

# 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 (FECOA)
- 1976: Buckley v. Valeo (1976)

# Campaign Finance Reform and Buckley I

<b>Original Provision</b>	<b>Effect of <i>Buckley v. Valeo</i></b>
<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

<b>Original Provision</b>	<b>Effect of <i>Buckley v. Valeo</i></b>
<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
- 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
  - 104<sup>th</sup> 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
  - 105<sup>th</sup> 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
  - 106<sup>th</sup> Congress (1999—2000)
    - S-M passes again
    - Senate filibuster again
    - McCain bill to limit Section 527's passes
  - 107<sup>th</sup> 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

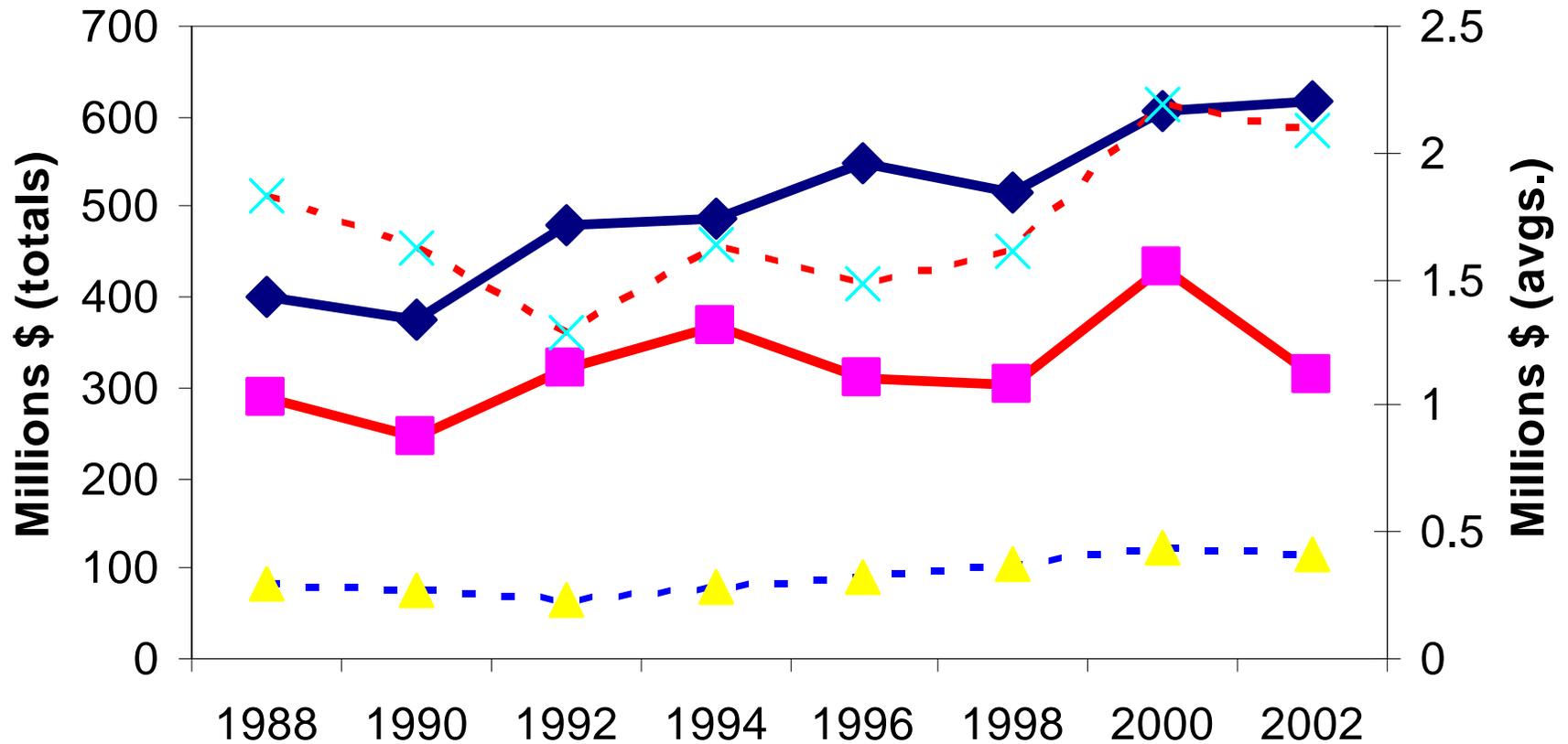
# Total spending

## (1999-2000 cycle, in thousands \$)

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

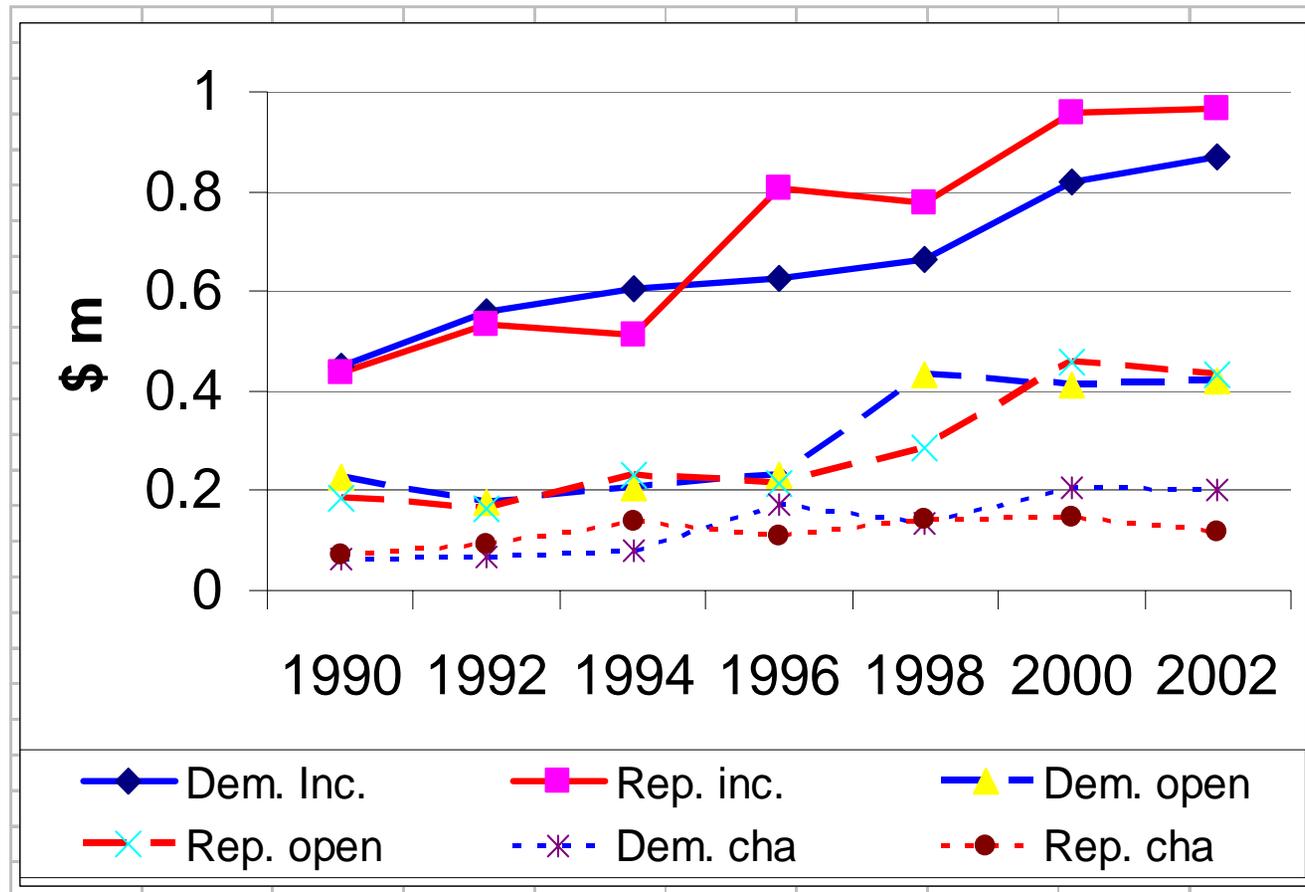
# Growth in congressional money

Election year



◆ House tot. ■ Senate tot. ▲ House avg. ✕ Senate avg.

# Incumbents, challengers, and open seats

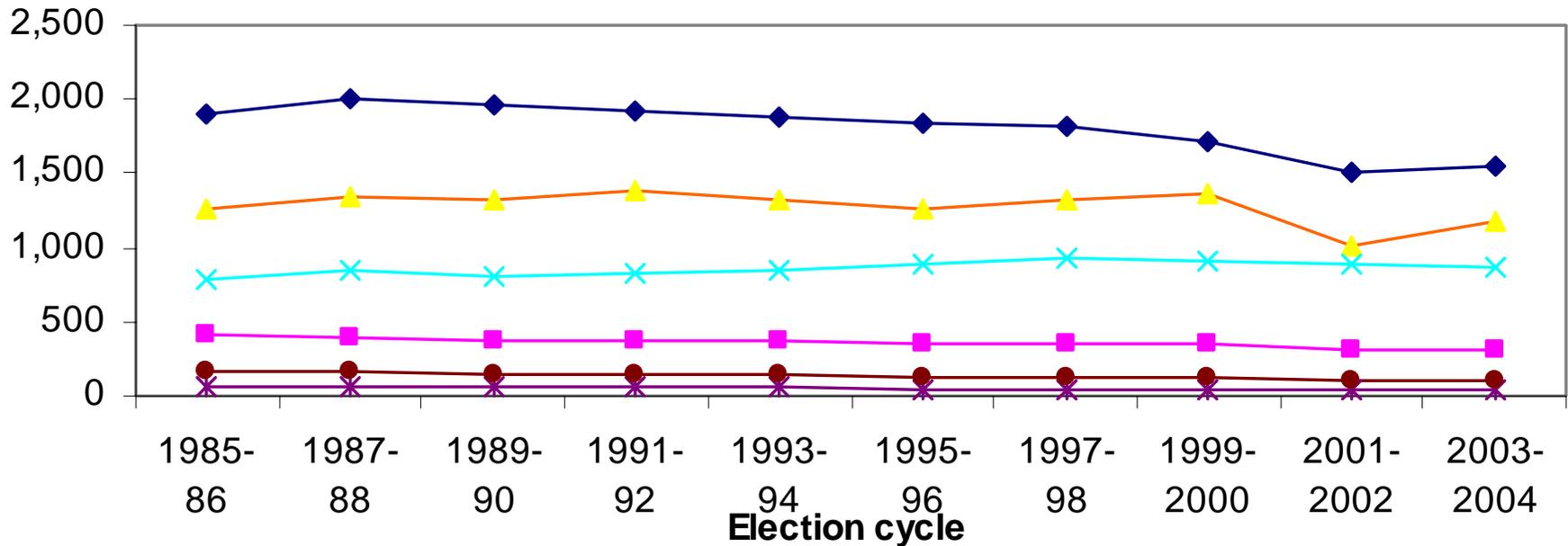


# Current numbers (10/13/04)

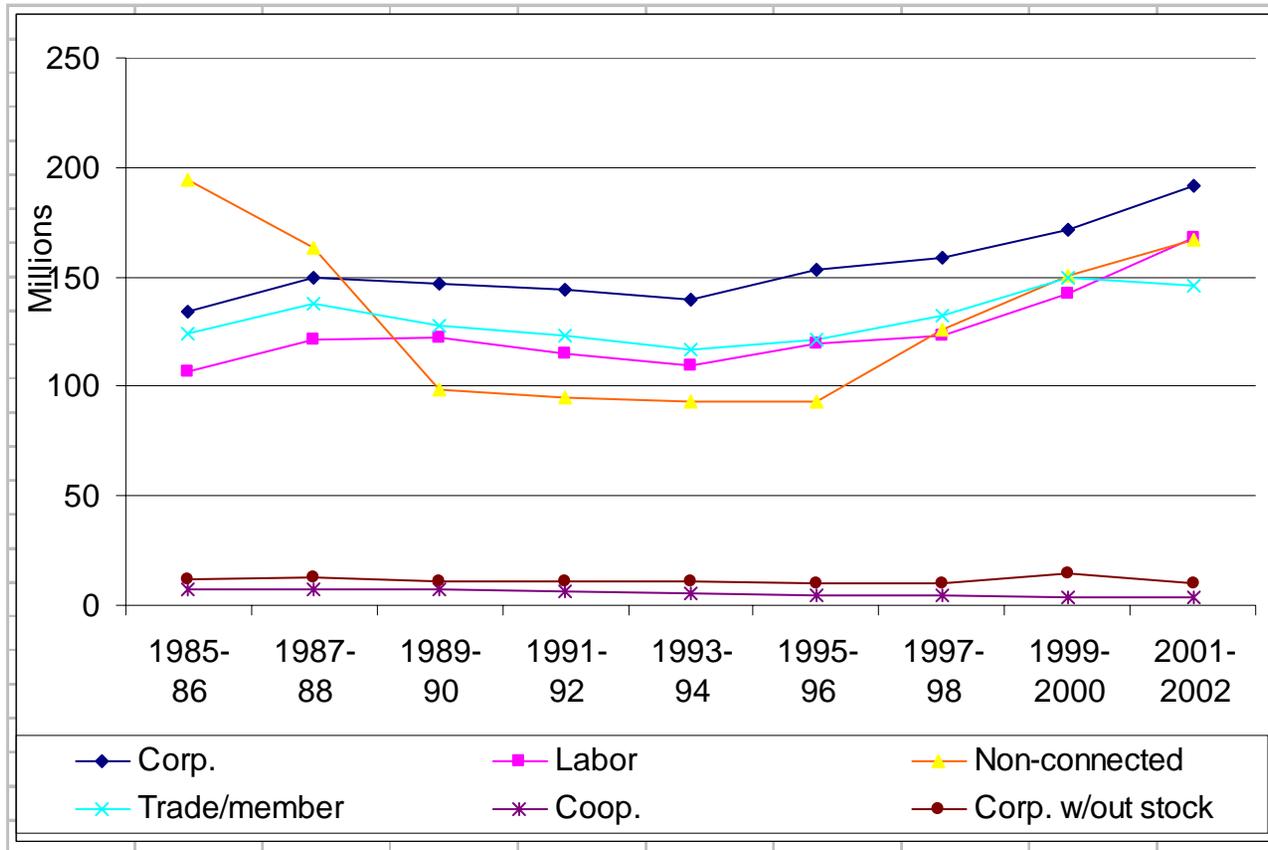
Source: FEC

House	Number	Receipts	Senate	Number	Receipts
1992	1956	207.26	1992	237	\$161.19
1994	1693	223.58	1994	230	\$163.01
1996	1590	271.77	1996	208	\$157.99
1998	1236	278.77	1998	161	\$191.38
2000	1363	\$381.77	2000	193	\$258.42
2002	1394	\$400.48	2002	142	\$180.78
2004	1410	\$459.89	2004	237	\$337.66

# PACs: Numbers



# PACs: Money



# PAC giving 2002

Source: [opensecrets.org](http://opensecrets.org)

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

# 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