universal focus by both academic and popular commentators on spending at the federal level. As with any analysis at the federal level, the lack of a control group makes causal inference extraordinarily difficult¹⁰⁶: without a control group there is no counterfactual baseline against which to compare changes in spending patterns after *Citizens United*. We overcome this limitation by turning our attention to the states where two important features existed at the time of the *Citizens United* decision. First, about half of the states had an analogous ban on corporate independent expenditures and thus were treated by the decision that also invalidated their state laws. Second, nearly every state held a statewide election in 2010. We treat *Citizens United* as a natural experiment on the states—an exogenous shock to half of the states' laws. By measuring state-level spending over time, we are able to exploit the variation in campaign finance laws between states and better estimate the extent to which *Citizens United*, as opposed to other interventions or general time trends, is responsible for changes that we observe.

Association). According to this theory, targeted laws, such as a ban on independent expenditures, are analogous to large mallets in a carnival game of whack-a-mole. While the law may have a marginal effect on its target, this effect will be offset by increased spending elsewhere as money flows into campaigns one way or another. *Id.* at 9–10. As an example, a ban on direct contributions may lead to increased independent expenditures. Or a law that bans spending by corporations from their general treasuries may lead to increased spending by corporations via PACs, or earmarked (and anonymous) contributions to other nonprofit organizations.

106. At a minimum, a federal-only analysis is threatened by history and maturation effects. See Donald T. Campbell, *Legal Reforms As Experiments*, 23 J. LEGAL. EDUC. 217, 220 (1970).

II. STATES DIVIDED

In January 2010, twenty states prohibited corporations and/or unions from making independent expenditures to state campaigns.¹⁰⁷ Although most of these bans were passed after the federal independent expenditure ban that the Court overturned in *Citizens United*, a handful of states had enacted bans earlier, including Wisconsin and West Virginia, which enacted bans in 1905 and 1908, respectively. A full chronology of state independent expenditure bans is found in Table 1. As Justice Stevens pointed out in his *Citizens United* dissent, all of these state laws were implicated by the Court's holding,¹⁰⁸ though none were implicated as clearly as Michigan's. The dispute at the center of *Austin v. Michigan State Chamber of Commerce*¹⁰⁹ was Michigan's state independent expenditure ban. Thus, by overruling *Austin*, the Court directly invalidated Michigan's ban, something the Michigan Secretary of State acknowledged one week later in a public statement.¹¹⁰ By July 2010, eight more states had passed legislation that explicitly repealed their bans on corporate independent expenditures, and the chief campaign finance board or official in nine additional states had adopted an emergency rule or published an advisory opinion that *Citizens United* invalidated their state ban, which would go unenforced until the legislature acted.¹¹¹

107. These twenty states are, in alphabetical order, Alaska, Arizona, Colorado, Connecticut, Iowa, Kentucky, Massachusetts, Michigan, Minnesota, Montana, North Carolina, Ohio, Oklahoma, Pennsylvania, South Dakota, Tennessee, Texas, West Virginia, Wisconsin, and Wyoming. See *infra* Table 1. One additional state, New Hampshire, repealed its ban on corporate independent expenditures in 2000.

108. See *Citizens United v. FEC*, 130 S. Ct. 876, 933 (2010) (Stevens, J., concurring in part and dissenting in part) ("The Court operates with a sledge hammer rather than a scalpel . . . [and] compounds the offense by implicitly striking down a great many state laws as well.").

109. 494 U.S. 652 (1990).

110. See Mich. Dep't of State, *Independent Expenditures by Corporations, Unions and Domestic Dependent Sovereigns U.S. Supreme Court Decision Issued January 21, 2010* *Citizens United v. Federal Elections Commission*, MICHIGAN.GOV, http://www.michigan.gov/sos/0,1607,7-127-1633_8723_15274-230880--,00.html.

111. Arizona, Colorado, Connecticut, Iowa, Minnesota, South Dakota, Tennessee, and West Virginia passed legislation. Kentucky, Massachusetts, Ohio, Pennsylvania, Texas, Wisconsin, and Wyoming lifted their bans by administrative action, including the decision not to enforce the bans. Administrative actions in Alaska and Oklahoma were later adopted into the states' legislation. See Table A in the Appendix for a state-by-state breakdown of legal responses to *Citizens United*.

Table 1. State independent expenditure bans

State	Year ban took effect	State	Year ban took effect
1. Wisconsin	1905	12. Pennsylvania	1979
2. West Virginia	1908	13. Texas	1987
3. Montana	1947	14. Minnesota	1988
4. Tennessee	1972	15. Alaska	1996
5. North Carolina	1973	16. Connecticut	2000
6. Kentucky	1974	17. Oklahoma	2000
7. Massachusetts	1975	18. Colorado	2003
8. Michigan	1976	19. Iowa	2003
9. Wyoming	1977	20. Ohio	2005
10. Arizona	1978	21. South Dakota	2007
11. New Hampshire	1979		

The fate of corporate independent expenditure bans in the two remaining states was not determined for several more months. The North Carolina legislature passed House Bill 748¹¹² on July 10, 2010, striking the independent expenditure ban from its state code (among other things). Because North Carolina was subject to “preclearance” under section 5 of the Voting Rights Act, however, the new law could not take effect until the Department of Justice approved the changes, which took nearly eight months.¹¹³ Montana’s independent expenditure ban hung in limbo for much longer, as the state defended its law against multiple legal challenges for two years.

A. The Case of Montana

Montana Attorney General Steve Bullock had originally led an effort to author an amicus brief in *Citizens United* on behalf of twenty-six Attorneys General that urged the Court to rule narrowly on just the federal issues and to either uphold or ignore *Austin*, as it represented the jurisprudential bedrock of many states’ regulations on corporate campaign spending.¹¹⁴ Less than two weeks after *Citizens*

112. H.B. 748, 2009 Gen. Assemb., Reg. Sess. (N.C. 2010).

113. North Carolina submitted three separate petitions for preclearance: 2010-3057, 2010-3059, and 2010-3090. See U.S. Dep’t of Justice, *Notice of Preclearance Activity: The Voting Rights Act of 1965, as Amended*, JUSTICE.GOV (Aug. 9, 2010), <http://www.justice.gov/crt/about/vot/notices/vnote080910.php>. The three preclearance submissions were approved on April 5, 2011. In *Shelby County, Alabama v. Holder*, 133 S. Ct. 2612 (2013), the Supreme Court invalidated section 4 of the Voting Rights Act, which had subjected North Carolina to preclearance under section 5. Because the Department of Justice approved North Carolina’s campaign finance reform in 2010, *Shelby County* has no effect on these reforms. However, future reforms need not be precleared by the federal government.

114. See Brief of the States of Montana, Arizona, Connecticut, Florida, Hawaii, Illinois, Iowa, Kansas, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Dakota, Tennessee, Vermont, West Virginia, as Amici

United was decided, Bullock appeared before the U.S. Senate Committee on Rules and Administration and lamented that he “didn’t want this fight in Montana, but the *Citizens United* decision will likely invite a challenge to the people’s law of 1912.”¹¹⁵ It took just one month for that challenge to materialize. In March 2010, two corporations (later joined by a third) sued Bullock and asked the court to permanently enjoin him and all county attorneys from enforcing Montana’s corporate independent expenditure ban. Citing *Citizens United*, the trial court declared the state law unconstitutional, and granted the plaintiffs’ motion for summary judgment.¹¹⁶ Quoting a U.S. district court judge who had held Minnesota’s corporate independent expenditure ban unconstitutional several months earlier,¹¹⁷ the trial court wrote that the “Supreme Court’s decision in *Citizens United* is unequivocal: the government may not prohibit independent and indirect corporate expenditures on political speech.”¹¹⁸ The court concluded that Montana’s law “favors some speakers over corporations” and thus “abridges Plaintiffs’ right to engage in political speech . . . and is not narrowly tailored to meet any interest claimed to be compelling.”¹¹⁹ One year later, the parties argued their case on appeal before the Supreme Court of Montana. In a surprising decision, the supreme court reversed the lower court ruling that had, in the supreme court’s eyes, “erroneously construed and applied the *Citizens United* case.”¹²⁰ After expressing skepticism that the plaintiff-appellees were at risk of any material harm, the court sought to distinguish the facts of the case by writing that “unlike *Citizens United*, this case concerns Montana law, Montana elections and it arises from Montana history.”¹²¹ The court noted that the burden of establishing a PAC was much less “onerous” in Montana than at the federal level (referencing one of the arguments by the *Citizens United* majority).¹²² The court also traced out the history

Curiae Addressing June 29, 2009 Order for Supplemental Briefing and Supporting Neither Party, *Citizens United*, 130 S. Ct. 876 (No. 08-205).

115. See *Corporate America vs. the Voter: Examining the Supreme Court’s Decision to Allow Unlimited Corporate Spending in Elections Before the S. Comm. on Rules & Admin.*, 111th Cong. 2 (2012), available at http://www.rules.senate.gov/public/index.cfm?a=Files.Serve&File_id=60a8bdb2-9112-47c9-a9d1-4be283039ac1 (statement of Steve Bullock, Att’y Gen. of Montana).

116. See *W. Tradition P’ship, Inc. v. Att’y Gen.*, No. BDV-2010-238, 2010 WL 4257195 (Mont. Dist. Ct. Oct. 18, 2010) (order on cross-motions for summary judgment).

117. See *Minn. Chamber of Commerce v. Gaertner*, 710 F. Supp. 2d 868 (D. Minn. 2010). The federal district court did not wait for the state legislature to act in ruling the law unconstitutional, even though the legislature was in conference on a repeal that it had debated for three months. The legislature ultimately passed Senate File 2471 one week after the district court opinion (though without reference to the opinion). See S.F. 2471, 86th Leg., Reg. Sess. (Minn. 2010); see also *SF 2471 Status in the Senate for the 86th Legislature (2009–2010)*, MINN. ST. LEGISLATURE, <https://www.revisor.mn.gov/bills/bill.php?b=Senate&f=SF2471&ssn=0&y=2010>.

118. *W. Tradition P’ship*, No. BDV-2010-238, slip op. at 12 (citation omitted) (quoting *Gaertner*, 710 F. Supp. 2d at 873).

119. *Id.* at 9.

120. *W. Tradition P’ship, Inc. v. Att’y Gen.*, 2011 MT 328, ¶ 10, 363 Mont. 220, 271 P.3d 1, *rev’d sub nom.* *Am. Tradition P’ship, Inc. v. Bullock*, 132 S. Ct. 2490 (2012) (*per curiam*).

121. *Id.* ¶ 16.

122. *Id.* ¶¶ 12, 21.

of serious corruption in Montana politics that had prompted the state to enact its Corrupt Practices Act in 1912.¹²³ Finally, the Court homed in on the potential negative effects of corporate money in state judicial elections.¹²⁴ Two justices dissented. Both expressed sincere sympathy with the majority's opinion, yet felt constrained to follow what they saw as a clear application of a broad U.S. Supreme Court ruling.¹²⁵

On June 25, 2012, the U.S. Supreme Court summarily reversed Montana's high court without a hearing.¹²⁶ The Court's statement was simple and clear: "There can be no serious doubt that [*Citizens United* applies to the Montana state law]."¹²⁷ Four Justices voted to deny the petition for writ of certiorari by American Tradition Partnership (as the corporation was now called), though they argued, in dissent, that Montana's clear history of political corruption warranted an as-applied review of *Citizens United*.¹²⁸

The Montana case raises important questions about the relevance of empirical facts in American campaign finance jurisprudence. Taken together, *Citizens United* and *American Tradition Partnership* stand for the proposition that independent expenditures cannot corrupt as a matter of law, any facts to the contrary notwithstanding. We take up the implications of this legal fiction in Part III below.

B. *Citizens United* as a Natural Experiment

As of June 25, 2012, corporations and unions were free to spend unlimited amounts of money from their general treasuries on independent expenditures for every election in every state. The exogenous shock of *Citizens United* on the laws of twenty states provides a natural setting to measure the effects of an independent expenditure ban on the spending behavior of corporations and unions. We do so by relying on recently compiled state-level reports of independent expenditures, which have been accumulated by the National Institute on Money in State Politics.¹²⁹

123. *Id.* ¶¶ 22–28.

124. *Id.* ¶¶ 111–17. Note that the U.S. Supreme Court had also worried about the negative effects of corporate money in judicial elections. *Id.*; see also *Caperton v. A.T. Massey Coal Co.*, 129 S. Ct. 2252 (2009).

125. *W. Tradition P'ship*, 2011 MT 328, ¶ 69 (Nelson, J., dissenting) ("I have never had to write a more frustrating dissent. I agree, at least in principle, with much of the Court's discussion and with the arguments of the Attorney General. More to the point, I thoroughly disagree with the Supreme Court's decision in *Citizens United*. I agree, rather with the eloquent and, in my view, better-reasoned dissent of Justice Stevens. As a result, I find myself in the distasteful position of having to defend the applicability of a controlling precedent with which I profoundly disagree."); *id.* ¶ 69 n.3 ("The task is all the more distasteful in light of Western Tradition Partnership's questionable tactics and blatant hypocrisy."); *id.* ¶ 49 (Baker, J., dissenting) ("[T]he State of Montana made no more compelling a case than that painstakingly presented in the 90-page dissenting opinion of Justice Stevens and emphatically rejected by the majority in *Citizens United*.").

126. *Am. Tradition P'ship v. Bullock*, 132 S. Ct. 2490 (2012) (per curiam).

127. *Id.* at 2491.

128. *Id.* (Breyer, J., dissenting).

129. The National Institute on Money in State Politics is a nonpartisan, nonprofit organization in Helena, Montana, that maintains a "comprehensive and verifiable" database

Independent expenditure data are currently available for eighteen states between 2006 and 2011—twelve states whose independent expenditure bans were invalidated by *Citizens United* (“treatment”) and six states that never had an independent expenditure ban (“control”). Our primary model, a difference-in-differences design, compares spending related to all state races (gubernatorial, judicial, state legislative, and other statewide races) in treatment and control states between 2006 and 2010. This design requires us to drop two states from our sample for which there are available data: North Carolina (a treated state) because, as we describe above, the state’s repeal of its independent expenditure ban did not take effect until 2011, and Florida (a control state) because the only reported independent expenditures are on ballot measures, and corporate independent expenditures in support of or opposition to ballot measures has always been legal.¹³⁰ For the remaining sixteen states in our sample, which comprise 48.9% of the population of the United States (see Figure 1 map on the next page), information is available about the name of each spender, the type of spender (e.g., union, party, nonprofit, etc.), the recipient of the expenditure, the target candidate, the targeted elected office, and the amount of each expenditure.

Because *Citizens United* was decided three-quarters of the way into the 2010 election cycle, and because state responses to the decision took effect even later in the year, we first test our assumption that treatment states in our sample were indeed “treated” in a meaningful way. For statewide seats with four-year terms, the 2010 election cycle began on the day immediately following the 2006 gubernatorial election and was already three years old when the Supreme Court ruled in *Citizens United*.¹³¹ However, we note that almost all of the independent expenditures during the 2010 election cycle were made after every state in our sample had changed its law. In fact, 96.4% of all independent expenditures in our sample were made after the individual states passed laws removing their bans (and 100% of all independent expenditures in seven of the eleven treated states).¹³² We drop all expenditures that were made before the law changed in order to validly test the difference in spending in states with and without a prohibition on corporate independent expenditures. However, we note that the data are still vulnerable to various sources of confounding bias—factors that may jointly impact the likelihood that a state had imposed a spending ban *and* the level of independent expenditures. We include several variables in our models below to control for this bias. A summary of our covariates appears in the Appendix (Table C).

Of the potential confounding variables that could impede our ability to show that *Citizens United*, and not something else, caused a change in independent expenditures in treatment states, one of the most important is the level of political competition in a given election year. Increased political competition could result in increased amounts of money going toward campaigns and election efforts, independent of the legal status on independent expenditures at the state level. We

of political spending in all fifty states, freely available to the public. Nat’l Inst. on Money in State Politics, *Mission & History*, FOLLOWTHEMONEY.ORG, <http://followthemoney.org/Institute/index.phtml>.

130. See *First Nat’l Bank of Boston v. Bellotti*, 435 U.S. 765, 790–91 (1978).

131. Similarly for seats up for election every two years, the 2010 election cycle was well underway when *Citizens United* was decided.

132. See Figure B in the Appendix.

difference-in-differences model of independent expenditure spending over time, in which c represents each election cycle and L represents the law in each state with respect to independent expenditure bans for corporations or unions (= “ban” in treated states and = “no ban” otherwise). The difference-in-differences estimator, τ , can be written:

$$\tau = \{E[Y_i | c = 2010, L = \text{ban}] - E[Y_i | c = 2006, L = \text{ban}]\} - \{E[Y_i | c = 2010, L = \text{no ban}] - E[Y_i | c = 2006, L = \text{no ban}]\}.$$

Or, in other words, the observed outcome is the difference between states before and after a ban among those *that have a ban* and states before and after a ban among states *without a ban*. In Figure 2, we plot the raw independent expenditures in treatment and control states before and after *Citizens United*. Because the number of states in the treatment and control conditions is not equal—eleven treatment and five control—we plot independent expenditures on a per capita basis, where there is more balance between the two groups (treated states comprise 28% of the U.S. population, control states 22%).¹³⁵ In Figure 2, we see that when the corporate independent expenditure bans were still in effect, the level of independent expenditures was smaller, per capita, in states affected by the bans than in states that did not have a ban. In 2010, after the repeal of all state independent expenditure bans in the sample, the relationship changed: the level of independent expenditures in states whose bans had been repealed was *higher* per capita than the level of independent expenditures in control states.

In a difference-in-differences design, the “treatment effect” is the difference between total independent expenditures in treated states and independent expenditures in a hypothetical counterfactual state that parallels the control states (marked with a dotted line in Figure 2). We address the limitations of this parallel time trends assumption below, but here note that the parallel counterfactual baseline provides context to the change that we observe in the treated states. If we just compared spending in treated states before and after *Citizens United*, we would overestimate the impact of the legal change. Conversely, if we just compared the difference in independent expenditures between treated and control states in 2010, we would underestimate the impact of the legal change. In real dollars, independent expenditures increased from \$40 million to \$72 million in our sample of states that had a corporate independent expenditure ban in 2006 (an increase of 80%). Independent expenditures increased from \$38 million to \$51 million in our sample of states that never had a corporate independent expenditure ban (an increase of 34.2%). In other words, with an assumption of parallel time trends, we would have expected to see about 35% more spending in the treated states, whether or not they repealed their corporate bans on independent expenditures.

With this information we can generate a more precise estimate of the change in spending attributable to changes in campaign finance law. This crucial information is missing for those who attempt to estimate the effect of *Citizens United* on federal

135. The average population between 2006 and 2010 was 82,343,434 in treated states and 64,518,787 in control states. See U.S. Census Bureau, *Population Estimates*, CENSUS.GOV, <http://www.census.gov/popest/data/historical/index.html> (last revised Dec. 20, 2012).

spending, though careful commentators who recognize this have offered theoretical counterfactuals to bolster their claims.¹³⁶

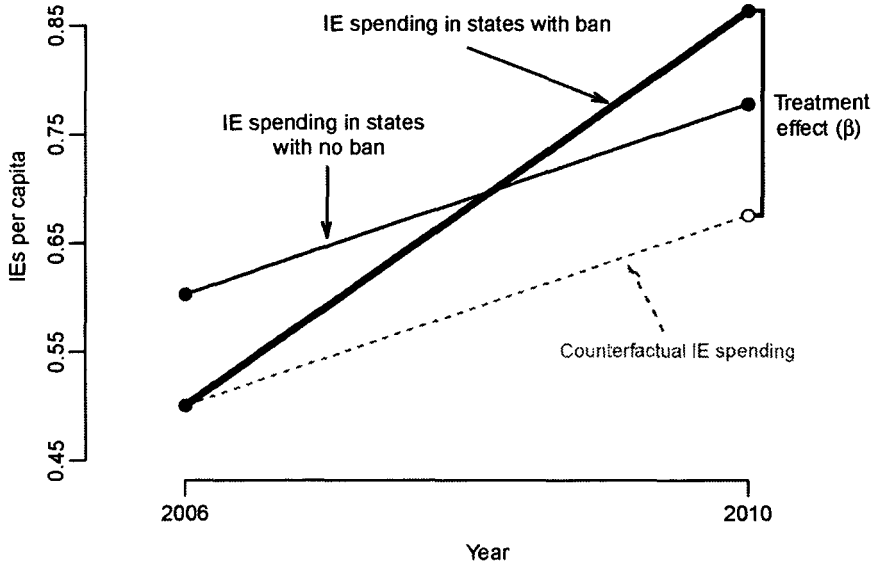


Figure 2. Difference-in-differences between per capita independent expenditures in 2006 and 2010 and between states with a corporate independent expenditure ban and states without a ban. This approach assumes a parallel time trend between treated states and control states. The “treatment effect” or difference between spending in states in the treatment condition and the hypothetical counterfactual is 18.8 cents per person.

Source: National Institute on Money in State Politics 2012.

Based on raw spending numbers in our sample, of the \$32 million increase in spending in treated states, \$13 million is explained by the counterfactual trend. The remaining \$19 million increase, or nineteen cents per person in Figure 2 (identified as the “treatment effect” or τ), can be attributed to external effects such as *Citizens United*, unique features of the states, or randomness.

One of the limitations of the parallel time trends assumption is that all time-varying predictors of the outcome are considered to be equal in both control and treated states across the entire time period. We know this is *not* true in our sample; in fact, we know that our units of analysis (the states) vary in important ways that are related to the amount of independent expenditures we observe in treated (T) and control (C) states. For

136. See, e.g., Matt Bai, *How Much Has Citizens United Changed the Political Game?*, N.Y. TIMES MAG., (July 17, 2012), <http://www.nytimes.com/2012/07/22/magazine/how-much-has-citizens-united-changed-the-political-game.html?pagewanted=all> (explaining that while, as of the time of the article, corporate independent expenditures had not skyrocketed in the wake of *Citizens United*, outside spending driven by “the fury and anxiety of out-of-power millionaires” since BCRA had indeed skyrocketed and would have even without *Citizens United*).

example, some states experienced periods of divided government while others did not. In some states, for example, Colorado (T) and Ohio (T), the incumbent Governor was term-limited in 2006. In other states, for example, Maine (C), Michigan (T), and Oklahoma (T), the incumbent Governor was term-limited in 2010. Some states in our sample are heavily populated, for example, Texas (T) and Ohio (T), and some are sparsely populated, for example, Alaska (T) and Maine (C). Some states are heavily Democratic, for example, California (C) and Massachusetts (T), and some are heavily Republican, for example, Idaho (C) and Tennessee (T). Some states have high rates of union membership, for example, Michigan (T) and Washington (C). In short, the states in our sample vary in many important respects that may be related to the amount of independent expenditures made in a particular election. The differences could undermine the assumption of parallel time trends between treatment and control states. Regression analysis is helpful for dealing with this problem.

In Table 2, we present the results of ordinary least squares (OLS) regression, estimating the difference between treated and control states, with and without a set of control variables. The outcome variable is the natural log of independent expenditures. When we control for state-level measures of political competition and demographics, the differences between the states in both the pre- and post-time periods shrink slightly, but the difference-in-differences estimator is exactly the same. In fact, the entire model with controls, though less precisely measured, is nearly identical to the model without controls.¹³⁷ This suggests that the treatment effect (i.e., the difference in spending between treated states and a control-parallel counterfactual) is not being driven by confounders that we model, but by the treatment itself.¹³⁸

137. Other control variables we modeled include Democratic percentage of the state upper house (highly correlated with percentage in the lower house), lagged turnover in the upper house, the number of incumbents running, the number of seats in both houses, the size of legislative districts in both houses, the number of contested seats in both houses, divided government, the number of firms in the state, the payroll of all large firms, the percentage of the workforce that belongs to a union, and the percentage of the population with a B.A. or more.

Because our model includes so few observations (thirty-two state-years), we risk saturation by including too many variables in any one model. We ran multiple iterations of the difference-in-differences model

$$\log(\text{independent expenditure})_{sy} = \alpha_{sy} + \beta_1(2010)_y + \beta_2(\text{independent expenditure ban})_s + \beta_3(2010 * \text{ban})_{sy} + \beta_4(\text{controls})_{sy} + \varepsilon_{sy}$$

and the treatment effect was robust to every covariate that we included singly as well as nearly every combination of covariates (as the number of covariates exceeded five, the model became unstable). In these models, the interaction term fluctuated from as low as 1.14 to as high as 1.35.

138. Our model is limited to observable and measurable covariates. This means that we cannot control for variation in state culture, unmeasured attitudes toward political spending, or other unobservable confounders. By assumption, these confounders are considered to be time-invariant.

Table 2. Logged independent expenditures in 2006 and 2010

	(A) Without Controls	(B) With Controls
States with Bans	-1.40 [-3.89, 0.71]	-1.12 [-3.74, 1.03]
Post- <i>Citizens United</i>	0.36 [-1.88, 2.37]	-0.22 [-2.17, 1.44]
Bans * Post- <i>Citizens United</i>	1.28 [-1.36, 4.33]	1.27 [-0.88, 3.93]
N	32	32
Adj. R ²	0.02	0.34
95% bootstrap confidence intervals in brackets (10,000 resamples)		

Note: One observation per state-year ($N = 32$). Model (A) represents a simple OLS interaction model with no control variables. In model (B) we include the following covariates: Democratic percentage of state lower house, number of contested seats in the current election, lagged turnover rates in lower house, state median income, and state population. Due to our low statistical power for this part of the analysis, these models are not statistically significant.

These observed changes in overall spending implicate *Citizens United* but cannot tell the whole story. If *Citizens United* caused an increase in spending, then that increase would have been driven by *corporate and union* independent expenditures. In Figure 3, we plot spending by the known identity of the spender to see whether, as hypothesized above, we see an influx of corporate and union dollars after 2010. In theory, we should observe no change in levels of corporate/union spending in the control states across the entire time period and low (or no) levels of corporate/union spending in the treatment states in 2006, with convergence to control state levels in 2010. The data do not support this hypothesis.

Corporate and union spending increased after *Citizens United*, but only in the control states.¹³⁹ In addition, there is no convergence between treated and control states in 2010; treated states look less similar to the control states in 2010.

139. Union spending in the 2010 California gubernatorial race accounted for 62% of the increase in all control state spending between 2006 and 2010. Without California, union spending was \$4 million higher in 2010.

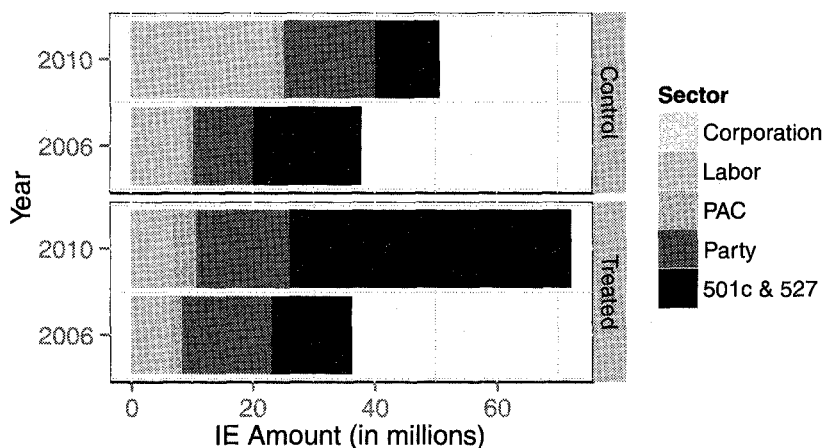


Figure 3. Raw independent expenditures (IE), in millions of dollars, by spender. We exclude spending by individuals (three-tenths of 1% of spending) and spending categorized as “Other” (four-tenths of 1%) by the National Institute on Money in State Politics (NIMSP). The largest category of spending is coded by the NIMSP as “Single Issue” and comprises spending by both 501(c) organizations and 527 political committees.

We observe very little corporate spending. Among all of the control states, two corporations (Koch Industries in Washington and Energy Horizon Technologies in California) spent just over \$1400 combined in 2010.¹⁴⁰ Among all of the treated states, one corporation (Deloitte & Touche LLP in Texas) spent \$3300 to cater a meal at an event supporting the state comptroller candidate in 2006,¹⁴¹ and one corporation (Lutak Lumber & Supply, Inc. in Alaska) spent \$100 in 2010.¹⁴² Unions spent far more than corporations, but the difference between 2006 and 2010 in treated states was very small (4%).¹⁴³ This is hardly a floodgate of spending by corporations and unions, as some pundits and scholars predicted.

140. Nat'l Inst. on Money in State Politics, *Energy Horizon Technologies*, FOLLOWTHEMONEY.ORG, <http://www.followthemoney.org/database/StateGlance/iespender.phtml?ie=6828>; Nat'l Inst. on Money in State Politics, *Koch Industries*, FOLLOWTHEMONEY.ORG, <http://www.followthemoney.org/database/StateGlance/iespender.phtml?ie=9040>.

141. Nat'l Inst. on Money in State Politics, *Deloitte & Touche*, FOLLOWTHEMONEY.ORG, <http://www.followthemoney.org/database/StateGlance/iespender.phtml?ie=5242>. This independent expenditure appears to have been made in violation of the corporate independent expenditure ban.

142. Nat'l Inst. on Money in State Politics, *Lutak Lumber & Supply, Inc.*, FOLLOWTHEMONEY.ORG, <http://www.followthemoney.org/database/StateGlance/iespender.phtml?ie=4631>.

143. Note that Iowa, Massachusetts, Minnesota, and Washington (all treated states) banned independent expenditures by corporations but not by unions. The \$6.5 million of reported spending by unions in these states in 2006 was thus completely legal. Union expenditures in these four states increased by \$300,000 (5%) in 2010.

We do observe one significant change in the treated states: spending by outside groups—both 501(c) nonprofit organizations and 527 political committees—nearly doubled both in terms of actual dollars (\$25 million increase) and as a share of all spending (77% increase). Unfortunately, we do not know the source of contributions to these groups. Section 501(c) organizations are not required by law to disclose the identity of their donors, meaning we may never know who backed these groups. While 527 political committees are required to disclose their donors, the information is not easily accessible, requiring formal public-records requests in many states.

One possible explanation for the observed divergence between treated and control states in 2010 is variation in political culture. In control states, tolerance for spending by unions and corporations is likely higher than in treated states. If states had corporate/union bans, particularly long-held bans, then the public's perception that corporate/union money can corrupt politics might provide an extra incentive for corporations/unions in treated states to make independent expenditures through 501(c) and 527 organizations, as we hypothesize above. In states that had no bans, this incentive may be much less powerful or nonexistent.

In summary, in states affected by *Citizens United*, we observe a disproportionate increase in overall independent expenditures that is driven by 501(c) and 527 group spending. Although we cannot empirically verify that corporations and unions increased their political activity, we know that the most substantive changes to campaign finance laws between 2006 and 2010 eliminated prohibitions on corporate and union political spending, specifically on spending for the type of activities (independent expenditures) that are often managed by advocacy organizations and groups with political advertising expertise. In light of these facts, we view the findings in this Part as evidence that corporations and unions increased their political spending in response to laws that permitted them to do just that. This conclusion is neither surprising nor controversial. We note, moreover, that our analysis provides the first systematic estimates of the magnitude of the response—a 100% spending increase—as well as the mechanism—an almost exclusive reliance on 501(c) and 527 organizations.

2. Distributional Effects

In addition to our analysis of aggregate spending above, we evaluate how the distribution of independent spending changed over time. Our interest in the distribution of spending is motivated by concerns about equality, a concern about which judges have shown mixed interest. In 1990, the Supreme Court recognized equality as a legitimate state interest when it upheld Michigan's Campaign Finance Act.¹⁴⁴ In *Austin*, the Supreme Court admitted concern about the “corrosive and distorting effects of immense aggregations of wealth that are accumulated with the help of the corporate form and that have little or no correlation to the public's support for the corporation's political ideas.”¹⁴⁵ Although the idea of equality, or

144. See *Austin v. Mich. State Chamber of Commerce*, 494 U.S. 652, 659–60 (1990), *overruled by Citizens United v. FEC*, 130 S. Ct. 876 (2010).

145. *Id.* at 660.

what is sometimes referred to as “antidistortion,” has historically focused on the corporate form, the logic applies to noncorporate entities as well. To the extent that the wealthy spend large stockpiles of money in support of candidates, the Court recognized a state interest in preventing that money from distorting the public’s access to information or from distorting legislation and judicial decisions in favor of the spender.¹⁴⁶ In *Citizens United*, the Court held that the antidistortion concern was not sufficiently compelling to justify limits on First Amendment speech.¹⁴⁷ One year later, in *Arizona Free Enterprise Club’s Freedom Club PAC v. Bennett*,¹⁴⁸ the Court’s majority explicitly rejected the antidistortion rationale altogether.

“Leveling the playing field” can sound like a good thing. But in a democracy, campaigning for office is not a game. It is a critically important form of speech. The First Amendment embodies our choice as a Nation that, when it comes to such speech, the guiding principle is freedom—the “unfettered interchange of ideas”—not whatever the State may view as fair.¹⁴⁹

The rejection of the antidistortion rationale has proven controversial, in large part because the Court itself has acknowledged that disproportionate spending may create bias in favor of the spender and violate the Constitution’s guarantee of due process.¹⁵⁰ For several decades political scientists have reported high rates of political inequality—the affluent are politically active and the less advantaged are not—and policy outcomes that benefit those whose voices are heard.¹⁵¹ One hypothesis about the rise of overwhelmingly large expenditures is that it will drown out the voices of smaller donors, or crowd them out altogether. We cannot directly test this hypothesis because we cannot observe individuals or groups who contemplate making independent expenditures but ultimately decide not to. We can, however, test whether smaller spenders are more elastic to changes in campaign finance law, which may be instructive on this point. We test elasticity by analyzing the entire distribution of independent expenditures and comparing the relative share of large and small spenders per year. If smaller spenders are getting

146. For example, the Court upheld an aggregate limit on contributions to candidates, political committees, and parties in *Buckley*. Note that at the time of this writing, the Court had agreed to hear a case challenging these aggregate limits. See *McCutcheon v. FEC*, 893 F. Supp. 2d 133 (D.D.C. 2012), *prob. juris. noted*, 133 S. Ct. 1242 (2013).

147. *Citizens United*, 130 S. Ct. at 903–11.

148. 131 S. Ct. 2806 (2011).

149. *Id.* at 2826 (quoting *Buckley v. Valeo*, 424 U.S. 1, 14 (1976)).

150. *Caperton v. A.T. Massey Coal Co.*, 129 S. Ct. 2252, 2263–64 (2009) (“We conclude that there is a serious risk of actual bias—based on objective and reasonable perceptions—when a person with a personal stake in a particular case had a significant and disproportionate influence in placing the judge on the case by raising funds or directing the judge’s election campaign when the case was pending or imminent.”).

151. See generally MARTIN GILENS, *AFFLUENCE AND INFLUENCE* (2012); JACOB S. HACKER & PAUL PIERSON, *WINNER-TAKE-ALL POLITICS* (2010); KAY LEHMAN SCHLOZMAN, SIDNEY VERBA & HENRY E. BRADY, *THE UNHEAVENLY CHORUS: UNEQUAL POLITICAL VOICE AND THE BROKEN PROMISE OF AMERICAN DEMOCRACY* (2012); SIDNEY VERBA, KAY LEHMAN SCHLOZMAN & HENRY E. BRADY, *VOICE AND EQUALITY* (1995).

crowded out, then we should observe a shift toward larger independent expenditures.¹⁵²

The distribution of all independent expenditures in our sample is shown in Figure 4. Because many spenders make repeated expenditures during one election, we aggregate spending to the level of the spender. The average (median) spender amount in 2006 and 2010 was \$7545. Thirty-six spenders in the dataset (of 843 total) spent \$1 million or more in a state in a given year.

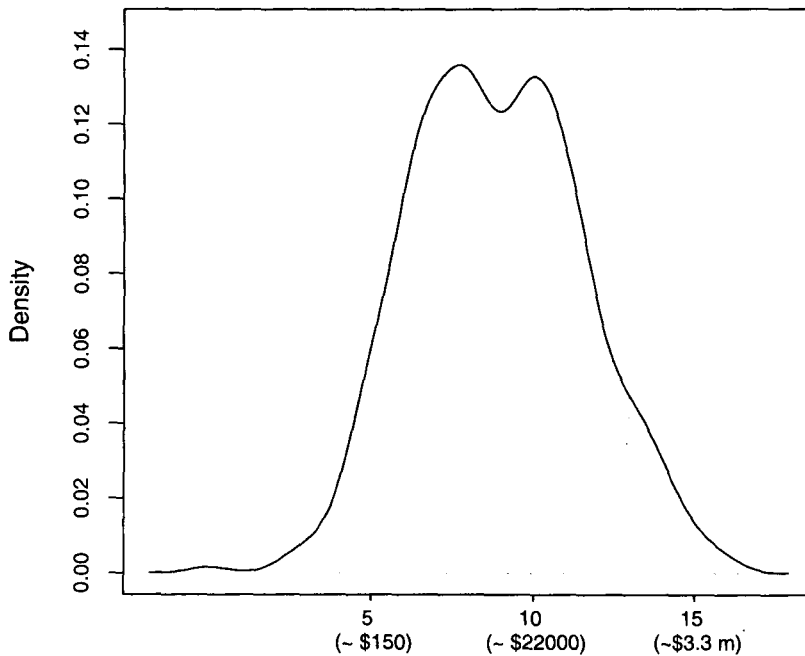


Figure 4. Logged amount spent by each unique spender in 2006 and 2010. Logged amounts are “translated” into dollar amounts in parenthesis. The data includes 843 reported spenders from sixteen states. Note that reported spenders are simply those that report independent expenditures pursuant to campaign finance requirements, and these reported spenders could all be spending money received by the same “root” spender or donor, which goes unreported.

152. It is theoretically possible that individuals who get crowded out of the independent expenditure market choose to contribute money directly to candidates. In practice, however, independent expenditures are almost exclusively made by those who have already maxed out their direct contributions to candidates. See Briffault, *supra* note 88, at 1678. We provide a plot in Figure F in the Appendix of direct contributions to gubernatorial candidates before and after independent expenditure bans were passed in nineteen states, which suggests that there is no relationship between independent expenditure bans and direct contributions.

Our first statistical approach is to compare changes in spending between treatment and control states by percentile. We present quantile-quantile (QQ) plots for 2006 and 2010 in Figure 5. Control states are circles, treatment states are Xs, and the 45° line represents equal spending in 2006 and 2010. As Figure 6 illustrates, there was very little change in the amount spent per spender in the control states in 2010 compared to 2006. The change in the treatment states was much more pronounced. Two two-sample Kolmogorov-Smirnov tests, one on treatment and one on control, confirm that the difference is larger and more precisely measured among treatment states ($D = 0.24$, p-value = 0.00) than among control states ($D = 0.07$, p-value = 0.40).¹⁵³ We also observe a slight downward departure from the line among treatment states at the lower percentiles, indicating that at least at some part of the distribution spending in 2006 was higher than in 2010. The most prominent effect, however, is an increase in spending in treatment states after *Citizens United* in the middle of the distribution. We explore the robustness of this effect by running the same difference-in-differences analysis presented in the previous Part on every percentile in the data.¹⁵⁴

153. By way of explanation, Kolmogorov-Smirnov (K-S) tests are simply an estimate of whether two distributions differ in a statistically significant way. Each group, treatment and control, present two distributions: before *Citizens United* and after. We test whether the group's distribution in 2010 is different from its distribution in 2006. We are able to say it is for the treatment states. The change in the control states is smaller and less precisely estimated. We present two-sample K-S tests, though we think a one-sample test is justified since we are testing for crowding out. For a one-sample test, the estimates would be identical, but the p-values would be halved.

154. We estimate the equation

$$Y = \alpha + \beta_1 \text{Post} + \beta_2 \text{Treatment} + \beta_3 (\text{Post} * \text{Treatment}) + \gamma \text{State} + \varepsilon$$

on each percentile of the data, where the coefficient of interest is β_3 , and γ State is a state fixed effect, which controls for state-specific confounding. β_3 estimates the difference between two quantities: the pre-post difference among treated states and the pre-post difference among control states. Because we showed earlier that *Citizens United* seems to have had an effect on independent expenditure spending, we expect the former quantity (difference among treated states) to be greater than the latter quantity (difference across control states) across most of the distribution. Therefore, we expect to observe that most of the points in the data, each of which represents 1/100 of the distribution, will be above zero.

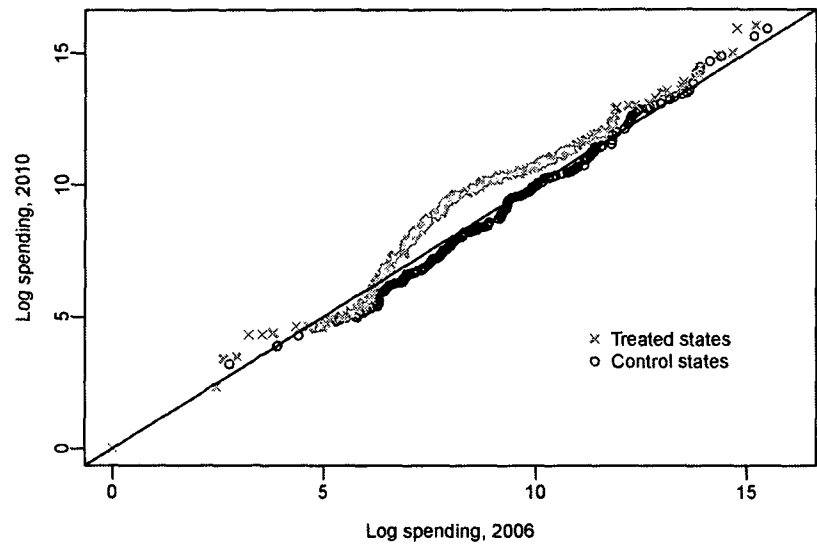


Figure 5. Quantile-quantile plots for treatment and control states between 2006 and 2010. Each dataset (treatment and control) are broken into 100 equally sized quantiles, or percentiles. Circles represent percentiles in control states and Xs represent percentiles in treatment states. The 45° line represents equal spending in 2006 and 2010.

Figure 6 illustrates which parts of the distribution drive the differences between the states, helping us gain traction on the question of whether smaller spenders are affected differently than larger spenders. We observe that spending increased more in absolute dollar terms in the treated states than in the control states across nearly every percentile, with the most significant difference in the middle of the distribution and not the tails. In other words, the treatment effect that we identified in the previous Part is not driven by the largest expenditures.

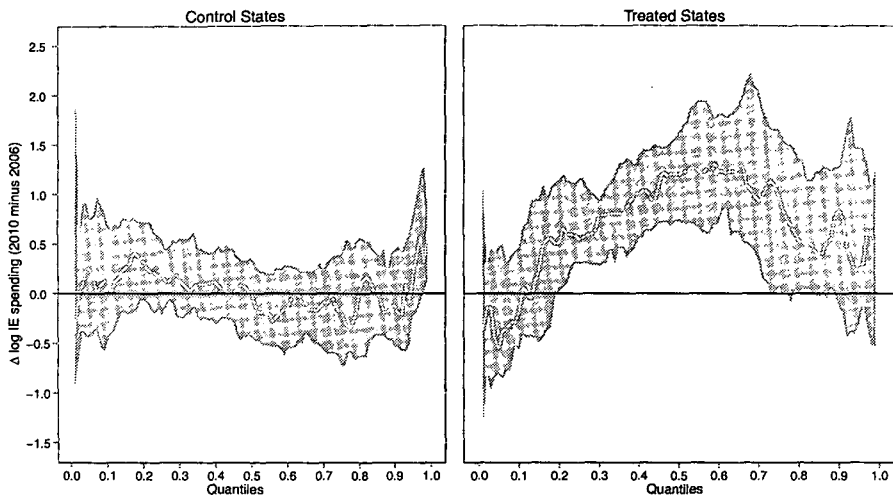


Figure 6. Quantile regression (on 100 quantiles) by control and treated states, including state fixed effects. Each dot is the difference between spending in that percentile for 2010 and spending in that percentile for 2006 in both treatment and control states. The grey region is a 95% confidence interval.

Rather, the increase in post-*Citizens United* spending is the result of more independent expenditures in amounts between approximately \$1000 (twentieth percentile) and \$40,000 (seventieth percentile).¹⁵⁵ We observe that spending in the lowest percentiles of the treated states is indistinguishable between 2006 and 2010, meaning that the smallest spenders were relatively inelastic to the changes in overall spending. Similarly, spending differences in the highest percentiles are indistinguishable from zero. These findings are particularly striking because they cut against the conventional wisdom of spending behavior and raise questions about the states' equality interests, which presume significant activity in the "tails" of the spending distribution. The findings also challenge the characterization of political spending as an investment whose value increases with the probability that spending will be pivotal in securing a candidate's victory. In this model, those who spend the very most and the very least are most elastic to changes in the law that regulate spending. Those who can afford to spend large amounts of money should positively respond to a law that permits unlimited expenditures, as each additional dollar increases the likelihood of playing a pivotal role. In response, those who spend the least—whose expenditures become relatively smaller and smaller—withdraw from the game altogether. We do not observe this behavior. Instead, we see evidence, at least for expenditures in the lowest five percentiles (less than \$420), that the decision to spend money on political advocacy might be modeled more precisely as an act of consumption. Participants seem to gain utility by the mere act of participation.¹⁵⁶ No existing theory, nor any that we can conjure,

155. A quantile plot for the difference-in-differences estimator is plotted in Figure D of the Appendix.

156. See Stephen Ansolabehere, John M. de Figueiredo & James M. Snyder Jr., *Why Is*

predicts that this kind of consumptive behavior would be altered by a decision like *Citizens United*.

What about the largest spenders? Is it possible that the “consumption value” theory explains the inelasticity of those who spend in the top third of the spending distribution? We are skeptical. First, though we acknowledge that the consumption value of political participation is subjective, we are not convinced that the value exceeds \$40,000, which is the size of expenditures in the seventieth percentile. Second, we think it is more likely that the most sophisticated political operatives—individuals and groups that, in our opinion, are also likely to spend the most money on political advocacy—find ways to influence the process in spite of regulations on different types of spending. In other words, it may be the case that the largest, most sophisticated spenders were already engaged in political advocacy at an efficient level. Removing the ban on corporate and union independent expenditures may have changed the way that independent expenditures are made and managed, but not the amount of independent expenditures overall.

With regard to our statistical approach, we acknowledge two features that limit the inferences we are able to make. The first is that we cannot distinguish between spenders. Thus, large spenders may be making one large expenditure or they may make several smaller expenditures. For example, suppose that Google wants to spend \$1 million to support conservative candidates. After *Citizens United*, it can either make expenditures from its general treasury, which we could track, or it could give money to several other politically active groups, many of which would not disclose Google’s donation. Because we do not know the source of funds for the 501(c) and 527 organizations in our sample, we cannot distinguish between a world where Google gives its entire \$1 million to a single organization and a world where Google gives \$10,000 to each of 100 groups.¹⁵⁷ This severely limits our interpretation of the quantile regression model. However, if corporations and unions are giving money to just one or two political advocacy groups or charities, then Figure 6 is suggestive that this corporate and union money did not overwhelm the entire distribution of expenditures.

The second limitation of our model is that spending amounts are not weighted by their relative importance. Politics is more expensive in some states and less expensive in others. For example, all Arizona gubernatorial candidates combined spent \$2.3 million in 2006. In that same year, gubernatorial candidates in California spent \$12.9 million. In 2010, all candidates for state legislative office in Maine spent \$3.3 million, while spending in California reached \$102.4 million. Thus, a \$50,000 independent expenditure during the 2006 Arizona gubernatorial election or the 2010 Maine state legislative election would have been far more important than the same amount given in California in those years. We investigate whether relative spending amounts change the interpretation by weighting each expenditure by the

There So Little Money in U.S. Politics?, J. ECON. PERSP., Winter 2003, at 105, 125 (2003) (“It doesn’t seem accurate to view campaign contributions as a way of investing in political outcomes. Instead, aggregate campaign spending in the United States, we conjecture, mainly reflects the consumption value that individuals receive from giving to campaigns.”).

157. We think it is less likely for corporations, unions, and wealthy individuals to spread out their expenditures in this way, even for the benefit of anonymity; as with any principal-agent relationship, every donation to an organization comes with a risk that the organization or charity will expropriate the funds for other purposes.

total amount of money in that state's campaigns. Because legislative races—even aggregated—typically see much less money spent than gubernatorial races, we weight them separately.¹⁵⁸ Each spender, then, is represented by the ratio of her expenditures to the total spending in that race. These “spender ratios” are very small percentages, ranging from 0.0000001 to 0.26. In the former case, the spender's independent expenditures comprised one ten-millionth of the amount spent in the race. In the latter, the spender's independent expenditures comprised over one-quarter of the amount spent in the race. The quantile regression of spender ratios (plot not presented) looks nearly identical to the model with raw spending numbers. Control states are uniform and indistinguishable from zero and treated states have a distinct hump in the middle of the distribution.

We note that there are only ninety-four spenders in the entire dataset that made independent expenditures in both 2006 and 2010 (7% of all spenders).¹⁵⁹ We do not think this is evidence that independent expenditures are a one-shot game. Quite the contrary; as we describe in the previous Part, the independent expenditure market is largely driven by nonprofit organizations and political action committees. These groups notoriously enter and exit the market (e.g., “National Security PAC” in 1988, “Swift Vets and POWs for Truth” and “And For the Sake of the Kids” in 2004, “American Crossroads” in 2012, etc.), while the administrators and donors behind the groups remain in the market for future elections. In other words, understanding the behavior of these groups is only the beginning. Without more robust disclosure laws, we are limited in the inferences that we can draw from these empirical findings. As we discuss in Part III, the current state of disclosure laws not only limits the information available for empirical analysis, but it is a sign that the Supreme Court did not fully understand how politics on the ground would play out in light of *Citizens United*.

III. DISCUSSION

A. Independent Expenditures as Share of All Spending

A full discussion of the implications of our findings requires some context. Independent expenditures have been the central focus of campaign finance news

158. There are two ways in which a spender's ratio can change. The first is a change in the numerator (amount spent in a given state-year-election type) and the second is a change in the denominator (total amount spent in a given state-year-election type). Because we are interested in changes to the numerator, we weight each spender by the total amount of campaign spending—candidate spending and independent expenditures. We include candidate campaign spending because it is relatively predictable year-to-year than just independent expenditures. Therefore, the denominator changes very little across our sample.

159. We present a QQ plot in Appendix E showing the changes across the distribution of repeat treatment and repeat control spenders. It does not show an effect. However, we do not believe that our analysis should be the last word on repeat spenders in this context. As we discuss below, we are unable to observe those who spend in consecutive elections but do so under different organizational names each time. Our measure of repeat spenders does not tell the whole story about how the most sophisticated players respond to changes in the legal environment.

since the *Citizens United* decision. Indeed, in the two years since the decision, “Citizens United” has become a ubiquitous catchphrase for all of America’s campaign finance ills, though it is just one of several deregulatory decisions under the Roberts Court.¹⁶⁰ With all of this attention on independent expenditures, it might be easy to forget that independent expenditures represent just a fraction of overall campaign dollars. In the sixteen states that we analyze in this paper, nearly \$140 million was spent independently in gubernatorial races between 2006 and 2010. Direct contributions to gubernatorial candidates between 2006 and 2009 in those same states exceeded \$1 billion, a ratio of more than \$7 to \$1 in favor of contributions.¹⁶¹ At the federal level the ratio is smaller but still dominated by direct contributions: \$641 million of independent expenditures in the 2012 presidential race compared to \$1.4 billion contributed directly to the candidates, a ratio of more than \$2 to \$1.¹⁶² This relationship is often obscured by sloppy reporting in the media that glosses over important distinctions—contributions versus spending, spending by candidates versus spending by others, express advocacy versus issue advertisements, etc.—that determine whether, and the extent to which, regulations on political money are tolerable.¹⁶³

The logic of *Citizens United* is arguably very broad and has implications for contribution limits, the regulation of foreign money, and political equality in general. Indeed, much of the public backlash against the opinion stems from opposition to its logic and its signal that the Roberts Court is skeptical about campaign finance regulations more generally.¹⁶⁴ The actual holding, however, is limited to bans (not limits) on corporations and unions making independent expenditures from their general treasuries.¹⁶⁵ Despite media reports indicating

160. See Richard L. Hasen, *Beyond Incoherence: The Roberts Court’s Deregulatory Turn in FEC v. Wisconsin Right to Life*, 92 MINN. L. REV. 1064, 1065 (2008).

161. See Thad Beyle & Jennifer M. Jensen, *Gubernatorial Campaign Expenditures Database*, UNC.EDU, <http://www.unc.edu/~beyle/guber.html>.

162. For IE data see Ctr. for Responsive Politics, *2012 Outside Spending, by Group*, OPENSECRETS.ORG, http://www.opensecrets.org/outsidespending/fes_summ.php?cycle=2012. For contributions information, see Ctr. for Responsive Politics, *2012 Presidential Race*, OPENSECRETS.ORG, <http://www.opensecrets.org/pres12/index.php>.

163. See *infra* notes 166–68.

164. See Bill Allison, *Yes, Virginia (and Dan and Wendy), Citizens United Opened the Door to Unlimited Money*, SUNLIGHT FOUND. BLOG (Feb. 27, 2012, 2:15 PM), <http://sunlightfoundation.com/blog/2012/02/27/yes-virginia-and-dan-and-wendy-citizens-united-opened-the-door-to-unlimited-money/> (“Citizens United, along with subsequent court decisions and FEC rulings stemming from it, has radically broadened the means available to well-heeled individuals, not to mention labor unions and corporations, to influence federal elections.”); Adam Skaggs, *Thanks, Citizens United, for This Campaign Finance Mess We’re In*, ATLANTIC, (July 27, 2012, 10:15 AM), <http://www.theatlantic.com/politics/archive/2012/07/thanks-citizens-united-for-this-campaign-finance-mess-were-in/260389/> (“[T]hose criticizing the critics of *Citizens United* miss the forest for the trees. Their myopic focus on debunking overstatements about the case downplays the major role *Citizens United* played in ushering in current conditions—and how it fits with the Roberts Court’s ongoing project to put our democracy up for auction.”).

165. *Citizens United v. FEC*, 130 S. Ct. 876, 886, 896–99 (2010).

otherwise, *Citizens United* is not responsible for Sheldon Adelson,¹⁶⁶ it did not prohibit corporate contributions to PACs,¹⁶⁷ and it does not permit corporations and unions to directly contribute to candidates.¹⁶⁸ There is no doubt that *Citizens United* has changed the campaign finance landscape in important ways—both the jurisprudence and the way that campaigns are actually run. There is little value in responding to exaggerated claims about *Citizens United* with claims that undersell its importance. The truth is that *Citizens United* is both a very narrow decision about corporate accounting practices and also the first case to significantly chip away at the underlying logic of *Buckley v. Valeo* that each individual voter should have an equal voice.¹⁶⁹ With regard to the empirics, regardless of the political activity of corporations and unions, political candidate campaigns are still dominated by direct contributions, and *Citizens United* did not change the rules governing contributions.

B. The Supreme Court's Disclosure Disconnect

One of the most overlooked aspects of the *Citizens United* decision was the nearly unanimous vote, 8–1, upholding the disclosure provisions of BCRA. The Court explained that “disclosure is a less restrictive alternative to more comprehensive regulations of speech.”¹⁷⁰ A few months after *Citizens United*, Justice Scalia articulated perhaps the Court’s strongest endorsement of disclosure on record when he opined that “[r]equiring people to stand up in public for their political acts fosters civic courage, without which democracy is doomed. . . . [Anonymous campaigning] does not resemble the Home of the Brave.”¹⁷¹ In light of this rhetoric it appears that the Supreme Court did not foresee that so much political spending would go underground. According to the Center for Responsive Politics, 0.2% of independent expenditures in 2006 were funded by 501(c) organizations (those groups that are not required to disclose their donors)¹⁷²

166. See, e.g., Nicholas Confessore & Eric Lipton, *For Gingrich, a Rich Friend and a Big Lift*, N.Y. TIMES, Jan. 10, 2012, at A1 (Sheldon Adelson’s “last-minute interjection underscores how [*Citizens United*] has made it possible for a wealthy individual to influence an election.”).

167. See, e.g., Todd Ruger, ‘Citizen Conventions’ Should Respond to *Citizens United*, *Harvard Law Professor Suggests*, NAT’L L.J. (July 24, 2012), http://www.law.com/jsp/nlj/PubArticleNLJ.jsp?id=1202564279571&Citizen_conventions_should_respond_to_Citizens_United_Harvard_law_professor_suggests# (subscription required) (“In *Citizens United*, the Court found that corporations and unions cannot be banned from making independent expenditures to political action committees or candidates.”).

168. See, e.g., Charles Lane, Editorial, *Confidence and the Court*, WASH. POST, Apr. 24, 2012, at A19 (citing *Citizens United*, which “overturned an act of Congress limiting corporate and union campaign contributions.”).

169. For more, see generally Justin Levitt, *Confronting the Impact of Citizens United*, 29 YALE L. & POL’Y REV. 217 (2010).

170. *Citizens United*, 130 S. Ct. at 915.

171. *Doe v. Reed*, 130 S. Ct. 2811, 2837 (2010) (Scalia, J., concurring in the judgment). This case addressed the disclosure of petition signatures for those opposed to same-sex marriage. *Id.* at 2813.

172. Section 501(c) organizations spent approximately \$460,000 of \$268 million in

compared to 20% in 2010.¹⁷³ The disconnect between the political system the Court envisions and the political system that actually exists has transformed the judicial philosophy of “deregulate and disclose” into “cutback and conceal.”

As a result, one of the most difficult challenges in judging campaign finance regulations is a lack of data. Lack of quality data prevents an evaluation of both assumptions underlying campaign finance laws and the effects of the laws and decisions that emerge based on those assumptions. Some opacity is by construction: many disclosure laws have a floor below which reporting is not required because the cost of disclosure outweighs the benefit of the information. Some opacity, however, is not by design but is rather the result of bureaucratic incompetence and poor data accessibility. In some cases, where publicly reported spending could offer valuable data, access issues pose a challenge for collection. For example, the independent spending data in this Article was collected by the National Institute on Money in State Politics, which reported data accessibility limitations in at least seventeen states.¹⁷⁴ Many of those states were not included in our sample because the data were incomplete or inaccessible. Without data, statutes and judicial opinions are limited to justifications and conclusions based on anecdotes. This has important consequences. As Heather Gerken has argued, “[P]ure political compromise can be produced without coming to grips with the empirics; a sound decision cannot.”¹⁷⁵ As we highlight above, we lack important information necessary to estimate the effect of *Citizens United* on the federal level because there is no counterfactual spending trend against which to compare observable changes in spending. Information exists at the state level, the subject of this Article, but the data are incomplete: we are limited to a subset of states in just a handful of years. Yet even with this limited data, we are able to estimate the magnitude of changes in independent spending and observe differences between states, expenditure types, and expenditure amounts.

There are certainly many values that outweigh the benefits of evaluating and optimizing public policy. For example, anonymity is important for protecting the privacy, and therefore safety, of people who choose to donate to unpopular candidates or causes.¹⁷⁶ We do not consider our advocacy of an empirically

outside spending in 2006. See Ctr. for Responsive Politics, *2006 Outside Spending, by Group*, OPENSECRETS.ORG, <http://www.opensecrets.org/outsidespending/summ.php?cycle=2006&disp=O&type=I&chrt=D>.

173. Section 501(c) organizations spent \$77 million of \$395 million in outside spending in 2010. See Ctr. for Responsive Politics, *2010 Outside Spending, by Group*, OPENSECRETS.ORG, <http://www.opensecrets.org/outsidespending/summ.php?cycle=2010&chrt=D&disp=O&type=I>.

174. E-mail from Denise Roth Barber, Managing Dir., Nat’l Inst. on Money in State Politics, to Douglas M. Spencer, Ph.D. Candidate, Univ. of Cal., Berkley (Mar. 8, 2011, 6:31 PM) (on file with authors). Note that even after updating their data in 2012, the Institute described only twenty states as having “relatively robust disclosure”. Those states are Arkansas, Arizona, California, Colorado, Connecticut, Florida, Idaho, Iowa, Maine, Massachusetts, Michigan, Minnesota, Missouri, North Carolina, Ohio, Oklahoma, Tennessee, Texas, Washington, and Wisconsin. Kevin McNellis & Robin Parkinson, *Independent Spending’s Role in State Elections, 2006–2010*, FOLLOWTHEMONEY.ORG (Mar. 15, 2012), <http://www.followthemoney.org/press/ReportView.phtml?r=481>.

175. HEATHER K. GERKEN, *THE DEMOCRACY INDEX* 40 (2009).

176. See, e.g., *Brown v. Socialist Workers ’74 Campaign Comm.* (Ohio), 459 U.S. 87,

grounded campaign finance jurisprudence at odds with these values. We do believe that the government has a legitimate state interest in understanding the effects of campaign finance on the functioning of the democratic process, and this interest justifies stricter disclosure requirements than the status quo. Broad disclosure of all independent expenditures, regardless of the source, would enable researchers to better understand the role of money in politics: its effect on agenda setting, policy outcomes, recruitment of candidates, and even the quality of governance. This state interest of research is distinct from the traditional rationale for disclosure rules that informs the voter about who is funding individual candidates.¹⁷⁷ The traditional “informational” rationale requires disclosure at a very fine-grained level, which implicates the First Amendment, raises important privacy concerns, and suffers from the problem of infinite regress: everybody gets their money from somebody else. Instead, we join the chorus of campaign finance reformers calling for aggregate “semi-disclosure.”¹⁷⁸ As described by Richard Briffault, campaign finance reports should be used “more like Census data or income tax returns, with the focus for the most part not on the activities of specific individual donors and more on the behavior of demographic or economic aggregates.”¹⁷⁹ By understanding the effect of various campaign finance regimes—and the states are currently good laboratories, with a variety of laws—legislative bodies and judges will be in a better position to set up rules that promote political participation, protect free speech, and ensure fair and equal opportunities for self-expression as necessary for our democratic republic.

C. Political Equality: Legal Rules vs. Empirical Evidence

The political equality rationale of *Austin* that the Court rejected in *Citizens United* was intimately tied to corporate identity. The compelling governmental interest in *Austin* was to prevent “the corrosive and distorting effects of immense aggregations of wealth that are accumulated *with the help of the corporate form . . .*”¹⁸⁰ The Court in *Austin* distinguished corporations from wealthy individuals by virtue of the “special advantages” available only to corporations “such as limited liability, perpetual life, and favorable treatment of the

98–101 (1982) (holding that the members of the Socialist Workers Party, a minority party whose members had a history of harassment by the government and private parties, were exempt from reporting requirements in Ohio that required the name and address of campaign contributors and recipients of campaign disbursements).

177. See, e.g., Michael D. Gilbert, *Campaign Finance Disclosure and the Information Tradeoff*, 98 IOWA L. REV. 1847, 1858–60 (2013) (“[The] government has an interest in helping voters to align their political preferences with their votes, and disclosure furthers that goal. In short, disclosure helps voters to vote more competently.” (footnote omitted)).

178. See Richard Briffault, *Campaign Finance Disclosure 2.0*, 9 ELECTION L.J. 273 (2010); Scott M. Noveck, *Campaign Finance Disclosure and the Legislative Process*, 47 HARV. J. ON LEGIS. 75 (2010); Bruce Cain, *Shade from the Glare: The Case for Semi-Disclosure*, CATO UNBOUND (Nov. 8, 2010), <http://www.cato-unbound.org/2010/11/08/bruce-cain/shade-glare-case-semi-disclosure>.

179. Briffault, *supra* note 178, at 276.

180. *Austin v. Mich. State Chamber of Commerce*, 494 U.S. 652, 660 (1990) (emphasis added), *overruled by* *Citizens United v. FEC*, 130 S. Ct. 876 (2010).

accumulation and distribution of assets”¹⁸¹ In its supplemental brief on *Citizens United* the government argued that the “[u]se of corporate treasury funds for electoral advocacy is inherently likely to corrode the political system.”¹⁸²

The Court in *Citizens United* flatly rejected the distortion *qua* corporate dominance rationale in *Austin*¹⁸³ as well as its broader implication “that the Government has an interest ‘in equalizing the relative ability of individuals and groups to influence the outcome of elections.’”¹⁸⁴ The Court warned that “it is a dangerous business for Congress to use the election laws to influence the voters’ choices”¹⁸⁵ and concluded that “[t]he rule that political speech cannot be limited based on a speaker’s wealth is a necessary consequence of the premise that the First Amendment generally prohibits the suppression of political speech based on the speaker’s identity.”¹⁸⁶

Although the importance of political equality has fallen into disfavor as a jurisprudential theory, it remains a central tenet of democratic theory and a “time-honored goal in American constitutional thought” according to Cass Sunstein, who articulated the political equality rationale in this way:

People who are able to organize themselves in such a way as to spend large amounts of cash should not be able to influence politics more than people who are not similarly able. . . . Of course economic inequalities cannot be made altogether irrelevant for politics. But the link can be diminished between wealth or poverty on the one hand and political influence on the other. The “one person-one vote” rule exemplifies the commitment to political equality. Limits on campaign expenditures are continuous with that rule.¹⁸⁷

This political equality rationale and its narrow articulation as corporate distortion are both predicated on empirical assumptions about the underlying

181. *Id.* at 658–59.

182. Supplemental Brief for the Appellee, *supra* note 66, at 6. Note that the government abandoned its reliance on the antidistortion rationale in its supplemental brief, despite favoring strict restrictions (including a ban on independent expenditures) on corporate political activity. For a discussion of the government’s strategy to orphan the antidistortion rationale, and the possible consequences of this strategy, see generally Richard L. Hasen, *Citizens United and the Orphaned Antidistortion Rationale*, 27 GA. ST. U. L. REV. 989 (2011).

183. *Citizens United v. FEC*, 130 S. Ct. 876, 913 (2010) (“Due consideration leads to this conclusion: *Austin* should be and now is overruled.” (citation omitted)).

184. *Id.* at 904 (quoting *Buckley v. Valeo*, 424 U.S. 1, 48 (1976)).

185. *Id.* at 904–05 (“Leveling electoral opportunities means making and implementing judgments about which strengths should be permitted to contribute to the outcome of an election. The Constitution, however, confers upon voters, not Congress, the power to choose the Members of the House of Representatives, Art. I § 2, and it is a dangerous business for Congress to use the election laws to influence voters’ choices.” (quoting *Davis v. FEC*, 554 U.S. 724, 742 (2008))).

186. *Id.* at 905.

187. Cass R. Sunstein, *Political Equality and Unintended Consequences*, 94 COLUM. L. REV. 1390, 1392 (1994).

distribution of political spending and the behavior of corporations in the political marketplace. We test these assumptions in this Article and observe spending patterns that are not consistent with the distortion hypothesis at the state level, whether narrowly applied to corporate behavior or broadly defined as political inequality. Direct spending by corporations in the sample we analyze was very rare between 2006 and 2010, accounting for just \$5800 of the \$140 million spent on state races. And while it is almost certain that corporate dollars funded the independent expenditures of some advocacy groups, the *relative* significance of groups that spent more than \$40,000 across the entire 2010 election cycle was no greater than these groups in 2006 when the law prohibited the use of corporate funds to finance their independent expenditures. In other words, even if *all* of the top 20% of spenders were corporations, or funded entirely by corporate money, there was no observable distortion brought about by *Citizens United* in treatment states; the size of independent expenditures by this group was the same in 2010 as in 2006.

This finding has important implications for both campaign finance jurisprudence and legislative strategies that aim at political equality. If the election years in our sample are representative of larger trends, then spending, while skewed toward larger amounts, is relatively continuous. There are no big gaps in spending amounts between the “spenders” and the “big spenders.” More importantly, the spenders who were the most elastic to the removal of the corporate independent expenditure ban were *not* the largest spenders but those in the middle of the spending distributions (twentieth to seventieth percentiles of expenditures). It is quite possible that these same “middle spenders” are the most elastic to *stricter* campaign finance rules—a possible unintended consequence of laws targeting the largest expenditures. With respect to the Court’s view on distortion, *Citizens United*’s rejection of the political equality rationale may correctly reflect an underlying empirical distribution of spending that is continuous and not the victim of corporate distortion. (Our data do not speak to this directly as they are limited to state elections.) However, we note that the Court was not interested in the empirical distribution of spending; rather, it rejected the view that equality is a valid state interest with an *ipse dixit* that distortion is an unsuitable proxy for corruption.¹⁸⁸ In the process, the Court created a legal rule to define away a problem that it later admitted was serious enough to warrant judicial intervention.¹⁸⁹ In other words, the

188. *Citizens United*, 130 S. Ct. at 939 (Stevens, J., dissenting) (“The Court proclaims that ‘*Austin* is undermined by experience since its announcement.’ This is a curious claim to make in a case that lacks a developed record. The majority has no empirical evidence with which to substantiate the claim; we just have its *ipse dixit* that the real world has not been kind to *Austin*. Nor does the majority bother to specify in what sense *Austin* has been ‘undermined.’ Instead it treats the reader to a string of non sequiturs: ‘Our Nation’s speech dynamic is changing’; ‘[s]peakers have become adept at presenting citizens with sound bites, talking points, and scripted messages’; ‘[c]orporations . . . do not have monolithic views.’ How any of these ruminations weakens the force of *stare decisis*, escapes my comprehension.” (alterations in original) (citations omitted)).

189. See *Caperton v. A.T. Massey Coal Co.*, 129 S. Ct. 2252, 2255, 2264–65 (2009) (ruling that half a million dollars in independent expenditures, combined with \$2.5 million in donations to a section 527 organization and direct contributions of the statutory maximum

Court admitted that it did not care whether independent expenditures actually corrupt the political process because, in the Court's eyes, independent expenditures *cannot* corrupt as a matter of law, any evidence to the contrary notwithstanding.

We strongly disagree with the Court's reliance on this legal fiction; it is the bluntest of all possible instruments for judging regulations of the political process. This is particularly true for cases that impact state campaign finance laws as *Citizens United* did. States have unique histories—unique from each other and unique from the federal experience—and each has a different set of laws passed at different times for different reasons. Indeed, when the state of Montana produced evidence of a long history of quid pro quo corruption to justify its state law, the Supreme Court dismissed the case without a hearing. The Court's indifference to the empirical record in that case, as well as its general aversion to as-applied challenges and narrowing of acceptable evidence in campaign finance cases, is both shortsighted and imprudent. Although current disclosure laws prevent analysis of individual level data, even aggregate spending numbers lend themselves to insights that would significantly improve the jurisprudence on political spending if permitted. As it turns out, the empirical evidence presented in this Article seems to support the Court's skepticism that corporate independent expenditures distort the political process in practice. Nevertheless, we do not believe that the end justifies the means in this case. Campaign finance statutes and jurisprudence relies heavily on assumptions about the effects of money on the political process. Many of these effects are empirically testable, but have not been tested. To the extent that judges sincerely care about preventing corruption and protecting First Amendment speech, they ought to rely on empirical evidence over arbitrary legal rules to determine whether the political process is *actually* corrupted and whether political speech has *actually* been chilled.

A better understanding of the underlying distribution of spending and the elasticity of demand for political participation is central to the debate about the role of money in politics and the responsibility of governments to regulate the political process. This Article contributes to that understanding and in doing so joins a growing empirical literature that challenges some of the basic assumptions about campaign finance.¹⁹⁰

CONCLUSION

In this Article, we retraced the steps that led to the Supreme Court's decision in *Citizens United* and systematically examined the effect of this decision on spending at the state level. We found that independent spending increased at twice the rate in states whose laws were affected by the decision. When we decomposed the sources

amount allowed all were enough to create a "a serious risk of actual bias" for the judge who benefitted from the spending and later hears a case in which the spender is a party).

190. See, e.g., Ansolabehere et al., *supra* note 156, at 125 ("Much of the academic research and public discussion of campaign contributions appears to be starting from some misguided assumptions."); see also Nathaniel Persily & Kelli Lammie, *Perceptions of Corruption and Campaign Finance: When Public Opinion Determines Constitutional Law*, 153 U. PA. L. REV. 119, 122 (2004) ("[T]rends in general attitudes of corruption seem unrelated to anything happening in the campaign finance system (e.g., a rise in contributions or the introduction of a particular reform).").

of independent expenditures, it did not initially appear that the predicted onslaught of independent spending by corporations materialized. However, we observed that spending by 501(c) and 527 organizations dramatically increased in the treated states, which we interpret as evidence of strategic behavior by firms to hide behind weak disclosure rules. Finally, we examined the distribution of independent expenditures before and after *Citizens United*. We did not observe spending patterns consistent with a distortion hypothesis. Instead, we found that increased spending in treated states was *not* driven by the largest expenditures (i.e., larger than \$55,000); rather, the effect was most pronounced in the center of the distribution (twentieth to seventieth percentiles), with expenditures ranging from \$1000 to about \$40,000. We acknowledge as forthrightly as possible that the empirical analysis at the core of this Article can only tell part of the story. Any analysis of money in politics, specifically an empirical analysis, should also consider the broader institutional framework encompassing campaign finance regulations, of which *Citizens United* is only the most recent appendage. We have tried to do that here.

APPENDIX

A. State Responses to Citizens United

	Date	EC Ban	Sample
Alaska	Feb. 19, 2010	Y	Y
	Source		
	1. Memorandum from Daniel S. Sullivan, Att'y Gen. of Alaska, to Mike Nizich, Chief of Staff, Office of the Governor, State of Alaska (Feb. 2010), <i>available at</i> http://www.legis.state.ak.us/basis/get_documents.asp?session=26&bill=SB284 . 2. S.B. 284, 26th Legs., Reg. Sess. (Alaska 2010).		

	Date	EC Ban	Sample
Arizona	Apr. 1, 2010	N	Y
	Source	H.B. 2788, 49th Leg., 2d Reg. Sess. (Ariz. 2010), <i>available at</i> http://www.azleg.gov/DocumentsForBill.asp?Bill_Number=HB2788&Session_ID=93 .	

	Date	EC Ban	Sample
Colorado	May 25, 2010	Y	N
	Source	S.B. 10-203, 67th Gen. Assemb., 2d Reg. Sess. (Colo. 2010), <i>available at</i> http://www.leg.state.co.us/CLICS/CLICS2010A/csl.nsf/fsbillcont3/19FCBA5EBA4D531F872576DA006B4483?Open&file=203_01.pdf .	

	Date	EC Ban	Sample
Connecticut	June 8, 2010	Y	N
	Source	H.B. 5471, 2010 Gen. Assemb., Feb. Sess. (Conn. 2010), <i>available at</i> http://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&bill_num=5471&which_year=2010 .	

	Date	EC Ban	Sample
Iowa	Apr. 8, 2010	N	Y
	Source	S.F. 2354, 83d Gen. Assemb., 2010 Sess. (Iowa 2010), <i>available at</i> http://coolice.legis.iowa.gov/Cool-ICE/default.asp?Category=billinfo&Service=Billbook&frame=1&GA=83&hbill=SF2354 .	

	Date	EC Ban	Sample
Kentucky	Mar. 24, 2010	N	N
	Source	Kentucky Registry of Election Finance, <i>Advisory Opinion</i> 2010-001, <i>available at</i> http://kref.ky.gov/NR/rdonlyres/99DD9B22-58DA-4AF2-A641-9343CF7780E3/0/AO2010_001.pdf	

	Date	EC Ban	Sample
Massachusetts	Feb. 8, 2010	N	Y
	Source		
	Mass. Office of Campaign & Political Fin., Statement by OCPF on <i>Citizens United v. Federal Election Commission</i> , http://www.ocpf.net/legaldoc/citizensunitedstatement.pdf .		

	Date	EC Ban	Sample
Michigan	Jan. 21, 2010	N	Y
	Sources		
	<p>1. <i>Austin v. Mich. State Chamber of Commerce</i>, 494 U.S. 652 (1990), <i>overruled by Citizens United v. FEC</i>, 130 S. Ct. 876 (2010).</p> <p>2. Mich. Dep't of State, Independent Expenditures by Corporations, Unions and Domestic Dependent Sovereigns U.S. Supreme Court Decision Issued January 21, 2010 <i>Citizens United v. Federal Elections Commission</i>, MICHIGAN.GOV, http://www.michigan.gov/sos/0,1607,7-127-1633_8723_15274-230880--,00.html.</p>		

	Date	EC Ban	Sample
Minnesota	May 18, 2010	N	Y
	Sources		
	<p>1. <i>Minn. Chamber of Commerce v. Gaertner</i>, 710 F. Supp. 2d 868 (D. Minn. 2010)</p> <p>2. S.F. 2471, 86th Leg., Reg. Sess. (Minn. 2010), <i>available at</i> https://www.revisor.mn.gov/revisor/pages/search_status/status_detail.php?b=Senate&f=SF2471&ssn=0&y=2010</p>		

	Date	EC Ban	Sample
Montana	June 25, 2012	N	N
	Source		
	<i>Am. Tradition P'ship, Inc. v. Bullock</i> , 132 S. Ct. 2490 (2012) (<i>per curiam</i>).		

	Date effective	EC Ban	Sample
North Carolina	Apr. 5, 2011	Y	N
	Sources		
	<p>1. H.B. 748, 2009 Gen. Assemb., Reg. Sess. (N.C. 2010), <i>available at</i> http://www.ncga.state.nc.us/gascripts/BillLookUp/BillLookUp.pl?Session=2009&BillID=h748.</p> <p>2. H.B. 748 was subject to preclearance (numbers 3057, 3059, and 3090).</p>		

	Date	EC Ban	Sample
Ohio	Feb. 26, 2010	Y	Y
	Source: Jennifer Brunner, <i>Mad About Citizens United? Yeah, It's Bad, but We Can Do Something</i> , DAILY KOS (Feb. 26, 2010, 6:58 AM), http://www.dailykos.com/story/2010/02/26/840929/-Mad-about-Citizens-United-Yeah-it-rsquo-s-Bad-but-We-Can-Do-Something .		

	Date	EC Ban	Sample
Oklahoma	Feb. 1, 2010	Y	Y
	Source: OKLA. STAT. ANN. tit.74, § 257:10-1-7 (West Supp. 2014), <i>available at</i> http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=100996 .		

	Date	EC Ban	Sample
Pennsylvania	Mar. 4, 2010	N	N
	Source: Pa. Dep't of State, <i>Statement Regarding the Effect of the U.S. Supreme Court's Decision in Citizens United v. FEC on Pennsylvania Law</i> (March 4, 2010), http://www.portal.state.pa.us/portal/server.pt/gateway/PTARGS_0_160329_772781_0_0_18/DOS%20Statement%20on%20Citizens%20United%20Case%2003-10.pdf .		

	Date	EC Ban	Sample
South Dakota	Mar. 11, 2010	N	N
	Source: H.R. 1053, 85th Legis. Assemb., 2010 Sess. (S.D. 2010), <i>available at</i> http://legis.state.sd.us/sessions/2010/Bill.aspx?File=HB1053CNF.htm		

	Date	EC Ban	Sample
Tennessee	June 23, 2010	N	Y
	Source: H.B. 3182, 106th Gen. Assemb., Reg. Sess. (Tenn. 2010), <i>available at</i> http://wapp.capitol.tn.gov/apps/Billinfo/default.aspx?BillNumber=HB3182&ga=106 .		

	Date	EC Ban	Sample
Texas	Apr. 21, 2010	N	Y
	Sources: 1. Tex. Ethics Comm'n, Ethics Advisory Op. No. 489 (Apr. 21, 2010), <i>available at</i> http://www.ethics.state.tx.us/opinions/489.html . 2. H.B. 2359, 82d Leg., Reg. Sess. (Tex. 2011).		

	Date	EC Ban	Sample
West Virginia	Mar. 13, 2010	N	N
	Source		
	H.B. 4647, 81st Leg., 1st Sess. (W. Va. 2010), <i>available at</i> http://www.legis.state.wv.us/bill_status/bills_text.cfm?billdoc=HB4647%20SUB%20ENR.htm&yr=2010&sesstype=RS&i=4647 .		

	Date	EC Ban	Sample
Wisconsin	May 10, 2010	N	N
	Source		
	Press Release, Wisc. Gov't Accountability Bd., G.A.B. Announces Emergency Rule on Independent Political Ads (May 20, 2010), <i>available at</i> http://gab.wi.gov/sites/default/files/news/nr_gab_emergency_rule_05_20_10_pdf_34804.pdf .		

	Date	EC Ban	Sample
Wyoming	Jan. 21, 2010	N	N
	Source		
	Robert M. Stern, Corporate Reform Coal., Sunlight State by State After <i>Citizens United</i> 34 (2012), <i>available at</i> http://www.citizen.org/documents/sunlight-state-by-state-report.pdf .		

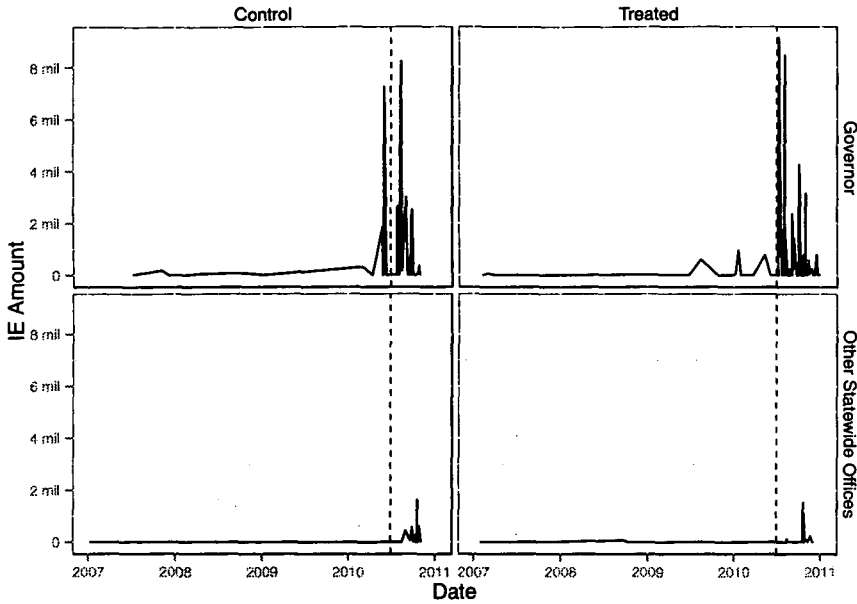
B. State-Level Independent Expenditures During the 2010 Election Cycle

Figure B. Independent expenditures during the 2010 election cycle. The vertical dashed line represents July 1, 2010, when every state in the sample had repealed its ban on corporate independent expenditures. In the “treated” states, 89.8% of all independent expenditures happened after July 1. This is a lower bound, since many of the states repealed their bans much earlier than July 1. Aggregated independent expenditures after the date of each individual state’s repeal accounted for 96.4% of all independent expenditures in the 2010 election cycle (and 100% in seven of the eleven treated states).

C. Summary Statistics

Variable	Min	Max	Mean
Years	2006	2010	2008
Total Spent	0	28,268,883	178,758.6
Lower House Democrats	0.186	0.894	0.507
Lower House Size	40	163	106.8
Lower House District Size	8708	466,700	88,870
Lower House Turnover	6	61	25
Lower House Contested	26	147	73.61
Upper House Democrats	0.200	0.875	0.494
Upper House Size	20	67	39.33
Upper House District Size	33,870	933,500	238,900
Upper House Turnover	0	22	7.20
Upper House Contested	2	65	19.81
Gubernatorial Democrat	0	1	0.574
Divided Government	0	1	0.5185
Unified Government	0	1	0
% with B.A. or Higher	21.7	38.2	26.97
Median Income	39,940	65,520	51,470
State Payroll of Firms	6,857,313	749,900,003	141,700,000
% Unionized Employees	0.039	0.247	0.126
State Population	677,300	37,340,000	9,004,000

D. Quantile Regression of Difference-in-Differences Model

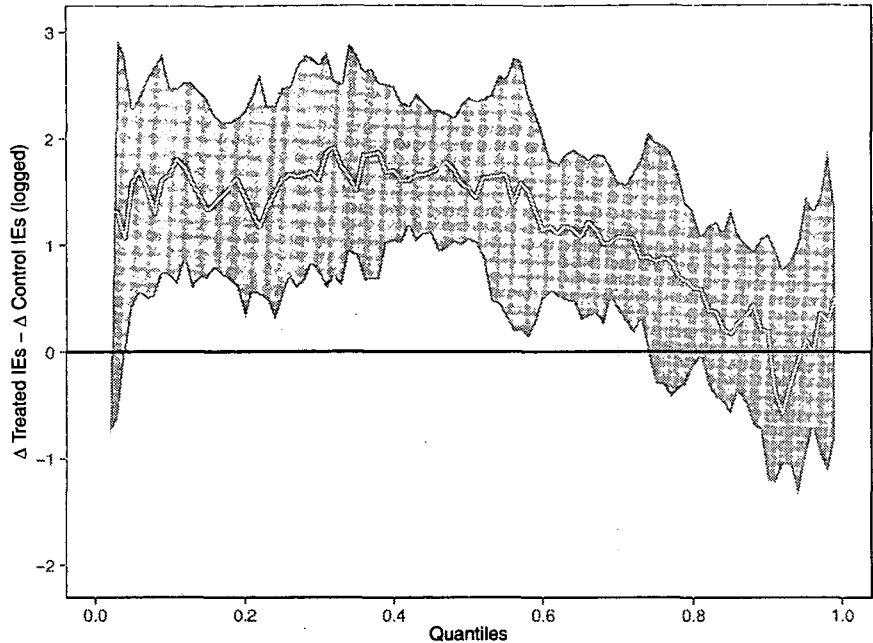


Figure D. Quantile difference-in-differences regression interaction term including state fixed effects. The [treatment–control] difference at every percentile is shown, comprising the [2010–2006] difference in log independent expenditures by spender state and year. The gray region is the 95% confidence interval.

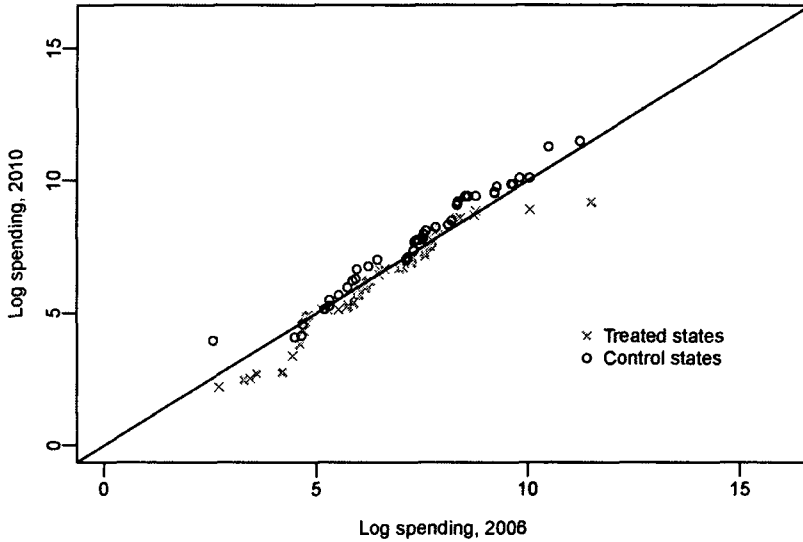
E. Repeat Spenders

Figure E. Quantile-quantile plots for “repeat players” in treatment and control states between 2006 and 2010. Circles are the QQplot for the control states ($N = 51$), and Xs are the QQplot for treatment states ($N = 42$). The diagonal line is where the points would be if spending in 2006 exactly equaled the spending in 2010 for a group.

F. Independent Expenditure Bans and Substitution Toward Direct Contributions

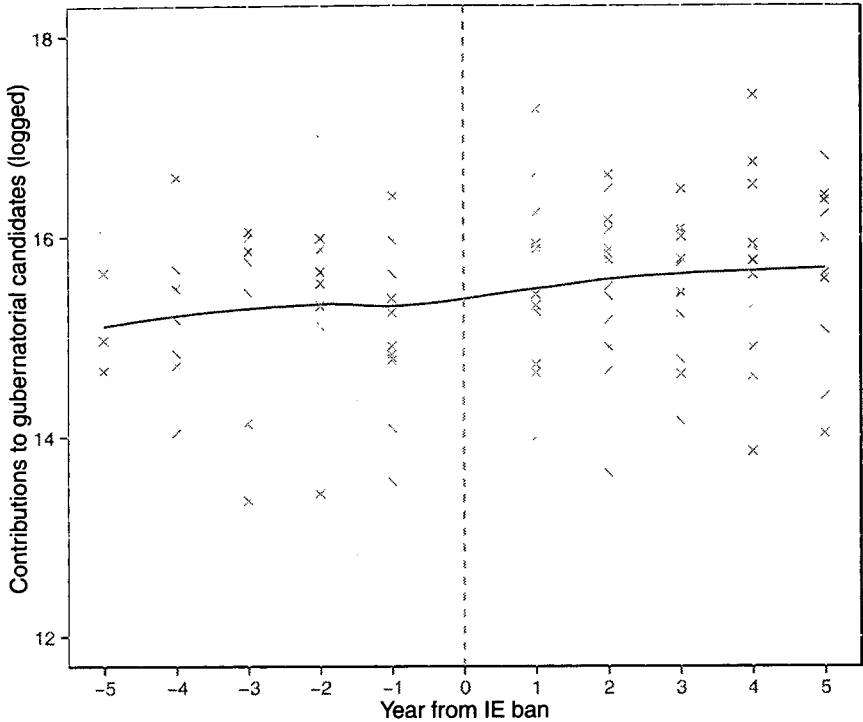


Figure F. Direct campaign contributions to gubernatorial candidates in states that passed a ban on corporate/union independent expenditures.

Source: Thad Beyle & Jennifer M. Jensen, *Gubernatorial Campaign Expenditures Database*, UNC.EDU, <http://www.unc.edu/~beyle/guber.html>.

Note: If there is a substitution away from independent expenditures in reaction to a ban, then we expect to see more contributions in years following a ban. In most states, only individuals are allowed to substitute in this way; corporations and unions are banned in twenty-three states from making direct contributions to candidates. See *Life After Citizens United*, NAT'L CONF. ST. LEGS., <http://www.ncsl.org/legislatures-elections/elections/citizens-united-and-the-states.aspx> (updated Jan. 4, 2011).

DATA SOURCES

Variable	Source
Independent expenditures	Nat'l Inst. on Money in State Politics, FOLLOWTHEMONEY.ORG, http://followthemoney.org/Institute/index.phtml .
Legislative competition	Updated from W. DEAN BURNHAM, PARTISAN DIVISION OF AMERICAN STATE GOVERNMENTS, 1834–1985 (ISCPR 00016) (1984), http://doi.org/10.3886/ICPSR00016.v1 ; Stephen Ansolabehere, John Mark Hansen, Shigeo Hirano & James M. Snyder, Jr., <i>More Democracy: The Direct Primary and Competition in U.S. Elections</i> , 24 STUD. AM. POL. DEV. 190 (2010); Ernesto Dal Bó, Pedro Dal Bó, & Jason Snyder, <i>Political Dynasties</i> , 76 REV. ECON. STUD. 115 (2009).
State population	<i>Population Estimates</i> , U.S. CENSUS BUREAU, http://www.census.gov/popest/data/historical/index.html (last revised Dec. 20, 2012).
Legislative turnover	COUNCIL OF STATE GOV'TS, BOOK OF THE STATES tbl.3.4 (2006–present), available at http://www.csg.org/policy/publications/bookofthestates.aspx . Data before 2006 are not available online.
Number of competitive legislative races	Election returns reported on individual Secretaries of State websites. We identified races as “competitive” where the winner received less than 55% of the vote.
Legislative district size	<i>2010 Constituents per State Legislative District Table</i> , NAT'L CONF. ST. LEGIS., http://www.ncsl.org/research/about-state-legislatures/2010-constituents-per-state-legislative-district.aspx . Earlier years calculated: number of seats/state population.
Median income	<i>State Median Income</i> , U.S. CENSUS BUREAU, http://www.census.gov/hhes/www/income/data/statemedian (last revised Sept. 19, 2013).
Number of firms	<i>Statistics of U.S. Businesses</i> , U.S. CENSUS BUREAU, http://www.census.gov/econ/susb/historical_data.html (last revised Apr. 3, 2013).
Firm payrolls	<i>Statistics of U.S. Businesses</i> , U.S. CENSUS BUREAU, http://www.census.gov/econ/susb/historical_data.html (last revised Apr. 3, 2013).
Percent of employees represented by unions	<i>Data Retrieval: Labor Force Statistics</i> , U.S. BUREAU LABOR STATISTICS, http://www.bls.gov/webapps/legacy/cpslutab5.htm (last revised June 21, 2007).
Percent of population with B.A. or more	<i>Digest of Education Statistics</i> , NAT'L CENTER EDUC STAT., http://nces.ed.gov/programs/digest/ . The reported percentage is precisely estimated over time and we use the most recent measure reported for any given year.