Financing the 2000 Election

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Long before Congress put teeth into laws requiring federal candidates to disclose their campaign finances, the Citizens Research Foundation (CRF) was in the business of providing reliable data on the costs of American democracy. CRF is the nation’s oldest nonpartisan, nonprofit research center committed to public understanding of political finance. Now, thanks to federal and state disclosure laws and the Internet, dozens of public and private organizations flood the web with campaign finance data and reform proposals. CRF has consequently adapted its agenda and now seeks to focus less on the provision of raw data and more on the encouragement of solid analysis. Because CRF’s chief concern is to promote quality research, it seeks to attract the participation of scholars with wide-ranging perspectives.

The role of an honest broker is important in a policy environment swirling with reform proposals, especially when calls for action precede the most basic appraisal of underlying problems. CRF is an organization without a vested interest in pursuing a particular path of reform. Instead, it provides a hospitable forum for scholars to review and debate the latest academic research and policy analysis on campaign finance. With a view toward the long term, CRF attempts to sustain a community of scholars dedicated to understanding the complexities of paying for democratic politics. This requires attention to the intellectual foundations of the field of study and a willingness to employ rigorous methods of social science re-

24. Magleby, Election Advocacy; and Herrnson, “Political Party and Interest Group Television Advertising.”


26. The exception to this generalization is that competitive Republican incumbents received slightly more than GOP incumbents in uncompetitive races.


29. See, for example, Herrnson, Congressional Elections, chap. 6.

30. These averages for the House and the Senate are computed from receipts for general election candidates in major-party contest races. They include candidate receipts and party-coordinated expenditures.

31. Averages once again include candidate spending and party-coordinated expenditures.

32. In 1998 incumbents raised three times more than the typical challenger, and in 1996, they raised 2.5 times more. For the 1998 number see Herrnson, Congressional Elections, 3d ed., p. 151, and for the 1996 number see Herrnson, Congressional Elections, 2d ed., p. 120.


SIX

Throwing Out the Rule Book:
Party Financing of the
2000 Elections

DIANA DWYRE
ROBIN KOLODNY

After the 1996 election, the political parties’ campaign finance activities were characterized as “spitting on the umpire” because of the major parties’ “contempt” for the Federal Election Commission’s (FEC) attempts to enforce the rules governing campaign finance.1 The parties got around many of those rules and stretched the limits of the law. In 2000 the parties went even further. The major parties threw out the rule book altogether by conducting a good deal of campaign finance activities outside of the campaign finance laws. This marked a turning point in party campaign finance, characterized not by a real change in the parties’ limited, regulated, and disclosed campaign finance activities but by tremendous growth in party activities conducted often under the radar of the Federal Election Campaign Act’s (FECA) disclosure provisions. Soft money and issue advocacy were the primary vehicles for these activities, and recent changes in the parties’ campaign finance role in federal elections, as well as changes in the political and regulatory environments, help us understand this shift toward unregulated activities. This chapter documents the parties’ campaign finance activities during the 2000 presidential and congressional elections and evaluates the dramatic shift to a system in which parties and other campaign actors conduct many activities outside the law’s reach.

The Parties’ Growing Financial Role

Long noted for their lack of strength and influence, the political parties now play an important role in financing federal elections. Since the 1980s
the parties have expanded as service providers, and during the 1990s the parties took on a more active role in campaigns. For example, parties now engage in voter identification and mobilization, fund-raising, candidate training, opposition research, issue development, polling, and media advertising both in coordination with and independently of their candidates. These activities often put parties at the center of exchanges between candidates, contributors, and consultants as well as in direct contact with voters.

Yet the parties have taken on this new role only because their candidates find it useful. Like John Aldrich and Joseph Schlesinger, we argue that politicians only turn to their parties in the presence of true competition. Absent electoral competition, incumbent officeholders have little trouble winning their own elections and therefore have little reason to pool their resources under the party label. But when majority control of Congress or occupancy of the White House is truly up for grabs, politicians are motivated to give their parties more control over the allocation of resources, candidate recruitment, and determination of national election themes. Additionally, politicians must believe that the political parties have something to contribute to their potential victories. In 2000 the nature and magnitude of party activity suggest that the parties had a lot to offer candidates in competitive contests.

Since 1994, races to control the House and Senate have been legitimately competitive. The new viability of the Republican Party at the congressional level not only encouraged the GOP to increase its electoral activities but also forced the Democrats to retool their campaigns and reconsider their assumptions about electoral politics. With close margins in both the House and Senate, the parties aggressively pursued majorities in both chambers. Consequently, the parties have changed their campaign finance strategies to adapt to changes in the political environment as well as to the regulations that govern party financing of federal elections. In 2000 true competition for the White House also invigorated the parties, fueling record fund-raising and new spending strategies.

The financial activities of political parties in federal elections are governed by the 1971 Federal Election Campaign Act, its amendments of 1974, 1976, and 1979, various regulations and decisions issued by the Federal Election Commission, and a number of court decisions. This regulatory patchwork defines how much parties may raise, from whom they may raise funds, how much they may give directly to candidates or spend on a candidate's behalf, and how they can spend independently of their candidates. In federal elections, regulations prohibit contributions from corporations, labor unions, federal contractors, and foreign nationals, and individuals and political action committees (PACs) have strict limits on what they may give to candidates and political committees. This regulatory framework governs the raising and spending of party federal funds, or "hard money." Party hard money activity must be fully disclosed to the public through reporting to the FEC, which posts the reports and summaries of party receipts and expenditures on its website. Conversely, party "soft money" may not be used for expenses associated with a direct role in the outcome of an election for national office, but it is not limited and it is not subject to the same disclosure requirements as hard money. A full list of the FECA hard money contribution limits is presented in table 6-1.

Party Hard Money

For the 1999–2000 election cycle, the major party committees raised more hard money than they had for the last presidential election cycle. The FEC reports that the Democrats raised $221.6 million in 1995–96 and $275.2 million in 1999–2000, and the Republicans raised $416.5 million in 1995–96 and $465.8 million in 1999–2000. Yet when controlled for inflation by standardizing all amounts in 2000 dollars, the recent increases in party hard money fund-raising are not very significant. The Democratic and Republican national, state, and local party committees combined raised $741 million in hard money for federal elections, which is only a 6 percent increase over 1996 when controlled for inflation. Most of the increase was by the Democratic committees (13 percent), with the Republican committees increasing only 2 percent over their 1996 fundraising levels. Yet the Democrats' stepped-up fund-raising in 2000 did not eliminate the Republicans' seemingly permanent financial edge.

As in past elections, the major party committees raised most of their hard money from individual contributors. The Republican National Committee (RNC) and the Democratic National Committee (DNC) raised the vast majority of their hard money from individuals (around 90 percent in 2000), while the congressional campaign committees raised only between 40 percent and 70 percent of their funds this way. The congressional campaign committees generally raise more of their hard money from PACs than the national committees because of the PACs’ interest in gaining access to members of Congress for purposes of lobbying.
For all federal election candidates, overall Democratic Party hard money spending was up 13 percent in 2000 over 1996 when adjusted for inflation, but the Republicans actually spent 5 percent less hard money in 2000 than they did in 1996. Once again, however, even with their increased hard money spending and the GOP’s decreased spending, the Democrats were still outspent by the Republicans and only slightly chipped away at the GOP’s long-standing financial advantage. The interesting development is the decrease in Republican hard money spending. In the following paragraphs we discuss how this decreased party hard money spending is a consequence of increased party soft money spending.

Table 6-2 shows the variety of ways each of the party committees spent their hard money in 1996 and 2000. There are differences between party financing of presidential and congressional candidates, and we consider the presidential race first.

**Party Hard Money in the 2000 Presidential Election**

Besides the public funds given directly to the presidential candidates, the national political parties receive public funds to sponsor nominating conventions. Each of the major political parties received $13,512,000 for their 2000 presidential nominating conventions, and the Reform Party received $2,522,690. According to FEC regulations, in exchange for public funds, the parties must agree to spending limits, disclosure requirements, and detailed audits.

However, as Candice J. Nelson points out in chapter 2, the federal grant does not preclude the host committees from raising and spending money on the conventions. *Philadelphia 2000* raised more than $66 million to host the GOP convention, and *LA Convention 2000* raised $31 million to host the Democrats’ convention. These funds essentially supplemented the normal public money allowance. Because the host committees for the two convention cities are technically nonpartisan, nonprofit organizations, no federal contribution limits apply. Consequently, major corporations donated enormous sums to both parties. For example, Microsoft Corporation donated $1 million to each organizing committee to assist with Internet needs. AT&T and Lockheed Martin were also among the most generous donors.

Besides their convention spending, parties may work with a candidate’s campaign to determine how the party should spend money on the candidate’s behalf. These are called coordinated expenditures, and the amount the parties may spend is limited but indexed to inflation so that

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**Table 6.1: Federal Contribution Limits**

<table>
<thead>
<tr>
<th>Recipients</th>
<th>Kinds of Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>National party committees</td>
<td>$20,000 per year</td>
</tr>
<tr>
<td>State party committees</td>
<td>$15,000 per year</td>
</tr>
<tr>
<td>Local party committees</td>
<td>$10,000 per year</td>
</tr>
<tr>
<td>Candidates</td>
<td>$5,000 per year</td>
</tr>
<tr>
<td>Individuals</td>
<td>$1,000 per year</td>
</tr>
</tbody>
</table>


*Notes:
1. Local and state party committees share some of the limits on their local party committees.
2. The limits are calculated by the national party committees for their state and national party committees.*
<table>
<thead>
<tr>
<th>Party committee</th>
<th>1996</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct contributions</td>
<td>Coordinated expenditures</td>
</tr>
<tr>
<td>DNC</td>
<td>32,143</td>
<td>7,349,212</td>
</tr>
<tr>
<td>DCCC</td>
<td>592,658</td>
<td>9,215,969</td>
</tr>
<tr>
<td>DCCC</td>
<td>1,136,754</td>
<td>6,244,463</td>
</tr>
<tr>
<td>Democratic state and local</td>
<td>672,562</td>
<td>1,968,833</td>
</tr>
<tr>
<td>Total Democrats</td>
<td>2,434,117</td>
<td>24,777,482</td>
</tr>
<tr>
<td>RNC</td>
<td>533,835</td>
<td>24,986,139</td>
</tr>
<tr>
<td>NRSC</td>
<td>764,419</td>
<td>338,385</td>
</tr>
<tr>
<td>NRCC</td>
<td>1,382,680</td>
<td>8,044,648</td>
</tr>
<tr>
<td>Republican state and local</td>
<td>1,394,980</td>
<td>608,938</td>
</tr>
<tr>
<td>Total Republicans</td>
<td>4,075,914</td>
<td>33,978,110</td>
</tr>
</tbody>
</table>


a. Democratic National Committee (DNC); Democratic Senatorial Campaign Committee (DCCC); Democratic Congressional Campaign Committee (DCCC); Republican National Committee (RNC); National Republican Senatorial Committee (NRSC); and National Republican Congressional Committee (NRCC).
cannot coordinate such spending with their candidates, making it difficult to separate independent spending from other party efforts. Indeed, the authors of the original FECA did not believe that political parties were capable of true independence from the candidates they nominated (even if such a nomination was obtained despite or apart from the party establishment such as through a primary election).

Whether or not a party can act independently of its candidates was brought to court when the Colorado Republican Party began broadcasting ads against an incumbent Democratic senator before the Republican nominee was known. Although the court decided the parties were capable of such independence and allowed parties to spend unlimited amounts on independent expenditures, the parties have not embraced this form of spending. While the DSCC, NRSC, and state and local party committees experimented with significant independent spending in 1996, the practice was largely abandoned in 1998 (table 6-2). The reason party operatives gave was that it was too difficult to establish separate offices to meet the “independent” requirements for these expenditures.

In 2000 some party committees made an effort to try independent expenditures again, but only the Democratic Congressional Campaign Committee (DCCC) did so in a substantial way. A detailed examination of the DCCC’s independent expenditures for 1999-2000 reveals that the entire $1.9 million was spent on phone banks averaging $50,000 each in thirty-eight close House races in the last few days before the election. Phone banking is an ideal way to spend independent money, as it requires no direct strategizing with a candidate or his or her campaign to be useful and therefore can be implemented without having to establish a separate party operation. Yet, although independent expenditures offer the potential to significantly enhance a party’s presence in a particular race, the prohibition against coordination isolates this party activity from the candidate’s campaign efforts.

Finally, parties may also make hard money coordinated expenditures on behalf of their congressional candidates. As with presidential candidates, the amount parties may spend in coordinated expenditures on congressional candidates is limited but indexed to inflation. The 1974 FECA amendments set the amount of coordinated expenditures for U.S. House candidates at $10,000, plus an adjustment pegged to the Consumer Price Index for the national party and the relevant state party. By 2000 the coordinated expenditure limit had increased to $33,780, for a total of $67,560 from both party organizations (the national committee and the state committee). As is usually the case, the national party committees did not spend the maximum allowable coordinated expenditure for each race possible, or even for every competitive race. Hard dollars are so difficult to raise that the committees cannot fully fund all races this way.

However, table 6-2 reveals an interesting trend in party coordinated expenditures from 1996 to 2000. As with direct contributions, both parties’ congressional campaign committees, the Democratic Senatorial Campaign Committee (DSCC), the Democratic Congressional Campaign Committee (DCCC), the National Republican Senatorial Committee (NRSC), and the National Republican Congressional Committee (NRCC), spent significantly less on coordinated expenditures in 2000 than they did in 1996. In the next section, we explain that increased party soft money spending has caused the parties to spend less hard money directly on candidates. The NRSC spent only $172 in 2000 on coordinated expenditures after having spent $338,385 in 1996. Meanwhile, both parties’ state and local committees spent significantly more on coordinated expenditures in 2000 than they had in 1996 (table 6-2). Despite this reduction in coordinated spending by the national party committees in 2000, the national and state parties went to the Supreme Court to try to get the limits on coordinated spending eliminated. In a 5-4 decision handed down on June 24, 2001, the court found such spending limits constitutional and upheld them. This ruling will not have much effect on the parties’ current financing practices because it pertains only to how the parties spend their hard money.

Soft Money in the 2000 Elections

The more significant change in party campaign finance activity during 1999-2000 was the parties’ tremendous increase in soft money receipts and expenditures. Elizabeth Drew first coined the term “soft money” in 1983. The term denotes largely unregulated and unlimited nonfederal funds raised by political parties that fall outside FECA limitations. Soft money was originally permitted to strengthen party campaign finance activities at the state and local levels that are aimed not at federal elections but at general party building. These funds are called soft money because they are “not subject to the ‘hard’ limits of the law,” and they are often collected from sources that are barred from participation in federal elections, such as corporations and labor unions.

Soft money first came into the picture in the 1970s, when the FEC issued two Advisory Opinions that released the parties from having to use
the more difficult-to-raise hard money for all of their campaign activities. The intent of party soft money was to enable political parties to fund volunteer-based, party-building activities, such as voter registration and get-out-the-vote (GOTV) drives and allow parties to reserve hard money for direct election expenses that must be paid for with hard money. Permitting the use of soft money for these indirect election activities was seen as important to the maintenance of viable political parties and to promote democratic ends that candidates alone would overlook. However, soft money spending skirts the FECA’s intent to regulate and make public all federal election campaign finance activity because it may be raised from otherwise prohibited sources, such as corporations and labor union treasury funds. Moreover, soft money skirts the FECA’s intent because it often is difficult to trace how soft money is actually spent since party committees at the national, state, and local levels are allowed to transfer soft money funds between one another in unlimited amounts.

Before 1992, soft money spending was not reported to the FEC. Since then, national parties must report soft money spending, but they have avoided full disclosure by transferring soft money funds to the state parties. Since the state parties do not spend the money in direct support of federal candidates, that spending is not reported to the FEC and is instead regulated by the various states’ disclosure requirements.

The national parties’ success at raising soft money is shown in figure 6-1. The graph presents each party’s national organizations’ soft money receipts, including the congressional campaign committees, in constant 2000 dollars. In 2000, for the first time since soft money receipts were first reported in 1992, the Democratic Senate and House campaign committees (the DSCC and DCCC) raised more soft money than their GOP counterparts (the NRSC and NRCC). The Republicans lost their soft money fund-raising edge to the Democrats in large part because of soft money contributions to the Democrats from labor unions.

Union support for Democrats is not a new story, but the fact that seven of the Democrats’ top ten soft money donors in 2000 were unions with contributions of well over a million dollars each is new (only four of the top ten soft money donors to the Democratic Party were labor unions in 1996) (table 6-3). Labor union soft money contributions to the Democratic Party jumped significantly from 1996 to 2000. According to figures compiled by Common Cause, union soft money contributions to the Democrats rose from $9.1 million during the 1995–96 election cycle to $32.6 million during the 1999–2000 cycle, while labor unions gave only $208,335 in 1995–96 and $391,194 in 1999–2000 to Republican Party committees.

This significant increase in labor’s soft money contributions to the Democratic Party is because control of both the House and Senate as well as the White House were all truly in play for the first time in decades. This heightened competition and the realistic chance that either party could take unified control compelled the parties to raise soft money more aggressively. It also motivated interested groups and individuals who have a strong preference for which party controls the government, such as labor unions and business interests, to do more to help their favored party win. For instance, the AFL-CIO announced in 1999 that it planned to spend almost $50 million to return the House and Senate to Democratic control in 2000. In response, business groups acted to maintain GOP control of Congress by assisting Republican candidates and educating workers on “how a pro-business agenda benefits workers. In this way, business tried to cut in on the influence labor [had] on employees.”

Also important in 2000 is the revelation that both parties show another political committee as one of their largest soft money donors (New
Table 6-3. Top Soft Money Donors to the Major Political Parties

<table>
<thead>
<tr>
<th>Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top donors to Democrats</td>
</tr>
<tr>
<td>1. New York Senate 2000</td>
</tr>
<tr>
<td>2. AFSCME</td>
</tr>
<tr>
<td>3. Service Employees International Union</td>
</tr>
<tr>
<td>4. Carpenters &amp; Joiners Union</td>
</tr>
<tr>
<td>5. Communications Workers of America</td>
</tr>
<tr>
<td>6. United Food &amp; Commercial Workers Union</td>
</tr>
<tr>
<td>7. International Brotherhood of Electrical Workers</td>
</tr>
<tr>
<td>8. American Federation of Teachers</td>
</tr>
<tr>
<td>9. Slim-Fast Foods/Thompson Medical</td>
</tr>
<tr>
<td>10. Saban Entertainment</td>
</tr>
<tr>
<td>23 donors gave the Democrats 1 million or more dollars each.</td>
</tr>
</tbody>
</table>

Top donors to Republicans |
| 1. AT&T | 2,423,131 |
| 2. Philip Morris | 2,086,812 |
| 3. Bristol-Myers Squibb | 1,527,701 |
| 4. National Rifle Association | 1,489,222 |
| 5. Pfizer Inc. | 1,398,817 |
| 6. Freddie Mac | 1,371,250 |
| 7. Republican Party of California | 1,325,000 |
| 8. Microsoft Corp. | 1,313,384 |
| 9. Enron Corp. | 1,138,990 |
| 10. Amway/Alicor Inc. | 1,138,500 |
| 11 donors gave the Republicans 1 million or more dollars each. |


Soft Money Spending and Transfers to State Parties

As figure 6-1 and table 6-3 illustrate, raising soft money is not difficult for the political parties. Spending soft money, however, is more of a challenge because soft money generally must be spent in combination with hard money. Party activities that affect only state or local elections may be paid for exclusively with soft money if the relevant state’s law permits. Yet party activities that affect both federal and state/local elections (for example, overhead expenses for running the party, GOTV drives that support both federal and state/local candidates, or generic party communications that support the party generally, such as “Vote Republican, For a Change”) and party issue advocacy ads must be paid for with a combination of hard and soft money according to ratios set by the FEC and the respective state’s campaign finance regulations. This need to combine soft money with hard money in order to spend it on federal campaign activities has been the real motivating factor behind the recent changes in national and state party spending patterns. The national parties are spending less hard money, and consequently the state parties have increased their hard money spending, in order to comply with the matching requirements that allow the parties to spend soft money on federal election activities.

During presidential election years, the national parties (when spending money themselves instead of through state parties) must pay for these activities with 65 percent hard money and 35 percent soft money. In nonpresidential years, the ratio is 60 percent hard and 40 percent soft money. Depending on the mix of federal and nonfederal activity, different hard and soft money ratios apply to other party activities such as soft money fundraising.27 The national party committees are required to report disbursements they make with a mixture of hard and soft money. They must declare the total amount spent, the amount for federal activity, the amount for nonfederal activity, whom the money was paid to, and the purpose of the expenditure. As there currently is no uniform list of purpose codes, the parties give as much or little information as they wish. A recent examination of Democratic Senatorial Campaign Committee expenditures of this sort for the 2000 year-end report found numerous entries for “salary.” Some individuals received 70 percent of their salary from federal accounts, some only 50 percent. No explanation was given on the forms for the difference beyond the word “salary” for the expenditure’s purpose.

The proportion of federal races on a state’s general election ballot combined with state campaign finance laws governing the raising and spend-
The trend of soft money transfers to state parties has been a significant factor in how candidates spend their campaign funds. Typically, a state's ratio will allow for more soft political party money. However, this practice has been criticized for allowing for unlimited soft money donations.

Yet these transfers to state parties are not limited to the national parties. Many state parties have come under a great deal of criticism for the way they use this money. The national parties are spending less hard money directly on federal candidates and are transferring much of the money to the state parties, but each state has its own set of rules for utilizing these funds.

### Table 6-4: National Party Committee Hard and Soft Money Transfers to State Party Committees

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>DNC</td>
<td>22,120,526</td>
<td>59,478,136</td>
<td>3,489,780</td>
<td>12,973,600</td>
<td>38,250,048</td>
<td>76,397,771</td>
</tr>
<tr>
<td>DSBC</td>
<td>5,109,796</td>
<td>6,431,181</td>
<td>12,837,000</td>
<td>16,478,000</td>
<td>24,160,093</td>
<td>38,815,704</td>
</tr>
<tr>
<td>DCCC</td>
<td>4,641,320</td>
<td>4,988,421</td>
<td>3,682,400</td>
<td>7,267,790</td>
<td>15,381,305</td>
<td>34,627,249</td>
</tr>
<tr>
<td>Total</td>
<td>31,871,642</td>
<td>70,897,737</td>
<td>20,009,180</td>
<td>36,728,390</td>
<td>77,791,446</td>
<td>149,840,724</td>
</tr>
<tr>
<td>RNC</td>
<td>19,841,171</td>
<td>52,920,719</td>
<td>7,398,730</td>
<td>21,869,600</td>
<td>35,810,935</td>
<td>93,249,459</td>
</tr>
<tr>
<td>NRSC</td>
<td>434,862</td>
<td>1,804,899</td>
<td>3,123,620</td>
<td>12,287,400</td>
<td>10,734,700</td>
<td>20,754,600</td>
</tr>
<tr>
<td>NRCC</td>
<td>0</td>
<td>422,543</td>
<td>2,786,690</td>
<td>2,100,730</td>
<td>10,557,743</td>
<td>15,852,920</td>
</tr>
<tr>
<td>Total</td>
<td>20,276,033</td>
<td>55,145,161</td>
<td>13,309,040</td>
<td>36,257,730</td>
<td>57,503,378</td>
<td>129,857,039</td>
</tr>
</tbody>
</table>


a. See table 6-2.
Issue Advocacy Advertisements

In recent elections, the most common, and also the most controversial, use of soft money has been to pay for issue advocacy advertisements. The FECA requires national parties to use hard money for campaign communications that expressly advocate the election or defeat of a candidate for federal office. As David Magleby explains in chapter 1, the test for candidate or express advocacy is the language of the ad, including "vote for," "vote against," "elect," and "defeat." Any communication that does not include such words of express advocacy, no matter how much it appears to be a campaign ad, is not considered a campaign communication. Therefore, the ad may be paid for partially with soft money, and the expenditure does not count against the spending limits for a presidential campaign. Such ads are called issue advocacy ads, and they are supposed to advocate some position on an issue.

Yet the parties, as well as interest groups and wealthy individuals, fund issue advocacy ads that in every respect, except for the lack of words of express advocacy, look and sound like express advocacy campaign ads. Issue ads allow parties to communicate directly with voters about candidates for federal office without having to fully face the limits and constraints of party hard money fund-raising and with less complete disclosure.

Here are some national party issue advocacy ads that were broadcast during the 2000 presidential election. These ads were paid for in part with soft money:

DNC Ad: "Oil & Water" (aired mid-September 2000)

ANNOUNCER: They say that oil and water don’t mix. Nowhere is that more true than in Texas. After seventeen years in the oil business, George W. Bush ran for governor. Then passed laws to let big polluters regulate themselves.


Today, Texas is number three in water pollution, number one in air pollution.

(On screen: EPA, "1998 Toxics Release Inventory," 5/00)

For over 20 years, Al Gore has fought against polluters and helped pass laws to clean up our air and water. America’s environment is cleaner now. Do we really want it to look like Texas?

RNC Ad: "Agenda" (aired early August 2000)

(On screen: Paid by the Republican National Committee)

ANNOUNCER: While George Bush offers a positive issue agenda, more negative attacks from Al Gore. The truth? George Bush is cleaning up Texas. The Environmental Protection Agency reports that Texas leads America in reducing toxic pollution.


And Al Gore? Gore has allowed mining companies to mine zinc from his property.

(On screen: Bill Turque, Inventing Al Gore, 2000, p. 106)

They've been cited for polluting the source of local drinking water . . .


. . . all while Gore's made half a million dollars in mining royalties.


Even on the environment, Al Gore says one thing but does another.

(On screen: www.gorepollution.com)

Clearly it is not difficult to make a hard-hitting and effective advertisement that benefits a favored candidate without using express advocacy words. Most voters in the television audience would interpret these ads as campaign ads designed to suggest a vote for or against a particular candidate because they look and sound just like ads that are considered campaign ads under the court's definition. Indeed, Magleby found in his report Dictum without Data that voters tested in focus groups "saw election issue ads as more about the election or defeat of a candidate than the candidates' own commercials." Also, negative issue advocacy ads run during campaigns often feature ominous background music, code words such as "liberal" and "radical," and grainy, unflattering black-and-white
pictures common in campaign attack ads. Positive issue ads use cheery music, code words such as "trust," and family-values pictures, all while praising some policy position of a candidate or party. These are the same techniques used in conventional campaign television ads, making issue advocacy ads paid for in part with soft money virtually indistinguishable from campaign ads that must be paid for with hard money. It is not surprising that the parties and interest groups that use issue advocacy advertising hire the same consultants that they hire to produce regulated campaign advertisements.

Although the national parties aired soft-money issue ads as early as 1980, the use of issue advocacy advertising by parties and interest groups exploded during the 1996 election. Yet the use of issue ads in the 1996 elections pales in comparison to the 2000 elections. The 2000 presidential election marked the first time in modern campaign history that political parties spent more on television advertising than the presidential candidates themselves, most of it issue advocacy advertising. Even though the parties spent $48.8 million on television advertising for their presidential nominees in 1996, that amount was still less than the candidates themselves spent on TV advertising that year, $67.3 million. The Brennan Center for Justice reports that for their presidential nominees in 2000 the DNC and the RNC spent an estimated $79.9 million—most of which was soft money—for television advertisements in the seventy-five largest media markets, or $13 million more than the candidates spent. The gap may be much larger, however, since the researchers did not include ads sponsored by state party committees, nor did they include the cost of production and placement of the ads. Add to this amount the more than $16 million spent by interest groups on behalf of the presidential candidates, and it becomes clear that the candidates' own spending on advertising ($67.1 million) was significantly overshadowed by party and interest group advertising spending in 2000.

Furthermore, parties and interest groups spent millions in soft money on issue advocacy messages sent through the mail, run in newspapers, delivered in person, or conveyed over the phone or through e-mail. In a study of seventeen targeted House and Senate races in 2000, Magleby and a team of scholars found that parties and interest groups waged extensive ground wars to elect their favored candidates. For instance, political party committees sent more than 400 unique pieces of mail in the seventeen monitored races, an average of twenty-seven mail pieces per race. The NRCC alone mailed sixty-seven different pieces to voters in the twelve House races in the study.

Most of the national parties' presidential issue advocacy ads stuck to a few common themes. The number one issue was health care. Other topics included education, the environment, Social Security, and taxes. The national party committees targeted most of their presidential issue advocacy advertising in just seventeen battleground states: Arkansas, Florida, Georgia, Illinois, Iowa, Kentucky, Louisiana, Maine, Maryland (for broadcast to Delaware viewers), Michigan, Missouri, New Mexico, Ohio, Oregon, Pennsylvania, Washington, and Wisconsin. Other states saw considerable issue advocacy advertising by state political party committees.

The national political parties did not wait until their nominees were selected at their summer nominating conventions to start their ad campaigns. The RNC hit the airwaves as early as mid-January with a spot that attacked the Democratic front-runner Al Gore. The ad accused Gore of wanting to require a "political litmus test" regarding gays in the military that neither Generals Colin Powell nor Norman Schwartzkopf—"the heroes of Desert Storm"—could pass. The RNC also began running ads targeted at Hispanic voters in January 2000. By election day, the RNC had spent more than $5 million on Spanish-language ads supporting Bush or the GOP in general.

The DNC waited a bit longer before airing ads designed to help Gore win, with the first issue advocacy ad sponsored by the DNC debuting in early June. The GOP's early spending is much like the strategy used by the Democrats in 1996, when the DNC spent almost $50 million on issue advocacy ads that promoted incumbent president Clinton's accomplishments and criticized the "Gingrich-Dole" agenda before the general election began. In 2000, while the presidential candidates were still in the throes of the primary season, the Republican Party was already waging the general election. The new trend is for the national parties to begin their issue ad campaigns against each other well before the general election begins. Such a tactic violates the parties' norm against prenomination campaigning, but as John C. Green and Nathan S. Bigelow explain in chapter 3, the Clinton soft money strategy in 1996 has made abiding by that norm impossible.

The parties also ran issue ads for their congressional candidates. Magleby and his team of scholars found that the typical ad conveyed a candidate's position in a specific way (favorable or unfavorable) and asked the viewer
(or reader in the case of direct mail) to contact the candidate to tell him or her that you agree or disagree with that position. Although staying away from express advocacy, congressional party issue ads often end with an appeal for citizens to respond to the candidate’s position, usually with the candidate projected in an unfavorable way. Some of the more hotly contested congressional races featured particularly incendiary appeals. In the open-seat contest for Michigan’s Eighth Congressional District, the NRCC attacked the ultimately unsuccessful Democratic candidate, Dianne Byrum, for missing votes in the state senate and voting to borrow from the state’s Veterans’ Trust Fund. In an ad called “Failed for Lack of Attendance,” Byrum was accused of missing an important vote while attending a fundraiser “held at a casino.” The tag line encouraged citizens to “Call and ask her why she turned her back on Michigan schools to go to a casino.”

The Democrats’ ads could be equally hard-hitting. In New Jersey’s Twelfth Congressional District, the DCCC was accused of distorting Republican Dick Zimmer’s voting record in Congress in a cable television ad and of downright cruelty in a mailer sent to constituents’ homes. The DCCC mailer accused Zimmer of turning his back on funding for women’s health issues, asking citizens to “Tell Dick Zimmer to quit voting against women’s health.” When the media disclosed that Zimmer’s mother had died of lymphoma and all three of his sisters were breast cancer survivors, the mailer became a subject of great controversy. Both of these races witnessed an extraordinary amount of issue advocacy advertising by the parties, and both were virtual dead heats, requiring recounts after election day (the parties split the outcome with a Republican victory in Michigan and a Democratic victory in New Jersey).

Spending Soft Money Instead of Hard Money

The national party committees decreased their hard money contributions and coordinated spending, and state and local parties increased their hard money coordinated spending in 2000 primarily because the national parties needed to reserve their hard money to match with their larger pots of soft money. The national parties are mixing their hard money with soft money for spending on issue ads and other activities, and they are transferring money to states where there are more favorable soft money spending rules. These transfers help explain why the national party committees have decreased their hard money spending on coordinated expenditures and direct contributions. This strategy permits parties to concentrate resources in states with competitive races, but it also makes direct hard money contributions and coordinated spending on behalf of specific candidates less important.

This change in hard money spending has prompted the national party committees to ask the state parties to take responsibility for direct contributions and coordinated expenditures. Thus the increase in state and local party coordinated spending indicates an abandonment of the agency agreements, which were the backbone of party committee strategy in the 1980s. Agency agreements allowed each party’s national congressional campaign committee to spend both the national party’s and the state party’s coordinated expenditure limit on a candidate. Now because the national parties are reserving their hard money for matching with soft money, the parties have returned to the original agreement whereby the state party committees and national party committees may each spend their own maximum allowed in coordinated expenditures, though some states receive funds through congressional campaign committee transfers for this purpose rather than having to raise these hard dollars on their own.

House and Senate candidates often do not receive the maximum party coordinated expenditure allowed, since the national party committees are reserving hard money to combine with soft money for issue ads and other activities. Table 6-5 shows the percentage of the maximum allowable coordinated expenditures the parties spent on their congressional candidates categorized by chamber, incumbency status, and competitiveness of the race. Coordinated expenditures and direct contributions were low enough that a number of House and Senate candidates begged their parties to send hard money their way, but instead their parties aired issue ads.

Candidates generally prefer to spend the money themselves, so they can control how the money is spent. Indeed, on several occasions the parties have aired issue advocacy ads that have actually hurt their candidates because the ads contained inaccurate information or were not targeted well. For example, in 1996, the NRCC ran an anti-union issue ad in Pennsylvania’s Twenty-First District intended to help Republican incumbent Phil English win reelection. The ad featured a heavy-set “union boss” in a smoke-filled room reaching into a briefcase and handing stacks of cash across the table. The announcer stated, “The big labor bosses in Washington, D.C. have a big scheme to buy the Congress ... They’ve spent $150,000 here on ads favoring Ron DiNicola,” the Democratic challenger for the seat. Congressman English did not appreciate the party’s help: “If they had asked me, I would have told those guys that attacking big labor is not a particularly effective strategy in Erie.” In 2000 the
Table 6-5. Party-Coordinated Expenditures by Chamber, Status, and Competitiveness

<table>
<thead>
<tr>
<th>Chamber, status, and competitiveness of election</th>
<th>Democrats</th>
<th>Republicans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of candidates</td>
<td>Percent of maximum allowed</td>
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<tr>
<td>Senate incumbents</td>
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</tr>
<tr>
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<td>0</td>
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<tr>
<td>Medium</td>
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<td>65</td>
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<tr>
<td>Low</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Senate challengers</td>
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<td></td>
</tr>
<tr>
<td>High</td>
<td>5</td>
<td>22</td>
</tr>
<tr>
<td>Medium</td>
<td>3</td>
<td>46</td>
</tr>
<tr>
<td>Low</td>
<td>9</td>
<td>8</td>
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<tr>
<td>Senate open seats</td>
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<td></td>
</tr>
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<tr>
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<tr>
<td>Low</td>
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<td>0</td>
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<tr>
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</tr>
<tr>
<td>High</td>
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<td>32</td>
</tr>
<tr>
<td>Medium</td>
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<td>12</td>
</tr>
<tr>
<td>Low</td>
<td>163</td>
<td>3</td>
</tr>
<tr>
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</tr>
<tr>
<td>Low</td>
<td>13</td>
<td>6</td>
</tr>
</tbody>
</table>


1. High competition, 54 to 66 percent of the general election vote; medium competition, 35 to 53 percent and 45 to 60 percent of the general election vote; low competition, 60+ or less than 40 percent of the general election vote.

Democrats ran an issue ad in Kentucky's Sixth Congressional District against incumbent Republican Ernie Fletcher that accused him of voting to decrease funding for education when in fact Fletcher had voted for an increase in education funding, though a smaller increase than President Bill Clinton had proposed. Though the Democratic candidate, Scotty Baesler, at first defended the ad, four television stations in Lexington pulled the ad, creating a serious credibility issue that ultimately hurt Baesler badly.13

Although their parties' soft money spending may direct more resources to their races, candidates still prefer to control the spending themselves, and moreover, the parties' shift away from hard money spending is increasing the overall cost of the most competitive congressional campaigns. Even if they advocate a larger role for parties in contemporary elections, many scholars and other observers believe that this is a negative development.24

If we consider the party's direct spending of hard money on candidates, it would seem that the Republican Party knows how to target their money in competitive races, while the Democrats do not (table 6-5). The Democrats seem especially guilty of such hard money abrogation: when you take away the 88 percent of maximum coordinated money spent in House open-seat races, the level of Democratic hard money support seems nominal at best, even in the highly contested Senate races. The Republicans seem to fare much better, investing more heavily in medium and highly competitive races. Of course, the GOP's large hard money advantage over the Democrats gives them more hard money to spend.

However, the soft money spending tells a very different story. Because the parties do not have to report precisely how soft money is spent, we can only rely on aggregate transfer figures to states to get a rough idea of the importance that parties place on particular contests. In a presidential election year, we can only guess how much money was spent on presidential, senatorial, and congressional races. Fortunately, Magleby's studies in 1998 and 2000 used designated observers in select races to help discover the approximate (or sometimes precise) amounts of soft money spent in these competitive contests. Their findings give us a much different view of party spending.

One good example is the Senate race in Delaware between five-term incumbent Republican William (Bill) V. Roth and two-term Democratic incumbent governor Thomas (Tom) Carper. The hard money story shows Republicans virtually "maxing out" to Roth, contributing $24,500 directly, and spending $130,600 in coordinated expenditures, 97 percent of Delaware's coordinated expenditure allowance. Democrats, however, sent $16,500 in direct contributions and $50,000 in coordinated expenditures (or 37 percent of the maximum). In total, Republicans spent Roth $155,100 in hard money while Democrats sent Carper only $66,500. But the soft money picture is vastly different. Roth's campaign forbade the national Republican Party from spending soft money in the state, fearing it would hurt him in the election. The NRSC transferred only $250,000 in soft money to the state party, and even this was to be earmarked for the coordinated campaign and not Roth directly. Carper had no such reservations, and the DSCC sent more than $4.3 million—$2.95 million in soft money and $1.4 million in hard money—to Delaware on his behalf.
Joseph Pika finds that in this race at least $1.6 million was spent on air-time alone. Carper won the race with 56 percent of the vote.

A similar story is found in the U.S. House race for Pennsylvania's Thirteenth Congressional District. One-term Democratic incumbent Joe Hoeffel faced what was thought to be a stiff challenge from Republican state senator Stewart Greenleaf. The district had a Republican registration advantage, and Greenleaf was well known, well liked, and had moderate politics that fit the district's general trends. Hoeffel, a former county executive and a moderate himself, ran for the seat twice before defeating a Republican incumbent in 1998. The national Republican committees spent $14,747 in coordinated expenditures (93 percent of the legal maximum) for Greenleaf. However, according to Greenleaf's campaign, they spent no soft money to Pennsylvania earmarked for Greenleaf. The NRCC transferred $1.66 million ($864,000 in hard money and $792,000 in soft money), but that money seems to have been spent for the coordinated campaign as well as for two other contested House races clearly of greater interest to the NRCC. Hoeffel, by contrast, received only $1,199 in direct contributions and $10,765 in coordinated expenditures (16 percent of the maximum) from the Democratic Party. However, the DCCC reported sending almost $1.4 million for Hoeffel's campaign, $1.2 million for the production and airing of issue ads alone. Hoeffel received 52 percent of the vote to Greenleaf's disappointing 45 percent.

The Magleby study includes many similar case studies, demonstrating that parties can keep their soft money strategy well hidden unless trained observers are willing to dig and uncover it. In these two cases, Democrats spent soft money earlier in the election cycle (in September in both cases) than campaigns typically do, building early momentum for both candidates. The Republicans spent soft money strategically in other races, but they did more to maximize their hard money commitment to candidates first, saving soft money for late in the races. With the Democrats' pickup of four in the Senate and two in the House, their early and aggressive use of soft money at the expense of maximizing hard money contributions may have been the wisest route.

**Implications**

The 2000 elections solidified a remarkable trend first noticed in 1996: political parties are using soft money to put themselves in a central role in competitive elections. Though the number of competitive elections is declining, so is the number of seats needed to win control of the legislative chambers, making each competitive race more important. Through the 1980s and 1990s, parties mastered a number of clever techniques (such as steering PACs' giving, encouraging member-to-member giving, and sending "star quality" elected officials on fund-raising tours) to devote maximal hard money resources to the most competitive races. Yet all of these methods depended on cajoling and good feelings, and the FECA contribution limits meant that raising hard money was very time consuming and expensive. With the innovation of soft money spending for issue ads, parties had a more efficient means to raise and spend money in targeted races—soft money, making their hard money activities less urgent, though present. It must be stressed that soft money is one of many tools employed by the parties, and the amounts raised have certainly made the political parties more important actors in electoral politics. However, the fact that interest groups engage in issue advocacy with funds raised "off the books" and that candidates must now respond to party and group activity with even more funds raised on their own, often mitigate the effects of increased party activity.

In presidential elections, the parties' increased use of soft money and issue advocacy advertising have fundamentally altered the presidential campaign finance system. The presidential public funding system itself has shaped this development, in that the candidates are limited in the amounts they may raise and spend if they accept public funding. Thus while the presidential public funding system has accomplished one of its goals by slowing the growth of campaign spending by candidates, at least in comparison to the growth in congressional campaigns, the public funding rules have encouraged spending outside of the regulated system. And the tremendous growth in party soft money spending has all but nullified the public funding system's intent to control the cost of running for president and guard against corruption by removing a candidate's need to raise huge amounts of money. The presidential public funding system may have already outlived its usefulness.

Although presidential nominees may welcome their parties' assistance, the parties' increasing role takes some control out of the candidates' hands. Moreover, unlike ads run by candidates, party issue advocacy advertisements are more inclined to be attack ads. Indeed, the overwhelming majority of party issue ads run during the 2000 presidential election featured an attack on the other candidate or his or her positions on relevant issues. Thus the more ads that the parties run relative to the number of...
ads that the candidates run, the more negative the tone of the campaign is likely to be. Yet the parties are not held responsible for the negative ads because the candidates are the only ones on the ballot, and they can often distance themselves from the negative campaigning conducted by their parties. Indeed, presidential nominee George W. Bush asked that the RNC pull a controversial attack ad criticizing Gore’s prescription drug proposal. The ad flashed the word “rats” subliminally across the screen. Bush had the ad pulled so that his campaign would not suffer because of the negative fallout from the ad. However, some candidates might leave it to their parties to do the dirty campaigning and not personally suffer the consequences on election day.

Finally, while it is clear that top party leaders and elected officials derive great benefits within their political party community from the amount of funds they bring to the table, it is less clear what the implications of party soft money are for the conduct of elections in the United States and the access soft money donors gain to lawmakers. What does this trend mean for the quality of our democracy? Although it is clear that many observers of politics lament the increased money in the political system, we are not in a position to make a candid assessment of its effects since full disclosure of spending is not available. The political parties in the 2000 election have almost flaunted their disregard for the regulatory system enacted by the FECA more than twenty years ago, and it seems that the time is now ripe for comprehensive reform of the campaign finance system.

In the summer of 2001, there had been renewed interest in achieving real campaign finance reform. Much of the momentum for reform in the Senate was the result of Senator John McCain’s (R-Ariz.) presidential run and the positive public response to his calls for campaign finance reform with a ban on party soft money and limits on the use of issue ads by parties and interest groups. Although a reform bill did pass the Senate on April 2, 2001, the House sponsors of the measure chose to withdraw the bill in the summer (through a defeat of the rule) rather than watch it face almost certain doom on the House floor. As this book goes to press and the Enron scandal has put campaign finance reform back on the agenda, the House is expected to consider the reform bill again. If the bill passes and is not vetoed by the president, we will see significant changes in party campaign finance. If the bill does not become law, we are likely to see that even more campaign finance activity will be conducted outside of the confines of the law and hidden from public scrutiny.

Notes

2. See later in this chapter a discussion of how full disclosure of soft money is avoided through the use of state parties to conduct the actual expenditures of soft money. Such disclosures are subject to state regulations and not the FECA’s.
6. State and local party committees that raise funds for the direct benefit of candidates for federal office must report their hard money activities to the Federal Election Commission (FEC).
8. See chapter 7 for further discussion of PAC giving strategies and chapter 5 for the effect of PAC activity on congressional candidates.
9. When disbursement figures are converted to constant 2000 dollars, the Democrats spent $2.35 million in 1996 and $246 million in 2000. The Republicans spent $448 million in 1996 and $427 million in 2000. These figures are compiled by the authors from FEC, “FEC Reports Increase in Party Fundraising for 2000.”
the Political Studies Association, University of Edinburgh, Edinburgh, Scotland, September 2000. This assessment is based on party coordinated spending in past presidential elections. Exact figures that break down how the parties spent their coordinated expenditure funds are not yet available for 2000. Full audits of the presidential campaigns are usually completed two years after the election.

15. All numbers adjusted for inflation to 2000 dollars.


22. Corporations and labor unions may establish political action committees (PACs) to spend money to influence the outcome of elections, but they must raise this money in separate, segregated funds and not from their general operating budgets. The receipts and disbursements of PAC funds are very tightly regulated by the FEC.

23. Anthony Gierzynski discusses the extensive variation among state regulations in chapter 8.


28. In all states except Connecticut and Alaska, which ban soft money, party activities that affect both federal and state/local elections and party issue advocacy ads must be paid for with a combination of hard and soft money according to ratios set by the FEC. See chapter 8.


30. Morehouse, "State Parties: Independent Partners—The Money Relationship"; see also Common Cause, "Party Soft Money" (Washington, 1998). An example from 1996 makes the point well: "The Florida state Democratic Committee transferred $10,000 in hard money to the Nebraska state Democratic Committee on May 2, 1996. On the same date, the Nebraska State Democratic Committee transferred $12,000 in soft money back to the committee in Florida. In essence, Nebraska was paying extra for hard money that could be used either to directly support federal candidates or as the federal share of some activity that permitted both hard and soft funding sources." Biersack and Haskell, "Spitting on the Umpire," p. 179.


37. Ibid., p. 1.

38. Ibid., pp. 1–2.

39. Ibid., p. 2.


41. Ibid., p. 3.


44. "RNC Attacks Gore’s Gay Litmus Test," in Ad Spotlight (www.nationaljournal.com [January 11, 2000]). There actually was a Republican Party issue ad that ran even earlier, but it was not focused solely on a particular candidate. During the summer of 1999, the Republicans appealed to President Bill Clinton, Senate Democratic Leader Tom Daschle, and "Hillary and Al" to support the Social Security "lock box" idea. See Annenberg Public Policy Center, "Issue Advertising in the 1999–2000 Election Cycle."

45. "This Familia Likes Bush," in Ad Spotlight (www.nationaljournal.com [November 1, 2000]).
46. “Dems Fire First with Health Care Spot,” in Ad Spotlight (www.nationaljournal.com [June 8, 2000]).
52. Gugliotta and Chinoy, “Money Machine.”
57. Frank Sorauf, Inside Campaign Finance: Myths and Realities (Yale University Press, 1992), p. 158.

SEVEN

Interest Groups and Financing the 2000 Elections

ALLAN J. CIGLER

Organized interests have long played a role in American elections; their activities range from simple endorsement of candidates to mobilizing voters and supplying candidates and campaigns with money and other necessities. During the past four decades, however, a spectacular increase in the number and types of organized interests seeking to influence elections and in the breadth of their involvement has taken place. Many factors have contributed to this upsurge in activity. Foremost has been the virtual explosion of government lawmakers and government regulatory activity since the early 1960s that has raised the stakes in politics for both established interests and the many newly created interests. Drawn to the fray have not only been large numbers of occupation-based groups and corporate interests but also interests that previously had eschewed involvement in electoral politics, such as nonprofit and tax exempt organizations and many “cause” and single-issue organizations.

The expansion of organized interest involvement in elections has been aided by changes in party nomination rules and the campaign finance laws adopted since the early 1970s, coupled with favorable court decisions, which together have made it far easier for such interests to participate in almost all aspects of electoral politics, from early in the party nomination process to helping pay for the presidential inauguration.²

The common denominator of contemporary federal election politics, with its premium on high-tech information gathering and timely communication with the electorate, is the ever-increasing need for resources that must be purchased with cash. As candidates and parties have sought funds,