

Campaign Finance

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Fall 2008

Problems Thinking about Campaign Finance

- Anti-incumbency/politician hysteria
- Problem of strategic behavior
 - Why the “no effects” finding of \$\$
- What we want to know:
 - Why do politicians need campaign \$\$ and how much is “enough”
 - Does private money “buy access” or...
 - Why do people contribute to campaigns?
 - What do MCs do in return for \$\$?
 - How do principals respond to changes in circumstances

Overview History of Campaign Finance Regulation

- Mists of time—Civil War: no regulation
- Civil War—1910
 - “Gilded Age”
 - Muckraking journalism unearthed many scandals
 - 1868: 75% of money used in congressional elections through party assessments
 - 1867: Naval Appropriations Bill prohibits officers and employees of the fed. gov’t from soliciting contributions
 - 1883: Civil Service Reform Act (Pendleton Act) prohibits the same solicitation of all federal workers

Overview History of Campaign Finance Regulation

- Corrupt Practices Acts of 1911 and 1925
 - Set disclosure requirements for House and Senate Elections
 - Spending limits (\$25k for Senate; \$5k for House)
 - Ridiculously weak and regularly violated
- 1971 Federal Election Campaign Act (FECA)
- 1971 Revenue Act
- 1974 FECA Amendments (FECOA)
- 1976: Buckley v. Valeo (1976)

Campaign Finance Reform and Buckley I

Original Provision	Effect of <i>Buckley v. Valeo</i>
<i>Expenditure limits</i>	
Overall spending limits (Congress and president)	Struck down, except as condition to receiving public funding (freedom of speech)
Limits on the use of candidates' own resources	Struck down entirely (freedom of speech)
Limits on media expenditures	Struck down entirely (freedom of speech)
Independent expenditure limits	Struck down entirely (freedom of speech)

Campaign Finance Reform and Buckley II

Original Provision	Effect of <i>Buckley v. Valeo</i>
<i>Contribution limits</i>	
Individual limits: \$1k/candidate/election	Affirmed
PAC limits: \$5k/candidate/election	Affirmed
Party committee limits: \$5k/candidate/election	Affirmed
Cap on total contributions individual can make to all candidates (\$25k)	Struck down (freedom of speech)
Cap on spending "on behalf of candidates" by parties	Affirmed

Campaign Finance Reform and Buckley III

Original Provision	Effect of <i>Buckley v. Valeo</i>
<i>Federal Election Commission</i>	
Receive reports; implement FECA	Upheld
Appointed by Congress	Struck down (separation of powers)
<i>Public funding (presidential elections)</i>	
Check-off system to fund system	Upheld
Partial funding during primaries; total funding during general election	Upheld
Spending limits as price of participating	Upheld
<i>Disclosure</i>	
All expenditures	Upheld
Contributions over \$100 (raised later to \$200)	Upheld

More history

- 1979 FECA Amendments: “party building” activities allowed, leading to “soft money”
- 1996: Colorado Republican Federal Campaign Committee v. FEC (1996)
 - Parties can spend what they want so long as they don’t coordinate
- 2000: Section 527 reform (reporting)
- 2002: Bipartisan Campaign Reform Act (McCain-Feingold)

Section 527 Highlights

- Applies to non-profits incorporated under section 527 of the Internal Revenue Code
 - Examples: SEIU, America Votes, Club for Growth, Emily's List
 - George Soros, largest contributor
 - Issue advocacy, not candidate advocacy
 - Previous restriction: they may run issue adds, but not advocate the election of a fed. cand.
- Gist: contributions must now be reported
- Effects:
 - Some have complied
 - Some have re-filed incorporation papers
 - Some have filed lawsuits

McCain-Feingold Main Features (I)

- Hard money
 - Limit increased to \$2k/election/candidate, \$25k to national parties; indexed to inflation
 - Likely outcome: Reps. gain
- Soft money
 - National parties totally prohibited
 - State & local parties: \$10k/year for registration & gotv; regulated by states
 - Likely outcome: National parties loose in favor of states
- Organizations
 - No limits, if \$\$ not used for fed. election activity
 - Likely outcomes:
 - More \$\$ for these groups
 - Law suits

McCain-Feingold Main Features (II)

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- Election advertising
 - “Stand by your ad”
 - Limits
 - Broadcast “issue ads” that refer to specific candidate paid for by soft money
 - No limit if the ad refers to the issue and not a cand.
 - Likely effects
 - Money diverted to other ads and other strategies
 - More law suits
- Effective date: after 2002 federal election



McCain-Feingold Controversies

- Lawsuit
 - McConnell v. FEC, 540 U.S. 93 (2003)
 - Upheld broadcast & soft money restrictions
- FEC regulations
 - Lax regulation of 527's
 - Narrow definition of “solicit”
 - Internet excluded from regulation
 - Overturned by trial court

Current Contribution Limits

	To each candidate or candidate committee per election	To national party committee per calendar year	To state, district & local party committee per calendar year	To any other political committee per calendar year	Special Limits
Individual may give	\$2,300*	\$28,500*	\$10,000 (combined limit)	\$5,000	\$108,200* overall biennial limit: -\$42,700* to all candidates -\$65,500* to all PACs and parties
National Party Committee may give	\$5,000	No limit	No limit	\$5,000	\$39,900* to Senate candidate per campaign
State, District & Local Party Committee may give	\$5,000 (combined limit)	No limit	No limit	\$5,000 (combined limit)	No limit
PAC (multicandidate) may give	\$5,000	\$15,000	\$5,000	\$5,000	No limit
PAC (not multicandidate) may give	\$2,300*	\$28,500*	\$10,000 (combined limit)	\$5,000	No limit
Authorized Campaign Committee may give	\$2,000	No limit	No limit	\$5,000	No limit

Source: <http://www.fec.gov/pages/brochures/contriblimits.shtml>

Campaign Facts

- Total spending and receipts
- Growth in congressional money
- Incumbent vs. challenger vs. open seats
- Growth of PACs

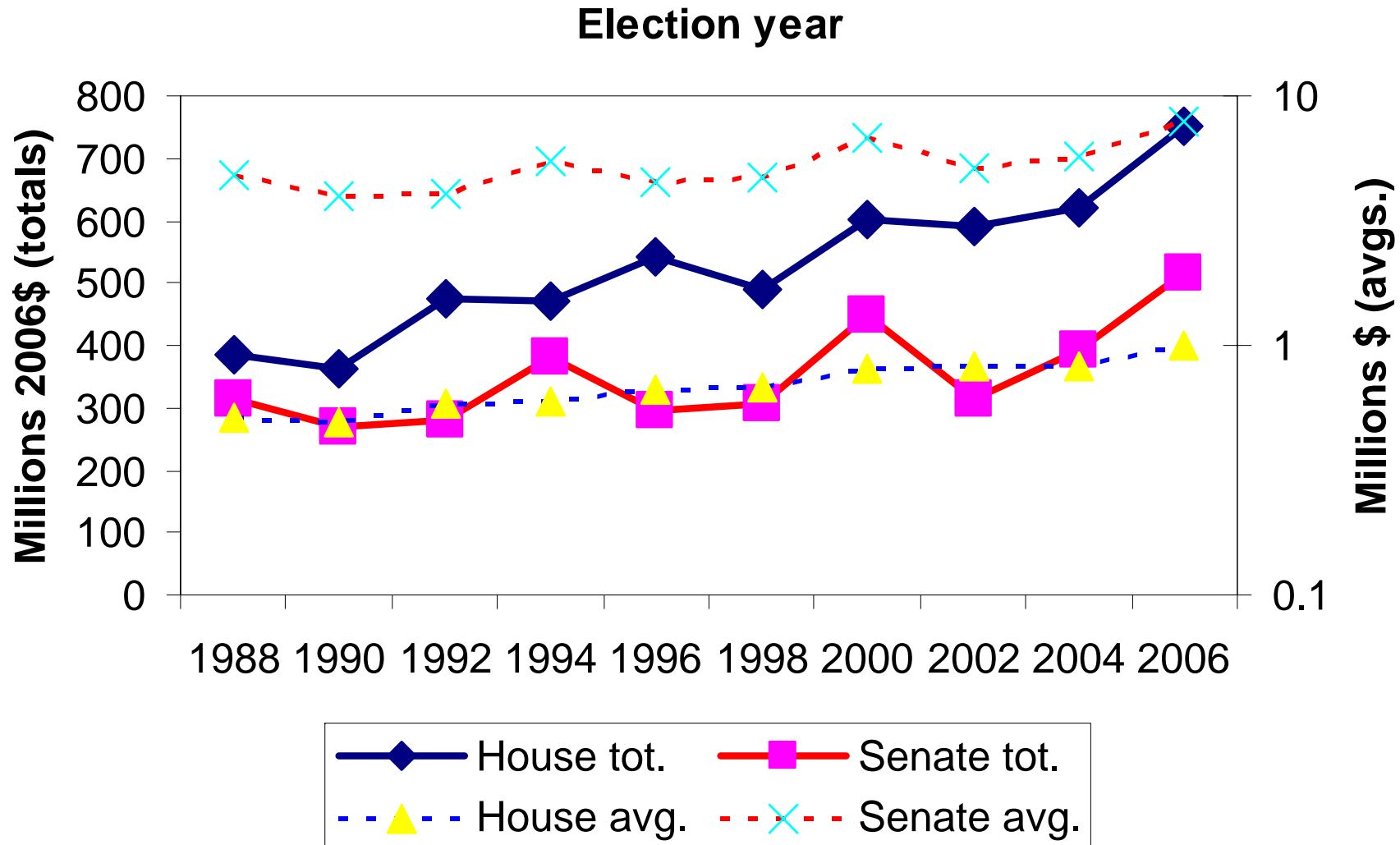
Total hard money fundraising (2003-2004 cycle, in thousands \$)

	Fed. Matching	Indiv.	PACs	Cand. loans & contriBs.	Other loans	Party contrib.	Party coord.	Transf. & prev. camp.	Other receipts	Total
Pres. nom.	28,041	611,395	3,541	135	-5	-	-	6,786	23,998	1,347,781
Pres. gen'l elect.	149,200	-	-	-	-	-	-	-	-	149,200
Sen. elect.	-	324,071	63,710	78,052	1,637	2,074	19,441	-	-	488,985
House elect.	-	396,775	225,390	55,236	2,681	2,193	6,665	-	-	688,940
Dem. pty comm.	-	385,925	3,038	-	-	-	-	379	-	389,342
Rep. pty comm.	-	377,048	2,971	-	-	-	-	4,656	-	384,675
Totals	177,241	2,095,214	296,650	133,423	4,313	4,267	-	11,821	23,998	3,448,923

Note: Coca Cola spent \$2.2b on media advertising in 2004.

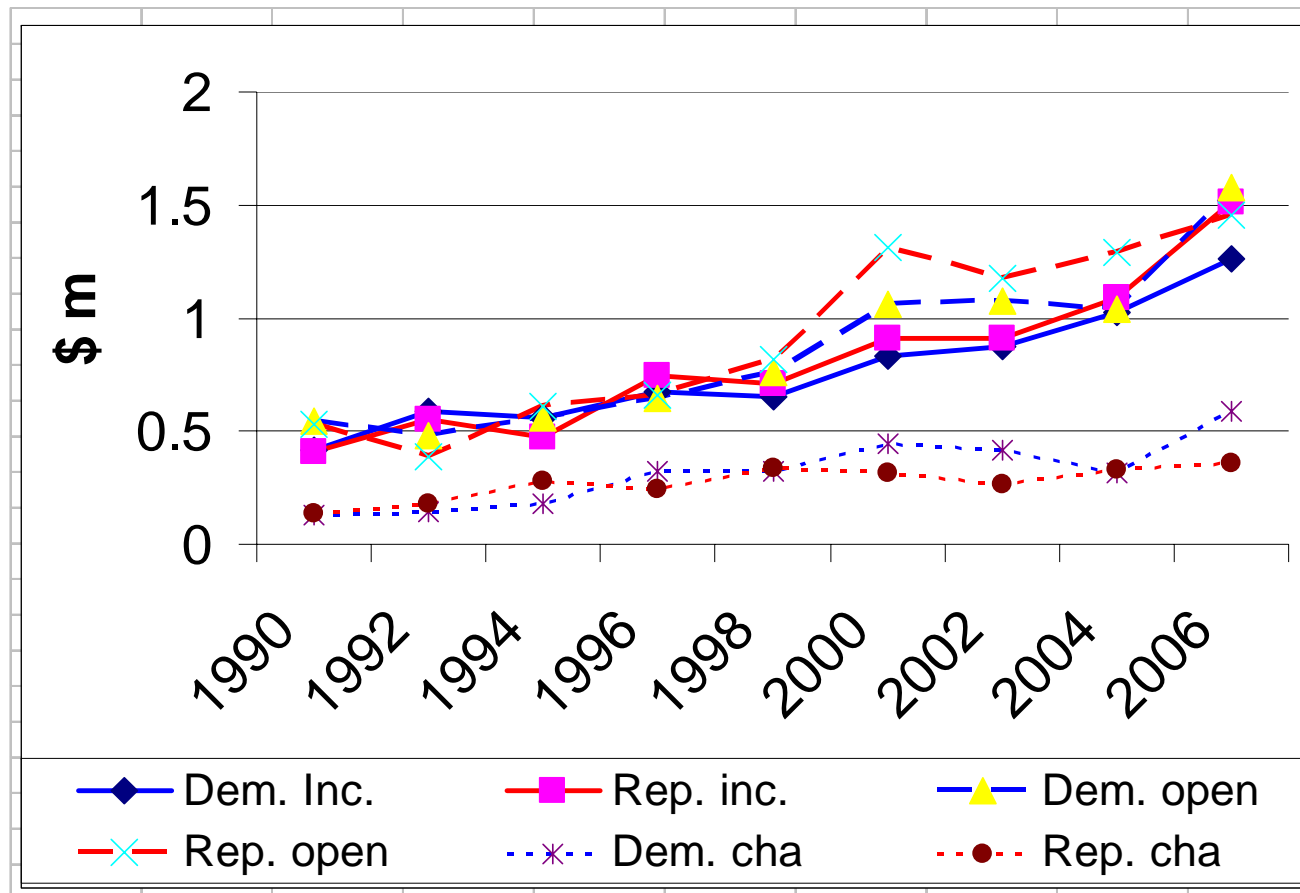
Source: <http://www.thecoca-colacompany.com/contactus/faq/advertising.html>

Growth in congressional money (General + primary elections)



Source: Vital Statistics on Congress

Incumbents, challengers, and open seats

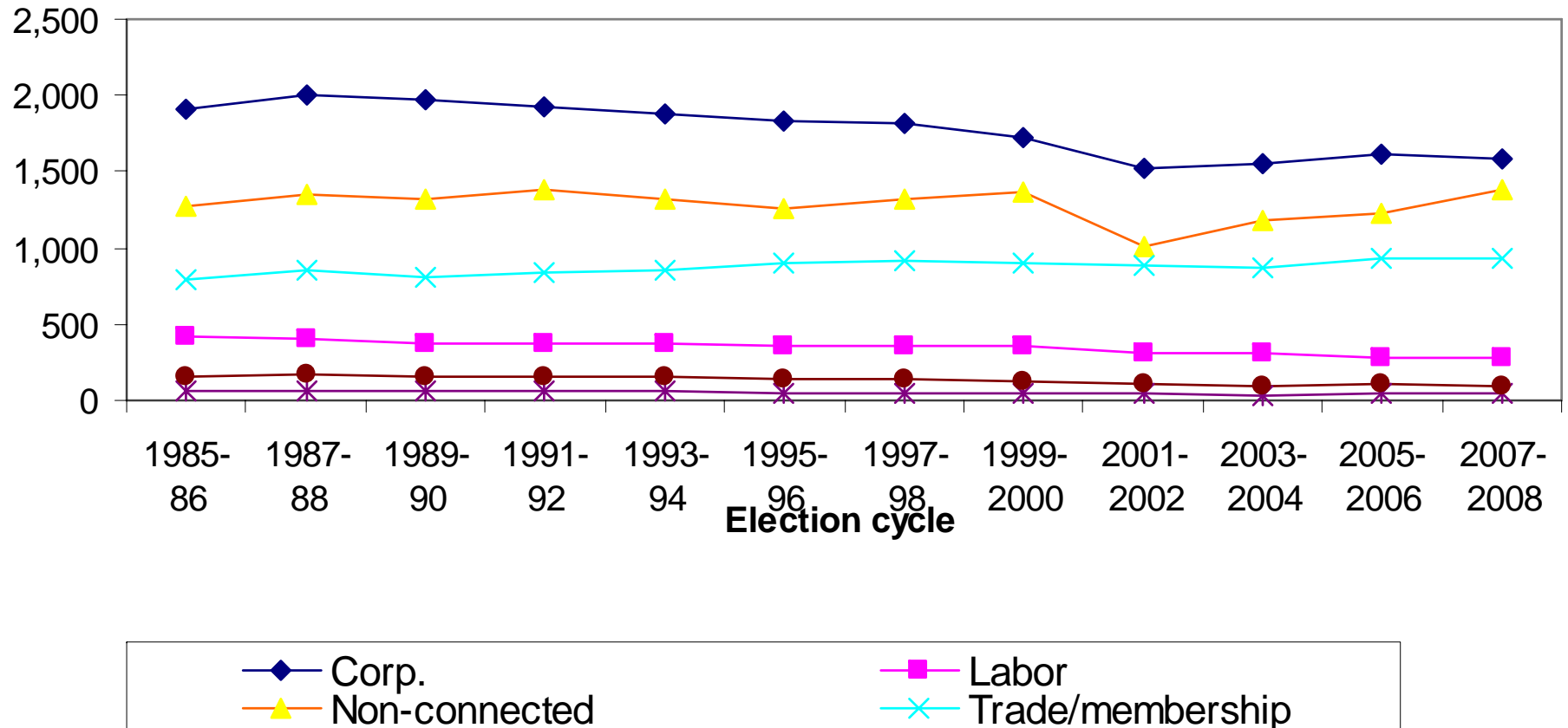


Some House comparisons (Through Sept. of election year)

	2008	2006	2004
Dem. Inc.	\$1,232,469	\$920,087	\$895,827
Rep. Inc.	\$1,233,611	\$1,271,388	\$1,028,020

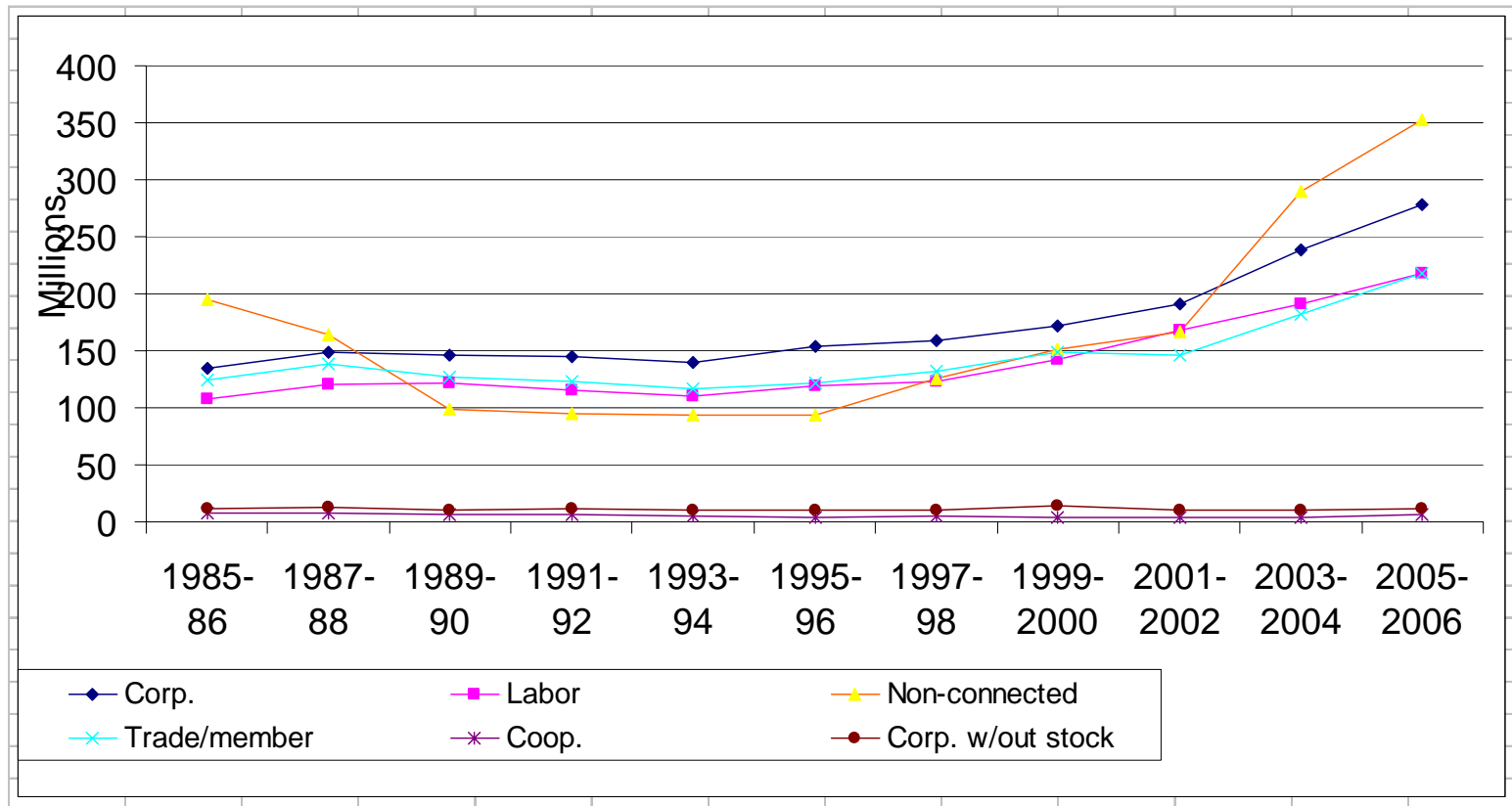
Source: Campaign Finance Institute

PACs: Numbers



Source: FEC, <http://www.fec.gov/press/press2008/20080812pacaccount.shtml>

PACs: Money



PAC giving 2006

Source: FEC

	Grand total	Dem. Pct
Business	\$134,723,900	33.2%
Labor	\$55,356,471	88.4%
Ideological	\$69,673,342	37.5%
Other	\$109,385,463	38.1%

Source: <http://www.fec.gov/press/press2007/20071009pac/20071009pac.shtml>

Leadership PACs (2008 election cycle to date)

PAC Name	Affiliate	Total	Dems	Repubs
AmeriPAC: The Fund for a Greater America	Steny H. Hoyer (D-Md)	\$ 1,052,705	\$ 1,032,705	\$ 10,000
Every Republican is Crucial PAC	Eric Cantor (R-Va)	\$ 939,500	\$ -	\$ 934,500
National Leadership PAC	Charles B. Rangel (D-NY)	\$ 836,292	\$ 826,292	\$ -
Freedom Project	John A. Boehner (R-Ohio)	\$ 825,398	\$ -	\$ 825,398
Our Common Values PAC	Rahm Emanuel (D-Ill)	\$ 790,500	\$ 785,500	\$ -
BRIDGE PAC	James E. Clyburn (D-SC)	\$ 755,000	\$ 750,000	\$ -
Cmte for the Preservation of Capitalism	Jim McCrery (R-La)	\$ 603,343	\$ -	\$ 603,343
PAC to the Future	Nancy Pelosi (D-Calif)	\$ 557,500	\$ 557,500	\$ -
Rely on Your Beliefs	Roy Blunt (R-Mo)	\$ 504,104	\$ 101	\$ 504,003
Growth & Prosperity PAC	Spencer Bachus (R-Ala)	\$ 416,462	\$ -	\$ 416,462
Victory Now PAC	Chris Van Hollen (D-Md)	\$ 403,000	\$ 398,000	\$ -
Continuing a Majority Party Action Cmte	Dave Camp (R-Mich)	\$ 383,532	\$ -	\$ 383,532
People for Enterprise/Trade/Econ Growth	Pete Sessions (R-Texas)	\$ 377,500	\$ -	\$ 377,500
Democrats Win Seats PAC	Debbie Wasserman Schultz (D-Fla)	\$ 332,178	\$ 329,678	\$ -
Campaign for America's Future	Orrin G. Hatch (R-Utah)	\$ 315,000	\$ -	\$ 315,000
Bluegrass Cmte	Mitch McConnell (R-Ky)	\$ 300,000	\$ -	\$ 300,000
Synergy PAC	John B. Larson (D-Conn)	\$ 294,326	\$ 294,326	\$ -
Hope Fund	Barack Obama (D-Ill)	\$ 291,000	\$ 291,000	\$ -
Jobs, Opportunities & Education PAC	Joseph Crowley (D-NY)	\$ 283,000	\$ 280,500	\$ -

<http://www.opensecrets.org/pacs/industry.php?txt=Q03&cycle=2008>

Where does it go? What good does it do?

- Where does it go?
 - Safe incumbents: consumption
 - Unsafe incumbents: campaign (media, etc.)
 - Everyone else: Campaign activities
- To what effect?
 - The paradox of the spendthrift incumbent

Does Private Money “Buy” Access?

- Why do people contribute to campaigns?
 - Participation (Ansolabehere and Snyder)
 - Investors vs. consumers
 - Access and compositional effects
- What do contributors get?
 - Talk to contributors: it's protection money
 - Empirical studies of legislating: mixed results

Thinking about Reform

- Never underestimate the power of unintended consequences
 - Shift to PACs
 - Shift to millionaires
 - Shift to 527s

Problems with Particular Reforms

- Spending limits:
 - Generally favors incumbents
 - Generally unconstitutional
- Limit activities of non-candidates
 - Encourages shifting to other behaviors
 - Generally unconstitutional
- Subsidies (free TV, etc.)
 - Is this enough?
 - Do we want more TV?
- Public Financing
 - Citizens don't like paying for politics
 - People can still opt out