

Campaign Finance

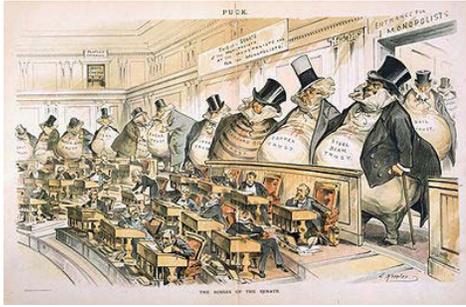
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Fall 2016

Problems Thinking about Campaign Finance

- Anti-incumbency/politician hysteria
- Problem of strategic behavior
 - Why the “no effects” finding of \$\$
- What we want to know:
 - Why do politicians need campaign \$\$ and how much is “enough”
 - Does private money “buy access” or...
 - Why do people contribute to campaigns?
 - What do MCs do in return for \$\$?
 - How do principals respond to changes in circumstances

Brief historical overview of campaign finance regulation



"The Bosses of the Senate" by Joseph Keppler, 1889. This [image](#) is in the public domain.

2000: Section 527 reform
2002: BCRA (McCain-Feingold)
2010: *Citizens United*
2010: *Speechnow.org*
2014: *McCutcheon vs. FEC*

1911 & 1925
Corrupt Practices Acts

1971: FECA
1971: Revenue Act
1974: FECA Amendments
1976: *Buckley v. Valeo*
1979: FECA Amendments

Campaign Finance Reform and Buckley I

Original Provision	Effect of <i>Buckley v. Valeo</i>
<i>Expenditure limits</i>	
Overall spending limits (Congress and president)	Struck down, except as condition to receiving public funding (freedom of speech)
Limits on the use of candidates' own resources	Struck down entirely (freedom of speech)
Limits on media expenditures	Struck down entirely (freedom of speech)
Independent expenditure limits	Struck down entirely (freedom of speech)

Campaign Finance Reform and Buckley II

Original Provision	Effect of <i>Buckley v. Valeo</i>
<i>Contribution limits</i>	
Individual limits: \$1k/candidate/election	Affirmed
PAC limits: \$5k/candidate/election	Affirmed
Party committee limits: \$5k/candidate/election	Affirmed
Cap on total contributions individual can make to all candidates (\$25k)	Affirmed*
Cap on spending “on behalf of candidates” by parties	Affirmed

*Struck down by McCutcheon

Campaign Finance Reform and Buckley III

Original Provision	Effect of <i>Buckley v. Valeo</i>
<i>Federal Election Commission</i>	
Receive reports; implement FECA	Upheld
Appointed by Congress	Struck down (separation of powers)
<i>Public funding (presidential elections)</i>	
Check-off system to fund system	Upheld
Partial funding during primaries; total funding during general election	Upheld
Spending limits as price of participating	Upheld
<i>Disclosure</i>	
All expenditures	Upheld
Contributions over \$100 (raised later to \$200)	Upheld

McCain-Feingold Main Features* (I)

- Hard money
 - Limit increased to \$2k/election/candidate, \$25k to national parties; indexed to inflation
 - Likely outcome: Reps. Gain (until Obama figured it out)
- Soft money
 - National parties totally prohibited
 - State & local parties: \$10k/year for registration & govt; regulated by states
 - Likely outcome: National parties lose in favor of states
- Organizations
 - No limits, if \$\$ not used for fed. election activity
 - Likely outcomes:
 - More \$\$ for these groups
 - Law suits

*The actual bill was the Shays-Meehan bill

McCain-Feingold Main Features (II)

- Election advertising
 - “Stand by your ad”
 - Limits*
 - Broadcast “issue ads” that refer to specific candidate paid for by soft money
 - No limit if the ad refers to the issue and not a cand.
 - Likely effects
 - Money diverted to other ads and other strategies
 - More law suits

*One of the Citizens United issues

McCain-Feingold Controversies

- Lawsuits
 - McConnell v. FEC, 540 U.S. 93 (2003)
 - Upheld broadcast & soft money restrictions
 - FEC v. Wisconsin Right to Life (2007)
 - Struck down limits on corps. mentioning candidates.
 - Davis v. FEC (2008)
 - Struck down “millionaire’s amendment”
 - Citizens United (2010)
 - See next slide

Citizens United

- *FEC v. Wisconsin Right to Life* (2007)
 - “black-out” period for independent ads struck down on 5-4 vote
- *Citizens United v. FEC* (2010)
 - prohibitions on independent campaign spending by corporations/unions struck down 5-4
- *speechnow.org v. FEC* (2010)
 - allowed corporations to give to PACs that only engaged in *independent expenditures*

Where we are

- Supreme Court has generally
 - Rejected efforts to equalize elections through campaign finance laws
 - Rejected efforts to regulate what campaigns do with their money (s.t. bribery laws, etc.)
 - Rejected efforts to limit what people/ groups/ corporations can do with their own money if it doesn't coordinate with candidates
 - Accepted (for now) “reasonable” contribution limits
 - Accepted (for now) registration and reporting requirements

Current Contribution Limits for 2015--2016

CONTRIBUTION LIMITS FOR 2015-2016 FEDERAL ELECTIONS					
DONORS	RECIPIENTS				
	Candidate Committee	PAC ¹ (SSF and Nonconnected)	State/District/ Local Party Committee	National Party Committee	Additional National Party Committee Accounts ²
Individual	\$2,700* per election	\$5,000 per year	\$10,000 per year (combined)	\$33,400* per year	\$100,200* per account, per year
Candidate Committee	\$2,000 per election	\$5,000 per year	Unlimited Transfers	Unlimited Transfers	
PAC- Multicandidate	\$5,000 per election	\$5,000 per year	\$5,000 per year (combined)	\$15,000 per year	\$45,000 per account, per year
PAC- Nonmulticandidate	\$2,700 per election	\$5,000 per year	\$10,000 per year (combined)	\$33,400* per year	\$100,200* per account, per year
State/District/Local Party Committee	\$5,000 per election	\$5,000 per year	Unlimited Transfers		
National Party Committee	\$5,000 per election ³	\$5,000 per year			

*- Indexed for inflation in odd-numbered years.

Courtesy of the [Federal Elections Commission](#). This image is in the public domain.

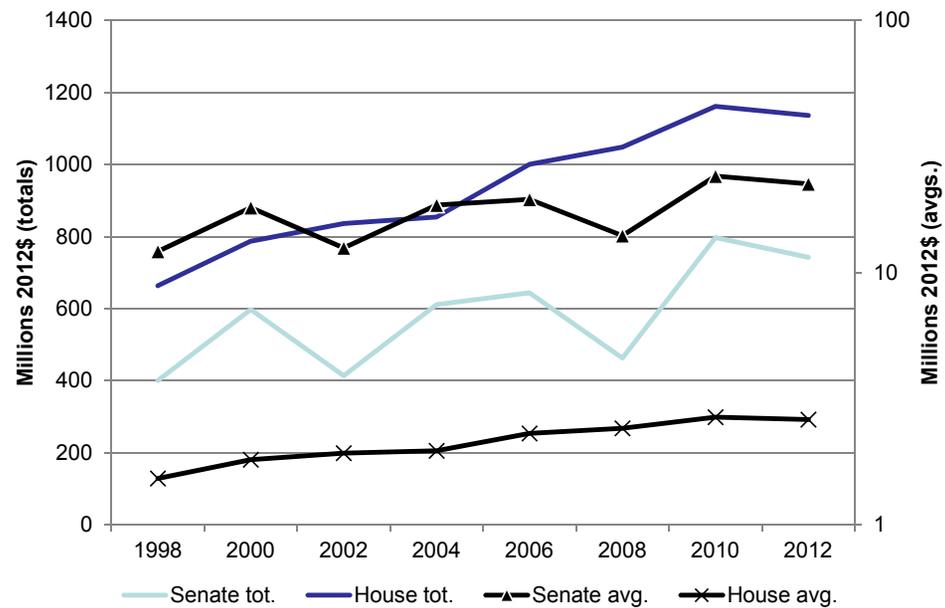
Sources of Campaign Receipts for Congressional Races, 2012 (Table 6.7 update)

	Incumbents		Challengers		Open Seats	
	\$ millions	%	\$ millions	%	\$ millions	%
House						
Individuals	359.8	52.3	194.3	61.9	263.0	57.0
PACS	287.8	41.9	41.1	13.1	23.1	15.3
Candidate & loans	9.2	1.3	70.7	22.5	39.6	26.3
Total income*	687.6		314.0		150.7	
Spending	660.5	96.1%	307.1	97.8%	146.4	97.2%
Senate						
Individuals	188.7	66.2	142.3	63.8	135.1	51.4
PACs	47.6	29.5	13.0	5.8	20.3	7.7
Candidate & loans	6.0	4.3	60.7	27.2	100.7	38.3
Total income*	256.1		223.2		263.0	
Spending	260.8	101.1%	225.2	100.9%	262.0	99.6%

*For some reason, doesn't add to the components

Source: http://www.fec.gov/press/summaries/2012/tables/congressional/ConCand3_2012_24m.pdf

Growth in congressional money (General + primary elections)



Outside spending

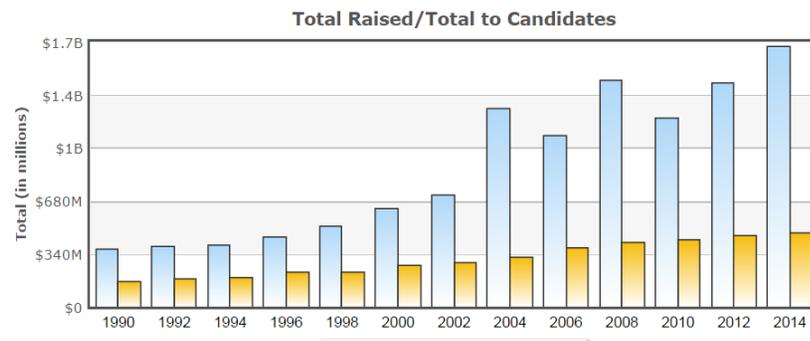
Total by Type of Spender, 2014

Type of Group	Total Spent	# of Groups Registered	# of Groups Spending to date
Super PACs	\$348,545,054	1,336	230
Social Welfare 501(c)(4)	\$117,857,743	N/A	91
Trade Assns 501(c)(6)	\$40,387,198	N/A	11
Unions 501(c)(5)	\$1,729,425	N/A	19
Parties	\$230,912,599	71	26
Other (corporations, individual people, other groups, etc)	\$56,502,937	205	158
Grand Total:	\$795,934,956	1,736	535

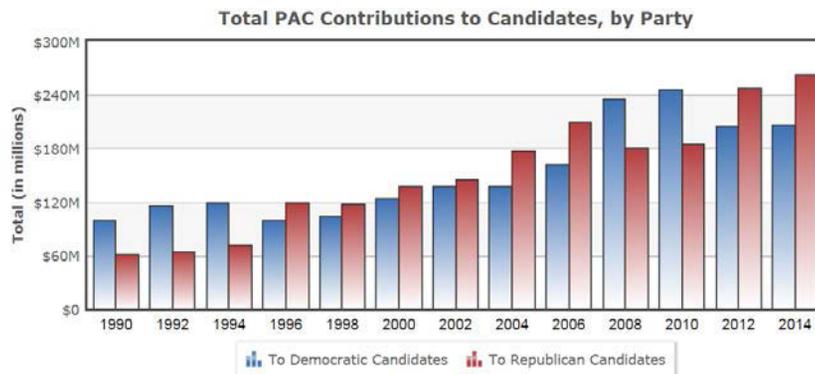
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PAC giving 2014

PAC Summary: Total Raised/Total to Candidates | Party Split



PAC Summary: Total Raised/Total to Candidates | Party Split



Top PACs Giving to Candidates

Top PACs for: 2013-2014

ALL | DEMS | REPUBS

PAC Name	Amount
Dem Total	
Intl Brotherhood of Electrical Workers	\$2,387,374
American Assn for Justice	\$2,114,000
American Federation of Teachers	\$2,054,000
American Fedn of St/Cnty/Munic Employees	\$2,014,600
Operating Engineers Union	\$1,985,742
Plumbers/Pipefitters Union	\$1,855,750
National Assn of Realtors	\$1,850,669
Laborers Union	\$1,843,499
Machinists/Aerospace Workers Union	\$1,835,900
United Food & Commercial Workers Union	\$1,737,775

Top PACs Giving to Candidates

Top PACs for: 2013-2014

ALL | DEMS | REPUBS

PAC Name	Amount
Repub Total	
National Auto Dealers Assn	\$2,019,250
National Assn of Realtors	\$1,972,570
American Bankers Assn	\$1,946,375
Every Republican is Crucial PAC	\$1,850,000
National Beer Wholesalers Assn	\$1,810,000
Honeywell International	\$1,659,836
Koch Industries	\$1,640,500
National Rural Electric Cooperative Assn	\$1,585,522
Lockheed Martin	\$1,520,250
AT&T Inc	\$1,503,250
National Assn of Insurance & Financial Advisors	\$1,457,500

(See Top 20 List)

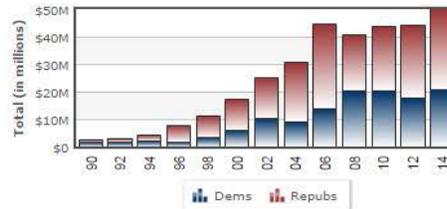
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Leadership PACs (2014 election cycle)

PAC Contributions to Federal Candidates

Election cycle:

2014



Total Amount:	\$49,781,634	
Total to Democrats:	\$20,818,172	(42%)
Total to Republicans:	\$28,921,038	(58%)
Number of PACs making contributions:	506	

View

PAC Name	Affiliate	Total	Dem	Rep
Every Republican is Crucial PAC	Eric Cantor (R-Va)	\$1,850,000	\$0	\$1,850,000
Freedom Project	John A. Boehner (R-Ohio)	\$1,400,000	\$0	\$1,400,000
AmeriPAC: The Fund for a Greater America	Steny H. Hoyer (D-Md)	\$1,369,000	\$1,374,000	\$0
Majority Cmte PAC	Kevin McCarthy (R-Calif)	\$1,209,073	\$0	\$1,209,073
Prosperity Action	Paul Ryan (R-Wis)	\$895,500	\$0	\$895,500
BRIDGE PAC	James E. Clyburn (D-SC)	\$731,500	\$731,500	\$0
Jobs, Economy & Budget Fund	Jeb Hensarling (R-Texas)	\$730,403	\$0	\$730,403
Democrats Win Seats PAC	Debbie Wasserman Schultz (D-Fla)	\$624,200	\$625,200	\$0
PAC to the Future	Nancy Pelosi (D-Calif)	\$573,500	\$573,500	\$0
Pioneer PAC	Patrick J. Tiberi (R-Ohio)	\$569,618	\$0	\$569,618

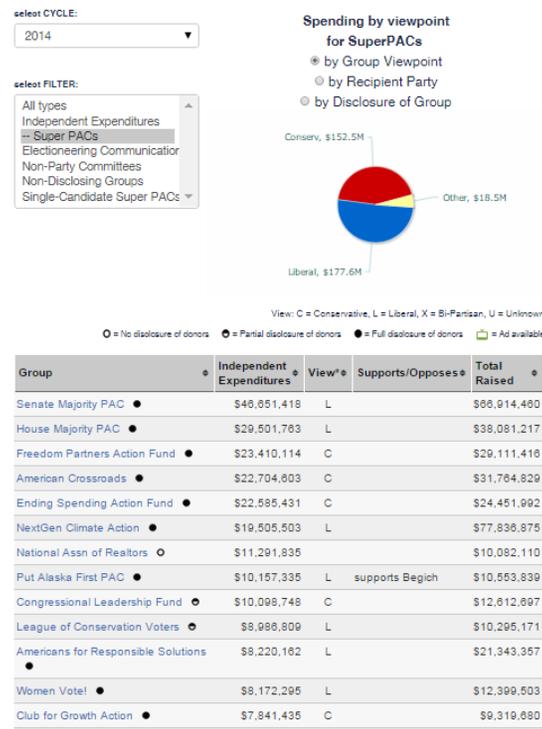
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Super PAC spending

2014 Outside Spending, by Super PAC

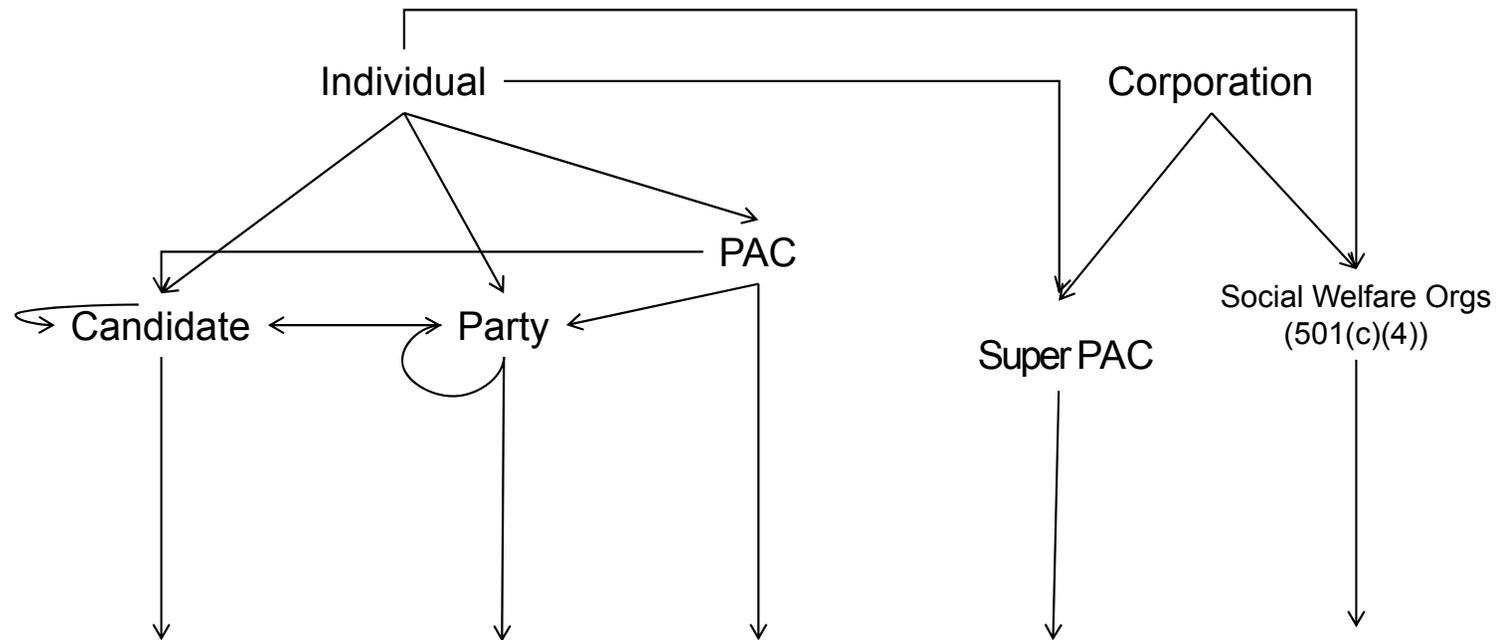
2014 financial activity for super PACs

1,340 number of super PACs
 \$696,011,919 total raised by super PACs
 \$348,545,054 total spent by super PACs

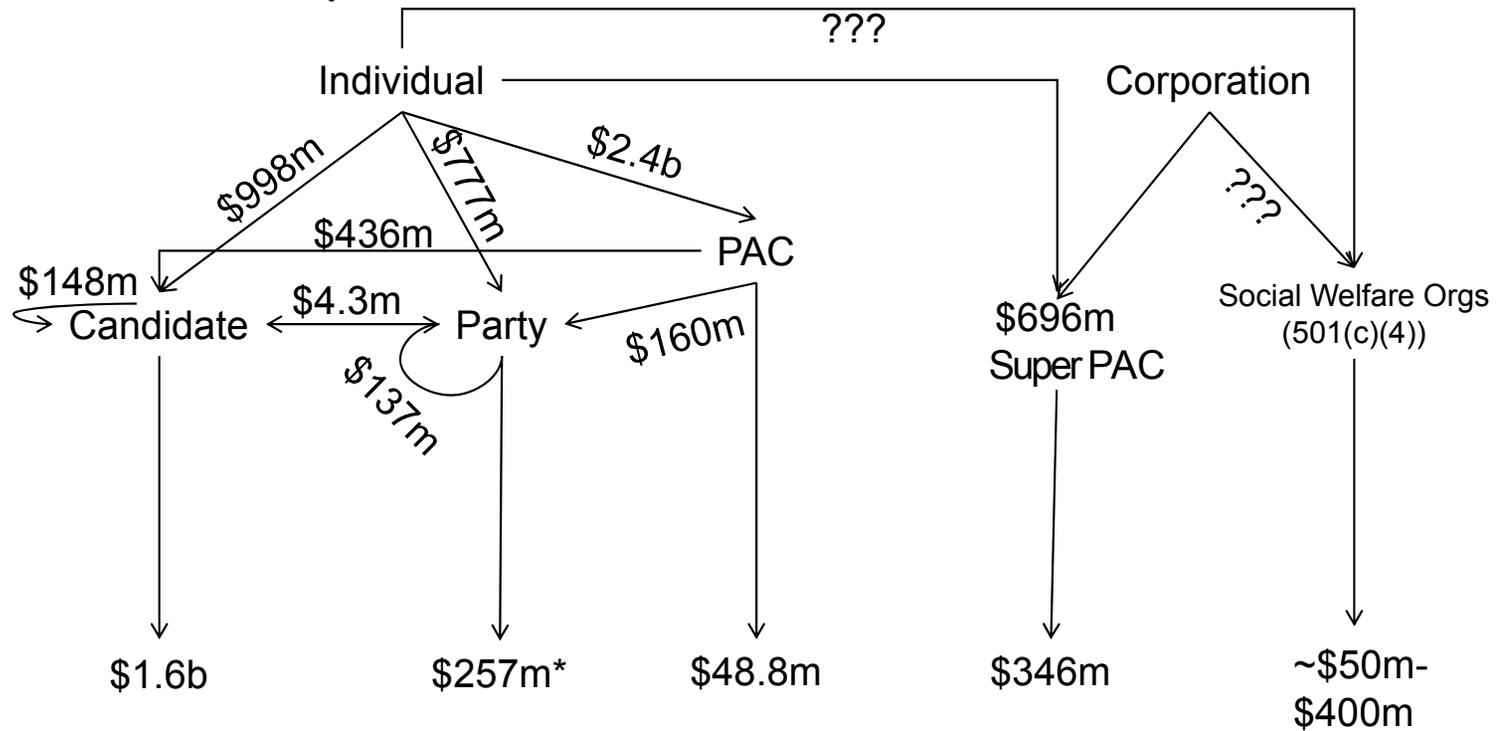


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Where (I think) the money came from/went to in 2014



Where (I think) the money came from/went to in 2014



*Mostly independent
~10% coord.

Where does it go?
What good does it do?

- Where does it go?
 - Safe incumbents: consumption
 - Unsafe incumbents: campaign (media, etc.)
 - Everyone else: Campaign activities
- To what effect?
 - The paradox of the spendthrift incumbent
 - The paradox of the spendthrift Super PAC?

Does Private Money “Buy” Access?

- Why do people contribute to campaigns?
 - Participation (Ansolabehere and Snyder)
 - Investors vs. consumers
 - Access and compositional effects
 - Lobbying expenses>>PAC contributions
- What do contributors get?
 - Talk to contributors: it’s protection money
 - Empirical studies of legislating: mixed results

Thinking about Reform

- Never underestimate the power of unintended consequences
 - Shift to PACs
 - Shift to millionaires
 - Shift to 527s

Problems with Particular Reforms

- Spending limits:
 - Generally favors incumbents
 - Generally unconstitutional
- Limit activities of non-candidates
 - Encourages shifting to other behaviors
 - Generally unconstitutional
- Subsidies (free TV, etc.)
 - Is this enough?
 - Do we want more TV?
 - Does anyone watch TV?
- Public Financing
 - Citizens don't like paying for politics
 - People can still opt out
- Disclosure
 - Intimidation?

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17.251 Congress and the American Political System I
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