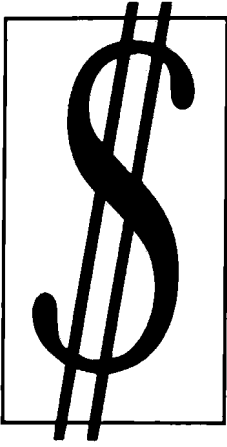




FINANCING the 1988 ELECTION

**Herbert E. Alexander
and Monica Bauer**

Westview Press



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PREFACE AND ACKNOWLEDGMENTS

In this eighth quadrennial book on the financing of presidential election campaigns, the research and analytical techniques used previously were reexamined, and considerable modifications were made to accommodate the new data. The 1988 elections constituted the fourth experience with public funding, adding new dimensions and leading to new ways of dealing with and thinking about the subject. Each successive study is an educational experience, and the 1988 campaign was notable in the diversity of ways and means found to raise, handle, and spend the large amounts of money used.

A new agency, the Federal Election Commission (FEC), came into being in 1975, producing immense amounts of data and information and affecting greatly the contours and analyses of the 1988 study. Some amounts reported in this book as spent by a given candidate may differ from other figures because audit totals of the FEC do not agree with totals in its published compilations or with direct or later information that the Citizens' Research Foundation (CRF) received. The CRF made certain adjustments that the FEC did not. Closing dates for some CRF analyses differed from those in FEC or other compilations, thus resulting in different totals. A number of definitions of categories differ, affecting which groups are included or excluded in certain totals. And for some purposes, soft money, independent expenditures, compliance costs, and communication costs were included, unlike compilations by others. Moreover, the FEC compilations often give totals only for general election candidates, going back to January 1 of the election year or previous year, without separating primary election from general election spending

and not accounting for the totals of dollars raised and spent by primary election losers. Of course, the FEC disclosure forms are not designed to differentiate accurately between primary election and general election spending.

So many events and facts required description independently by topic that it was difficult to organize the book efficiently. There would have been so many notes cross-referencing topics such as fund-raising or public financing within the confines of the book that, for the most part, we dispensed with these. Accordingly, readers should use both the Table of Contents and the Index for cross-referencing.

This study attempts to update and to keep active analyses and categories of data developed over the years by Professors James Pollock, Louise Overacker, and Alexander Heard; the Senate Subcommittee on Privileges and Elections (under the chairmanship of Senator Albert Gore of Tennessee) in 1956; and the seven previous volumes authored or coauthored by Herbert E. Alexander in his series on finance and elections.

ACKNOWLEDGMENTS

The data in this study were collected by the CRF. An early analysis was published in a brief article by Herbert E. Alexander, "The Price We Pay for Our Presidents," *Public Opinion*, vol. 11, no. 6, March/April, 1989, pp. 46-48. Special appreciation is due to many individuals for providing information in personal interviews, through correspondence, and by telephone. Many finance managers and others preferred to remain anonymous. Because it would be unfair to name some and not others, we regretfully do not list the many persons in such capacities who graciously cooperated.

We acknowledge the help of Rebecca Herrick, a graduate student at the University of Nebraska, for her assistance with data from the University of Michigan National Election Survey.

Monica Bauer did not participate in the writing of "Epilogue: Shaping Election Reform" and does not have any responsibility for its contents or conclusions. Special thanks are due to David Beiler for his comprehensive research on election reform and his editing of the Epilogue.

Throughout, CRF's assistant director, Gloria Cornette, was a constant source of strength, managing superbly the preparation of the manuscript at all stages, typing under deadline, and preparing the index.

None of those who were so helpful is responsible for errors of omission or commission; for those, as for interpretations, we bear sole responsibility. We appreciate the cooperation and encouragement received from officers and members of the board of trustees of the Citizens'

Research Foundation, but the presentation is ours and does not necessarily reflect their views.

We are especially grateful for a generous grant from the Amoco Foundation, enabling this volume to be prepared. Without the contributions of numerous additional supporters of the Citizens' Research Foundation, this study would not have been possible.

Herbert E. Alexander
Monica Bauer

INTRODUCTION

In 1988, George Bush won the presidential election with 426 electoral votes in forty states, while Michael Dukakis won in ten states and the District of Columbia, receiving 111 electoral votes; 1 electoral vote was cast for Senator Lloyd Bentsen, the Democratic vice presidential candidate. With a voter turnout of 50.1 percent, the Democrats retained their majority in both the U.S. Senate and the House.

Developments in financing the 1988 election campaigns were notable in many ways, although they generally have received far less systematic attention than other aspects of the elections. Accordingly, these developments are the subject of this book. Campaign money may be conceived of as a tracer element in politics; much valuable information about the patterns of political events and results and the distribution of political power may be obtained by following the path of money through the course of election campaigns.

During the 1987–1988 election cycle, total political campaign spending at all levels—national, state, and local—exceeded \$2.7 billion, a 50 percent increase over the estimated political spending bill in the previous presidential election cycle. Although the \$2.7 billion figure indicates that campaign spending continues to grow at a rate greater than that of inflation, the increase over the corresponding 1984 figure also is due in part to the fact that more complete information is available regarding campaign costs.

The 1988 national elections were the seventh to be conducted under the Federal Election Campaign Act (FECA) and its 1974 amendments, and the presidential election was the fourth conducted under the system of public funding initiated by the act and its companion legislation. Although the FECA was enacted in part to control campaign spending,

which had reached unprecedented levels in the 1972 presidential campaigns, more than one-half of the \$2.7 billion campaign expenditure total in 1988 was used to influence federal election results. The cost of the items and services many federal campaigns must purchase, including media broadcast time, air travel, telephones, and the specialized expertise of campaign consultants, rose dramatically. Candidates and their supporters responded by adopting some previously used methods of raising and spending funds and devising various new means, some of which provoked controversy in the midst of the campaigns and triggered demands for further campaign finance regulation.

In the chapters that follow, developments in financing the 1984 election campaigns are described and analyzed. This focus is not intended to slight the numerous nonfinancial factors that influenced the 1988 election results. Indeed, political party rules, national and local issues, the prestige of office and advantages of incumbency, leadership and communication skills, the composition of election districts, and the mood of the electorate all played important roles in determining election outcomes. But it is campaign money, as the late historian and journalist Theodore H. White pointed out, that enables candidates to purchase items and services needed to influence party rules, to make their views on issues known, to gain office and demonstrate their communication skills, and to sway the electorate. "Money buys attention," he wrote. "It buys . . . television and radio time; it buys expertise, computers, organization, travel, visuals for the evening news."¹ By shedding light on these and other uses of campaign money and clarifying its relationships with other factors that help determine election results, we hope to illuminate the political process and contribute to the understanding of political influence and power in the United States.

NOTES

1. Theodore H. White, *America in Search of Itself* (New York: Harper and Row, 1982), p. 426.

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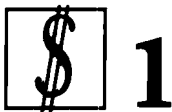
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SPENDING IN THE 1988 ELECTIONS

During the 1987–1988 election cycle, political candidates and committees, and organizations and individuals hoping to influence the electoral process and election results spent \$2.7 billion on political campaigns. This spending covered not only campaigns for nomination and election to federal offices—the presidency, vice presidency, and seats in the houses of Congress—but also nomination and election campaigns for state and local offices, campaigns for and against ballot propositions, efforts by numerous independent organizations to register and turn out voters, and the costs of administering national, state, and local political party organizations and numerous interest and ideological group-sponsored political committees.

The \$2.7 billion represents an increase of 50 percent over the corresponding Citizens' Research Foundation (CRF) estimate for the 1983–1984 election cycle. This increase exceeded notably the 13.5 percent rise in the Consumer Price Index during the four-year period from January 1, 1984, to January 1, 1988, thereby stoking the fires of criticism regarding political campaign costs. Critics maintain that high campaign costs force candidates to devote an inordinate amount of time to raising money. They also hold that special interest groups seeking to exercise influence by satisfying the candidates' need for campaign funds threaten the integrity of the election and governmental

processes. Compared with some other categories of spending, however, the amounts expended for political campaigns are low. The amount spent in 1987–1988 is about the same as the nation's two leading commercial advertisers—Philip Morris and Procter and Gamble—spent in 1987 to proclaim the quality of their products.¹ It represents a mere fraction of 1 percent of the \$1.9 trillion spent in 1988 by federal, state, and local governments. And it is just a small portion of what is spent on cosmetics or gambling.

As with many other types of spending, there is no universally accepted criterion by which to determine when political spending becomes excessive. And no candidate wants to lose for having spent too little. Many factors have contributed to what sometimes appear to be high political campaign costs. During the course of the last two decades, campaigning at most levels has become a highly professionalized undertaking, involving the employment of pollsters, media specialists, computer specialists, fund-raising consultants, and a host of other campaign experts whose services are expensive and, in the estimation of many candidates and committees, essential. In addition, laws enacted at federal, state, and local levels to bring about disclosure of campaign finances and, in some cases, to impose limits on political contributions and expenditures have required candidates to hire election lawyers and political accountants to ensure compliance. Candidates and political committees must compete for attention not only with each other but also with commercial advertisers possessed of large budgets and able to advertise regularly—not just during a concentrated season. Finally, the Supreme Court has ruled that limits on campaign spending are unconstitutional except when imposed on candidates as a condition of accepting public funding. It has ruled further that even when campaigns are publicly funded, no limits may be placed on independent expenditures by individuals and committees that advocate any candidate's election or defeat.

CATEGORIES OF POLITICAL SPENDING, 1988

The political campaign spending bill of \$2.7 billion in the 1987–1988 election cycle may be classified in eight major categories (see Table 1.1).

1. \$500 million on presidential campaigns, including spending on prenomination campaigns that began as early as 1986;² spending by nominating convention committees; spending by major party, minor party, and independent presidential general election cam-

TABLE 1.1

The Campaign Spending Dollar in 1988 (in millions)

Presidential ^a	\$ 500.0
Congressional ^b	457.7
National party ^c	328.3
Nonparty ^d	224.0
State and local party (nonpresidential, federal) ^e	87.5
State (nonfederal) ^f	540.0
Local (nonfederal) ^g	365.0
Ballot issues ^h	225.0
Total	<hr/> \$2,727.5 <hr/>

^aIncludes all presidential election-related spending in prenomination, convention, and general election periods.

^bIncludes all spending by congressional candidates.

^cIncludes all spending by national political party committees except money contributed to presidential and congressional candidates, coordinated expenditures on behalf of presidential candidates, and that portion of money spent on media advertising intended to influence presidential elections.

^dIncludes all spending reported by federally registered, nonparty political committees and their sponsors except money contributed to federal candidates and political party committees and money spent independently on behalf of presidential candidates. Also includes an estimated \$150 million in political action committee administration and fund-raising costs paid by PAC sponsors but not reported to the FEC.

^eIncludes all spending reported by federally registered state and local party committees minus money contributed to or spent on behalf of presidential candidates, money contributed directly to congressional candidates, and estimated expenditures on grass-roots activities to support presidential tickets.

^fIncludes all spending by or on behalf of candidates for state-level political offices.

^gIncludes all spending by or on behalf of candidates for local offices.

^hIncludes all spending in campaigns to support or oppose state and local ballot issues.

Source: Citizens' Research Foundation.

paigms; and spending by national party committees on behalf of their presidential nominees. There were 330 presidential candidates filed with the Federal Election Commission (FEC), though most did not spend any money. Some 17 were on the general election ballot somewhere; along with the George Bush-Dan Quayle and the Michael Dukakis-Lloyd Bentsen tickets, only Lenora Fulani of the New Alliance party qualified on the November ballot in all fifty states.³

2. \$457.7 million on congressional prenomination and general election campaigns, including money contributed directly to congressional candidates by party and nonparty political committees.⁴

3. \$328.3 million of spending by national political party committees on administration, fund-raising, and other costs, excluding expenditures on behalf of presidential candidates and direct contributions to congressional candidates.
4. \$224 million of spending by nonparty political committees and their sponsors, including an estimated \$150 million in political action committee (PAC) administration and fund-raising costs paid by PAC sponsors but not reported to the FEC and excluding funds contributed directly to federal candidates or spent independently to influence presidential or congressional election results.
5. \$87.5 million in spending by federally registered state and local party committees, excluding money contributed to or spent on behalf of presidential candidates and money contributed directly to congressional candidates.
6. \$540 million in spending on state election campaigns to nominate and elect governors, state legislators, and other state government officials.
7. \$365 million in spending on local election campaigns to nominate and elect county and municipal officials.
8. \$225 million in spending on campaigns supporting or opposing state and local ballot propositions;⁵ there were some 230 statewide proposals in forty-one states in 1988. In California alone, \$139.8 million were spent on statewide ballot issues in the primary and general election campaigns.

From 1952 (the first year for which total political costs in the United States were calculated) to 1988, the progression in spending has shown steady increases in the presidential election cycles.⁶

1952	\$ 140,000,000
1956	155,000,000
1960	175,000,000
1964	200,000,000
1968	300,000,000
1972	425,000,000
1976	540,000,000
1980	1,200,000,000
1984	1,800,000,000
1988	2,700,000,000

The increases over the years reflect not only inflation, higher levels of competition, the professionalization of politics, and more applications of high technology to politics but also the greater availability of comprehensive data due to improved laws requiring better public

disclosure of political receipts and expenditures. The latter enables the researcher to tabulate more accurate totals of political spending at all levels.

PATTERNS IN POLITICAL GIVING

Although the costs of television and the total costs of campaigning have risen dramatically over recent decades, the percentage of those who donate to candidates and parties has not changed much since 1956. An overview of response to public opinion surveys from 1952 to 1988 is given in Table 1.2. Although these figures are subject to a polling error of up to 4 percent, their replication over the years gives confidence that the upper and lower parameters of giving are accurate.

The surveys show a rather steady increase in the number of contributors in the 1950s through 1968, when the number dropped. The number rose again in 1972, only to drop once more in the post-Watergate period. Moreover, survey findings spanning more than four decades indicate that a reservoir of untapped potential for campaign funds continues to exist. Throughout the 1940s and 1950s, the Gallup Poll asked individuals if they would be willing to make political contributions; approximately one-third of those surveyed said they would. In the 1960s, this figure rose to 40 percent. And a June 1981 Gallup Poll found that 39 percent of respondents expressed a desire to join one or more special interest groups.⁷

From 1952 to 1988, between 4 and 13 percent of the total adult population said they contributed to politics at some level in presidential election years. Clearly, some persons contribute in more than one category.

One recent study of patterns of giving concludes that

While it is true that more and more people are now asked, by phone and mail, to make political contributions, the response rate is generally very low. Modern technology notwithstanding, face-to-face appeals continue to be the most effective way of soliciting political contributions. There does not seem to be a large, undifferentiated electorate just waiting for an invitation to contribute to campaigns.⁸

Table 1.2 seems to bear out this conclusion.

One relevant factor present in the years 1972 to 1984 was missing in 1988: A federal income tax credit for portions of political contributions was repealed by the Tax Reform Act of 1986.⁹ Whatever incentive the tax benefit may have given contributors previously was not available in 1988.