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Executive Summary

Members of Congress complain that elections cost too much and fundraising takes too much time. Some have supported a constitutional amendment that would deny First Amendment protection to expenditures on political speech, the very basis of a democratic political system. But elections are not getting more expensive; adjusted for inflation, campaign spending has been relatively stable since 1980.

Money does not buy elections; in 6 of the 15 competitive Senate elections in 1996, the candidate who spent less money won. Candidates with strong messages can defeat better funded candidates. In 1992 Sen. Russell Feingold, coauthor of a leading campaign finance regulation bill, defeated two better known and better funded primary opponents, then defeated an incumbent who had three times as much money.

Lifting the limits on individual campaign contributions and disclosing them immediately would increase voters' information and enable more people to participate in the political process, without limiting First Amendment rights.

Members of Congress have suddenly discovered something raunchy in American politics: money.

Ridden with angst, some senators recently took to the Senate floor to complain that raising money debases them and all of politics. They did not cite specifics, but several senators said that politicians in America are up for sale.

"The incessant money chase that currently permeates every crevice of our political system is like an unending circular marathon," Sen. Robert Byrd (D-W.Va.) said on March 18. "And it is a race that sends a clear message to people that it is money, money, money--not ideas, not principles, but money--that reigns supreme in American politics. The way to gain access on Capitol Hill, the way to get the attention of members of this body is through money."

Byrd spoke while the Senate debated an amendment to the Constitution that would have allowed Congress and state legislatures to "adopt reasonable regulations of funds expended, including contributions, to influence the outcome of elections provided that such regulations do not impair the right of the public to a full and free discussion of all issues." [1] Happily, that constitutional amendment failed on a vote of 38 to 61, though it is disconcerting to discover that 38 members of the U.S. Senate would like to write an exception to the First Amendment--an exception, it should be noted, that would have denied First Amendment protection, not to flag burning or pornography, but to political speech, the very basis of a democratic political system.

Complaints

The senators who favored that radical policy had two major complaints about the relationship between money and politics: money and time.

The High Cost of Campaigning?

First, the senators complained that elections cost too much. Compared to what? Well, not compared to previous campaigns.

Federal Election Commission records show that from 1976 to 1994 six elections were more expensive than the 1994 election when spending is adjusted for inflation. The FEC calculated all political spending for each election cycle, including soft money. Using the same inflation-adjusted dollars, the off-year election cycles in 1982 and 1986 were more expensive than the 1994 election. And the $2.7 billion spent during the 1996 presidential election is roughly equal to the amounts spent in 1984, 1988, and 1992 when figures from those years are adjusted for inflation to 1996 dollars.

In fact, the cost of elections has remained relatively stable since 1980. In 1994 dollars, spending in off-year election cycles fluctuated between $1.4 billion and $1.9 billion from 1982 to 1994. In 1996 dollars, spending in presidential election years fluctuated from roughly $1.9 billion to $2.7 billion from 1980 to 1996. In sum, campaigns are not dramatically more expensive than they were in the past.

Time

Second, the senators complained that raising money takes too much time. Time devoted to dialing for dollars, as they put it, could be much better spent meeting with constituents or studying and debating key issues of the day.

"Today, a senate candidate in California can expect to have to raise up to $10,000 per day, including Saturday and Sunday, 365 days a year, for six full years," said Sen. Barbara Boxer, a California Democrat who will seek reelection next year. "That is too much time away from work, too much time away from doing the kinds of things that we want to do here, making life better for people."

Sen. Ernest F. Hollings (D-S.C.) said fundraising for all senators "distracts us from the people's business. . . . It corrupts and degrades the entire political process. . . . Fundraisers used to be arranged so they didn't conflict with the Senate schedule; nowadays, the Senate schedule is regularly shifted to accommodate fundraisers."

Sen. Nancy Landon Kassebaum, now co-chair with Walter Mondale of a campaign finance reform group mobilized by President Clinton, complained, "Here we are forced to raise money all the time. I don't worry about money influencing our votes. I don't think that happens. But I worry about the energy it takes. We're out there raising money all the time. We don't sit down and talk to each other very much anymore. We don't have time. I just don't know how people find time to think or reflect." [2]

A Feasible Remedy

A quick remedy, of course, would be to allow unlimited donations from individuals to candidates, which would dramatically reduce the amount of time members of Congress would have to spend on fundraising events. Congress has shown no interest in taking that step, but a more modest remedy is easily available, one utterly consistent with the aims of the Watergate "reformers" who wrote the Federal Election Campaign Act of 1974.

That act prohibits individuals from donating more than $1,000 per election to any candidate for federal office. The contribution limit has never been indexed to inflation, which means that the value of a $1,000 contribution is now less than a third of what it was in 1974. A $1,000 donation made in 1974 was worth about $3,500 in inflation-adjusted 1996 dollars.

Since most candidates for federal office raise most of their money from individuals, Congress could adjust the current $1,000 limit to reflect inflation and index it for future years. Congress could set the limit for individual contributions at $3,500 for the 1998 cycle and index it to inflation every two years for succeeding elections. That would allow individuals to give more even within the strictures of the 1974 campaign reform act. It would also allow candidates for federal office to raise money more rapidly, thereby decreasing the amount of time Senators Boxer, Kassebaum, Hollings, and others now worry is being spent raising money.

Of course, adjusting the amount of legal individual contributions might precipitate a desire among political action committees to raise the limits imposed on them as well. The current limit is $5,000 per election. Adjusting for inflation would raise the legal PAC contribution limit to roughly $17,000.

Many of the people pushing newer forms of campaign finance "reform" might protest that remedy. Their first complaint likely would be that adjusting the limits would only make campaigns more expensive.

How do we know that would be the case? We don't, of course, but we can logically assume that individuals and PACs willing to contribute under a system where the value of their contributions has steadily declined relative to inflation would be as likely to participate under a system that ascribed a value to their contributions consistent with the 1974 reforms.

Under the new system, some individuals and PACs might decide to meet the new maximum contribution limit, since many individuals and PACs routinely contribute the maximum allowable in every election cycle.

Increased Participation

Whether one likes or dislikes money in politics, the fact of the matter is that individuals and PACs have been participating in politics at steadily increasing rates since Congress passed the "reforms" of 1974. In 1974 there were 608 PACs. In 1996 there were 4,430 PACs. Setting aside for a moment the value of PACs (themselves a product of earlier "reforms"), it is clear that their growth in numbers reflects a profound willingness to contribute to political campaigns. The demand curve, as it were, for PAC participation has risen steadily since 1974, and there is no reason to expect it to recede if the allowable contribution limits are raised.

The same applies to individuals, who have also been contributing to candidates in increasingly larger numbers. The FEC does not track the number of individual donors, and candidates are not required to itemize contributions smaller than $200. But it is safe to deduce from the rising level of contributions when individual contributions remain capped that the number of individual donors has been increasing since 1974. Since then, the percentage of contributions to candidates and parties from individuals has remained relatively steady.

According to FEC reports, individuals account for 45 to 50 percent of contributions raised by House Democrats and 60 to 70 percent of contributions raised by House Republicans. Both Republicans and Democrats running for the Senate tend to raise 65 to 70 percent of their contributions from individuals. The two major parties raised more than 80 percent of their contributions from individual donors in 1992, 1994, and 1996.

No candidate can raise money from the unwilling. So those statistics prove that the desire to participate in the political process--to be an investor in democracy, so to speak--has been rising steadily since 1974.

That news does not please people in the "reform" movement. To them, the fact that more and more individuals and groups are willing to participate in the political process is a sign of the decline and eventual destruction of democracy. They have said so themselves.

"The insidious system of campaign fundraising, and the increasing awareness by the people of our unwillingness to change it, will eventually lead to the destruction of our very system of government," Senate Minority Leader Tom Daschle (D-S.D.) said.

"We are about to lose our democracy," warns Boxer. "It is that serious."

Does Money Buy Elections?

The senators who held that view complained that the candidates with the most money are able to buy more time for television commercials and are thus assured of winning elections.

"Every senator realizes that television advertising is the name of the game in modern American politics," Hollings said. "In warfare, if you control the air you control the battlefield. In politics, if you control the airwaves, you control the tenor and the focus of the campaign."

But the senator is wrong about money dictating the outcome of elections. Spending more money did not guarantee victory for House or Senate candidates in 1996. In 6 of the 15 competitive Senate races (where the victory margin was 8 percent or less), candidates who spent less won. In the House, 26 candidates defeated rivals who spent more than they did.

∑ In Colorado, Republican Rep. Wayne Allard defeated Democrat Thomas Strickland 51 percent to 46 percent, despite being outspent $2.8 million to $2.1 million.

∑ In Georgia, Democratic secretary of state Max Cleland defeated Republican businessman Guy Millner 49 percent to 48 percent. Millner spent $9.2 million and Cleland spent $2.8 million.

∑ In South Dakota, Rep. Tim Johnson, a Democrat, defeated Sen. Larry Pressler 51 percent to 49 percent. Pressler spent $5 million and Johnson spent $2.9 million.

Statistics from 1996 also show that several candidates were able to raise enough money to remain competitive against better known challengers.

∑In Illinois, Republican Al Salvi spent $4.6 million on his race against six-term Democratic Rep. Dick Durbin, who spent $4.8 million. Both candidates had more than enough money to wage intense statewide campaigns, yet Durbin won in a landslide, defeating Salvi 56 percent to 41 percent.

∑ In New Jersey, three-term Republican Rep. Dick Zimmer spent $8.2 million against seven-term Rep. Robert Torricelli, who spent $9 million. Together, the two waged the most expensive Senate campaign of the year, but in the end Torricelli prevailed 52 percent to 43 percent.

∑ In Oregon, Republican Gordon Smith defeated Democrat Thomas Bruggere 49 percent to 47 percent in a race in which the two matched each other dollar for dollar. Smith spent $3.4 million to Bruggere's $3.2 million.

In all three of those races, both candidates had more than enough money to communicate their messages, so the outcome turned on other factors--the quality of the message, the capabilities of the candidate, and the mood of the electorate.

The winners in 104 of the 435 House elections conducted in 1996 prevailed by 55 percent or less of the vote. In 23 of the 104 competitive House elections, the candidate who spent less won. Here are just a few examples.

∑ In Alabama's 4th District, Republican Robert Aderholt defeated Democrat Robert Wilson 50 percent to 48 percent. Wilson spent $1,004,788 and Aderholt spent $712,199.

∑ In California's 22nd District, Democrat Walter Capps defeated freshman Rep. Andrea Seastrand 51 percent to 45 percent. Seastrand spent $1,158,068 and Capps spent $855,878.

∑ In Kansas's 2nd District, Republican Jim Ryun defeated Democrat John Frieden 52 percent to 45 percent. Frieden spent $748,108 and Ryun spent $400,216.

∑ In Kansas's 3rd District, Republican Vince Snowbarger defeated Democrat Judith Hancock 50 percent to 45 percent. Hancock spent $816,100 and Snowbarger spent $424,824.

∑ In New Jersey's 8th District, Democrat William Pascrell defeated Republican Rep. Bill Martini 51 percent to 48 percent. Martini spent $1,362,208 and Pascrell spent $937,603.

In fact, one of the strongest advocates of "reform" defied all of the underlying assumptions about the invidious role money plays in determining the outcome of federal elections. Sen. Russell Feingold, Wisconsin Democrat, came out of nowhere to defeat two better known and better funded Democrats in the 1992 Democratic primary. Feingold defeated Rep. Jim Moody, a five-term incumbent, and Joe Checota, the head of a statewide grocery store chain that bears his name. Moody and Checota were considered the front-runners throughout the early fundraising season. Both outspent Feingold, and they waged aggressive television campaigns against each other. The negative tone of their advertisements did more harm than good, however, and voters quickly soured on both candidates. Feingold stepped in with a smaller media campaign and offered himself as a suitable alternative to his well-funded primary opponents.

Feingold prevailed in the primary and then took on Sen. Bob Kasten, a two-term incumbent who had a campaign budget three times as large as Feingold's. Still, Feingold prevailed 52 percent to 46 percent. In the end, Kasten spent $5.9 million to Feingold's $2 million. In other words, Feingold prevailed against all of the supposed advantages that he and others now suggest guarantee victory for well-funded incumbents or well-funded challengers.

Wealthy Candidates, Big Donations

During debate over Hollings's constitutional amendment several senators also complained that the current system favors wealthy individuals at the expense of candidates of more modest means.

Lifting the limits on what individuals can contribute to candidates would alleviate that problem. When members of the "reform" movement complain about Ross Perot's or Steve Forbes's campaigns, they often overlook the fact that neither man appeared eager to run, but both did. Their campaign mannerisms and styles indicated that both might have preferred to give their vast fortunes to others more accustomed to the rigors of national politics. Many advisers close to Forbes had once worked for Jack Kemp, and many of them thought Forbes would have preferred to bankroll Kemp's presidential bid. Whether Perot was prepared to bankroll anyone in 1992 is unknown, but he was clearly interested in at least discussing the subject in 1996, and those who were mentioned as possible Reform Party nominees were Bill Bradley, former Democratic senator from New Jersey; Lowell Weicker, Independent Party governor from Connecticut; and Paul Tsongas, former Democratic senator from Massachusetts. Current law prevented Forbes and Perot from spending their money on anyone but themselves, and their campaigns were, of course, marred by all of the mistakes common to political novices.

Imagine how different would have been the debate in the Republican primaries if they had included Jack Kemp arguing for lower taxes, immigration, affirmative action, and outreach to minority communities. The same is true for the general election. How would the tone of the debate on the economy, campaign finance, race, poverty, and foreign policy have changed if Bradley, Tsongas, or Weicker had been the third-party candidate instead of Perot?

Removing limits on contributions from individuals would diminish the value of PAC contributions, a presumed goal of reformers. Individuals who strongly supported candidates could, if they so chose, contribute enough money to finance much if not all of their campaigns. Or they might agree to provide only the necessary seed money to build a staff and generate early campaign commercials until the candidate could raise money from other individuals.

In exchange for lifting all limits on individual contributions, candidates should agree to instantaneous public disclosure of contributions. Campaign reporters and the general public could learn instantly if a candidate had received a big contribution from a wealthy donor. If the donation became an issue and the candidate could not explain it to the voters' satisfaction, the big donation would have done more harm than good. If the candidate could explain it to the voters' satisfaction, the donation would simply become another piece of information for voters to weigh in making their decisions. In either case, the voters would be given the power to decide if money was having a corrosive effect on the campaign.

Conclusion

Any "reform" movement worthy of its name should seek to diminish the power of special-interest PACs, increase the flow of information to voters about those contributing to candidates, and capitalize on the enormous desire of individuals to participate in the political process.

Abolishing limits on individual contributions and providing instant public disclosure would accomplish those goals without encroaching upon fundamental First Amendment rights. Instantaneous disclosure and a lifting of limitations on individual contributions can reduce the influence of special-interest PACs and give the voters the information they need *before an election* to decide if money is a force for good or ill.

That can be said about none of the existing "reform" schemes, be they constitutional amendments or legislative remedies that seek to place tighter limits on contributions from individuals or set limits on the cost of political campaigns.