Campaign Spending

17.251
Fall 2004
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 (FECAA)
# Campaign Finance Reform and Buckley I

<table>
<thead>
<tr>
<th>Original Provision</th>
<th>Effect of <em>Buckley v. Valeo</em></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure limits</td>
<td></td>
</tr>
<tr>
<td>Overall spending limits (Congress and president)</td>
<td>Struck down, except as condition to receiving public funding (freedom of speech)</td>
</tr>
<tr>
<td>Limits on the use of candidates’ own resources</td>
<td>Struck down entirely (freedom of speech)</td>
</tr>
<tr>
<td>Limits on media expenditures</td>
<td>Struck down entirely (freedom of speech)</td>
</tr>
<tr>
<td>Independent expenditure limits</td>
<td>Struck down entirely (freedom of speech)</td>
</tr>
</tbody>
</table>
# Campaign Finance Reform and Buckley II

<table>
<thead>
<tr>
<th>Original Provision</th>
<th>Effect of <em>Buckley v. Valeo</em></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution limits</td>
<td></td>
</tr>
<tr>
<td>Individual limits: $1k/candidate/election</td>
<td>Affirmed</td>
</tr>
<tr>
<td>PAC limits: $5k/candidate/election</td>
<td>Affirmed</td>
</tr>
<tr>
<td>Party committee limits: $5k/candidate/election</td>
<td>Affirmed</td>
</tr>
<tr>
<td>Cap on total contributions individual can make to all candidates ($25k)</td>
<td>Struck down (freedom of speech)</td>
</tr>
<tr>
<td>Cap on spending “on behalf of candidates” by parties</td>
<td>Affirmed</td>
</tr>
</tbody>
</table>
## Campaign Finance Reform and Buckley III

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

- 1979 FECA Amendments: “party building” activities allowed, leading to “soft money”
- 1996: Colorado Republican Federal Campaign Committee v. FEC (196)
  - Parties can spend what they want so long as they don’t coordinate
- 2000: Section 527 reform
- 2002: Bipartisan Campaign Reform Act (McCain-Feingold)
Section 527 Highlights

• Applies to non-profits incorporated under section 527 of the Internal Revenue Code
  – Examples: GOPAC, Sierra Club
  – Previous restriction: they may run issue adds, but not advocate the election of a fed. cand.

• Gist: contributions must be reported

• Effects:
  – Some have complied
  – Some have re-filed incorporation papers
  – Some have filed lawsuits
McCain-Feingold Highlights (I)

• Long political history
  – 104th Congress (1995—96)
    • Eliminate soft money; ban on PAC contributions; incentives for complying with spending limits
    • Senate: filibuster; House: leadership supports failed bill
    • Shays-Meehan in the House
  – 105th Congress (1997—98)
    • Outright alliance with Shays-Meehan
    • Ban soft money; lower PAC contribution limits; provide incentives to comply with spending limits
    • House passes S-M, following “discharge petition”
    • Senate filibuster
McCain-Feingold Highlights (II)

• Long political history
    • S-M passes again
    • Senate filibuster again
    • McCain bill to limit Section 527’s passes
  – 107th Congress (2001—02)
    • M-F forced through in 2001, after compromises
    • S-M delayed over scheduling (Republicans + Black Caucus coalition)
    • March 20: passes and goes to president
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)

• Election advertising
  – Limits
    • Broadcast “issue adds” 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
    • Upheld broadcast & soft money restrictions

• FEC regulations
  – Lax regulation of 527’s
    • Narrow definition of “solicit”
    • Internet excluded from regulation
  – Overturned by trial court

• Congress now on war path
New McCain-Feingold-Shays-Meehan

• Require 527’s to raise and spend only “hard money”
• Restrict 527 TV advertising before election
Top 527’s from Opensecrets.org

- Joint Victory Campaign 2004 * $41,685,706
- Media Fund $28,127,488
- America Coming Together $26,905,450
- Service Employees International Union $16,652,296
- American Fedn of St/Cnty/Munic Employees $13,658,207
- MoveOn.org $9,086,102
- New Democrat Network $7,172,693
- Club for Growth $6,301,03
- EMILY's List $5,673,173
- Sierra Club $4,491,180
- AFL-CIO $4,109,799
- Voices for Working Families $3,668,280
- College Republican National Cmte $3,647,093
Campaign Facts

- Total spending and receipts
- Growth in congressional money
- Incumbent vs. challenger vs. open seats
- Growth of PACs
## Total spending
(1999-2000 cycle, in thousands $)

<table>
<thead>
<tr>
<th></th>
<th>Fed. matching</th>
<th>Indiv.</th>
<th>PACs</th>
<th>Cand. loans &amp; contribs.</th>
<th>Other loans</th>
<th>Transf. &amp; prev. camp.</th>
<th>Other receipts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pres. nom.</td>
<td>57,744</td>
<td>233,584</td>
<td>2,893</td>
<td>43,160</td>
<td>237</td>
<td>3,491</td>
<td>1,855</td>
<td>342,964</td>
</tr>
<tr>
<td>Pres. gen'l elect.</td>
<td>135,120</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>135,120</td>
</tr>
<tr>
<td>Sen. elect.</td>
<td>-</td>
<td>249,980</td>
<td>51,940</td>
<td>106,990</td>
<td>510</td>
<td>-</td>
<td>-</td>
<td>409,420</td>
</tr>
<tr>
<td>House elect.</td>
<td>-</td>
<td>312,790</td>
<td>192,770</td>
<td>66,140</td>
<td>1,450</td>
<td>-</td>
<td>-</td>
<td>573,150</td>
</tr>
<tr>
<td>Dem. pty comm. (hard)</td>
<td>-</td>
<td>194,832</td>
<td>30,695</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>225,527</td>
</tr>
<tr>
<td>Rep. pty comm. (hard)</td>
<td>-</td>
<td>394,787</td>
<td>28,916</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>423,704</td>
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<tr>
<td>Dem. Pty. Comm. (soft)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>245,203</td>
</tr>
<tr>
<td>Rep. Pty. Comm. (soft)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>249,862</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>192,864</strong></td>
<td><strong>1,385,974</strong></td>
<td><strong>307,214</strong></td>
<td><strong>216,290</strong></td>
<td><strong>2,197</strong></td>
<td><strong>3,491</strong></td>
<td><strong>1,855</strong></td>
<td><strong>2,604,949</strong></td>
</tr>
</tbody>
</table>
Growth in congressional money

Election year

House tot.
Senate tot.
House avg.
Senate avg.
Incumbents, challengers, and open seats
## Current numbers (10/13/04)

Source: FEC

<table>
<thead>
<tr>
<th>Year</th>
<th>House Number</th>
<th>Receipts</th>
<th>Year</th>
<th>Senate Number</th>
<th>Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>1693</td>
<td>223.58</td>
<td>1994</td>
<td>230</td>
<td>163.01</td>
</tr>
<tr>
<td>1998</td>
<td>1236</td>
<td>278.77</td>
<td>1998</td>
<td>161</td>
<td>191.38</td>
</tr>
<tr>
<td>2000</td>
<td>1363</td>
<td>381.77</td>
<td>2000</td>
<td>193</td>
<td>258.42</td>
</tr>
<tr>
<td>2002</td>
<td>1394</td>
<td>400.48</td>
<td>2002</td>
<td>142</td>
<td>180.78</td>
</tr>
<tr>
<td>2004</td>
<td>1410</td>
<td>459.89</td>
<td>2004</td>
<td>237</td>
<td>337.66</td>
</tr>
</tbody>
</table>
PACs: Numbers

The graph shows the number of PACs (Political Action Committees) across different election cycles from 1985-86 to 2003-2004. The categories include:

- Corp.
- Labor
- Non-connected
- Trade/membership
- Coop
- Corp. w/out stock

The data indicates a decrease in the number of PACs over time.
PAC giving 2002
Source: opensecrets.org

<table>
<thead>
<tr>
<th></th>
<th>Grand Total</th>
<th>Democrats</th>
<th>Republicans</th>
<th>Dem %</th>
<th>Repub %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>$1,008,406,673</td>
<td>$429,074,306</td>
<td>$577,020,735</td>
<td>43%</td>
<td>57%</td>
</tr>
<tr>
<td>Labor</td>
<td>$96,584,777</td>
<td>$89,937,275</td>
<td>$6,465,902</td>
<td>93%</td>
<td>7%</td>
</tr>
<tr>
<td>Ideological</td>
<td>$90,259,388</td>
<td>$49,010,162</td>
<td>$41,157,993</td>
<td>54%</td>
<td>46%</td>
</tr>
<tr>
<td>Other</td>
<td>$108,024,969</td>
<td>$48,130,631</td>
<td>$59,271,482</td>
<td>45%</td>
<td>55%</td>
</tr>
<tr>
<td>Unknown</td>
<td>$77,355,798</td>
<td>$21,589,286</td>
<td>$55,563,830</td>
<td>28%</td>
<td>72%</td>
</tr>
</tbody>
</table>
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