

Campaign Finance (CF), Campaign Spending & CF Reform

MU MVZ 449
Spring 2010
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Masaryk University

Final Exam Dates MVZ 449 Spring 2010

Your Choice:

Wednesday, 26 May, 1600-1730

OR

Friday, 04 June, 1500-1630

BOTH SESSIONS TO BE HELD IN CLASSROOM U43 FSS

Margarita Party! Details

- Saturday, 15 May 2010
- 42 Gorkeho Street, near Café Steiner
- Top Floor, Unit 12 (there is an elevator)
- Mailbox to ring bell is marked, “Matheson”
- We’ll start around 20:00 with drinks and food.
- You all are welcome and can a bring a guest if you like.

Area of Focus: Campaign Processes, Campaign Money, & Political Participation

What is the Relationship Among:
Political Contributions, Campaign
Financing, and Politics?

Campaign Process Elements

- Finance: Raise Money
- Gain Publicity (Earned, Free)
- Expand Unpaid/Free Coverage through Paid Media:
 - Campaign events
 - Press conferences
 - Debates

REFORM: The Recurring Theme of “Reform”

- Limit the disproportionate influence of wealthy individuals and special interest groups on the outcome of federal elections;
- Regulate spending in campaigns for federal office; and
- Deter abuses by mandating public disclosure of campaign finances (“transparency”).

Terms / Concepts

- “Soft money:” (‘R & not R’) contributions to national parties & IEs; not subject to contribution limits.
- “Hard money:” (‘R & R’)
- “PACs:” Political Action Committee (“multi-candidate committee)
- “Independent expenditures:” made without coordination with candidate / campaign
- “Issue ads:” political advertising not directly affiliated with specific candidate, but oriented toward specific issue or cause.

Quick Overview of the 1974 FECA

- 1. Created Federal Elections Commission (FEC).
- 2. Allowed for federal funding for presidential candidates (matching funds with voluntary limits).
- 3. Required public disclosure of contributions & spending.
- 4. Placed limits on campaign spending if a candidate accepted federal matching funds.
- 5. Set contribution limits:
 - \$1,000 limit any individual can give to federal candidate in the primary, & \$1,000 in per candidate in general election. \$5,000 limit per individual per campaign by a "multi-candidate organization" (Political Action Committee.)
- Limited amounts of their own money candidates could spend on their own campaigns. (Struck down in *Buckley v Valeo*)
- Limited amounts of other people’s money candidates could spend (i.e. tried to establish expenditure ceilings in US congressional races.) (Struck down in *Buckley v Valeo*)

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Modern campaign finance laws

- 1907 – Ban on direct contributions by corporations
- 1947 – Ban on direct contributions by labor unions
- 1971 / 1974 – Federal Election and Campaign Act, FECAs (established limits & FEC)
- 1976: Supreme Court decision in *Buckley v. Valeo*
- 2002: Bipartisan Campaign Reform Act (BCRA or “McCain Feingold”)

Campaign Finance Law Basics

	To any candidate or candidate committee (per election*)	To any national party committee (per year)	To any PAC, state/local party, or other political committee (per year)	Aggregate total
Individual can give**:	Old law: \$1,000	\$20,000	\$5,000	\$25,000 per year
	New law: \$2,000, subject to the aggregate limit***	\$25,000 per party committee, subject to the aggregate limit	*\$10,000 to each state or local party committee *\$5,000 to each PAC or other political committee, subject to the aggregate limit	\$95,000 per two-year election cycle as follows: *\$37,500 per cycle to candidates; and *\$57,500 per cycle to all national party committees and PACs (\$20,000 to \$57,500 per cycle to all national party committees, and a maximum \$37,500 per cycle to PACs)
Multi-candidate committee (PAC) can give	\$5,000	\$15,000	\$5,000	No limit
	Same	Same	Same	Same
Other political committee can give:	\$1,000	\$20,000	\$5,000	No limit
	Same	Same	Same	Same

CAMPAIGN FUND-RAISING, 1992-2000*			
	2000	1996	1992
Democrats			
Hard Money	\$275.2	\$210.0	\$155.5
Soft Money	\$245.2	\$122.3	\$36.3
Republicans			
Hard Money	\$465.8	\$407.5	\$266.3
Soft Money	\$249.9	\$141.2	\$49.8
Grand Total			
	\$1236.1	\$881.0	\$507.9

Source: Federal Election Commission / Center for Responsive Politics. Totals are in millions.

Some web sites

- www.fec.gov
- www.opensecrets.org
- For the State of CA: <http://ss.ca.gov/prd>

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: 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: 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: 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 (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 (A.)

- 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 (B.)

- Long political history
 - 106th Congress (1999—2000)
 - 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

- 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 & gov; 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, Part 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 527s to raise and spend only “hard money”
- Restrict 527 TV advertising before election

Top 527s from Opensecrets.org: 2004-2006 Period

- 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

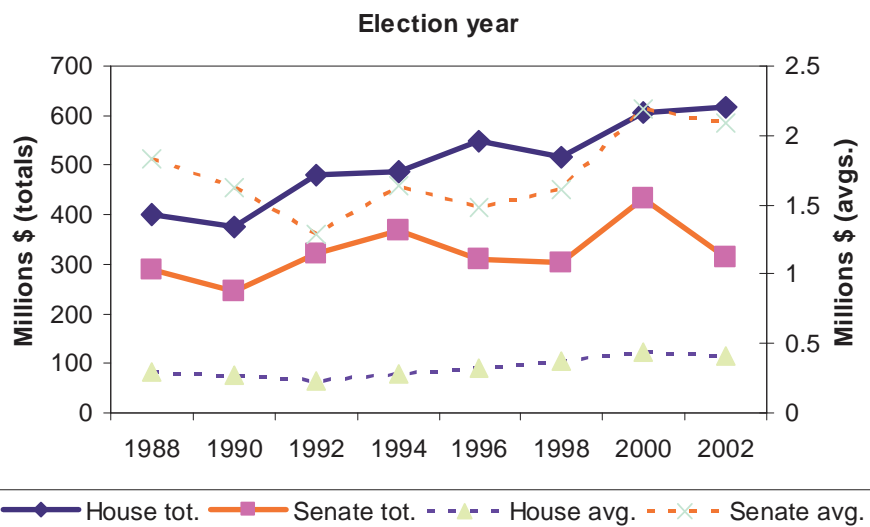
Campaign Facts

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

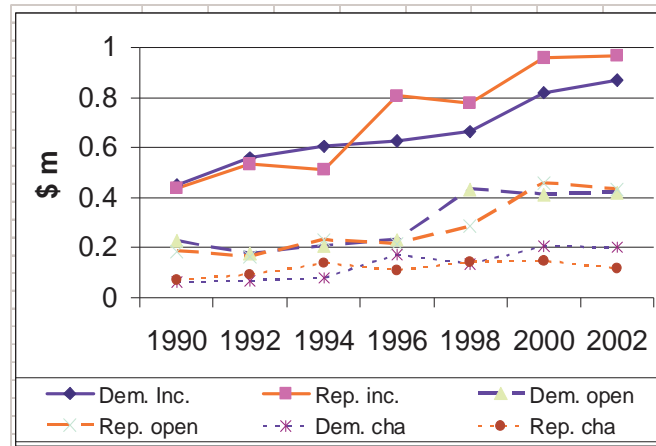
Total spending (1999-2000 cycle, in thousands \$)

	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
Totals	192,864	1,385,974	307,214	216,290	2,197	3,491	1,855	2,604,949

Growth in Congressional Money



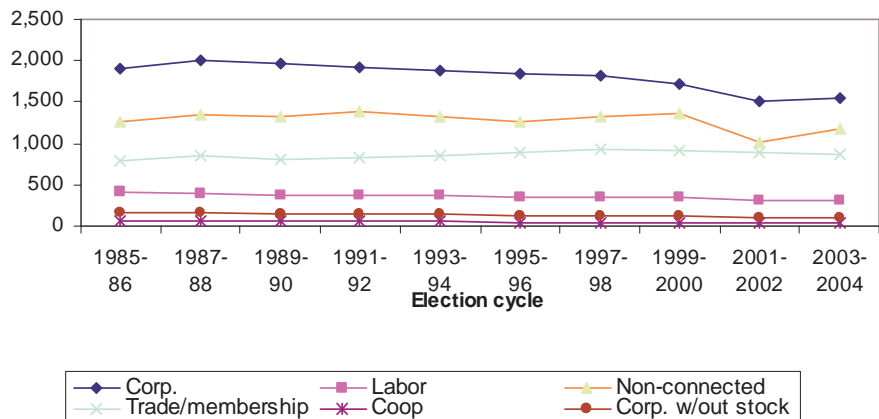
Incumbents, Challengers, & Open Seats



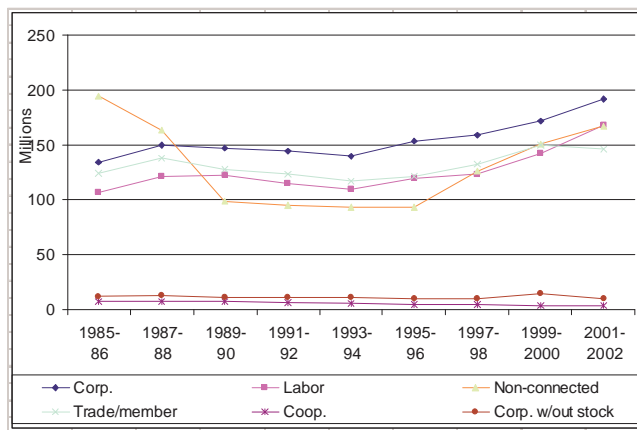
Current numbers (10/13/04) Source: FEC

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

	<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

The Problem of “Concentrated” \$\$\$

Metro Cash

Nearly 60 percent of the individual contributions to the presidential candidates have come from these 10 metropolitan areas, which together represent about a quarter of the voting-age population.

		<i>Percentage of total U.S. contributions</i>	<i>Percentage of voting-age population</i>
New York-Northern New Jersey-Long Island	\$21,694,119	18.7%	6.8%
Los Angeles-Long Beach-Santa Ana	10,231,041	8.8	4.4
Washington-Arlington-Alexandria	8,960,093	7.7	2.0
Chicago-Naperville-Joliet	5,686,074	4.9	3.3
San Francisco-Oakland-Fremont	4,915,701	4.2	1.5
Boston-Cambridge-Quincy	4,873,133	4.2	1.5
Miami-Fort Lauderdale-Miami Beach	4,524,502	3.9	2.1
Dallas-Fort Worth-Arlington	2,890,785	2.5	2.4
Bridgeport-Stamford-Norwalk	2,576,888	2.2	0.3
Houston-Sugar Land-Baytown	2,406,709	2.1	2.0
Top 10 totals	\$68,759,045	59.3%	26.3%

Source: Federal Election Commission

Source: *NYT*, 22 April 2007