Campaign finance reform may hold some surprises

Raising the Limits

By Clyde Wilcox, John C. Green, Paul S. Herrnson, Peter L. Francia, Lynda W. Powell, and Benjamin A. Webster

The United States has embarked upon a major reform of the federal campaign finance laws, something that happens only about once a generation. Congress has passed, and the president has signed, the most extensive regulation of campaign money since the Watergate-era Federal Election Campaign Act (FECA).

Unless declared unconstitutional by the Supreme Court, the new law will restrict "soft money" contributions to political parties and "issue advocacy" spending by parties and interest groups (neither regulated by FECA). The new law will also increase "hard money" contributions (those regulated by FECA).

For example, it will double the limit on the amount individuals can give to congressional candidates in an election from $1,000 to $2,000, so that in a typical race, an individual will be able to give a candidate a total of $4,000 ($2,000 in the primary and $2,000 in the general election). The law also expands to $95,000 per year the total aggregate amount individuals can give to candidates, parties, and PACs.

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Some reformers, many of them Republicans, argue that doubling the individual limits will largely restore the value of contributions eroded by inflation, thus expanding participation and helping wean candidates away from soft money and issue advocacy. Other reformers, many of them Democrats, say the new limits will mostly increase the participation of Republican and conservative donors, and thus mostly help GOP candidates. Still others think the new limits will allow candidates to spend less time raising money, and more time legislating, because their fundraising efforts will yield more money.

Further analysis is needed, however, because the effects of reform are often unanticipated by reformers. Labor unions pushed for language permitting the formation of political action committees (PACs) in 1974, but did not foresee the tidal wave of corporate PAC formation in the 1980s. Likewise, the activists who supported the creation of party soft money in 1979 did not fully anticipate the sheer magnitude of those funds twenty years later. Thus, it is worth asking: with increased individual limits, who will give more money, and which candidates will benefit?

We can offer some tentative answers to these questions with a combination of survey and campaign finance data. Supported by a grant from the Joyce Foundation, we conducted a mail survey of a random sample of individuals who gave $200 or more to congressional candidates in 1996 (hereafter referred to as "major donors"), drawn from the records of the Federal Elections Commission.

Because these records list specific *contributions* and not *contributors*, we weighted the major donor sample to correct for oversampling those who made many contributions. To make sure we understood the donors who gave the most, we also surveyed a special list of individuals who had given to at least eight candidates and/or gave a total of $8,000 (hereafter referred to as "most active donors").

The surveys were conducted at the University of Akron, and the survey responses were matched to the actual donation records, thus linking donor attitudes directly to contributing behavior. [See the July/August 2000 issue of *Public Perspective* for an earlier article on this study.]

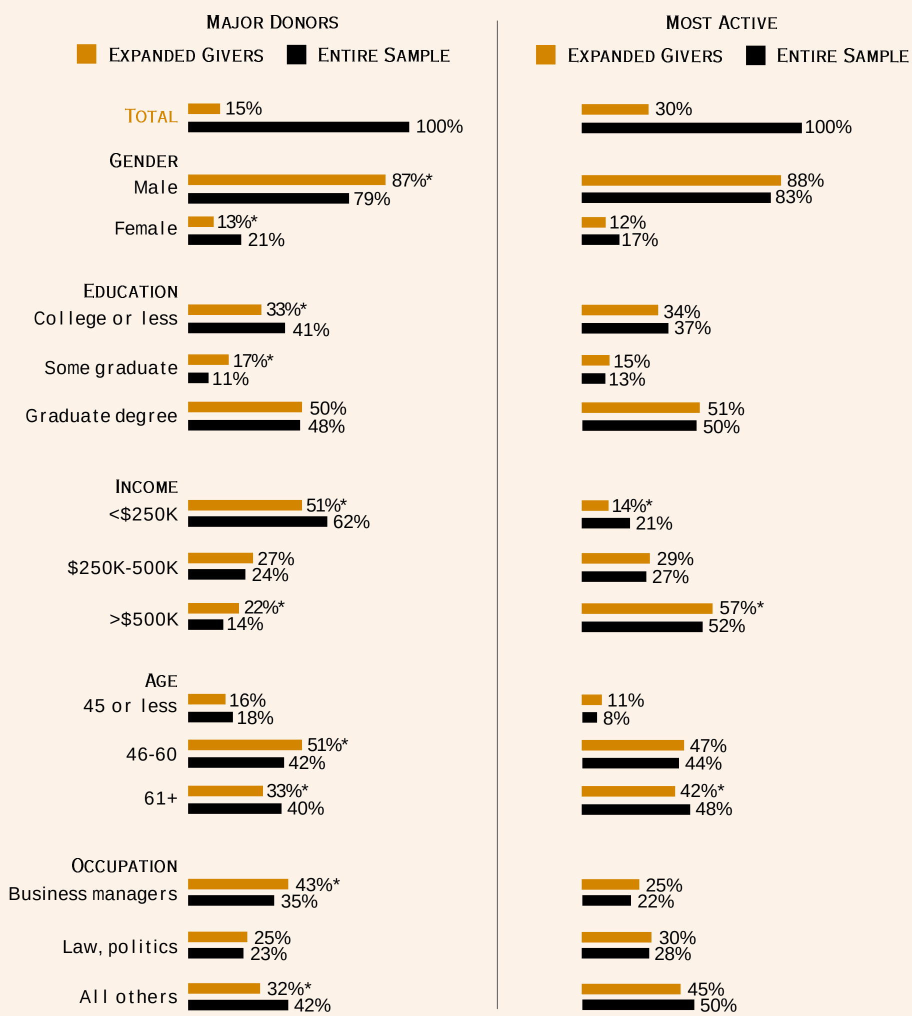
As part of a battery of campaign finance reform questions, we asked both samples of donors, "How might your own contributions to congressional candidates be affected if the following changes were enacted? If larger individual gifts were allowed?" The response categories were "would give more," "would give the same," and "would give less."

Just 15% of the major donors reported that they would give more if the limits were raised—we refer to these respondents as "Expanded Givers"—and 5% said that they would give less if contribution limits were raised ("Reduced Givers"). Among the most active donors, 30% were Expanded Givers and only 3% Reduced Givers. However, the great bulk of both samples said they would be unaffected by the change: 80% of the major donors and 67% of the most active said their contributions would remain the same. We call them "Stand-Pat Givers."

Speculation on the impact of increased contribution limits has naturally focused on those donors who "maxed out" at the current limit of $1,000, since only they were restricted by the old law. Yet our study yields a surprising result: nearly one-half of major donors who would give more did not make a maximum contribution in 1996, and this was true of nearly one-quarter of the most active donors as well.

Why would someone who does not make a maximum contribution give more if the limit were doubled? Many donations are made at events, such as dinners and cocktail parties, which typically require a minimum contribution, set below the legal limit. An increase in the limit is likely to produce higher minimum contributions for these events: a senator's $500-a-plate dinner may become $750 or $1,000, and all attendees will give more. Indeed, many Stand-Pat Givers might have to contribute more to participate in the same events.

Figure 1
Characteristics of Expanded Givers



**Difference between Expanded Givers and entire sample statistically significant at .05 level.*

Note: The survey of major donors included 1,035 individuals who gave $200 or more to congressional candidates in the 1995-96 election cycle, based on information provided by the Federal Election Commission (weighted N=1,047). The survey of most active donors included 291 individuals who gave money to at least eight candidates, and/or gave a total of $8,000 in the 1995-96 election cycle, based on information provided by the Center for Responsive Politics (weighted N=281). "Expanded Givers" are those who said they would give more if limits were raised.
Source: Surveys by the University of Akron, Fall 1997.

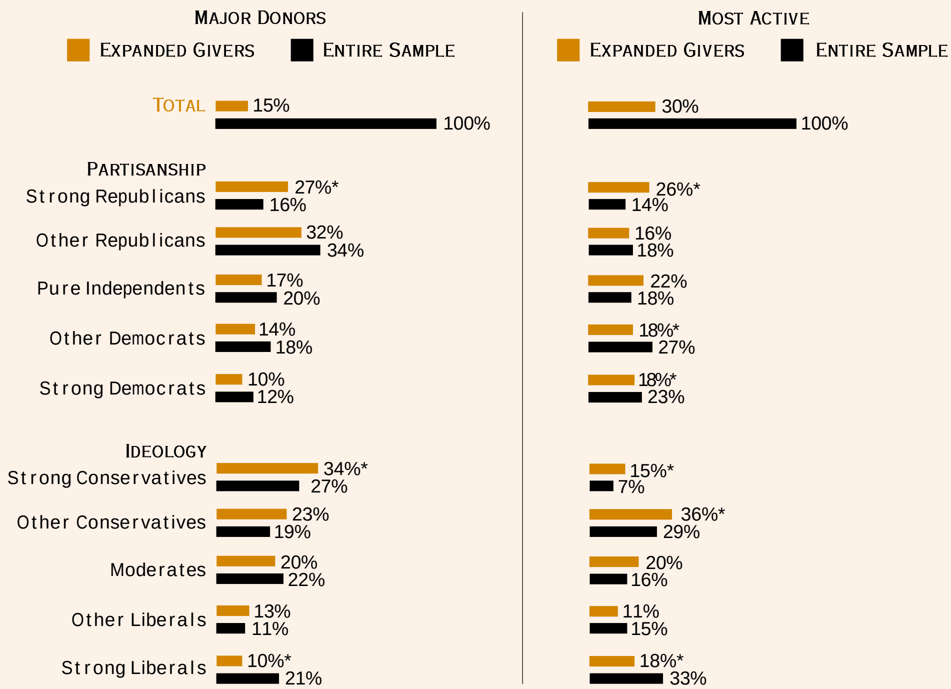
Why would a donor give less if the legal limit for contributions were raised? The Reduced Givers are deeply disillusioned with the campaign finance system, with one-half saying that the current campaign finance system is "broken and needs to be replaced." As a consequence, they are strong supporters of limits on campaign spending and television advertising, and a ban on soft money. Many already contribute only occasionally and in small amounts. Thus, they may well reduce their giving—or stop it completely—if the role of "big money" grows.

Expanded Givers have a different perspective. For starters, they have a more positive opinion of the campaign finance system, with a plurality claiming "it has some problems but is basically sound." Many are habitual donors who regard campaign contributing as a legitimate form of political activity. They also support campaign finance reform, and one of their favorite reform proposals is raising individual limits.

Figures 1 and 2 illustrate the demographic and political characteristics of Expanded Givers compared to the entire donor samples. These results must be viewed with caution because the Expanded Givers make up only a small portion of the donor pool,

Figure 2

Political Attitudes of Expanded Givers



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but the patterns are nevertheless quite interesting.

As can be seen in Figure 1, major congressional donors are disproportionately wealthy, well-educated, middle-aged, and male. Among the major donors, the Expanded Givers fit this profile well. Twenty-two percent report incomes of over $500,000, compared with 14% of the entire sample. In terms of occupation, Expanded Givers are more likely (43% vs. 35%) to be business managers. (Business managers are defined as corporate CEOs, vice presidents, and other high-level business bureaucrats.)

Education and age show more a more complex pattern. Expanded Givers tend to have some graduate training, rather than just a college degree or a graduate degree. Likewise, they tend to be middle-aged, with most between 46 and 60 years of age. There is also a gender gap: Expanded Givers are even more masculine than the sample as a whole.

The Reduced Givers tend to have the opposite characteristics, being less affluent, less educated, and more female, but comprising more older and younger donors. Most of these demographic characteristics are less important for the most active donors. Here the Expanded Givers are wealthier and more likely to be less than 60 years old. But there are few differences in occupation or education, and the gender gap is smaller.

Thus, Expanded Givers tend to be wealthy, middle-aged businessmen, with some variation among the most active donors. And, thus, increased giving is likely to intensify the existing upper-status bias of the donor pool and reduce the representation of women. Raising the limits may well increase individual participation in campaign finance, but in a highly selective fashion.

This conclusion is reinforced by the motives the donors report as "very important" for their giving. Compared to the samples as a whole, Expanded Givers were most likely to report business motives, such as "so my business will be treated fairly," "candidate is friendly to my industry or line of work," or "[I was] asked by someone I cannot say no to." Reduced Givers were less likely to cite this kind of motive as important.

Given the demography and motivation of Expanded Givers, their political profile in Figure 2 should come as no surprise. Among the major donors, Expanded Givers were more likely to be strong Republicans and strong conservatives compared to the sample as a whole.

These patterns extended to specific issues, especially economic questions. Expanded Givers were more likely to support tax cuts "even if it means reducing public services." Similarly conservative-leaning results obtained for Expanded Givers on national health insurance, anti-poverty programs, and environmental protection.

Much the same thing occurred on social issues. For example, Expanded Givers were more likely than other donors to agree that "abortion should be outlawed except to save the mother's life," and were also more conservative on gay rights and affirmative action.

In addition, there is an organizational component to these figures. Fully 30% of the self-identified members of business or conservative interest groups qualified as Expanded Givers. In contrast, just 7% of members of both environmental and liberal groups said they would give more if the limits were raised.

These partisan and ideological tendencies hold for the most active donors—an important finding, because the most active donors are more Democratic and liberal than the major donors. Thus, increased giving may erode a Democratic counterbalance to the Republican tilt of the major donors. Overall, the Reduced Givers are more likely to be liberals, independents of various sorts, and Democrats.

What kind of congressional candidates did Expanded Givers support in 1996? Not surprisingly, they directed more than 70% of their money to Republicans. This figure contrasts sharply with the Reduced Givers, who gave just 38% of their 1996 funds to Republicans, and the Stand-Pat Givers, who gave 56%. Taken together, all this evidence suggests some factual basis for the opposition to increased individual limits by Democratic reformers.

It is very difficult to estimate the amount and distribution of new funds resulting from the doubling of the individual limits. Much depends on the circumstances of the election and how a wide range of political actors responds to the entire reform package. We can, however, use our major donor sample to estimate the extra funds that might have been raised in 1996, had the increased limits been in place.

For this purpose, we assume that all the Expanded Givers doubled their 1996 contributions, the Reduced Givers cut their contributions to zero, and the Stand-Pat Givers remained unchanged. Table 1 reports the results of this estimate overall and for various kinds of candidates.

The first row in Table 1 reports the total funds raised in 1996 from individuals' donations of $200 or more to congressional candidates ($203.5 million). We estimate that these funds would have been 16.7% higher if the increased limits had been in place and the above assumptions were met, producing an additional $34 million.

There is a sharp partisan bias in the distribution of the estimated funds. For Republican incumbents, funds increased by 25.6% and accounted for almost one-half of the increased funds ($16 out of $34 million). Republican non-incumbents (challengers and open-seat candidates) showed a smaller increase of 19.6% and obtained a little more than one-quarter of the estimated new money.

By comparison, Democrats fared less well: incumbents increased by 13.3% and non-incumbents by 6.2%. The total Democratic increase was $8.2 million, about one-third of the total Republican gain.

These estimates must be viewed with caution, of course, since different assumptions will produce different results, and future campaigns may not resemble that of 1996. The total figures could be much higher if the Stand-Pat Givers are induced to contribute more, or the Reduced Givers continue to participate rather than abstaining.

It is possible that Democratic candidates will more successfully exploit the new limits than Republicans, or that the larger maximum donations will help non-incumbents by providing crucial "seed money" for their campaigns. However, it is also possible that these patterns will also apply to the increased contributions to parties and PACs, to the further advantage of the GOP and conservative candidates.

Finally, the level of estimated new money is high enough to suggest that some candidates may be able to spend less time on fundraising and more time on other duties—especially if they are Republicans and incumbents.

What, then, is the likely impact of doubling individual contribution limits? Although only one in six major donors claim they would give more, and one in twenty would give less, the cumulative impact could be significant. Increased giving is likely to exacerbate the upper status character of the donor pool, providing greater voice to wealthy businessmen and individuals already heavily engaged in giving.

More of the new funds are likely to go to Republican congressional candidates, particularly incumbents, and may allow these candidates to spend less time on fundraising and more time legislating. Thus, the new reforms may produce some political consequences unforeseen—but not unforeseeable—by the reformers.

Table 1

What If Limits Had Applied in 1996?

	1996 Total in Millions [1]	Estimated % Change [2]	Estimated New Funds in Millions [3]	Estimated Total in Millions [4]
Total	$203.5	16.7%	$34.0	$237.5
Republican				
Incumbents	$62.8	25.6%	$16.0	$78.8
Non-incumbents	$50.1	19.6%	$9.8	$59.9
Democratic				
Incumbents	$38.2	13.3%	$5.0	$43.2
Non-incumbents	$52.4	6.2%	$3.2	$55.6

Note: [1] Total funds raised by congressional candidates from individual contributions of $200 or more in 1996. [2] Estimated increase in individual donations of $200 or more assuming: a) all Expanded Givers doubled their 1996 contributions, and b) all Reduced Givers reduced their 1996 contributions to zero. [3] Column one multiplied by column two. [4] Column one added to column three.
Source: Estimated by the authors from the University of Akron Fall 1997 survey and Federal Election Commission data.