THE EVOLUTION OF CAMPAIGN FINANCE AND ITS REFORM: AN EXPLORATION AND ECONOMIC ANALYSIS

by
Meghan Ayn Milloy

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Approved by:

___________________________
Advisor: Dr. William Shughart II

___________________________
Reader: Dr. Richard Forgette

___________________________
Reader: Dr. John Winkle
MEGHAN AYN MILLOY: The Evolution of Campaign Finance and Its Reform: An Exploration and Economic Analysis
(Under the Direction of Dr. William Shughart II)

From the blunders of Theodore Roosevelt that initiated much of the debate on campaign finance reform to Bill Bradley’s ideas on voting reform as a means to reform campaign finance, this is a topic that has inspired much debate and controversy. My hope is that throughout the following pages, through the history, opinions, and empirical evidence, the reader may formulate his or her own opinions on the good, evil, and necessity – or lack thereof – of reforming the system. History teaches where we have gone wrong. Econometric evidence tells us where we should go next. And opinions for future reform lead us in the right direction. Such reform seemingly has no end in sight as there will always be new restrictions necessary and new ways to evade them. While much of the statistical evidence was drawn from the last decade, its impact remains salient as the numbers may have increased but the ratios remain the same.
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LIST OF ABBREVIATIONS

BCRA: Bipartisan Campaign Reform Act of 2002
DCCC: Democratic Congressional Campaign Committee
DNC: Democratic National Committee
DSCC: Democratic Senatorial Campaign Committee
FCPA: Federal Corrupt Practices Act
FEC: Federal Election Commission
FECA: Federal Election Campaign Act
NPLO: National Publicity Law Organization
NRCC: National Republican Congressional Committee
NRSC: National Republican Senatorial Committee
PAC: Political Action Committee
RNC: Republican National Committee
Introduction

It’s all about supply and demand.

I wonder how many times that’s been said throughout the course of an economics major’s collegiate career. If the truth be told though, it is all about supply and demand. Nearly every facet of life – from sporting events to politics – can be described, analyzed, and predicted with little more than a Cartesian plane and a few ideas about the rational consumer and, of course, supply and demand. The tricky part comes when describing entities or situations that don’t exactly give us cut-and-dried ingredients for our recipes of economic analysis. Occasionally one’s mind must bend to envision our great statesmen as figures lining up vertically on their inelastic supply schedule. Oftentimes, our ideals of money being supplied must be reversed to satisfy the demand for money – as is in the case of campaign finance. Still other times we must alter how we consider rent, from the giving of funds for temporary ownership of an item to a price paid above that necessary to attract the given supply. In the case of politicians and their inelastic supply schedule, any price paid above zero exceeds the minimum necessary to attract such supply; so any price paid in the process of earning such a position in our Nation’s Capitol must be considered a rent. And thus it may be shown that while working for the greater good of the good ole U.S. of A., our leaders are operating mostly, if not wholly, on rent-seeking behavior.
I. A History of Campaign Finance Reform

The Bipartisan Campaign Reform Act of 2002 (BCRA), or McCain-Feingold as it is typically known outside the Beltway, is the most recent in a long string of attempts at regulating contributions and spending in elections. While most people believe that the history of campaign finance reform began around the Watergate scandal, the Federal Election Campaign Act (FECA) and the ensuing Supreme Court case, Buckley v. Valeo, such reform actually has a long history dating back to the 1800s. As with any initiative to reform, this one began with the realization of a problem – or in this case, the realization that a man was seemingly untrue to his words.

When Theodore Roosevelt took office following the assassination of President McKinley in 1901, he began a promised streak of trust busting. However, when it was time for re-election in 1904, Roosevelt turned to the very same bankers and trusts he had busted in search of funding for what would be his landslide victory. Upon re-election, Roosevelt realized that he had acted in somewhat of a contradictory manner – busting trusts then turning to the executives of the same enterprises for his campaign finances. Not long after, in his speech to Congress in early 1905, Roosevelt proposed that contributions by corporations to any political committee or for any political purpose be deemed illegal. However, he gave no suggestion for restrictions on contributions from the individuals in charge of such corporations, or on any individuals at all for that matter. This prompted the formation of the National Publicity Law Organization (NPLO), an interest group of citizens dedicated to the regulation of campaign finance, expressly favoring public disclosure of the sources of such funds. In the same speech,
when Roosevelt called for political parties to publicly fund their candidates in federal elections, he began the initiative for campaign finance disclosure, though it took years for Congress to act (Birnbaum, xi-21).

In 1907, a senator by the name of Benjamin Tillman introduced a bill known as the Tillman Act that prohibited contributions from national corporations and banks to political campaigns. Such prohibition came in light of many large contributions by corporations to Roosevelt in return for what seemed like political influence and at times even appointed political positions. While the restrictions of the Tillman Act of 1907 remain in effect today, its authors failed to have foreseen future issues with so-called soft money contributions – typically donations made in attempts to avoid federal regulations or limits, usually by way of national party or organizations – by corporations to the national political parties. This act satisfied reformists for a while, but in late 1907, members of the Democratic Party, especially those associated with Tammany Hall, and even the Republican President Roosevelt began calling for public financing of political parties and campaigns. While it might have seemed like a good idea and one step closer to political equality, almost none of our statesmen at the time were willing to adopt it, or to even discuss the idea for that matter (Sorauf, 1-28).
A. The Federal Corrupt Practices Act

With a Republican majority in Congress and the initiative of the NPLO, the Federal Corrupt Practices Act (FCPA) was passed in 1910 with vague requirements and one-sided limitations, only specifying party expenditures for House campaigns. These expenditures were limited to $5000, and the vague requirements compelled single-state political parties and election committees to disclose their spendings ex-post. Thus loopholes were aplenty and penalties for failure to comply rarely were enforced. However, in 1911 the FCPA was amended to include restrictions on party spending in Senate campaigns to $10,000 and required disclosure of spending not only by the political parties but also by the candidates.

As could be expected, such limitations and divulgences sparked controversy among candidates, and in 1918 Truman H. Newberry, the Republican who defeated Henry Ford in the Michigan primary, was charged with over-spending – by about $170,000 – in his election bid. Newberry disputed the accusation saying not only that Congress had no authority to regulate the primaries but also that he had not violated the law, which merely applied to political parties and campaign committees and most certainly not to the candidate or individual supporters. As a result, the Supreme Court ruled in Newberry v. United States (1921) that indeed Congress had no authority to restrict party primaries or nominations and, thus, that spending limits, as defined in FCPA, should be struck down.

This ruling was one of many events that underscored the deficiencies and ambiguities of congressional attempts to regulate campaign finance. Shortly after the
Court’s ruling in Newberry, a couple of oil moguls “lent” large sums of money to the Secretary of the Interior, Albert Fall. Coincidentally, President Taft had recently transferred oversight of a large oil reserve at Teapot Dome, Wyoming, from the Department of the Navy to the Department of the Interior, and Secretary Fall just happened to lease Teapot Dome, without competitive bidding, to the same moguls. Once again brought to light was corruption and influence of large corporations’ contributions to the political realm. In response Congress passed the Federal Corrupt Practices Act of 1925, which remained the authority on campaign finance until the 1970s.

The Federal Corrupt Practices Act of 1925 effectively paralleled the regulations set forth in the FCPA of 1921 except for minor changes, such as the deletion of regulations of primaries. It amended the rules of disclosure in the attempt to prevent financing such as that which had led to the Teapot Dome scandal; prevention came in the form of requiring all political committees, House and Senate candidates to file quarterly reports of any contribution greater than $100. It also modified the spending limits to allow Senate campaigns $25,000 and House campaigns $5,000 – unless a state specified lower limits.

Despite such supposed improvements, no agency or department was ever established to monitor compliance. Similarly, the law failed to specify who would be able to access the reports, how the reports would be accessed, and even failed to specify any penalties that might be imposed if political parties and candidates failed to report their spendings and contributions. Thus, many parties and candidates alike simply never reported their monetary activity, and in turn went unpunished – nearly unnoticed.
The spending limits laid out in FCPA were equally as failed and equally as disregarded, as those of its predecessor. Since the law required party committees only to disclose expenditures, the rules were easily evaded by creating multiple committees per election or candidate. In such an instance each party could meet the spending limits and exponentially increase the funds available to the candidate.

In 1940, along with preventing government employees from engaging in political activity, the Hatch Act, sponsored by Carl Hatch of New Mexico, restricted the amount of money given to political campaigns.* This time individuals were allowed to give only $5,000 each year to candidates or national parties or committees, and those national parties or committees could receive or spend only $3 million in total. Similar to the problems of previous reform attempts, the Hatch Act was circumvented by donations of individuals to multiple national party committees or by making large donations to state and local committees, as they were not covered by this act.

With the rise of labor unions came new questions and hurdles to overcome in reforming campaign finance. The early 1940s saw the growth of unions into political machines, and unions were using their treasury funds to source much of the Democratic Party’s campaign war chest. Republicans and many Southern Democrats, in the attempt to suppress labor’s influence in politics, passed the Smith-Connally Act in 1943, which simply prohibited labor unions from using their funds for federal political campaign purposes. An oddity of sorts, this law was passed despite President Roosevelt’s veto but was adopted as a war measure and thus expired six months after the war’s end. In 1946, after a successful election year for Republicans in Congress, Smith-Connally was

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* The Hatch Act was inspired in part by revelations of corruption in the New Deal’s Works Progress Administration (Couch and Shughart 1998).
made permanent in the form of the Taft-Hartley Act of 1947 and has remained on the books ever since.

Years passed with no action taken on reforming campaign finance. In fact, the only real mention of such came when President John F. Kennedy decided to form his Commission on Campaign Costs to investigate problems and develop proposals to be submitted to Congress. After the release of the Commission’s report, though seemingly unrelated, the chair of the Senate Finance Committee, Russell Long, introduced and successfully passed the first major reform bill since FCPA in 1925. In his bill, he hoped to further the principle of “one man, one vote” by reducing the influence that the wealthy had over political campaigns. He would do so by creating a Presidential Election Campaign Fund that would be financed by taxpayers’ $1 checkoffs on their federal tax returns; these monies would serve as a public subsidy to political parties to aid in financing presidential campaigns. The idea was widely criticized in Congress and found few supporters, but with Long’s powerful position on the Finance Committee, he was able to get his way by tacking his measure on as a rider to the Foreign Investors Tax Act. Long and other supporters of such regulation of campaigns were temporarily victorious, but in 1967 Senators Albert Gore – father of present-day Al Gore – and John Williams sponsored an amendment to repeal Long’s Act, arguing that it would do little to put a damper on campaign funding as it only added monies to private funds already in the system.

Even if the Long Act had been passed, campaign spending was spiraling out of control and was doubling and tripling in the new few elections – mostly due to the rise of media influence. In the 1956 elections, total campaign spending was nearing $160
million, with over $9 million of that being used for radio and television advertising. By 1968, spending had doubled to $300 million, with spending on radio and television increasing nearly six times to almost $59 million. This jump in numbers was of concern to many Democrats as the past few elections had proved to be less than fiscally fruitful - Republicans were far out-raising Democrats and thus better able to conduct the types of media campaigns necessary to win (Corrado, 27-32).

B. The Federal Election Campaign Act

With fears for their political lives looming, Congress passed the far from perfect Federal Election Campaign Act of 1971 (FECA). This law was distinct from previous attempts at campaign finance reform as it placed specific limits on how much candidates could spend on media advertising, not only in general elections, but also in the primaries. This curbed campaign spending on media, but in the 1972 election, overall spending had once again risen to $425 million – most notable was President Nixon’s reelection campaign in which he spent nearly twice as much as he had in his first election of 1968, and his opponent George McGovern’s campaign spent almost four times as much as did Nixon’s in 1968; such patterns led to the conclusion that further reform was necessary.

However, before Congress was able to pick apart FECA and test out its success, the Watergate scandal erupted. With detailed findings of large contributions, illegal corporate gifts, and quid pro quo funds, investigators questioned how much money influenced politics in the form of purchased ambassadorships and other favors. Such
scandal forced Congress once again to examine the issue of campaign finance reform in order to curtail corruption.

In 1974, Congress passed the FECA Amendments and in doing so enacted the 20th Century’s most comprehensive piece of campaign finance legislation. While the new act technically was only a set of amendments, it left little of the original FECA of 1971 intact. The disclosure requirements of that prior law were strengthened significantly with penalties put in place and the Federal Election Commission (FEC) created and given supreme oversight of all political finance activities. This FECA also established very specific contribution limits that are as follows: Individuals may give $2,300 to each candidate or candidate committee per election cycle, $28,500 to any national party per calendar year, $5,000 to any other political committee per calendar year, and a total of $108,500 per calendar year. Multi-candidate committees may give $5,000 to each candidate or candidate committee per election cycle, $15,000 to any national party per calendar year, $5,000 to any other political committee per calendar year, and an unlimited total per calendar year. Lastly, other political committees may give $2,300 to each candidate or candidate committee per election cycle, $20,000 to any national party per calendar year, $5,000 to any other political committee per calendar year, and an unlimited total per calendar year. The FECA amendments also prohibit cash contributions in excess of $100 and any contribution in someone else’s name.

Another component of FECA 1974, and similar to Long’s attempt at an innovative cure for campaign finance abuse, created a voluntary, publicly financed presidential campaign fund that candidates could receive if they agreed not to raise any more money after the primary season ended. The subsidy typically was an amount
equal to the aggregate spending limit on their campaign. Funding of this subsidy would come from a federal tax check off on federal tax forms – just as Long had suggested (Corrado, 34-35).

C. Buckley v. Valeo (1976)

As is the case with most provisions dealing with money, this legal dispute was not without controversy. In 1975, Senator James Buckley of New York and others brought suit against Francis Valeo, Secretary of the Senate, stating that FECA violated their First and Fifth Amendment rights. In a landmark per curiam decision, the Court ruled that while First Amendment rights were indeed burdened by the contribution restrictions, compelling government interest in preventing corruption outweighed the mild inconvenience to one’s constitutional rights. The decision upheld contribution limits as long as they were at least high enough to fund a competitive campaign properly, but found limits on campaign expenditures to be unconstitutional and an infringement on a candidate’s free speech. The decision also limited the reach of the law to deal only with speech by the candidate or political party or committee; the law could thus not limit citizen groups’ or individuals’ opinionated discourse in favor of or against any given candidate (Corrado, 41).
D. The Bipartisan Campaign Reform Act (BCRA/Mc-Cain Feingold)

This brings us to the most recent challenges for campaign finance reformists – soft money contributions – and the most modern attempts to mend the cracks in the system – the Bipartisan Campaign Reform Act (BCRA). The necessity for BCRA became apparent after Bill Clinton’s second come-from-behind victory in 1996. Along with mistakes by the Dole campaign, Clinton’s camp realized that they could skirt existing law by using “soft” money contributed to national political parties to fund so-called issue ads. These ads, as opposed to those expressing outright support for one candidate or another, simply featured Clinton and presented his issues – and were free from such contribution and spending limits as long as no direct language was used that urged voters to vote one way or another. This innovation of soft money contributors and issue ads caught on quickly and became a major campaign talking point by the end of the election. The controversies over White House visits and overnight stays for donors of large sums also surfaced during the 1996 election cycle. After Clinton’s reelection, soft monies raised by the six national committees – Republican National Committee (RNC), National Republican Senatorial Committee (NRSC), National Republican Congressional Committee (NRCC), Democratic National Committee (DNC), Democratic Senatorial Campaign Committee (DSCC), and Democratic Congressional Campaign Committee (DCCC) - totaled over $260 million, a number that was more than triple the amount raised in the previous presidential election year.

Such large sums of soft money and skirting of existing laws not only changed the course for reformers but also nearly negated previous campaign finance regulations.
and Court rulings. Among other effects, soft monies and issue ads basically had obliterated spending limits for presidential campaigns; stripped contribution limits of any value as candidates could draw from unlimited soft money; eased the bans on giving by corporations and banks; and evaded disclosure requirements as long as the donors argued that their contribution would merely pay for an issue ad and not be used to express outright support or solicit votes for a particular candidate.

When Senators John McCain and Russ Feingold sponsored BCRA, they sought to reform previous reforms, and they did so barely – it passed by a vote of 60 to 40 – on March 20, 2002. While this law was the most complex to date, it was still flawed, and President George W. Bush noted that sentiment in his signing speech on March 27, 2002, when he said that though it was far from perfect, he believed that it would improve the current system of campaign financing, and thus he would sign it into law.

BCRA is indeed complex and is perhaps best explained by the Campaign Finance Institute in their categorized definition of each provision of the Act. (See Appendix 1.)

As could be expected, BCRA was soon followed by a series of appeals, most of which had no serious effect on the essence of the law, but did allow for a more detailed interpretation of its language. Just eighteen months after President Bush signed the reform into law, arguments from then Senate Whip, Mitch McConnell, the National Rifle Association, and the Democratic Party of California, were heard by the Supreme Court in the case of McConnell vs. Federal Election Commission (2002). Plaintiffs claimed that BCRA’s restrictions on spending and contributions hindered their First Amendment rights, most specifically freedom of speech, and challenged the Court to declare certain sections of the Bipartisan Campaign Reform Act unconstitutional.
However, in a 5-4 decision, the Court ruled that money was property not speech and, similar to Buckley v. Valeo (1976), that the restrictions were justified because of the government’s legitimate interest in preventing corruption. Specifically, Justices Stevens and O’Connor held to the hydraulic theory of campaign finance law that, like water, money will always find an outlet and that the government was justified in at least preventing schemes to evade the constraints set forth in BCRA.

More recently, in 2007, the Supreme Court ruled in Federal Election Commission v. Wisconsin Right to Life, Inc., that restrictions on issue ads in the months preceding an election set forth in BCRA are unconstitutional. In this 5-4 decision, the majority stated that “enough was enough” and that such limitations on speech and opinion should be outlawed. Rumors surrounding the Court at the time say that three of the five justices in the majority – Scalia, Kennedy, and Thomas – wanted to go even further and reverse the McConnell decision altogether (Malbin, 3-12).

II. The Economics of Campaign Finance and Its Reform

With such a long, complex, and debatable history, one can expect the economics of such campaign finance to follow the same path. If the realm of politics were a perfectly competitive one, with market-clearing prices and zero profits, any sort of explanation of politicians’ economic behavior – rational or not – might be described in a few short sentences. Perhaps such perfectly competitive statesmen would be summed up as non-profit vehicles for carrying out constituents’ best interests. This is not the case, however, and politics aside, all candidates for public office engage in rent-seeking
behavior that explains much of campaign finance regulation’s history. The following discussion will bring to light some economic ideas about campaign finance, and shed light on much of its behavior and reform. While I am citing a reasonably representative selection of such literature, many ideas exist, including many conflicting studies and analyses. Please note that the following studies are only a selection of reports on the subject and is limited to a group that does not contradict one another.

A. Rent-seeking Candidates

Richard Fenno (1978) a renowned political scientist and Woodrow Wilson Award winner for his book, Home Style, described three goals for members of Congress: reelection, power in Congress, and good public policy. While the optimist would like to think that the third is the most prominent goal influencing these members’ behavior, Fenno argues that all other actions and goals considered, reelection is the main driving force behind politicians’ behavior. Thus, though there may be a multitude of factors influencing incumbents to raise campaign contributions, the greatest of these is aimed toward securing their reelection. Closely related is candidates’ rent-seeking or profit-seeking behavior. Since successful campaigns and their respective party committees are allowed to keep excess campaign monies after the election for later election cycles, the most efficient campaign spenders receive a personal, tangible benefit from running a campaign.

When statesmen (from hereon referred to as senators for purposes of simplification) choose to devote their time to raising campaign funds instead of
pursuing other activities, we assume that as rational actors the benefits of the funds they receive are greater than their opportunity costs of raising such funds. They are able to exceed these opportunity costs by distributing public goods in the form of selective benefits that the contributors compete to obtain. Such benefits can range in form from a seat at the senator’s table at a Washington DC dinner party to money in a bill to fix a bridge in a constituent’s hometown. By supplying such reward for contributions, the process of campaign fundraising creates a system of supply and demand not unlike any other competitive market. Thus, the more the senator seemingly has to offer, the higher the demand for his services, and the more people are willing to contribute (Regens, 1-9).

Also similar to a market for consumable goods is the efficiency in spending of the senators’ earnings. Even with current technology and more media coverage than ever, perfect information in an election is impossible, and senators are likely to spend much more than necessary. Since campaign costs have more than tripled in the past decade, candidates are combating such costs by raising significant amounts of money in the first years of their term, well in advance of the next Election Day. The Senate has always been considered the more prestigious legislative chamber, with longer terms and fewer members, so its members are also expected to be more distant from political change and constant influences of their reelection chances. Ideally, senators are expected to devote their time to policy and to the public good rather than to campaigning and fundraising. Fenno described this ideal as a cyclical pattern of senatorial fundraising with moderate amounts of money coming in shortly after the election, a trough of low funding throughout the middle, and a peak toward the end –
just before reelection day. However, in reality senators are raising money in increasing amounts as their term unfolds. In a study done between 1979 and 1990, sitting senators’ average contribution receipts were measured by party, source and year (See Table 1). Of those, 38 followed Fenno’s ideal cycle, 15 of whom were Democrats, and the others increased their fundraising amounts every year.
Table 1: Average receipts by U.S. Senators, by party and source, 1979-90, in thousands of dollars

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<tbody>
<tr>
<td></td>
<td>Early (Years 1-2)</td>
<td>Middle (Years 3-4)</td>
<td>Reelection (Years 5-6)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1979-84 Republicans</td>
<td>232.5</td>
<td>178.3</td>
<td>3,890.0</td>
<td></td>
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<tr>
<td>1979-84 Democrats</td>
<td>78.8</td>
<td>270.9</td>
<td>2,331.9</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1981-86 Republicans</td>
<td>234.5</td>
<td>594.4</td>
<td>4,240.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1981-86 Democrats</td>
<td>146.8</td>
<td>222.0</td>
<td>3,484.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1983-88 Republicans</td>
<td>356.9</td>
<td>613.5</td>
<td>4,401.9</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>1983-88 Democrats</td>
<td>237.0</td>
<td>480.5</td>
<td>3,914.0</td>
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<tr>
<td>1985-90 Republicans</td>
<td>458.2</td>
<td>588.5</td>
<td>3,652.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1985-90 Democrats</td>
<td>351.6</td>
<td>453.9</td>
<td>3,862.9</td>
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</table>

Source: Regens and Gaddie (1995, p. 45)
While it is easy to see the discrepancy between Fenno’s model of fundraising and fundraising that occurs in actual practice, it is quite a bit more difficult to discover why candidates would participate in such activity and what exactly drives them to such behavior. The prevailing idea that explains these fundraising tactics is the idea of electoral insecurity. The more vulnerable the candidates are to losing their race, the more money their supporters are willing to contribute. Similarly, PACs view these vulnerable senators as investments able to produce a high return. That is, senators desperate for funding are more likely to act on behalf of their funders – the PACs. Another idea by Fenno, is that early fundraising occurs as an act of replenishment. The senator’s war chests are depleted by the recent election, and they are renewing their capital for the coming years (Magleby 48-55).

Two formulas are helpful in describing efficient fundraising by senators; these also allow us empirically to test the actual efficiency of the senator’s profit taking. In order to do so, we define rents as finances contributed by third parties rather than loans taken from the senators’ own private wealth. These finances may be divided into three external sources of funds: individuals, PACs, and party committees. Gross rents, then may be specified as

\[ R = C_i + C_{pac} + C_p, \]

where \( R \) is total revenue, \( C_i \) is contributions by individuals, \( C_{pac} \) is contributions by PACs, and \( C_p \) is contributions by party committees. However the mere fact that \( R \) is a number greater than zero does not mean that the senator is an efficient rent-seeker. Efficiency requires that they conserve a portion of their receipts and also retain their
seat, and if not, much of the fundraising is inefficient. In order to classify their rents as efficient or inefficient, net rents may be specified as

\[ R' = R - (Dt + Ers) \]

where \( R' \) is net revenue, \( Dt \) is debts at the end of the campaign, and \( Ers \) is expenditures after the election to hold onto the seat.

When \( R' \) is a number greater than zero, candidates have run an efficient campaign and are deemed efficient profit takers even though the actual amount of \( R' \) may be very small. For those senators whose \( R' \) is less than zero, a debt has been incurred and most likely, rent-seeking behavior will continue throughout their term in office (Regens, 45).

Based on the formulas above and data obtained from the Federal Election Commission, we are able to see exactly how many senators are efficient and how efficiency differs between parties. During the 1984 through 1990 election cycles, 111 incumbents were up for election. As shown in Table 2, out of these 111, 45 were successful in protecting at least part of their war chest, thus deeming them efficient. The largest rent retained was by then Senate Majority Leader, Bob Dole, in 1986 with an \( R' \) of $998,945.10. Though Dole was a Republican, 11 of the top 15 efficient profit-makers were Democrats.
Table 2: Frequency of efficient profit taking by incumbent Senators, 1984-90

<table>
<thead>
<tr>
<th>Cycle</th>
<th>1983-84</th>
<th>1985-86</th>
<th>1987-88</th>
<th>1989-90</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All Senators</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inefficient</td>
<td>15</td>
<td>16</td>
<td>20</td>
<td>15</td>
<td>66 (59.5%)</td>
</tr>
<tr>
<td>Efficient</td>
<td>14</td>
<td>11</td>
<td>5</td>
<td>15</td>
<td>45 (40.5%)</td>
</tr>
<tr>
<td>N</td>
<td>29</td>
<td>27</td>
<td>25</td>
<td>30</td>
<td>111</td>
</tr>
<tr>
<td><strong>Democrats</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inefficient</td>
<td>6</td>
<td>4</td>
<td>10</td>
<td>9</td>
<td>29 (56.9%)</td>
</tr>
<tr>
<td>Efficient</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>7</td>
<td>22 (43.1%)</td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>9</td>
<td>14</td>
<td>16</td>
<td>51</td>
</tr>
<tr>
<td><strong>Republicans</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inefficient</td>
<td>9</td>
<td>12</td>
<td>10</td>
<td>6</td>
<td>37 (61.7%)</td>
</tr>
<tr>
<td>Efficient</td>
<td>8</td>
<td>6</td>
<td>1</td>
<td>8</td>
<td>23 (38.3%)</td>
</tr>
<tr>
<td>N</td>
<td>17</td>
<td>18</td>
<td>11</td>
<td>14</td>
<td>60</td>
</tr>
</tbody>
</table>


The incumbents who are less in need of quick boosts of cash are more likely to retain more of their war chests after Election Day. Thus, the incumbents who rely more on individual contributions as opposed to contributions by PACs are retaining more cash. This creates a market for incumbents to extract utility from financial support in return for utility given to contributors via policy action. However, senators’ efforts must be balanced between time spent in Washington developing their policy positions and time spent at home engaging in rent-seeking, and ultimately reelection activities. Senators’ ability to allocate their time budgets effectively and conduct their campaigns within funding constraints is limited, therefore limiting the number of incumbents who can efficiently gain positive benefits from their rent-seeking efforts. Since the policy market is limited, the dependence of senators on this market to give benefits to their contributors shows us that the pursuit of election or reelection generally is inefficient.
B. Selective Contributions by PACs

In the contribution market, candidates create the demand for funds, and donors – PACs, individuals, and party committees – create the supply. On the other hand, in the policy market, candidates create the supply of policy results and the donors are the demanders of such results. In this market, organized interests, presumably PACs, will seek the candidates that will deliver their policy initiatives effectively at the lowest cost. In order to do so, PACs must support those candidates who not only agree with their policy stances, but also have the seniority and committee assignments that effect them. For the legislator, the more negatively such policy provision will affect their reelection chances, the higher the cost to the donors will be for the policy results. In a situation in which the negative effects are high along with the costs, the rents obtained by the senator will be relatively low. For PACs, campaign contributions may be directed by three senatorial characteristics: ideology, vulnerability, and committee position; and committee position may be further divided into corporate, labor, trade, and cooperative PACs.

Ideologically, conservatives tend to receive much more funding from corporate and trade PACs, whereas more liberal leaning senators receive more contributions from labor PACs. Cooperative PACs, those usually referred to as agricultural but that relate to all aspects of farming and domestic consumable goods, usually balance their donations between the two. Roll call votes are usually the main source of information for such PACs. They are the action of the senator and can weigh their ideology, and thus their effectiveness for the PAC, much better than mere campaign rhetoric.
A characteristic that is equally as defining as ideology is a senator’s tenure or seniority. While at times PACs may view freshman senators as attractive investments due to their willingness to abide by the money’s rules, contribution statistics show that senators are much more likely to receive higher funding if they have seniority in the chamber, and thus a more influential voice in debate. Similarly, the more vulnerable an incumbent is to losing his reelection bid, the more PACs are likely to contribute. Since the incumbent fears losing his seat, he will feel the need to increase his monies in order to add a bit of a safety blanket to the campaign and potentially scare off opponents. These incumbents, in a rush to decrease their challengers’ chances, are much more likely to provide policy benefits to their donors at a lower cost than normal as the need for funding trumps all other priorities. Thus interest groups are able to target these incumbents who are in the most vulnerable positions not only to receive funding but also to deliver high policy returns.

Lastly, an important determinant of PAC contributions is a senator’s placement in committee. With sufficient information, PACs are able to target their support to members of committees who directly affect their interests. To test this statistic, Regens and Gaddie developed a regression analysis of PAC contributions to various committee members in 1990. The equation, which will show variations in donations to corporate, trade, labor, and cooperative PACs may be defined as

\[
Y_i = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + b_7X_7 + b_8X_8 + b_9X_9 + b_{10}X_{10} + b_{11}X_{11} + b_{12}X_{12} + e,
\]

where \(Y_i\) = dollars to the incumbent from some PAC, \(X_1\) = incumbent ideology, measured by the *National Journal* Composite Score, \(X_2\) = incumbent seniority, \(X_3\) =
incumbent marginality, X4 = challenger experience, X5 = party (1 for Democrat, 0 for Republican), X6 = temporal counter, X7 = Labor Committee, X8 = Banking Committee, X9 = Energy and Natural Resources Committee, X10 = Agriculture Committee, X11 = Small Business Committee, X12 = Commerce, Science, and Technology Committee, and e = error term.

These variables may be defined as follows: Yi is the total of all financial campaign contributions to the incumbent from any PAC; X1 is a rating of the incumbent’s ideology as scored by the National Journal, which, after tallying congressional voting behavior in a variety of interest areas, assigns higher numbers to liberals and lower numbers to conservatives; X2 is the number of years in office and describes the seniority of the incumbent; X3, incumbent marginality, is defined by Regens and Gaddie as “50 percent minus the candidate’s total percentage of the two party vote”; X4 scores the challenger’s experience as their number of years in any elected office; X5 is a binomial that assigns either 1 or 0 to the incumbent depending on their party; to control for factors other than incumbent attributes or inflation issues, X6 is used; X7 through X12 give incumbents a 1 if they are on any of the said committees and 0 if not; and e, the error term, controls for any other factors not specified in the model (Regens, 62-59).

After running a regression analysis based on information obtained from the Federal Election Commission, Regens and Gaddie ended up with the results reported in Table 3.
Table 3: Summary of statistics of PAC contributions from 1982-1988, in 1990 dollars

<table>
<thead>
<tr>
<th>PAC CONTRIBUTIONS</th>
<th>Corporate</th>
<th>Labor</th>
<th>Trade</th>
<th>Cooperative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean Contribution</td>
<td>429,659</td>
<td>112,526</td>
<td>224,197</td>
<td>15,525</td>
</tr>
<tr>
<td>Sd</td>
<td>279,869</td>
<td>116,532</td>
<td>105,742</td>
<td>16,349</td>
</tr>
<tr>
<td>Minimum</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Maximum</td>
<td>1,555,507</td>
<td>380,177</td>
<td>572,787</td>
<td>66,921</td>
</tr>
<tr>
<td>Total Contributions</td>
<td>48,121,871</td>
<td>12,602,959</td>
<td>25,110,148</td>
<td>1,738,847</td>
</tr>
<tr>
<td>Percentage of all PAC Contributions</td>
<td>54.95</td>
<td>14.39</td>
<td>28.67</td>
<td>1.99</td>
</tr>
<tr>
<td>N=112</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Regens and Gaddie (1995, p. 63)*

As is shown by the numbers in Table 4, corporate PACs tend to lean towards Republicans with their contributions. Conservatives are also benefactors of their giving, be they Democrats or Republicans. Corporate PACs also favor the more vulnerable candidates. A candidate for the U.S. Senate facing an incumbent governor will receive $180,000 more than a senator vying against a no-name candidate. Still, despite all these factors that point to discretionary spending, corporate PACs most favor those senators, regardless or party or ideology, on the Commerce committee.
Table 4: Corporate PAC Contributions in 1990 dollars

<table>
<thead>
<tr>
<th>Variable</th>
<th>Unstandardized Coefficient</th>
<th>t-statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>44678.87</td>
<td></td>
</tr>
<tr>
<td>Challenger quality</td>
<td>26324.70</td>
<td>3.06</td>
</tr>
<tr>
<td>Democrat</td>
<td>-164234.99</td>
<td>-3.29</td>
</tr>
<tr>
<td>Freshman</td>
<td>-11118.55</td>
<td>-.20</td>
</tr>
<tr>
<td>Ideology</td>
<td>3789.27</td>
<td>3.99</td>
</tr>
<tr>
<td>Marginality</td>
<td>-1852.23</td>
<td>-.93</td>
</tr>
<tr>
<td>Seniority</td>
<td>-1110.45</td>
<td>-.27</td>
</tr>
<tr>
<td>State population</td>
<td>17.35</td>
<td>4.88</td>
</tr>
<tr>
<td>Temporal counter</td>
<td>87957.76</td>
<td>5.30</td>
</tr>
<tr>
<td>Committee Assignments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>-4017.26</td>
<td>-.08</td>
</tr>
<tr>
<td>Banking</td>
<td>-15690.48</td>
<td>-.33</td>
</tr>
<tr>
<td>Commerce</td>
<td>92437.20</td>
<td>2.00</td>
</tr>
<tr>
<td>Energy</td>
<td>-48520.39</td>
<td>-1.08</td>
</tr>
<tr>
<td>Labor</td>
<td>-61917.59</td>
<td>-1.28</td>
</tr>
<tr>
<td>Small business</td>
<td>-45193.75</td>
<td>-1.01</td>
</tr>
</tbody>
</table>

Adjusted R-squared=.59

N=112

*Source: Regens and Gaddie (1995, p. 65)*

Labor PACs, on the other hand, give purely based on ideologies (See Table 5). Though those members on the Labor committee did receive a fair share of the monies, members on the banking and energy committees received larger portions, but overall, financial support from labor PACs went to Democratic senators – and, more specifically, ideologically liberal senators. Challenger quality was also a factor in labor PAC giving. Those senators who faced more experienced challengers were recipients of slightly more funding than those who ran against no-name competitors.
Table 5: Labor PAC Contributions in 1990 dollars

<table>
<thead>
<tr>
<th>Variable</th>
<th>Unstandardized Coefficient</th>
<th>t-statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>97072.31</td>
<td></td>
</tr>
<tr>
<td>Challenger quality</td>
<td>5865.27</td>
<td>1.70</td>
</tr>
<tr>
<td>Democrat</td>
<td>119257.70</td>
<td>5.95</td>
</tr>
<tr>
<td>Freshman</td>
<td>4474.35</td>
<td>.20</td>
</tr>
<tr>
<td>Ideology</td>
<td>-1859.01</td>
<td>-4.87</td>
</tr>
<tr>
<td>Marginality</td>
<td>1332.70</td>
<td>1.68</td>
</tr>
<tr>
<td>Seniority</td>
<td>760.80</td>
<td>.46</td>
</tr>
<tr>
<td>State population</td>
<td>.12</td>
<td>.08</td>
</tr>
<tr>
<td>Temporal counter</td>
<td>8881.59</td>
<td>1.34</td>
</tr>
<tr>
<td><strong>Committee Assignments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>-287.21</td>
<td>-.01</td>
</tr>
<tr>
<td>Banking</td>
<td>22348.72</td>
<td>1.18</td>
</tr>
<tr>
<td>Commerce</td>
<td>-7163.59</td>
<td>-.38</td>
</tr>
<tr>
<td>Energy</td>
<td>24911.81</td>
<td>1.37</td>
</tr>
<tr>
<td>Labor</td>
<td>7696.82</td>
<td>.39</td>
</tr>
<tr>
<td>Small business</td>
<td>10693.46</td>
<td>.59</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>=.62</td>
<td></td>
</tr>
<tr>
<td>N=112</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Regens and Gaddie (1995, p 66)*

As could be expected, and as shown in Table 6, since trade PACs have similar initiatives as commerce PACs, giving tendencies by these trade interests closely resemble those of commerce PACs. Conservative senators received a great deal more financial support than liberals, but party identity had no real impact on donations. Challenger quality also had a fairly significant effect on PAC giving, but only about half as much as it did for corporate PACs. Also, members of the commerce committee received more than members of other committees – mostly due to the committee’s tax-writing responsibilities and its effects on trade.
Table 6: Trade PAC Contributions in 1990 dollars

<table>
<thead>
<tr>
<th>Variable</th>
<th>Unstandardized Coefficient</th>
<th>t-statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>110151.52</td>
<td></td>
</tr>
<tr>
<td>Challenger quality</td>
<td>11537.39</td>
<td>2.90</td>
</tr>
<tr>
<td>Democrat</td>
<td>-22043.32</td>
<td>-.95</td>
</tr>
<tr>
<td>Freshman</td>
<td>-24274.30</td>
<td>-.96</td>
</tr>
<tr>
<td>Ideology</td>
<td>987.66</td>
<td>2.25</td>
</tr>
<tr>
<td>Marginality</td>
<td>-245.62</td>
<td>-.27</td>
</tr>
<tr>
<td>Seniority</td>
<td>-2579.55</td>
<td>-1.37</td>
</tr>
<tr>
<td>State population</td>
<td>2.18</td>
<td>1.33</td>
</tr>
<tr>
<td>Temporal counter</td>
<td>39386.26</td>
<td>5.13</td>
</tr>
<tr>
<td>Committee Assignments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>32437.96</td>
<td>1.44</td>
</tr>
<tr>
<td>Banking</td>
<td>7733.57</td>
<td>.35</td>
</tr>
<tr>
<td>Commerce</td>
<td>36195.47</td>
<td>1.70</td>
</tr>
<tr>
<td>Energy</td>
<td>-28524.24</td>
<td>-1.37</td>
</tr>
<tr>
<td>Labor</td>
<td>-4540.81</td>
<td>-.20</td>
</tr>
<tr>
<td>Small business</td>
<td>5711.82</td>
<td>.27</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td></td>
<td>.39</td>
</tr>
<tr>
<td>N=112</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Regens and Gaddie (1995, p. 68)*

Lastly, cooperative PACs, the most specialized group of all, only have one statistic that stands out in Table 7: members of the agriculture committee received over $20,000 more than other senators, regardless of age, challenger quality, ideology, or party identity. Since cooperative PACs are focused only on the needs of farmers in the nation’s heartland, and since agricultural policy usually tends to not have a partisan sway to it, these interest groups have one set of senators in mind – such is reflected in the numbers.
Table 7: Cooperative PAC Contributions in 1990 dollars

<table>
<thead>
<tr>
<th>Variable</th>
<th>Unstandardized Coefficient</th>
<th>t-statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>15686.75</td>
<td></td>
</tr>
<tr>
<td>Challenger quality</td>
<td>576.07</td>
<td>.81</td>
</tr>
<tr>
<td>Democrat</td>
<td>244.46</td>
<td>.06</td>
</tr>
<tr>
<td>Freshman</td>
<td>-2768.09</td>
<td>-.61</td>
</tr>
<tr>
<td>Ideology</td>
<td>-59.81</td>
<td>-.77</td>
</tr>
<tr>
<td>Marginality</td>
<td>14.72</td>
<td>.09</td>
</tr>
<tr>
<td>Seniority</td>
<td>-244.85</td>
<td>-.73</td>
</tr>
<tr>
<td>State population</td>
<td>.11</td>
<td>.40</td>
</tr>
<tr>
<td>Temporal counter</td>
<td>701.10</td>
<td>.51</td>
</tr>
<tr>
<td><strong>Committee Assignments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>21964.86</td>
<td>5.53</td>
</tr>
<tr>
<td>Banking</td>
<td>-3170.91</td>
<td>-.82</td>
</tr>
<tr>
<td>Commerce</td>
<td>2610.46</td>
<td>.69</td>
</tr>
<tr>
<td>Energy</td>
<td>-1733.45</td>
<td>-.47</td>
</tr>
<tr>
<td>Labor</td>
<td>-3193.66</td>
<td>-.80</td>
</tr>
<tr>
<td>Small business</td>
<td>1080.69</td>
<td>.29</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>.21</td>
<td></td>
</tr>
<tr>
<td>N=112</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source:* Regens and Gaddie (1995, p. 69)

With such specialized giving by PACs, senators are at an advantage in that they are able to use their committee assignments and ideology to squeeze as much money as possible out of contributors. Similarly, incumbents with high quality challengers or those who are more vulnerable – the ones needing the money the most, appear as investments with high returns to PACs. These candidates will use their party and committee assignments to their highest potential as long as it will get them some campaign support. It’s a seemingly win-win situation. Candidates receive the money
they need and PACs receive the policy action and legislative influence that they so desire. The incumbents and senators who are best able to receive such funding and efficiently utilize it are the ones who are able to maximize their discretionary and policy influence.

C. Voting as a Result of Campaign Spending

Most anyone will agree that campaign expenditures and the number of votes a candidate receives have a positive relationship. What is often questioned, though, is what shape a graph of this relationship might take: is it a straight line? Up and down? Or curvilinear? A 1989 study by Kevin Grier shows that the number of votes candidates receive is a function of their own campaign expenditures, the expenditures of their opponent, and their ideological stances on the issues. With multiple variables, we can assume that the relationship will be curvilinear, and perhaps with marginal returns. Dennis Mueller, in his *Public Choice III*, gives us an example of Coca-Cola advertising as an analogy: Coke spends a large amount of money on advertising so the Coca-Cola name and logo stick in people’s minds. With the first few advertisements, people take notice, and give Coke a good return for their spending. However, the more and more ads that pop up in the market, the more saturated the market becomes, and the less likely people are to notice Coke’s ads. This also holds true in political advertisements: the more saturated the market is with campaign literature and commercials, the less likely people are to pay attention to any particular one. Mueller gives us Figure 1 to show the relationship:
This graph tells two important things about candidate behavior: first, that there is an incentive to spend all funds raised since the curve does not ever turn downward, and, secondly, that the candidate has an incentive to raise enough funds to reach at least Cz so that the marginal returns in terms of votes is zero. Figure 1 also shows us the advantages that an incumbent, or a more well-known candidate has. Similar to advertising by large companies such as Coca-Cola, incumbents are able to start at a point around CI and thus have to spend less to receive a fair amount of votes (Mueller, 481-483).

Grier’s 1989 study is based on a regression analysis that estimates the incumbent’s vote share based on the following equation:

\[ V_t = 48.3 + 4.37D + 0.19V_{t-1} - 11.42S - 0.076CH + 0.00059CH^2 + 0.0287INC - 0.00016INC^2 \]

with \( R^2 = 0.55 \).
where $D$ is a dummy variable for the two years of the study: 1982 and 1984; $S$ is a dummy variable that denotes a 1 for an incumbent caught in a scandal; $CH$ and $INC$ are the expenditures by the challenger and the incumbent respectively; and $CH^2$ and $INC^2$ represent the diminishing returns of challenger and incumbent spending respectively.

Grier’s regression produces the following findings:

Table 8: Proportion of marginal effects of spending on incumbents’ votes shares in 1984

<table>
<thead>
<tr>
<th></th>
<th>Significantly &lt; 0</th>
<th>Insignificantly different from 0</th>
<th>Significantly &gt; 0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incumbents</td>
<td>0.14</td>
<td>0.86</td>
<td>0.00</td>
</tr>
<tr>
<td>Challengers</td>
<td>0.01</td>
<td>0.08</td>
<td>0.91</td>
</tr>
</tbody>
</table>

Source: Mueller (2003, p. 484)

Table 8 shows us that while 91 percent of challengers benefited from spending more money, none of the incumbents did, and at the same time, 14 percent of incumbents see small negative marginal impacts. While this study does illustrate some important relationships between spending and voting, critics condemn it because of its lack leeway or correction for differences in ideologies and constituencies (Mueller 484).

D. Social Welfare and Campaign Expenditures

In the 1999-2000 election cycle, total spending on congressional campaign exceeded $1 billion, up more than 25 percent since the 1997-1998 election cycle. If you add the over $500 billion spent on the 2000 presidential primaries, then total political campaign spending amounts to more than $1.5 billion. Additionally, if the Curtiss-Wright foundation is correct in their estimation of $5 billion spent each year on
lobbying efforts to influence election and voting probabilities, then the total amount of political expenditures is over $10 billion. While this is a significant amount of money spent, does the money make our government better? Does it give us better political outcomes? Does it improve the overall welfare of the constituents? This all depends on one’s definition of better, of course, and since this is a rather biased interpretation, Mueller gives us an empirical definition:

\[
W = a_1 U_1 + a_2 U_2 + ... + a_i U_i + ... + a_n U_n, 
\]

where \( W \) is total social welfare, \( a \) is the positive weight placed on the utility of voter \( i \), and \( U \) is the individual’s utility associated with campaign spending. Assuming that \( W \) ends up as a positive number, we can assume that the political monies spent are indeed bettering the nation.

While numbers, charts, regressions and equations can tell us a lot about the inner workings of campaign finance and some of the math of campaign finance reform, they don’t tell us much about where we are going with reform proposals. They can guide us in a new direction for policy, but can’t tell us whether or how we should limit funding. These numbers give us empirical evidence of the problems or lack thereof with campaign finance and help us to formulate our own opinions of the situation at hand, but such numbers are limited only to the past and present. For reform to truly be effective it must look to the future, and in the future new approaches and methods of curtailing excessive campaign expenditures must be evaluated and implemented (Mueller 497-498).
III. Ideas for Future Reform

Perhaps one of the most debated issues that is most often brought to public attention is that of campaign finance reform. Republicans don’t want to change the current system simply because they historically have been better at raising money than the Democrats; and the Democrats want huge reform but until recently didn’t have the power to do much about it. Such a standstill in the legislative system allows much time for formulation of various proposals. While the main goal of campaign finance reform is a noble one to make all candidates and voters equal, there are two main reasons that a complete equality cannot be reached: first because limits on raising or spending political monies that go beyond small government intervitions is an inhibition on one’s freedom of speech and disregards the First Amendment, and secondly because the discriminations in campaign finance not only represents an inequity among candidates but stems from inequities and classes in society as a whole – something that cannot be fixed or subdued with legislation. Basically, complete campaign finance reform puts parties at opposite ends of the ideological spectrum, and the idea of such reform is a noble but impractical and unachievable idea. However, this doesn’t stop the thinkers of today from coming up with their own suggestions of how the system should be reformed. Hopefully the following sketch of a few simple ones will paint enough of the bigger picture to make it clear.

One of the most popular reform ideas is to restrict active campaigning to a short period immediately before Election Day. Typically the time period lawmakers want to allow is two to three months. In America, a driving force behind excessive campaign
financing is the fact that politicians nowadays must plot their next fundraising step almost before they are ever even sworn into office. Many European countries with parliamentary systems conduct campaigns that last at most four weeks and in some cases as little as twenty-one days. By reducing the campaign period, one reduces the need for excessive fundraising to fuel a multi-year campaign, but at the same time such a restriction can hurt a challenger because he has very little time to gain name recognition as incumbency supplies huge competitive advantages.

Another proposal for reform, and possibly an answer to the challenger’s name recognition problem stated above, is that of “free” media coverage and advertising during the limited campaign period. If networks and radio stations are forced by government to provide air time to candidates without charge, then the candidates not only benefit fiscally, but the American people benefit from less campaign rhetoric that can take place over years leading up to Election Day. Yes, the major media companies would lose large chunks of revenue, but they are indebted to the government for the right to broadcast and the right to their license so I’m sure some sort of deal could be arranged.

A shady area of campaign finance is its connection with legislation. Lobbyists comprise a large percentage of donors to political campaigns, and while giving money directly into the hands of lawmakers would be highly illegal, the donation of the same funds to their campaign is not. Essentially the lawmakers are selling their votes on policy for contributions to their campaign. Currently, twenty-two states prohibit such contributions from lobbyists and Kentucky and South Carolina prohibit any contributions whatsoever from lobbyists. If donations by lobbyists were to be regulated
and perhaps prohibited, it not only would help to equal out the playing field as some lawmakers’ votes are worth much more than others, but it would also relieve the lobbyists as their jobs would no longer be based on supporting a campaign. Yes free speech by the lobbyists is equally as important as free speech by other citizens, and yes they have a right to petition government, but when the dollars of these lobbyists are able to gain more influence than those dollars of others, one should be concerned and pull for regulation of their contributions.

A problem nearly as big as donations from lobbyists is that of attack ads. Advertising is the largest cost in a campaign despite the discounts given to campaigns, and recently most of those costs have been spent on advertisements that portray the bad characteristics of the challenger instead of the platform and history of the candidate. Perhaps if the media outlets were to give small segments of time at no charge in the days leading up to an election, the campaigns would be less inclined to budget so much money for advertising and their television time could be used more for discourse and debate than for attacks.

During the Clinton administration a popular form of this idea came from a group called the Gore Commission on campaign finance reform. It suggested that in each of the thirty days prior to an election, the major television networks show five minutes of candidate discourse. This plan was called the 5/30 plan and would require networks to take time from their regularly scheduled programming and devote it to debates, interviews, or even monologue by the candidates. While five minutes may not seem like much time, it is more time than the average channel is now devoting to major campaigns. In 1998 the Annenberg School for Communications at the University of
Southern California found that only forty-one seconds each day was devoted to the California gubernatorial race. One can imagine that out of the forty-one seconds only a small portion was allotted to candidate discussion and that most was taken up by mudslinging and hate ads. With free face time for candidates, not only are the issues more likely to emerge but also less money will need to be raised. With the need for less money there is less opportunity for fundraising fraud and inequities, and while negative advertising has been found to be successful, success is not always sufficient for fairness or equality.

While Republicans are never the biggest proponents of campaign finance reform, their end-all-do-all for its problems is disclosure. They call for prompter and more complete disclosure of political contributions, and in this day and age that means electronic reporting within twenty-four hours of the donation. When George W. Bush was running for Governor of Texas, not only did he open campaign contributions to his website, he also put a mechanism for disclosure on his site as well. He set the bar for following campaigns and lightened his campaign team’s load by making disclosure automatic. Disclosure shouldn’t stop there. While automation makes things easier, the Brennan Center suggests that for even more ease, disclosure should be divided into various categories instead of overwhelming the FEC with one lump-sums report of all donations together. Perhaps disclosure databases could be split into who contributes, i.e., lobbyists in one pile and PACs in another.

Disclosure is most definitely a necessity for campaign finance, but without a mixture of disclosure and contribution limits, voters would likely become cynical of elections as they would form opinions that candidates had been bought, or too
financially influenced, to truly represent their ideology. As with most policy, the best cure is a mixture of various ideas and not merely one theory comprising one hundred percent of the law.

Finally the most successful reform comes from the people, and the people ultimately choose their government regardless of how much money is spent. If more money is spent on voter registration and getting voters to the polls, American’s can level out the political playing field by making it truly about the issues that matter to the people and not how much money is spent by the candidates. If voting becomes easier for citizens, then candidates need not target their funds on the group that will vote. It’s crazy to believe that there will ever be 100 percent voter turnout, but that should be our goal. The presidential election in 2008 marked the highest voter turnout in years yet only 56 percent of the voting age population participated. If our system is to be truly democratic and if the inequities are truly to be leveled, we must have a higher turnout – at this point funding discrepancies won’t matter as much (Birnbaum, 251-269).

Bill Bradley, in his 1996 address for campaign finance reform at the National Press Club, said that if only fifty percent of the people vote, and fifty percent of those people elect a President, then that President has been elected by only twenty-five percent of the people. Therefore it is no wonder that people feel their representatives don’t really represent them – because they only reflect the votes of about a fourth of the people. In this Bradley said that voter turnout reform was one of the most essential and primary steps to campaign finance reform, and he made four main suggestions to achieve that goal:
1. Allow people to register to vote all the way up to Election Day. This is doable with modern technology, and if the computer finds voter fraud – a serious concern in the recent elections (for example, of all the counties in Mississippi, over half have more registered voters than their total population over 18) – it will also automatically void the votes. Bradley asks why we should deny someone the right to vote only because they didn’t become interested in the election until November.

2. Allow anyone to vote by mail regardless of their absentee status. Sometimes voting crosses people’s minds a week before Election Day and not before. Why prohibit their votes from being cast because of a mental lapse? A vote is a vote and while it does make the counting process longer, it can even out many of the inequities of voting.

3. Allow workers time off on Election Day. If someone has to choose between eating lunch or voting, I can only imagine a small percentage would choose to go to the polls. Many Americans’ jobs require them to work straight through the open hours for polls, and they don’t want to give up their lunch break to stand in line and check a few boxes. While most states keep their polls open from 7 a.m. to 7 p.m., who’s to say that a normal day for some voters exceeds that time limit? Some employees work shifts that last well through the night. If a law were passed that mandated two or more hours off for each worker on Election Day, more voices would be heard.

4. Allow people to vote via the Internet. Many states already have institutionalized electronic voting machines at the polls, so why not turn people’s home computers into voting machines as well? Of course, all of the security and fraud and privacy issues must be reconciled first, but if banking can be safely conducted online
then voting should be able to as well. Our voting system and voter registration
procedures are one of the most out-dated systems in the country. If voter participation
is at the forefront of every campaign, why wouldn’t we want to harness every
technological advance we can to actually make a difference?

While the previous four suggestions may have seemed more like suggestions on
election reform instead of campaign finance reform, understand that at the heart of
every campaign contribution is a voter and every dollar of campaign finance is spent in
attempts to influence that voter. If voting is made more available to the people and
more people want to vote, then less money will need to be spent – and in essence
contributed – and there will be no need for fraudulent donations or soft money.
Campaign contributions and votes are directly correlated, and due to barriers put in
place by media outlets and the FEC, typically the more money raised means the more
votes received. The only true way to break down these inequities and make voting a
truly democratic activity, is that a candidate must be able to achieve the same acclaim
with any amount of money, and contributions from people like lobbyists must not be
able to buy his or her votes. This is where reforming the voting process and reforming
campaign finance walk hand in hand.

Of course not all ideas for future campaign finance reform deal with
restructuring elections or campaign advertising. Many politicians and reformers alike
note three main approaches to reforming campaign finance: the do little approach, the
moderate approach, and the comprehensive approach. In order to evaluate these three
approaches, we look at five main criteria: tensions between economic inequality and
political equality, electoral competition, voter turnout, voter information, and
democratic accountability.

1. The Do Little Approach

The do little approach is the favorite of most Republicans as they envision
comprehensive campaign finance reform as putting shackles on people simply for the
sake of equality. They seem to like the comprehensive approach about as much as they
like affirmative action, and thus choose an approach that takes more of a stand-off
effect in all areas except for contribution disclosure – in this they want as much
information available and required by law as possible.

As for the criteria under the do little approach: there will be no effect on
tensions between economic inequality and political equality. In fact, perceptions of
corruption will continue to exist and will increase if contribution limits are lifted.
Electoral competition will be unaffected. When little is done, the same attention will be
paid to the contributors with the money. Voter turnout most likely will remain
unaffected and potentially will decrease as the do little approach increases perceptions
of corruption and thus turns people away from voting and politics in general. Voter
information will not be affected, but the perceptions of corruption could have the same
effect on voter desire to obtain information as it did on voter turnout. The main and
only real component of the do little approach is greater contribution disclosure, so
democratic accountability will improve with this approach. With increased disclosure
comes more accountability to the people, and the more contribution information that is
disclosed, the more able voters are to formulate opinions on candidates.
2. The Moderate Approach

The moderate approach is what most people think of when they think of campaign finance reform and involves at least one of the following: campaign spending limits, loophole closure, and better enforcement. McCain-Feingold as was described earlier would fall under this moderate category and is perhaps the most well known but most constitutionally suspect reform on the books. Since we have a tangible example of the moderate approach, we can use McCain-Feingold as our means of evaluating the reform criteria. The law’s limits on contributions and ban on soft money heeds a modest effect on tensions between political equality and economic inequality. Electoral competition is increased with the TV and radio time that is given to limit-abiding candidates. With the increase in face time on TV for these candidates, voter turnout is likely to increase as people have more information freely available to them. Similarly, voter information is more prevalent, especially for challengers or lesser-known candidates. Finally, with the elimination of soft money, campaigns are more democratically accountable to the people as undisclosed monies would be limited.

3. The Comprehensive Approach

As the name implies, this method is the most complete and most restrictive form of campaign finance reform. While much of it is seemingly unobtainable, this is the favored method by Democrats and those politicians that lean more to the left. Ideally with this approach, campaigns would be publicly financed by taxpayers’ dollars, there would still be bans on soft money, and limits like those in McCain-Feingold on issue ads would remain in place.
The comprehensive approach proves to have a much greater and more dramatic, be it good or bad, effect on our criteria. By publicly funding campaigns, private monies are completely removed, which reduces the perception that government is controlled by the interests with the biggest budgets. This in turn reduces tensions between economic inequality and political equality. Electoral competition is heightened as all candidates, even challengers, are receiving more money – in more equal amounts – since campaigns are publicly funded. This gives the incumbent more of a challenge to stick to his guns since his fundraising advantage has been diminished. Voter turnout will increase as campaign monies can be focused on voter mobilization instead of advertising. Also, with increased electoral competition comes greater interest in the election, thus increased voter turnout tends to follow. Similarly voter information will be increased as challenger and incumbent funds become more equal, name recognition for all candidates is more prevalent and voters have access to more information than mere hate ads. Lastly, comprehensive reform also includes the same disclosure properties as the do little approach, so democratic accountability would increase as more information is available and as campaigns are required to disclose everything in a timely manner (Goidel 157-172).

IV. Conclusion

While campaign finance reform began with the realization of a problem, perhaps more of a problem has been the realization of campaign finance reform. From Roosevelt’s vague ideas on contribution regulations, to the very verbose yet not
altogether revolutionary ideas in McCain-Feingold, campaign finance regulation and reform has had a long and turbulent history. Not unlike other policy issues, Republicans want less government intervention and Democrats want more. Republicans are open to greater disclosure of information with fewer restraints while Democrats would prefer less disclosure and more, if not complete, restraint on campaign contributions.

Tammany Hall made us believe that campaigns should be publicly funded, and Teapot Dome taught us that propaganda wasn’t the only thing being bought with campaign funds. If our battles with reform legislation have done nothing else, they have taught us much, or so one could only hope. FCPA led to FECA, and FECA led to BCRA; and where BCRA will lead us, we may never know. With each new acronym comes new ways of evading the rules – as Justices Stevens and O’Connor noted in their hydraulic theory of Buckley v. Valeo. What was once an authority on political contributions, the Hatch Act now serves mostly as a reminder that federal employees cannot participate legally in political activity.

Scandals like Watergate were (supposedly) halted by FECA, and excessive soft money use as exemplified by Clinton’s 1996 campaign was (purportedly) cut off by BCRA. Yet over and over again the Court has ruled that one cannot put a cap on spending by campaigns as it limits their First Amendment rights, but one can tell donors when they must stop giving, as an infringement of their rights is much less important than the potential corruption flowing from too much funding. For the Court, money has been deemed property and not speech, so limiting the giving of property has no connection to anything in the First Amendment – though this definition of property has
been applied only to money that is given to campaigns and not money that is spent by campaigns.

We have noted that all candidates are rent-seekers, and that all candidates’ main goal is that of election to office. Clearly, rent-seeking behavior and election-seeking behavior go hand in hand. Those candidates that are able to raise the most money have the best chances at election and admittedly or not, that is the main issue that policymakers aim to correct with campaign finance legislation. It seems that their rationale turns the American Dream from great opportunity for success to great opportunity for equality. While publicly funded campaigns may level out the playing field, does the playing field really need to be leveled? Of course there must be restrictions on how money is given, but if one candidate has an absolute advantage in fundraising skills, why make him put a muzzle on them?

The market for campaign contributions and political favors is exactly that: a market. It is at equilibrium when the elected candidates are able to supply exactly the policies that are demanded by their donors. Yes, there will be periods in which the dominant party will hinder this equilibrium from being met, but don’t all markets return to equilibrium eventually without any outside action? In a macroeconomic model, when the government interferes with expansionary or contractionary fiscal or monetary policy, output either rises of falls outside of potential, but will eventually return to normal – except that prices have been affected. Without government intervention both prices and output would return to their original position.

We have seen that various groups favor various candidates mostly for ideological purposes, and other for influential purposes. This isn’t unfair by any means.
In order for categorized contributions to be effective, not only does the ideology of the donor group have to match that of the candidate, but the ideology of the candidate has to match up with the voters. In essence the ideology of the donor group must also match that of the voters. So while the voters may see such donations as buying votes, the candidate wouldn’t have been in office if such votes didn’t also match a majority of their ideological stance.

As for future reform, it would seem from an economic standpoint, that the do little approach is best. Not only does it limit the need for excessive government interference, it also allows the markets of campaign finance to return to equilibrium naturally. Yes there will be fluctuations, but (at least until this administration) we haven’t called on government action when the stock market has had its ups and downs. If the government needs to fund something publicly, why not publicly fund voter registration drives, get out the vote efforts, or television time for candidate debates and discourse? While the FEC should still exist as a monitoring and disclosure effort, it should focus its efforts on actually doing its job instead of attempting to level out the playing field. Perhaps it may be best described as such: too much interference by the government leads to too little interest by the people. If donors fear that the next dollar could land them in jail or paying some fine, the entertaining boxing ring of politics will cease to exist outside the Beltway - though maybe that is the reformers’ end goal. As long as comprehensive campaign finance reform remains something only to be debated and something to add to Congress’s agenda and debate schedule then who’s to stop them. But when it starts to creep in as socialist campaign law, get us out.

I’m Meghan Milloy and I approve this message.
Summary of the Bipartisan Campaign Reform Act

Political Party Soft Money

National Party Committees
National party soft money is prohibited. The national parties and their affiliates may raise and spend only money subject to federal contribution limits and source restrictions, no matter how the money is spend.

State and Local Parties
State, district, and local party committees funding “federal election activities” must do so with money subject to federal contribution limits. Federal election activities are defined to include:

- Voter registration activity within 120 days of the election
- Voter identification, get out the vote (GOTV), activity, or generic campaign activity conducted in connection with federal election
- Communications naming a federal candidate that promote or attach the candidate

“Federal election activity” does not include: communications naming state candidates with no federal candidates; contributions to state candidates; state/local political conventions; state candidate grassroots materials; state/local party office construction/purchase costs.

Levin Amendment Exception-Voter registration and GOTV may be funded with soft money, limited to $10,000 per source, if such contributions are allowed under state law. Contributors may include corporations and labor unions, if state law permits. Money raised under this exception must meet the following conditions:

- Federal officeholders, candidates, national parties, and their agents may not raise “Levin Amendment” funds.
- The funds cannot be used for federal-candidate-specific or generic advertising.
- All receipts and disbursements must be disclosed.
- Party committees are prohibited from jointly raising these funds.
- A state party committee cannot raise the money for use in other states.
- The funds cannot be transferred between party committees.
- The soft money must be matched by hard money under Federal Election Commission (FEC) allocation rules.
Nonparty Electioneering

Definition/Coverage
An “electioneering communication” is a broadcast, cable, or satellite communication that refers to a clearly identified candidate within 60 days of a general election or 30 days of a primary, and that is “targeted.” A communication is targeted if it can be received by 50,000 or more persons in the district or state where the election is being held. Subsequent FEC regulation said this provision was limited to paid advertising.

Corporate/Union “Electioneering” Prohibited
Corporations and unions are prohibited from directly or indirectly making or financing electioneering communications, although they may still form a registered political action committee (PAC) funded with voluntary, limited, individual contributions (hard money), for election communication. The corporate restriction extends to nonprofit corporations and to incorporated political committees (other than PAC’s, parties, and candidates) as defined by section 527 of the tax code. Subsequent FEC regulation exempted nonprofit charities, which are prohibited from political activity under tax law.

Electioneering Disclosure
Entities making electioneering communications must file a disclosure report within 24 hours, once an aggregate of $10,000 is spent, and thereafter each time an additional $10,000 is spent. Disclosure includes the identity of the spender, all persons sharing control over the communication, and all donors giving $1,000 or more.

Federal Office Holders, Candidates, Party Officials, and Agents

Federal Election Activity
Federal officeholders, candidates, national parties, and their agents (as well as entities directly or indirectly established, financed, maintained, or controlled by, or acting on behalf of, federal candidates or officials) may not solicit, receive, direct, transfer, or spend any soft money in connection with a federal election, with a limited exception for nonprofit corporations described below. This includes “Levin Amendment” funds for registration and GOTV.

State or Local Election Activity
Any solicitation by federal officials or candidates in connection with a state or local election must be limited to money consistent with federal contribution and source limitations.

Appearances at State Party Events
Federal officials, candidates, etc., may appear at, and be a featured guest of speaker at, a state party event at which the party raises soft money for its purposes. Although the law says the candidate may not solicit money at these
events, the FEC said in its subsequent regulations that it would not police formal speeches or informal conversations at such events. Nothing in the law prohibits state party officials from soliciting money at an event at which a federal official speaks.

Fund-Raising for Nonprofits
Federal officials and candidates may solicit funds without limit for the general treasury of any tax-exempt organization described in section 501 of the tax code, as long as the principal purpose of the organization is not to conduct certain specified federal election activities. Amounts and sources are limited if the contributions are earmarked for registration or GOTV, but not if they are contributions for general funds and the organization uses some of its general funds for political activity. National Parties may not contribute to or solicit money for nonprofit corporations or political committees as defined by section 527 of the tax code.

Contribution Limits

Individuals

- To a candidate: Increased from $1,000 per election to $2,000 and indexed for inflation.
- To a single national party committee: increased from $20,000 per year to $25,000 within the aggregate limits below.
- To a state of local party committee: Changed from $5,000 for a state party’s federal account to $10,000 for each state, local, or district committee that engages in federal activities, within the aggregate limits below.
- To a PAC: Did not change from $5,000. Also no change in the limit of $5,000 per election for a contribution by a PAC to a candidate. PAC limits are not indexed.
- Aggregate Limit: Increases the maximum an individual can give, in combined contributions, from $25,000 per year with no sublimits, to $97,500 for two years, with the following sublimits:
  - $37,500 to candidates
  - $57,500 to all PAC and party committees combined
    - No more than $37,500 to all PAC’s combined
    - The remainder to party committees.
- Indexing: Limits on individual contributions to candidates and parties and individual aggregate limits are indexed for inflation, as are the limits on coordinated party support for a candidate.
- Millionaire Opponent Provision: Increases contribution limits for congressional candidates facing self-financed candidates. These go up on a sliding scale, depending on the amount of self-financing, with qualifying thresholds and maximum contributions differing for the House and Senate. At its highest, the maximum contribution to Senate candidates may be increased sixfold, and the limits on party support for
the candidate are removed. Increased contributions triggered by this provision do not count against a donor’s aggregate limits.

- Self-financed candidates are also prohibited, after any given Election Day, from repaying outstanding loans the candidates make to their own campaigns in excess of $250,000.

**Coordination**

Coordination spending as a contribution: Any expenditure made by a person other than a candidate or party will count as a contribution if it is coordinated with the candidate or party. Coordination is defined as a payment made in cooperation with, at the request or suggestion of, a candidate, candidate’s agent, or campaign or party. This reiterates previous statute law. Congress also told the FEC to discard its current regulations and write new ones that do not require agreement or formal collaboration to establish coordination. The FEC’s subsequent regulations covered all election-related communications disseminated within 120 days of an election if the person making the communication meets any one of a series of conduct standards, including using a common vendor who makes use of material information learned from one client to prepare communications for the other.
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