

The Rising Cost of Election Campaigns in America is Perpetuating Wealth Inequality.

With November 5th quickly approaching, all eyes are on the race for who will be the next president of the United States. With the skyrocketing price of elections, political parties are in dire need of funding. Parties turn to the wealthiest one percent as entrepreneurs looking for shareholders. Investing in political candidates has been shown to produce a substantial ROI, but it is at the cost of the American people. When politicians reach into the pockets of the wealthy, they sell their political power by gearing their actions towards legislation that will strengthen the wealthy (tax breaks, deregulation, subsidies), which subsequently increases wealth inequality.

In 2015, a New York Times investigation found that 158 families, along with the corporations they manage, contributed more than half of all funds to the Democratic and Republican candidates in the first phase of the 2016 presidential campaign.¹ Further, the investigation found the majority of the donors supported the Republican party.²

This was ultimately a successful investment for the wealthy, as when Trump took office in 2016, he championed the Tax Cuts and Jobs Act. Passed in 2017, the act lowered income tax for the wealthiest demographic.³ It was the most substantial corporate tax reduction in U.S. history.⁴ Cutting taxes strengthened the wealth of America's top earners, consequently perpetuating wealth inequality in the U.S.

¹ Nicholas Confessore, Sarah Cohen, and Karen Yourish, October 10, 2015

² Nicholas Confessore, Sarah Cohen, and Karen Yourish, October 10, 2015

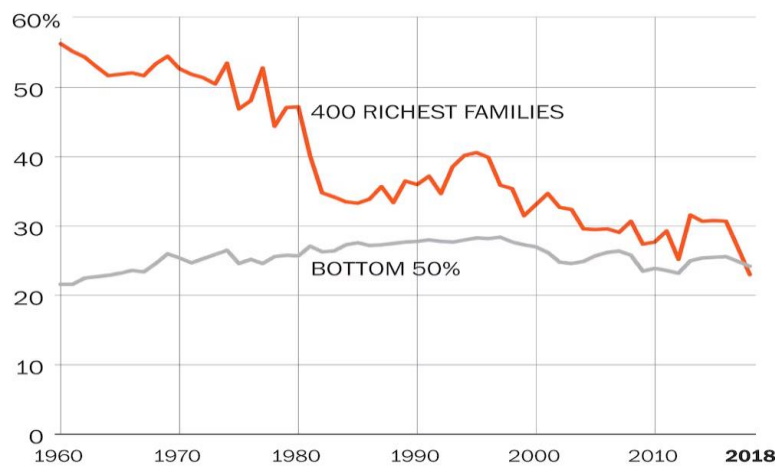
³ Heather Long, December 15, 2017

⁴ Heather Long, December 15, 2017

Furthermore, the ultra-rich additionally benefited from Trump's tax policy when in 2018, for the first time in American history, America's 400 richest families paid less taxes than America's bottom 50% of households.⁵

In 2018, The Super-Rich Paid a Lower Tax Rate Than the Bottom 50%

Average effective tax rates of the 400 richest families and the bottom 50 percent of U.S. households



Source: Emmanuel Saez and Gabriel Zucman,

THE WASHINGTON POST

Note: Includes federal, state, and local taxes.

Cutting taxes, especially on the wealthy, leads to a decrease in tax revenues, which results in reduced funding for social welfare programs such as healthcare, education, and housing assistance. As a result, wealth inequality deepens, leading to social corrosion, whether through political divide or socioeconomic decline, it affects all classes, creating a society that is more polarized and less cohesive.⁶ To compensate cutting taxes for the wealthy, higher tax rate should be implemented for political parties and any subsidiaries that help fund campaigns.

⁵ Christopher Ingraham, October 8, 2019

⁶ "Introduction to Inequality," IMF, June 5, 2024

Wealth inequality suppresses opportunities for the poorest members of society, most notably by limiting access to quality education.⁷ As educational opportunities become increasingly inaccessible, social mobility, the ability for individuals to transition between classes, diminishes. This stagnation undermines the ideal of the American Dream, where hard work and determination should enable one to improve their social and economic standing, illustrating the death of the American Dream. Overall, wealth inequality will hurt the U.S. economy because when individuals lack the means to participate in the economy there is a reduction in economic stimulation consequently harming economic growth and prosperity.

The central issue is the cost of the elections. The increasing price can be attributed to numerous sources which are expensive in themselves. For example, advertisements and the various platforms they are distributed on such as TV, radio, print, and social media.⁸ Additionally, teams require a wide range of personnel to run the campaigns effectively, including data analysts, pollsters, and others.⁹ Moreover, there are numerous miscellaneous elements involved, such as merchandise like yard signs, posters, and buttons.¹⁰

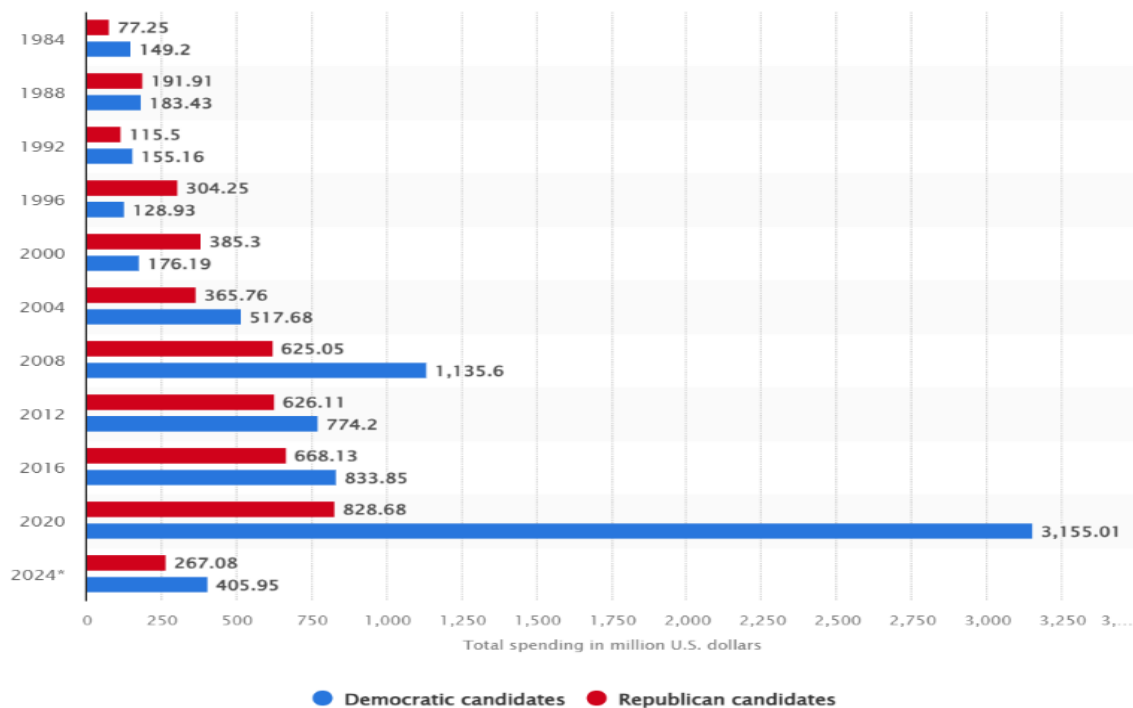
⁷ Introduction to Inequality, IMF, June 5, 2024

⁸ Ximena Bustillo, November 1, 2023

⁹ Ximena Bustillo, November 1, 2023

¹⁰ Ximena Bustillo, November 1, 2023

Total Spending of Presidential Candidates in Major Political Parties in the United States from 1984 to 2024



Source: Statista Research Department

Notes: (in million U.S. dollars)

Law professor Michael Kang, a campaign finance specialist at Northwestern University, states, that spending more money on campaigns can increase the chances of success in an election.¹¹ Thereby, both parties have an incentive to spend more money causing the price of elections to increase rapidly. Yet, Professor Kang further holds that the impact of both parties spending money tends to balance out.¹² What is left is a prisoner's dilemma. If both sides could cooperate and spend a set limit of funds, the cost of campaigns could decrease, and political parties could

¹¹ Ximena Bustillo, November 1, 2023

¹² Ximena Bustillo, November 1, 2023

stop reaching into the pockets of the rich. Yet for the sake of success, there is an incentive not to cooperate and spend more than the competition.

Canada has been able to overcome this prisoner's dilemma by installing legislation that limits the expenses of political parties.¹³ But in the U.S., candidates are constitutionally protected by their First Amendment right of free speech which enables no limits on campaign spending.¹⁴ For the small set of U.S. campaign finance laws, the organization rendered to enforce such laws is the Federal Election Commission (FEC). Yet they have been labeled as ineffective because they function on a board with six members of which half represent Democrats and the other half Republicans.¹⁵ This divide has led to deadlock decision making. The FEC would become more effective if it functioned on a board with an odd number of nonpartisan individuals.

When politicians reach into the wallets of the wealthy, they submit their political power to the top one percent and widen wealth inequality across America. This form of selfish funding brings politicians and the ultrarich closer to Adam Smith's vile maxim: "All for ourselves, and nothing for other people."¹⁶ The detrimental byproducts of wealth inequality will bring harm to all socio-economic classes; therefore, the U.S. should invest more in campaign finance reform.

¹³ Elections Canada

¹⁴ Citizens United v. FEC,

¹⁵ Ximena Bustillo, November 1, 2023

¹⁶ Smith, Adam. *The Wealth of Nations*

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