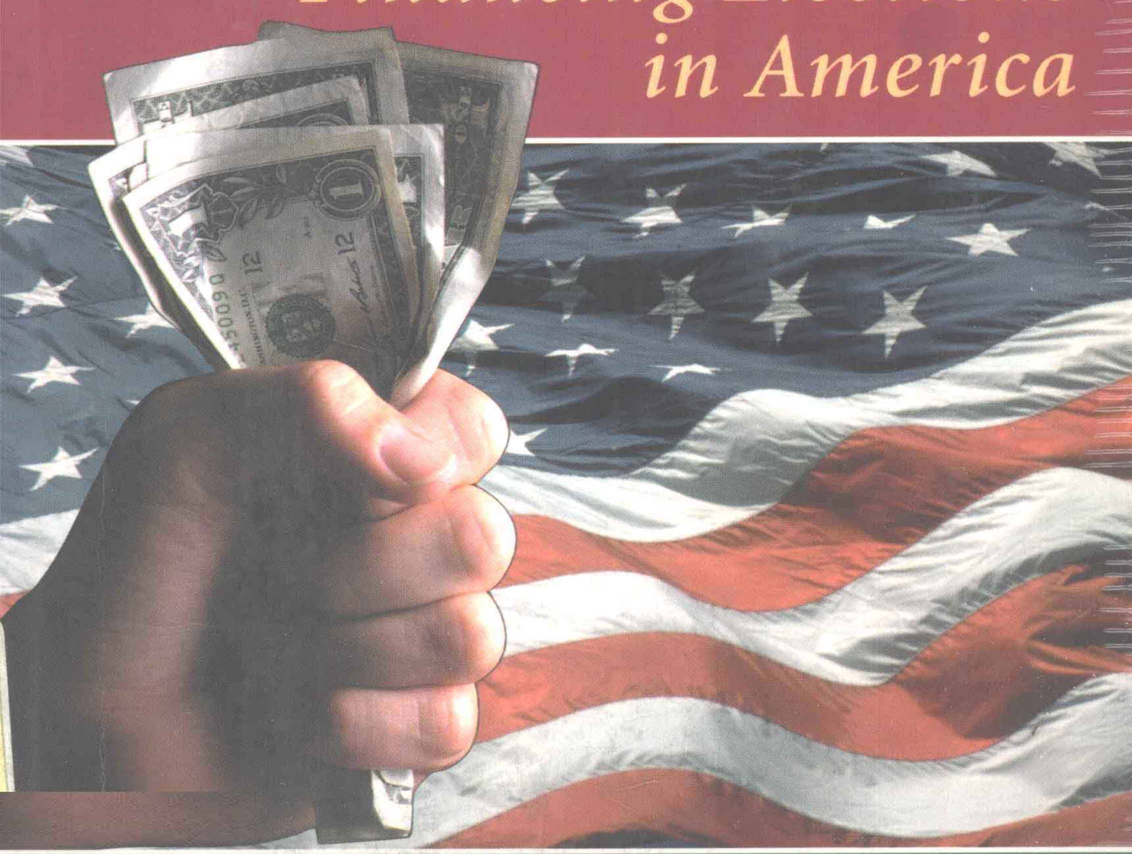
Money Rules

Financing Elections in America



Anthony Gierzynski

Money Rules: Financing Elections in America

Anthony Gierzynski
University of Vermont

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Anthony Gierzynski

Contents

List of Illustrations *xi*
Acknowledgments *xv*

1 Introduction **1**

The 1996 Election: A System in Crisis, 2
The Context, 11
The Basic Conflict, 13
The Problem with the Current System of Campaign Finance, 16
Plan of the Book, 17

2 Understanding Campaign-Finance Behavior **21**

The Settings, 22
Money and Power, 31
Conclusion, 35

3 Elections, Campaign-Finance Law, and Public Opinion **37**

Money in Elections, 38
A Brief History of Campaign-Finance Regulation, 41
The Status of Campaign-Finance Laws Today, 48
Public Opinion on Campaign Finance, 49
Summary, 52

4 Money in Elections 57

Money and Election Returns, 59
The Distribution of Money, 64
Conclusion, 88

5 Contributors 93

The Relationship Between Contributors and Lawmakers, 95
Who Gives? 100
Conclusion, 111

6 Conclusion 115

Campaign-Finance Reform, 118

Appendix 131
Glossary 133
References 135
Index 139

Illustrations

Tables

1.1 Itemized expenditures for Ann Cummings, Democratic challenger for Vermont, Washington County, state senate seat, 1996 — 7

5.1 Top ten soft-money contributors, 1997–1998 (through October 1, 1998) — 104

Figures

2.1 Model of campaign-finance systems — 24
2.2 Power and contributions in political systems — 33
2.3 Alternative flows of money when elections are not an effective means of bringing about change — 34

3.1 Campaign-finance law before and after Buckley — 44
3.2 How big $ finds its way into federal elections — 47
3.3 Freedom versus equality in state campaign-finance laws — 49
3.4 Public opinion on campaign-finance reform proposals — 51
3.5 Public opinion on priority of campaign-finance reform — 52

4.1 Election model: factors that affect candidates' vote shares — 61
4.2 Relationship between spending and the vote for Democratic open-seat candidates in state house elections in twelve states (CA, CO, IA, IN, KY, MI, MN, MO, NY, OR, WA, WI) — 63
4.3 Challenger spending as a percentage of incumbent spending for U.S. House and Senate races from 1976 to 1996 (general-election candidates only) — 66
4.4 Challengers' spending (median) as a percentage of incumbent expenditures (median) in contested state house races — 68
4.5 Median expenditures for incumbents and challengers in California State Assembly races, 1976 to 1996 — 69
4.6 Flow of money by party control of government — 71

4.7 Federal revenues (hard money) raised by Democratic and Republican party committees, 1977–1998 72
4.8 National party nonfederal (soft) money raised, 1991–1998 74
4.9 Percentage identifying with the Democratic and Republican parties by family income level, 1996 75
4.10 State political party committee revenue, 1996 77
4.11 Minnesota state political party committee revenues, 1984–1996 78
4.12 Washington state political party committee revenues, 1984-1996 79
4.13 U.S. House and Senate general-election candidates' total revenues (in millions) by party for the 1998 election 80
4.14 U.S. Senate candidates' total revenues (in millions), 1988–1998, by political party affiliation 81
4.15 U.S. House candidates' total revenues (in millions), 1988–1998, by political party affiliation 82
4.16 Average revenue for House incumbents and challengers by party, 1988–1998 (general-election candidates only) 83
4.17 Average revenue for Democratic and Republican candidates for state legislative races in 1991 and 1992 84
4.18 Expenditures in support of or opposition to ballot questions involving business interests in California, 1992 and 1994 86
4.19 Spending for and against term-limit initiatives in California (1992), Washington (1991, 1992, and 1996), Nebraska (1996), and Oregon (1996) 87

5.1 Lawmaking model: factors that affect the decisions and activity of lawmakers 98
5.2 Contributions to federal campaigns by interest and type of contribution, 1995–1996 101
5.3 Direct contributions to federal candidates from PACs and individuals by affiliation, 1995–1996 103
5.4 Contributions to federal candidates by pro-gun and gun-control groups 105
5.5 Affiliated contributions to state house campaigns, 1991 (New Jersey and Mississippi), and 1992 elections (all other states) 106
5.6 Campaign contributions to 1997 Virginia gubernatorial campaign (Beyer vs. Gilmore) and 1998 Wisconsin gubernatorial campaign 107

5.7 Campaign contributions by affiliation to Chicago city council and mayoral campaigns, 1995 108
5.8 Source of contributions to ballot-measure campaigns in Nebraska, 1996 109
5.9 Contributions to ballot-measure campaigns in California, 1996 110
5.10 Family income of congressional donors 111

6.1 Impact of questionable fund-raising on political efficacy and voter intention 118

1

Introduction

THE TITLE OF THIS BOOK, *Money Rules*, is a trick, a play on words. So, if you are paging through this book at a bookstore or have just cracked it open after ordering it, now is your chance to reshelve it or return it; for those of you who have been forced to read it for a class, I'm afraid you're out of luck. Like most titles, this one is designed to draw you in, especially those of you who believe simply that "money rules" when it comes to American politics. I know from my experience teaching American politics and reading the newspapers that there are a lot of you out there. In evaluating the American political system it is just so easy to reduce all causes to money, the "root of all evil." If you are one of those people and don't like to be exposed to different perspectives, then you might as well stop reading here and put the book back. If you dare to go further, though, you will see that this book presents a more complicated picture of political reality and the role that money plays in that political reality than is suggested by the cry "money rules."

My goal in the pages of this book is to take the issue of money in politics (or campaign finance) and put it in context: the context of the nature of American democracy and the context of the conflicting political values. By doing so, I believe we can gain greater insight into the issues surrounding campaign finance. In essence, this book is really about money rules (that is, the rules governing campaign finance, not "money rules") and how the behavior that those rules allow affects the health of democracy in the United States.

The 1996 Election: A System in Crisis

From the last week or so of the 1996 election through most of 1997—until the Monica Lewinsky story took over as the press's dominant obsession—the role that money plays in elections became *the* hot topic for the media and those inside the Beltway. The frantic scramble for money and the uses it was put to during the election was revealed in story after story—here are some typical accompanying headlines:

"System Cracks Under Weight of Cash"[1]
"Washington's Priciest B&B: Big Donors Get First-Class Treatment in Clinton White House"[2]

"Oilman Says He Got 'Access' by Giving Democrats Money"[3]
"GOP Hits Gore on Temple Fund Raiser"[4]
"Nuns Tell of Panic About Fund-Raiser"[5]
"Memorandum Suggests that Clinton Made $50,000 Call from the White House"[6]
"An Oval Office Meeting Gets the Asian Money Flowing"[7]
"Chinese Embassy Role in Contributions Probed"[8]
"Democrats Return $1.4 Million in Questionable Donations"[9]

The stories that followed those headlines and others detailed the frantic scramble for campaign money by the Clinton/Gore campaign and the Democratic National Committee in order to fund an extensive air war of "issue ads." (Issue ads are advertisements that ostensibly focus on issues but actually promote or oppose specific candidates.) The Lincoln bedroom was made available to large contributors. Teas were held in the White House to raise money for the issue ads. Buddhist nuns were hit up for contributions during Al Gore's appearance at their temple. The Chinese government allegedly funneled campaign money into the election in order to influence U.S. policy. The secretary of the interior, Bruce Babbit, was accused of reversing a decision on a casino license because of campaign contributions from Native American tribes who opposed the casino. The president and vice president came under fire for fund-raising calls that they made from their offices. Roger Tamraz, a wealthy oilman, testified before the Senate Governmental Affairs Committee that he gave $300,000 to the DNC in order to get access to the White House. He wanted access to the president so he could seek support (unsuccessfully, as it turned out) for an oil pipeline project in Central Asia. Despite failing to get the support he sought, he told the Senate committee that his contribution was worth it and added, "I think next time I'll give $600,000."[10] And Democratic fund-raisers Johnny Chung, John Huang, and Charlie Trie were caught after having raised legally questionable money from various Asian business interests, including the Lippo Group conglomerate owned by the Riady family of Indonesia. The Democrats returned that money and ended up returning $2.8 million overall in questionable contributions from the 1996 campaign.[11]

Some of the fund-raising practices of the Republicans also made the news during that time but were usually lost in the deluge of revelations about the Democrats. The Republican party actually raised more "soft money" than the Democrats and, like the Democratic party, ran "issue ads" to help its nominee, Bob Dole, reach more voters without exceeding the spending limits on presidential candidates. The Republican National Committee (RNC) spent $18 million on "issue ads" that were basically biographical pieces on Bob Dole.[12] Democrats charged the RNC chair, Haley Barbour, with steering $1.6 million from a Hong Kong business to the RNC and state Republican parties through the National Policy Forum. News accounts surfaced of the large sums of tobacco money, both "hard" and "soft," given to the RNC. And the Republican National Committee funneled money to allied interest groups that used the funds to campaign for the Republican cause. For example, the RNC funneled $4.6 million to Grover Norquist's Americans for Tax Reform, which it used to make "4 million phone calls" and mail out "19 million pieces of mail."[13]

After reviewing the campaign practices of the 1996 presidential candidates, Federal Election Commission (FEC) auditors recommended that the Clinton/Gore Campaign repay the government $7 million and that the Dole campaign repay $17.7 million. The auditors "found that the party issue ads" run by the Democratic National Committee in 1995 and the Republican National Committee in 1996 "violated the spending limits of the Federal election laws and should have counted as contributions to the presidential campaigns."[14] A week later these recommendations—which would have represented the largest repayments ever sought from presidential campaigns—were rejected in a unanimous decision by the six members of the Federal Election Commission.[15]

To all appearances it looked as though the system of financing elections—at least at the national level—had gone completely haywire in 1996. The 1996 election seems to have marked the breaking point for a federal campaign-finance system awash in enormous amounts of cash, much of it coming in the form of large and questionable "soft money" contributions. Big contributors were believed to be gaining undue influence over those in power in exchange for their contributions. Candidates, political parties, and interest groups were spending the enormous sums of money on independent expenditures and issue-advocacy advertisements. The leaky dam that had been established to regulate the flow of money had finally collapsed, leaving the regulations that still existed minor obstacles for the cash to flow around.

Meanwhile, the public seemed to not care much about the new revelations regarding the 1996 campaign-finance practices. There seemed to be little outrage or demand for reform.[16] Though no obvious signs of public outrage were evident, polls did show that large majorities of the American public believed that our system of financing campaigns is broken and/or in need of serious repair. In a *New York Times*/CBS News Poll taken in April of 1997, 39 percent of the respondents believed that the system of funding campaigns needs to be completely rebuilt, and another 50 percent of the respondents believed that fundamental changes are needed in the way campaigns are funded.[17] In a survey conducted by Princeton Survey Research for the Center for Responsive Politics (also in April of 1997), 71 percent of respondents thought that "good people being discouraged from running for office by the high cost of campaigns" was a "major problem" for the "federal political system today." Some 66 percent thought that "political contributions having too much influence on elections and government policy" was a major problem. And 61 percent thought that "elected officials spending too much of their time raising money for election campaigns" was a major problem. Even those who contribute to campaigns feel that the system has problems. A survey of contributors to congressional campaigns found that 31 percent of contributors believed that the campaign-finance system is "broken and needs to be replaced," and 45 percent believed that it "has problems and needs to be changed."[18]

Perhaps the public failed to display outrage at the 1996 practices because it was nothing new to them; they had already come to the conclusion that the system wasn't working properly. After all, the issue of campaign finance has long been and will continue to be a prominent story. Journalists have made it a regular habit to do stories connecting PAC contributions to Congressional votes on legislation that concerns the PACs. Every new election seems to bring stories about the "excessive" amounts of money raised and spent in national, state, or local campaigns. In 1998 the "record-setting" spending in the California gubernatorial primaries was the big news (the four serious contenders spent over $72 million).[19] In June 1999 it was the presidential nomination contest. Under a *Washington Post* headline "Bush to Set Record for Campaign Donations," Susan Glasser reported that "Texas Gov. George W. Bush today will shatter the presidential fund-raising record set by the money machine that fueled the 1996 Clinton-Gore reelection, reporting more than $23 million raised in the first half of this year, according to GOP sources, and far outpacing all other White House hopefuls including Vice President Gore."[20] And, long before the emergence of Johnny Chung, White House teas, Buddhist nuns, and so on, other campaign-finance scandals have blared from the front pages. In the 1980s it was the Keating Five, five senators who pressured federal regulators to allow Charles Keating's Lincoln Savings and Loan to remain open, a decision that cost tax payers billions of dollars. Keating had raised large sums of money for each of the five senators through a practice known as bundling. In the early 1990s the questionable practices of GOPAC, the Republican PAC run by Newt Gingrich, were the focus of many news accounts. GOPAC—whose purpose was to assist state legislative candidates—was questioned for its involvement in federal elections without registering with the FEC.

However you look at it—from the perspective of the campaign-finance activities during the 1996 election cycle or from public opinion or from other campaign-finance practices—it is clear something has gone awry in our political system. This is true not just of national elections, but also of state and local contests. But what, exactly, is wrong? What has gone awry? Why do there seem to be so many problems with the financing of elections in the United States? Why do problems seem to keep arising again and again? Why can't something just be done to fix the system?

The purpose of this book is to address these questions in a way that is different from most critiques of campaign finance in the United States. My goal is to create a more sophisticated understanding of the whole issue of campaign finance. I intend to do so by discussing the issue within the context of the U.S. political system and in light of the basic value conflict involved in the issue. Much of the current discourse about campaign finance fails to look at the issue in this way. Instead, the campaign-finance practices are evaluated in isolation from the system in which they take place and without an understanding of the basic conflict inherent in the issue, thus missing what is really critical about the way the role of money in elections affects democracy in the United States.

The problem with campaign finance in the United States is not, as much of the current discourse implies, that money in elections is "bad" per se. Nor is the problem that there is too much money in elections. Nor is it that there are candidates who are willing to shell out enormous amounts of their own money in order to win an election. Nor is it that moneyed interests buy politicians and government policy.

Money Is "Bad," and There Is Too Much of It in Elections

Accounts of the "enormous" amounts of cash in campaigns like the *Washington Post* article quoted above are a regular news item. The subtext of many of these stories is that money is bad, bad, bad, and that more money is "badder." Is money "bad?" Does the absolute dollar value reported in those accounts really mean that there is too much money? To consider these questions carefully, one needs to think of the purpose to which that money is put in elections. If you were to grab a candidate's campaign-finance report and look at what the money is spent on, you might see a list such as that in Table 1.1. Most of what this Democratic candidate for a state senate seat in Vermont spent during the 1996 election cycle was spent on communicating with voters—brochures, advertising in newspapers and on radio, and signs. In general this is the case for most candidates. According to Paul Herrnson, candidates for the U.S. House spent "roughly 76 percent of their campaign funds communicating with voters."[21] A study by Robert Hogan of campaigns for the lower houses of the Texas and Kansas legislatures found that 54 percent of candidate expenditures in the 1998 Texas general election and 81 percent of candidate expenditures in the 1992 Kansas general election were for voter

TABLE 1.1

Itemized expenditures for Ann Cummings, Democratic challenger for Vermont, Washington County State Senate seat, 1996

Date	*Paid to*	*Purpose*	*Amount*
7/19/96	Vermont Federal Bank	checks	$12.00
7/27/96	United States Postal Service	stamps	$39.00
8/27/96	Hull Printing	brochures	$688.00
9/10/96	Hull Printing	ink stamp	$11.00
9/12/96	The Bridge	advertising	$80.00
9/20/96	United States Postal Service	stamps	$13.00
9/24/96	Political Signs Inc.	signs	$202.00
9/30/96	Mail Boxes Etc.	copies	$15.00
9/30/96	Costco	parade	$25.00
10/ 3/96	Valley Reporter	advertising	$94.00
10/ 4/96	The World	advertising	$57.00
10/ 5/96	Aubuchon Hardware	sign posts	$22.00
10/ 6/96	The World	advertising	$115.00
10/10/96	Middlesex Decas	advertising	$48.00
10/20/96	WNES	advertising	$374.00
10/20/96	WDEV	advertising	$416.00
10/20/96	Times Argus	advertising	$115.00
10/20/96	WSKI	advertising	$170.00
10/24/96	WORK	advertising	$414.00
10/25/96	Northfield News	advertising	$37.00
10/26/96	Valley Reporter	advertising	$37.00
10/29/96	Times Argus	advertising	$76.00
10/30/96	WDEV	advertising	$78.00
10/31/96	WSKI	advertising	$91.00
10/31/96	WNCS	advertising	$60.00
10/31/96	United States Postal Service	stamps	$12.00
10/31/96	Times Argus	advertising	$130.00
11/14/96	Mail Boxes Etc.	copies	$6.00
11/14/96	Anne Imbott	advertising	$120.00
11/14/96	The World	advertising	$118.00

Source: Campaign finance report filed with the Vermont Secretary of State.

contact.[22] So the main reason candidates spend money is to communicate their message to voters. Is communicating with voters "bad"? Obviously not (unless, of course, the communications are misleading). Candidates need to buy communications to get their message out and voters need to hear the message in order to make an informed choice at the polls.

So how much should candidates spend trying to get their message to voters? How much is too much? Is the $61.8 million that was allowed the 1996 presidential candidates who accepted public funding enough to reach the almost 200 million eligible voters during that general election? Or even the $140 to $150 million spent to support the Clinton/Gore ticket?[23] That's about seventy-five cents per eligible voter. Compare those numbers to the $100 million the Apple Corporation spent in one week's worth of advertising for its new iMac computer.[24] Should we expect candidates for our most important office to have a smaller budget than that for the iMac? How much should candidates for U.S. Senate races in California spend to reach its 23 million eligible voters?

What is "too much" in these contexts is obviously not all that clear. Yes, some candidates spend what seem like excessive amounts of money. There will always be the Al Checchi types—Checchi spent nearly $40 million of his own money in a losing battle for the Democratic nomination for governor in California in 1998. But aside from such exceptional cases, the average candidate does not spend all that much money, and many candidates, like most candidates who challenge incumbents, spend too little. In the 1998 election the median expenditure for Democratic candidates challenging a House incumbent was $51,760. That means half of Democratic challengers spent less than $51,760. The median for Republican challengers was $71,534.[25] The same is true for most state and local candidates: the big spenders make the news while the typical candidate has to scramble for money. Take California, for example. The average spending by incumbents running for reelection to the state assembly during 1996 was $268,085. The average for challengers? $14,943. That's an eighteen-to-one advantage![26] In Chicago's 1995 election for seats on the city council, eighteen (13 percent) of the aldermanic candidates spent over $100,000, and seventy-two (52 percent) of the candidates spent under $25,000.[27]

Politicians Are Bought, and Corruption Is Rampant

Corruption implies a quid pro quo arrangement; that is, money is given in exchange for political favors. There is no evidence that such arrangements are widespread. There are the occasional cases where an elected official is caught, such as the recent case of Miriam Santos, the Chicago city treasurer, who was convicted for attempting to extort campaign contributions from companies that did business with the treasurer's office.[28] But such events represent a minuscule fraction of all of the campaign contributions. In all the hullabaloo about the 1996 fund-raising practices there has yet to surface any evidence of a quid pro quo arrangement.