Chapter 6

Little Competition, But Lots of Money

By Larry Makinson

Even before the final figures were available, it was clear that the 1998 mid-term elections would be the most expensive ever, despite the fact that they were among the least competitive in recent decades. Preliminary analysis of the numbers shows that about $1.4 billion was raised by federal candidates and the national political parties.

The financial disparity in most congressional campaigns was nothing short of staggering. Nearly 60% of US House races saw one candidate (nearly always the incumbent) spending at least ten times the amount spent by his or her opponent. Some 140 House candidates faced opponents who spent nothing at all, or at any rate not enough to meet the $5,000 threshold that must be reported to the Federal Election Commission.

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All that money talked loudly on election day. Fully 95% of House candidates who spent the most were successful at the polls, as were 94% of the top-spending Senate candidates. Even in open-seat races, spending more was an excellent strategy for success: Four out of five top spenders in open-seat Senate races won election, as did 31 of 34 top spenders (91%) in the House.

Staggering Re-Election Rates

Correspondingly, the re-election rate for incumbents was extremely high, particularly in the House, where 98.3% of incumbents won—one of the highest rates recorded in the twentieth century. Ninety percent of Senate incumbents (26 out of 29) also won re-election. (Senate re-election rates almost always lag behind the stratospheric levels more common in the House, a reflection of the more competitive nature of Senate races and the greater public attention they draw. Many House contests receive scant news coverage, thus increasing the importance of each campaign's paid advertising.)

Typical of the funding disparity in 1998 House races was the contest in the 1st district of Massachusetts, where four-term incumbent John Olver spent just over $509,000 defending his seat against an opponent whose total reported expenditures amounted to $22,000. Olver won with 72% of the votes on election day—again, a typical percentage for the year. In all, only six House incumbents lost their seats in 1998, five in the general election and a sixth—Californian Jay Kim—in the Republican primary. It was that kind of year; with a strong economy and a satisfied electorate, House incumbents were nearly untouchable, and funding disparities only accentuated the trend.

In the Senate, on the other hand, the year's most divisive—and expensive—race was a financial upset, as Democrat Charles Schumer upended Alfonse D'Amato, despite the incumbent's huge fundraising lead. The Schumer-D'Amato race underlined a fact of life about elections: challengers don't need to spend more money than incumbents (though it helps), but they do have to spend enough to get noticed. Schumer's $16.5 million was more than adequate; both candidates enjoyed saturation coverage in paid as well as news media.

If it was not a good year for challengers, neither was it a good time to be listed as a likely donor if you wanted to be left alone. Whatever the lack of serious competition in congressional races, the appetite for campaign dollars was undiminished. Part of the reason on the Republican side was an all-out drive called "Operation Breakout," in which the House GOP leadership aimed to raise $35 million in soft money for issue advocacy ads that would help strengthen their majority. To raise the funds, the House leadership enlisted the fundraising talents of their own members, assigning hefty quotas, particularly for committee and subcommittee chairmen.

Preliminary analysis shows direct contributions to candidates were up only slightly from 1996—likely a reflection of the lack of competition—but donations to the soft money accounts of the national parties rose sharply from the last mid-term elections in 1994. Most of that growth came in contributions to the parties' congressional campaign committees rather than to the Republican and

Democratic National Committees. There was some irony in that congressional fundraising frenzy, since soft money funds are technically supposed to help state and local candidates, while the sole purpose of the parties' congressional committees is to elect members of Congress.

Money Follows Power

It is a truism in American politics that money follows power. Incumbents routinely receive the lion's share of campaign contributions — not only because they're better known and already influential, but also because the odds of re-election have historically been so high. Business PACs, in particular, have been loath to spend much money on challengers, no matter how well they may be in sync with the PAC's philosophy. Pragmatism is the name of the game in PAC circles, and there's no return on the investment if the candidate doesn't win.

Reflecting that philosophy, business PACs in the 1998 elections gave 86% of their contributions to incumbents, versus only five percent to challengers. The rest went to candidates in open seat races.

Labor PACs also gave heavily to incumbents, though not as heavily as their counterparts in the business world. Party affiliation has always been the most important criterion in labor's giving patterns. In 1998, some 90% of labor PAC dollars went to Democrats (a slightly lower proportion than in years past). Some 73% of their dollars went to incumbents. Fourteen percent went to challengers, and 13% went to candidates in open-seat races.

Ideological PACs were the ones most likely to take a chance on newcomers, but even they gave 58% of their dollars to incumbents in 1998, versus 23%to challengers and 19% to open-seat candidates.

Overall, PACs delivered 79% of their dollars to incumbents in 1998, a sizeable increase from the 65% they spent in 1996. In both 1992 and 1994, incumbents collected 71% of PAC dollars. Challengers in 1998 got 10% of the PAC dollars; open-seat candidates collected 11%. Contributions from individuals also tilted heavily to incumbents, but by a smaller proportion than the PACs. Current office-holders collected two-thirds of donations of $200 or more.

Incumbency is not the only measure of political power, nor is it the only criterion used by pragmatic donors. Party affiliation also counts, depending on which party holds power in Washington. When the Democrats lost control of Congress in the 1994 elections, business PACs shifted loyalties almost overnight. Since the early '80s, business PACs had been giving roughly equal amounts to Democrats and Republicans on Capitol Hill, reflecting the reality that while most businesses are Republican in political philosophy, the Democrats were firmly in control of the congressional agenda. Once they lost that control, business money moved to the ideologically more simpatico Republicans, by a ratio of two-to-one. In 1998, the Democrats slightly improved their share of business dollars from business PACs — but only slightly. Republicans still collected 66% of their overall dollars, versus 34% for the Democrats.

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Indirect Contributions

Whatever the dollar amounts re-

Table 1: Breakdown of Campaign Contributions by Major Sector for 1998

Sector	Total	Democrats	Republicans	D%	R%
Finance, Insurance & Real Estate	$98,159,638	$39,968,811	$57,762,344	41	59
Misc. Business	$54,250,521	$19,794,978	$34,327,950	37	63
Lawyers & Lobbyists	$45,652,604	$31,542,101	$14,050,443	69	31
Labor	$38,423,438	$34,766,590	$3,588,423	91	9
Health	$35,819,638	$14,991,166	$20,693,408	42	58
Communications/Electronics	$34,419,913	$17,378,042	$16,860,157	51	49
Energy/Natural Resources	$27,668,524	$7,931,657	$19,678,836	29	71
Agriculture	$27,638,317	$8,867,522	$18,754,867	32	68
Ideology/Single-Issue	$23,881,481	$11,764,170	$12,029,096	49	50
Transportation	$22,289,494	$6,948,735	$15,320,264	31	69
Construction	$19,246,452	$6,583,050	$12,629,492	34	66
Defense	$8,536,309	$2,959,505	$5,573,195	35	65

Note: Data are through the first 18 months of the 1997-98 election cycle.
Source: Data compiled by the Center for Responsive Politics.

Table 2: By a Wide Margin, Law Firms Led in Specific Industry Contributions

Industry	Total	D%	R%
Lawyers/Law Firms	$39,848,267	72	28
Retired	$26,717,040	33	66
Securities & Investment	$23,266,767	47	52
Real Estate	$22,220,632	46	54
Insurance	$22,049,019	33	67
Health Professionals	$19,488,996	43	56
Oil & Gas	$14,308,581	23	76
Commercial Banks	$11,498,227	35	64
Misc. Manufacturing & Distributing	$10,394,910	28	72
Telephone Utilities	$10,358,795	42	58
TV/Movies/Music	$10,339,373	61	39
Public Sector Unions	$9,497,782	89	11
Business Services	$9,358,586	53	46
Transportation Unions	$9,114,729	81	19
Industrial Unions	$8,839,888	98	1
Pharmaceuticals/Health Products	$8,282,841	34	65
Air Transport	$8,274,031	35	65
Electric Utilities	$7,810,666	34	66
Accountants	$6,902,453	43	57
Retail Sales	$6,898,815	30	70

Note: Data are through the first 18 months of the 1997-98 election cycle.
Source: Data compiled by the Center for Responsive Politics.

ported by the candidates, a record level of indirect contributions also helped those few who found themselves in competitive races. Both parties spent millions on issue advocacy ads financed through soft money donations. These are ads exempted from contribution limits since they avoid using any of the eight "magic words"—elect, defeat, vote for, vote against, support, reject, cast your ballot for, and So-and-So for Congress. A number of outside groups also funded issue ads, though the amount they spent will never be known, since the ads were legally deemed non-political and therefore not required to be reported to the Federal Election Commission or anyone else.

After the 1996 elections, in which issue ads were first used in a significant way, many political analysts expected use of them to explode in 1998. Indeed, a study by the Annenberg Public Policy Center at the University of Pennsylvania estimated that spending on broadcast issue ads doubled to about $275 to $340 million in 1997-98. That total, however, included significant expenditures made well in advance of the general election, among them a $40 million campaign by the nation's five leading tobacco companies while the US Senate was debating the tobacco settlement. Nonetheless, although it will never be possible to track exactly how much was spent on issue ads in the '98 elections, it was certainly at least in the tens of millions, and the ads were pervasive in most areas that had competitive races.

Interestingly, the AFL-CIO, which had set off the issue ad stampede in 1996 with a $35 million effort to defeat congressional Republicans, did most of its work much more quietly in 1998, choosing to spend most of its money on get-out-the-vote drives rather than on TV ads. A similar migration of issue campaigns from TV to more under-the-radar techniques may well proliferate in 2000, particularly since the last-minute GOP blitz of anti-Clinton issue ads were thought to have backfired in 1998.

Issue ads were not the only indirect contributions in 1998. Largely because of the lack of competition in so many congressional races, "interstate commerce" in campaign contributions hit a new high. Some 79 members of Congress gave more than $8 million through their "leadership PACs," while nearly 500 federal candidates gave directly out of their campaign accounts, sending a total of nearly $4.2 million to less-well-funded candidates.

The Thin Ranks of Political Financiers

Notwithstanding the fine print at the bottom of television ads that talks about contributions coming from "Friends of Congressman X" or "People for Senator Y," the slice of the American electorate that actually participates financially in congressional elections is wafer-thin. A preliminary analysis of Federal Election Commission contribution records shows that fewer than half a million individuals gave $200 or more in 1997-98 to federal candidates, national parties or federal PACs. That represents less than 2/10ths of 1% of the American population. Those giving $1,000 or more make up an even narrower slice — about 170,000 people, or 0.06% of the US population. Yet those $1,000+ donors accounted for some $438 million in contributions to federal candidates, PACs, and political parties—enough to put their names on the Rolodexes of candidates and party officials who will doubtlessly keep in touch.

Many more donors, of course, gave contributions under $200, which are not required to be itemized with the Federal Election Commission. The financial impact of those donors was relatively minor, however. While preliminary numbers for 1998 were not yet available as this report went to press, in past elections congressional candidates have typically drawn about 20% of their contributions from small donors.

Patterns in Giving by Interest Groups

What interests are represented by the donors who do show up on politicians' radar screens? For the past five election cycles, the Center for Responsive Politics has tried to answer that question by categorizing contributions to federal candidates by industry and interest group. In 1988, the Center began by classifying all PAC contributions according to the economic or ideological interests of the PAC's sponsors. In 1990, the coding was extended to individual donations, based on the donor's occupation/employer. In all that time, there has been a remarkable consistency in the pattern of contributions.

The financial sector (comprising banks, insurance companies, real estate firms and other financial services) has always been by far the biggest supplier of campaign funds to federal candidates; and so they were in 1998. In preliminary figures based on data through the first 18 months of the election cycle, the financial sector had contributed $98 million to federal candidates and parties. The second highest sector, with $54 million in contributions, was miscellaneous business, a catch-all classification that covers everything from chemical manufacturers to restaurants to casinos.

Lawyers and lobbyists were third in giving, with $46 million in contributions. Not far behind was a cluster of sectors, including labor ($38 million), health care ($36 million), communications and electronics ($34 million) and "other" ($37 million), of which the single biggest component consisted of contributors listing their occupation as "retired." Table 1 gives the breakdown in spending by each sector, and the relative amounts given to Democrats and Republicans. Though the figures will certainly rise when the entire cycle's contributions are accounted for and coded, the relative proportion of dollars from each sector will likely be quite consistent, based on patterns in past cycles.

At a more detailed level, the Center breaks down contributions into about 100 industries and interest groups. The oil and gas industry, for example, is a component of the Energy and Natural Resources Sector, tobacco is part of the Agriculture Sector, and so forth. Table 2 shows the leading industry donors at this level through the first 18 months of the 1997-98 election cycle.

Top Contributors

For the second time in a row, the top contributor to federal elections was Philip Morris, the world's largest tobacco company. The reasons for its financial involvement in politics are no mystery. The industry's fate—and hundreds of billions of dollars in revenues—were hanging on decisions made in Washington, particularly the proposed regulation of nicotine as a drug and the one-time proposed federal settlement which was eventually killed in the US Senate.

An interesting footnote to the Philip Morris contributions, and those of the tobacco industry as a whole, is that the industry has been so heavily tilted to Republicans that Democrats had little to lose in attacking it, and potentially a lot to gain politically. That fact brings out an interesting pattern in campaign contributions: While most industries and corporate donors favor Republicans over Democrats, they tend to spread the wealth to both political parties. Ignoring one of the two parties can potentially put an industry in the political hot seat—as has happened with the Democrats and tobacco. Republicans, on the other hand, have long attacked "labor bosses"—an easy thing to do since more than 90% of labor union money goes to Democrats.

By giving most of their money to the party with which they most agree—but putting enough in the hands of the

Table 3: The Top 20 Corporate/Union/ Trade Association Contributors

Contributor	Total	D%	R%
Philip Morris	$2,596,260	23	77
Intl. Brotherhood of Electrical Workers	$2,327,414	98	2
Assn. of Trial Lawyers of America	$2,313,836	86	14
American Fdn. of St./Cnty./Munic. Employees	$2,097,164	97	3
AT&T	$1,772,585	41	59
Teamsters Union	$1,731,250	94	6
National Education Assn.	$1,681,314	91	9
National Assn. of Realtors	$1,651,104	40	60
National Assn. of Home Builders	$1,632,240	32	68
Travelers Group	$1,631,316	44	56
United Food & Commercial Workers Union	$1,587,621	97	2
United Parcel Service	$1,578,181	22	78
American Medical Assn.	$1,558,917	33	67
Communications Workers of America	$1,514,748	99	1
Amway	$1,469,291	0	100
United Auto Workers	$1,469,165	99	1
National Assn. of Letter Carriers	$1,463,821	82	18
Bell Atlantic	$1,458,277	33	66
National Auto Dealers Assn.	$1,445,905	33	67
BellSouth Corp.	$1,375,028	45	56

Note: Data are through the first 18 months of the 1997-98 election cycle.
Source: Data compiled by the Center for Responsive Politics.

Table 4: Money Isn't Everything—Top Spenders in 1998 Senate and House Races

Top Ten Senate Spenders	Amount Spent (in millions of dollars)	Lost/Won?	Top Ten House Spenders	Amount Spent (in millions of dollars)	Lost/Won?
Alfonse D'Amato (R-NY)	$27.0	Lost	**Newt Gingrich (R-GA)**	**$7.3**	**Won**
Charles E. Schumer (D-NY)	**$16.5**	**Won**	Philip Maloof (D-NM)	$3.8	Lost
Barbara Boxer (D-CA)	**$15.3**	**Won**	Bob Dornan (R-CA)	$3.7	Lost
Peter G. Fitzgerald (R-IL)	**$14.6**	**Won**	**Richard Gephardt (D-MO)**	**$3.1**	**Won**
Lauch Faircloth (R-NC)	$11.6	Lost	**Loretta Sanchez (D-CA)**	**$2.4**	**Won**
Matt Fong (R-CA)	$10.7	Lost	**Douglas A. Ose (R-CA)**	**$2.1**	**Won**
Carol Moseley-Braun (D-IL)	$9.2	Lost	**Dick Armey (R-TX)**	**$2.1**	**Won**
Paul Coverdell (R-GA)	**$8.6**	**Won**	Jon D. Fox (R-PA)	$2.1	Lost
John R. Edwards (D-NC)	**$8.1**	**Won**	**Ron Paul (R-TX)**	**$2.0**	**Won**
George V. Voinovich (R-OH)	**$6.6**	**Won**	Robert D. Greenlee (R-CO)	$1.8	Lost

Note: Data are through November 23, 1998.
Source: Data compiled by the Center for Responsive Politics.

other party to keep from becoming a target—many industries and donors have managed to walk a pragmatic middle ground.

Top Spenders

Ironically, the biggest spender of the 1998 elections was the biggest loser on election day—Republican Senator Alfonse D'Amato of New York, whose $27 million campaign was not enough to ensure another six-year term in the Senate. D'Amato was undone by Charles Schumer, the Brooklyn congressman who had been stockpiling surplus campaign funds for years in anticipation of a run for the Senate. Together, the two spent $43.5 million—a total that did not include independent "issue ad" expenditures on their behalf.

In the US House of Representatives, two of the most expensive races were also filled with irony. House Speaker Newt Gingrich spent $7.3 million en route to an effortless win in his suburban Atlanta district, against an opponent who spent just $11,232, but the party's dismal showing elsewhere drove him to resign the speakership within days after the election. The most expensive competitive race was across the nation in California's 46th district, where Loretta Sanchez held off former congressman Bob Dornan in a rematch of their 1996 contest. The two spent a combined $6.1 million. Sanchez spent $2.4 million versus $3.7 million from Dornan. Most of Dornan's cash came from small donations raised from a nationwide direct-mail effort.

Looking Ahead to 2000

With a wide-open presidential race, an accelerated primary schedule, and a House of Representatives vulnerable to takeover by the Democrats, all the ingredients are present for a dramatic increase in fundraising for the 2000 elections. Soft money traditionally peaks in presidential years, when it's the only means of high-donor fundraising after the parties' nominees are selected. Technically, only public funds are supposed to be used to support the presidential candidates after the party conventions. In practice, the period from late summer until November in presidential election years is the most frenzied fundraising period of all. The checks aren't written to the candidates, but there's no doubt—and little pretense—that the funds are being raised and given to help elect the top of the ticket.

Because the fundraising pressures will be so high, resistance to major changes in campaign finance laws is likely to be strong both from party officials and the congressional leadership. Proposals to eliminate soft money—which actually passed the House in 1998, before dying a quiet death in the Senate—will certainly surface again in the 106th Congress. But given the political realities, reforms to dampen the flow of money will have a rocky uphill fight.

Fundraising by the first phalanx of presidential contenders began in earnest shortly after Election Day 1998. Early handicappers are predicting it will take a war chest of $25 million by the end of 1999 for candidates to be competitive in time for the first round of presidential primaries. Past contributors whose names are on the fundraisers' prospect lists and who don't want to deal with the flood of solicitations that will soon be upon them might be wise to disconnect their telephones, turn off their fax machines, ignore their e-mail for the next two years, and head for the hills.