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Mixing Money and Politics: How Campaign Finance affects Democratic Governance in the U.S.

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I. Introduction-Campaign Finance and Democracy in the United States

No full study of democracy in the United States is complete without an examination of the role of money in politics. The debate over campaign finance, and the failure to enact meaningful reform has been at center of domestic political debate for years. However, to a casual observer of American democracy campaign finance reform might seem like the weather: everybody seems to talk about it, but nobody does anything about it. Thus, the problems created by the influence of money in campaigns and legislation remains a major problem in America's democracy.[1]

Money influences the political process in numerous ways: people and groups who contribute and raise money for candidates have more access to and influence over politicians than those who do not; politicians spend substantial amounts of their time raising money rather than legislating or serving constituents; people and organizations without money have less influence over politics; and political parties seek wealthy candidates to run for office whose sole qualification is their ability to fund their own campaign. Birnbaum (2000), Donnelly et. al. (2001), West (2000) and Stern (1988 and 1992) offer strong descriptions and analysis of these problems.

The import of money permeates almost every aspect of politics. This is strikingly seen in the language employed by politicians and people who work in politics. A generous and regular contributor is referred to as a "good friend". The phrases "they've been good to us" or "they've been there for us," means that a person or organization has given money to a candidate.

[1] A brief review of the campaign finance literature reveals not only a substantial amount of research on the problems and potential solutions of campaign finance but the titles of many of these books: *The Money Chase* (Magleby and Nelson 1990), *The New Fat Cats* (Baker 1989), *The Money Men* (Birnbaum 2000), *How they Rig our Elections* (Caddy 1975), *Dollar Politics* (Diamond and Wellborn 1974), *Are Elections for Sale?* (Donnelly et. al. 2001), *Money Rules (*Gierzynski 2000), *Money Matters* (Goidel 1999), *Who Will Tell the People* (Greider 1992), *End Legalized Bribery* (Hefterl 1998), *Honest Graft* (Jackson 1988), *The Gilded Dome* (Kubiak 1994), *Elections for Sale* (McCarthy 1972), *Gold Plated Politics* (Morris 1994), *Money Talks* (Redish 2001), *Checkbook Democracy* (West 2000), *The Best Congress Money Can Buy* (Stern 1988) and *Still the Best Congress Money Can Buy* (Stern 1992) reveals the broad lack of ambiguity in how scholars see the role of money in politics and its implications for democracy. However, even much of this literature understates the extent to which money and issues relating to fundraising dominate the political process in the United States.

Candidates and politicians structure most aspects of their work around the constant need to raise money. Candidates for congress, senate and statewide offices generally spend three to six hours a day on the phone raising money. Shea and Burton (2000) is just one of the campaign manuals which describes and urges this type of activity, known as “dialing for dollars” or “call time.” Raising money this way requires that the candidate call every current and former business associate, client, friend, classmate and anybody else with whom she might have a relationship and ask them for money. In today’s political system, being a candidate for office means spending the plurality of one’s waking hours raising money. Candidates who are unwilling to do this and who do not have personal fortunes of their own are discouraged from running for office and rarely win when they run.

The reason donated money is a problem is the presumption that it influences legislation and other government decision-making. At the federal legislative level, the influence of money in congress is less clearly seen when congress actually votes on a piece of legislation as it is during committee votes and meetings. It is at these meetings, generally shielded from the public and the media, where contributors can maximize their influence on legislators. Legislators who sit on committees seeking to regulate particular industries often receive substantial campaign contributions from lobbyists and individuals prominent in that industry. This makes it difficult to vote against their interests, even more difficult to vote against them in committee when nobody is watching, and virtually impossible to deny them access or information.[2]

The cost of elections in the United States is increasing at an explosive rate. Unless serious reform is enacted, we can expect that within one or two election cycles, the total cost of a presidential election will exceed $1 billion. Even many candidates for relatively minor local offices such as state legislature must expect to raise at least $100,000 just to be competitive.

Winning a competitive election to the United States House of Representatives generally costs between $800,000 and $1.2 million. The cost of senate campaigns in big

[2] See Salisbury (1990), Sabato (1987), West, Heftel, Birnbaum, Sorauf and others for discussions of the influence of campaign contributions in congress.

states like New York, California or Texas frequently exceeds $15 million per candidate. Even in smaller states, statewide races frequently cost more than $5 million per candidate.[3] When soft money is included the cost of these races increases substantially.

To get a better sense of what fundraising requires from the candidate, it is helpful to study fundraising on a typical competitive race for congress. In 2000, the average candidate for congress in a seat where there was no incumbent spent $1,153,837.[4] Beginning at the time they decide to run, usually three months after the previous election, most candidates have a 21-month window to raise money. This means that a candidate must raise an average of more than $1,831.55 per day for 21 months. After close friends and family are called it is difficult for the candidate to spend each day knowing that she must find at least one big donor to give her $1,000. When holidays and weekends are factored in, the difficulty of attaining her goal increases substantially.

It is important to note a couple of other aspects of fundraising which are relevant to this example. First, soft money and party money, which we will be discussed later, usually comes to a campaign late. Only after an individual candidate has demonstrated her ability to raise money independently will a political party and its most important political action committees (PACs) invest in that candidate.

Second, candidates for offices lower than president or, in some cases, senate, must raise this money themselves. This means that almost every $1,000 contributor needs to be phoned, courted and asked for money. Some contributors will raise a few thousand dollars for the candidate, but these "raisers" need to be courted as well. This is the case because, more than anything else, candidates are selling access to their contributors. There is no better way for a candidate to demonstrate that they will be accessible in office than by being accessible during the course of the campaign.

The relationship between money and politics exists at federal, state and local levels of government and is often strongest where it is least visible - in committee votes and in state governments. In many states state campaign finance law is far weaker than national finance law. For example, while the maximum an individual can give to a

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[3] This data was taken from www.opensecrets.org as well as from numerous conversations with political professionals.
[4] Ibid.

candidate for U.S. Congress is $1,000 per election cycle, the maximum contribution for a candidate for the state legislature exceeds $5,000 in many states, including New York. Moreover, many states have no contribution cap at all.

This is particularly troubling because as recent national legislation has returned power to the states through block grants and other mechanisms, state politics has become an increasingly important arena of policy making. Moreover, state politics and government generally receive less media attention than national politics, so the influence of money is less restricted and less visible than it is at the national level.

Campaigns are increasingly more expensive, largely because getting the attention of voters has become more expensive. Campaigns must break through the glut of information that people receive every day. Candidates must actively reach out to the voters; they cannot expect the voters to find them. But this outreach, whether through television, radio, or direct mail programs, is extremely costly. Indeed, buying media is the single most costly expense in a campaign's budget. Candidates for major office are advised by political professionals to spend 65-75% of their budget on media. Media in this context means mostly television ads.

The role of money in politics in the United States is also seen in how campaigns and politics are conducted in the broadest sense. As discussed above candidates' dependence on television to communicate with voters rather than more personal, affordable and substantive approaches to campaigning is both a cause and a symptom of the steadily increasing cost of running for office.[5] Television is expensive, so candidates need to raise money to be on television.[6] If one candidate or party is on television, then the other candidate or party must raise enough money to go on television as well.

Although the Internet is beginning to have an impact on politics, television remains the primary medium through which Americans get their news. Yet, television news programs are devoting less time than ever to "hard news". Moreover, especially on local broadcasts of television news programs, hard news items are increasingly devoted

[5] McGinniss (1969) and Spero (1980) were two early and very strong critics of the impact of reliance on television on American democracy.
[6] Between 1980 and 1998 the average expenditures for a seat in the House of Representatives rose from $120,000 to over $500,000. For the Senate the increase in this period was from $1,100,000 to $3,600,000.

to scandalous or sensational news, such as crime stories or sex scandals. It is a difficult challenge for candidates to get television coverage. Stories about improving streetscapes, or enhancing the quality of life in a community, in short, the stuff of local politics, are not covered by television news broadcasts. Free, or "earned" media is not accessible for the great majority of candidates for public office.[7]

A paradoxical benefit to raising a great sum of campaign money is that it has the effect of obtaining more *free* media from the press. When covering a particular race, the media will always cover a candidate with a great sum of money to spend on the race, no matter how inexperienced the candidate is, or how much the campaign may otherwise be failing. Candidates without access to large campaign resources are often considered to be "non-viable" by the media, and thus, not worthy of coverage. Access to great sums of campaign resources helps a candidate build an image of "inevitability" to the campaign, and make any competitor seem "quixotic". It keeps other serious candidates out of the race, since they will face great difficulty persuading potential donors and volunteers that they would not be wasting their time supporting their campaign. Building this image of inevitability is especially effective in primary campaigns for political party nominations, since party voters will not want to weaken the "inevitable" nominee of the party when he or she faces an opponent from another political party in the general election. Thus, raising money not only provides an advantage to the candidate by enabling the campaign to buy more media, but the mere access to money often gives the candidate an advantage in obtaining *free* media.

II. The Costs of Campaigning

The average cost of elections is increasing dramatically every year. In 1980, the total spending in the presidential elections was $92.3 million. By 1988, the number rose to $210.7 million, and by 2000, total spending by the candidates rose to $343 million.[8] However, these amounts do not tell the full story, as they do not include the money spent

[7] See Kaniss (1991) for a discussion of the barriers facing candidates seeking media coverage for important local issues.
[8] Open Secrets.org

by the political parties. In 1988, the parties began raising "soft money", money that is raised outside the federal campaign finance system. In the two year election cycle that culminated with the 2000 elections, the Democrats and Republicans combined made soft money expenditures of $447.5 million.[9] These figures also do not include the amount of "hard money" i.e. regulated money spent by the political parties. In 2000, the national party expenditures of hard and soft money reached $717.3 million.[10] When this is added to the $343 million spent by candidates in 2000, the total amount exceeds $1.05 billion. However, some of the party money was spent helping congressional candidates. These numbers do not include money that was raised and spent by 100 state political parties (two parties in each of fifty states).[11] It is clear that considerably more than a billion dollars was spent in the most recent election cycle.

Races for the House and Senate have seen similar growth rates. For the 2000 House elections, the average amount of money raised by the candidates was $720,560.[12] Incumbents raised an average of $921,006, while their challengers only managed to muster $362,279 in contributions. When no incumbent was running, the average amount raised by the candidates was $1,153,837. Senate totals vary widely because each Senator represents an entire state, which vary widely in population. However, the average amount raised by candidates for the 2000 Senate elections was $6,184,422, with incumbents raising significantly more than their challengers. And again, these amounts do not include the amounts raised by the national parties separate soft money committees set up for the specific purpose of spending on behalf of candidates in key Senate and House races.

The races for Senate in large, high cost media states such as California, New York and New Jersey are legendary. In 2000, John Corzine, an investment banker with no experience or record of public service, spent a staggering $60 million from his personal

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[9] Brennan Center for Justice at New York University School of Law
[10] ibid.
[11] It is difficult to determine exactly how much money was spent and raised by state political parties as many states have very informal disclosure requirements.
[12] There are 435 Members of the United States House of Representatives. Each one represents approximately 650,000 people. However, the Constitution requires that each state must have at least one representative. Therefore, a Representative from some small states represents fewer people.

fortune to become the junior Senator from New Jersey.[13] His Republican opponent, Bob Franks, spent $6.6 million on the race, and lost 50.1% to 47%. The New Jersey Senate race illustrates one of the obstacles to passing effective campaign finance reform laws. The Supreme Court has held that involuntary limitations on personal expenditures in political campaigns are unconstitutional (discussed below). In this context, and in the absence of a voluntary public funding reform program, Corzine was able to overwhelm his opponent through television advertisements.

Some voters were repelled by Corzine's spending of personal wealth. His opponent and some of the press helped promote the notion that Corzine was "buying" his way into the Senate. Nevertheless, Corzine won the election not based on the things that ought to make up the currency of a democracy, such as a demonstrated record of public commitment, or a committed grassroots support network, but on his personal wealth. The New Jersey Senate race continued a dangerous trend for democracy and representative government in the United States.

In the 2000 New York Senate race, approximately $70 million was raised and spent by the candidates. Republican Rick Lazio's campaign committee reported spending just over $40 million, while the Democratic candidate, First Lady Hillary Rodham Clinton, reported spending $30 million. Given these Herculean efforts at fundraising by both candidates, one might expect that the candidates would not want to draw attention to each other's finances. But Lazio tried to gain an advantage by drawing attention to the fact that Clinton was raising large amounts of soft money for her campaign. In a televised debate, Lazio asked her to sign a pledge that both candidates would foreswear soft money and independent expenditures. She refused. For her part, Clinton pointed out that 14 Conservative organizations were making independent expenditures on Lazio's behalf, and that she did not trust that these organizations would actually stop making these expenditures. Both candidates registered concern about the explosion of soft money and "sham issue ads"— ads, which avoid regulation by not using the words "vote for", or vote against"-- in elections. However, their concerns did not impress reformers, who viewed their self-proclaimed commitment to the issue as nothing

[13] He also raised $3 million from contributors.

more than short-term political posturing. Nevertheless, as Michael McGehee, Associate Vice President of Common Cause, the national campaign finance reform organization pointed out "[t]he real news here is that candidates for very high-profile office are saying that this is a very salient campaign issue, and that is a sea change, … Rick Lazio thinks that a way he can score political points is on a campaign finance reform issue; to me, that's good news."[14]

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III. Money and the Practice of Democracy

The demonstrated and continuous need of almost all elected officials to raise money has enabled money to become increasingly important to the practice of politics at all levels. This development is very important because, while most of the campaign finance reform research cited in this paper identifies the problem as one of buying and selling influence through contributions to campaigns, this work overlooks the more organic damage which money has done to the practice of politics. In addition to the high costs of modern campaigning which include: advertising on television and radio, paying consultants, doing public opinion research, direct mail and other expenses, the presence of money in campaigns changes both how campaigns are run and how they are experienced by voters.

For example, over the last decades, the role of volunteers in campaigns has diminished dramatically. In many campaigns, election workers are paid and phone calls are either automated or paid for by the campaign. In their manual for candidates and campaign managers, Shea and Burton (2000) criticize "old-style campaigns" which "rely on volunteers" for not being sufficiently reliable or efficient. In the introduction to their chapter on fundraising, Shea and Burton argue, "Campaigns need money. Volunteers, issues, good looks and a winning personality can take a candidate only so far. Poorly funded candidates occasionally win, but the shortage of exceptions tends to prove the

[14] Salon.com, September 20, 2000

rule".[15] This view sums up the dominant view of the import of money in campaigns held by party leaders and political consultants.

As mentioned earlier in this paper, the first question asked of individuals interested in running for office by political leaders and party officials is not what their vision or record in the community is, but how much money they are able to raise. Candidates who do not demonstrate an ability and willingness to raise money are discouraged from running for office and not taken seriously if they run.

The few volunteers who continue to participate in politics are constantly reminded of the supremacy of fundraising, as the envelopes they stuff are most commonly fundraising solicitations and their interaction with the candidate often only occurs when the candidate emerges from her fundraising room to take a brief break. Many political operatives and volunteers freely use the oxymoronic term "paid volunteer" with no sense of irony.

Much of the effect of money on politics, other than the increased dominance of paid media over more personal forms of political communication, is best seen at the local level. In urban politics, the influence of money has contributed to the declining role of coalition politics. Relationships between elites have supplanted genuine coalition making to the point where discussions of urban coalitions like those in Sonenshein (1993), DeLeon (1992), Grimshaw (1992) and numerous other works on urban elections seem almost quaint in 2001. To a great extent, coalition building has been replaced by elite deal making. In today's political climate, leaders build relationships with other political leaders and base decisions on webs of favors, personal ties and financial support of candidates. Unlike genuine coalition building, little incentive is offered to bring people into the process and expand democracy. These elite relations are frequently centered around money as community group leaders agree to support a candidate in exchange for soft money. Labor union leaders tend to agree to support a candidate in exchange for aid on a specific piece of legislation.

Similarly, elected officials often base their endorsements in primaries on a candidate's history of campaign contributions. This is particularly true in elections for

[15] Shea and Burton p. 139

low-level office between first time candidates. In these elections, well known incumbents will often simply support the primary candidate who has contributed the most to their campaign coffers in previous elections. In national elections, local political leaders and high ranking elected officials find themselves in the position of demanding money from candidates running for office. They need to do this because, as mentioned earlier, paid work has largely supplanted volunteer work, particularly in big cities.

These specific examples of how money influences politics contributes to a generalized lack of faith in the political process which undermined democratic beliefs, values and behavior. Low rates of voter turnout and other forms of political participation, persistently low indices of trust in government and society[16], a growing reliance on the private sector rather than the public sector to provide services, and impersonal, media centered political campaigns are the most severe problems caused by money in American politics and also the most difficult to solve through campaign finance reform.

These problems demonstrate a general feeling among the American public that the votes and actions of ordinary citizens are less important and less effective than the contributions of the wealthy individuals and organizations that fund political campaigns. This is clearly a troubling sign for the health of any democracy.

IV. The Legislative and Constitutional Context

Buckley v. Valeo and the First Amendment

In the United States, campaign finance reform does not occur in a legislative or constitutional vacuum. Whether a reform program emanates directly from the people in the form of an initiative and referendum, or comes from the elected representatives of the people, any campaign finance reform program must pass constitutional muster. The courts have closely scrutinized campaign finance reform laws, mostly in the context of the First Amendment of the U.S. Constitution.[17] The Supreme Court case of Buckley v.

[16] At this writing, in the immediate aftermath of September 11th, this particular index is exceptionally high.
[17] The First Amendment includes freedom of speech and says, in part, "Congress shall make no law…abridging freedom of speech".

Valeo, decided in 1976, and its progeny have greatly complicated the enactment of effective campaign finance reform.

Buckley v. Valeo reviewed the Federal Election Campaign Act (FECA) of 1971, and as amended in 1974. FECA, in relevant part, set limits on the amount that individuals and entities could contribute to federal campaigns, on how much money candidates could spend on campaigns and on how much money individuals and entities could spend on a candidate's behalf. The case also reviews the FECA's disclosure requirements and the public funding of presidential elections provision.

The Appellants in the case included Senator James L. Buckley, presidential candidate and former Senator, Eugene McCarthy, a major campaign contributor, the New York Civil Liberties Union, and others. They opposed the Act's restrictions on campaigning, arguing that the contribution and expenditure limits were in violation of the First Amendment's right to free speech, arguing that in the modern age of mass communications, no significant political expression could be made without the expenditure of money. Accepting this linkage between money and speech was key to the case for the Appellants, because any law of Congress (or of the states) that is found to abridge the right of free speech will receive a high level of scrutiny from the court, i.e. it will only be upheld if it is narrowly tailored to serve an overriding governmental interest. A law that does not abridge a basic freedom in the Constitution's Bill of Rights does not receive such a high level of scrutiny, and the court must generally defer to the elected legislature.

Using this high level of scrutiny, the Court found, broadly, that the Act's contribution limits were permissible, while its expenditure limits were Constitutionally impermissible. The Court found that the Act's contribution limits did indeed abridge a particular form of political expression. It pointed out that making a campaign contribution is one way in which a person or entity can express support for a candidate and a particular political point of view, and thus was deserving of exacting scrutiny. However, it went on to say:

> "[A] limitation upon the amount that any one person or group may contribute to a candidate or political committee entails only

> a marginal restriction upon the contributor's ability to engage in free communication. A contribution serves as a general expression of support for the candidate and his views, but does not increase perceptibly with the size of his contribution, since the expression rests solely on the undifferentiated symbolic act of contributing… A limitation on the amount of money a person may give to a candidate or campaign organization thus involves little direct restraint on his political communication, for it permits the symbolic expression of support evidenced by a contribution but does not in any way infringe the contributor's freedom to discuss candidates and issues." *Buckley v. Valeo* 424 U.S. 1 (1976) (*per curiam*) at 21-22.

The Court goes on to state that contribution limits serve a compelling governmental interest, the mitigation of corruption and the appearance of corruption, and that these interests served a constitutionally sufficient justification to place limits on contributions. The Court noted:

> "To the extent that large contributions are given to secure a political *quid pro quo* from current and potential office holders, the integrity of our system of representative democracy is undermined… Of almost equal concern … is the impact of the appearance of corruption stemming from public awareness of the opportunities for abuse inherent in a regime of large individual financial contributions… the avoidance of the appearance of improper influence is also critical… if confidence in the system of representative Government is not to be eroded to a disastrous extent." *id*., at 25-26.

The Supreme Court has continued to uphold the constitutionality of contribution limits, most notably in the 2000 case of Nixon, Attorney General of Missouri v. Shrink Missouri Government PAC.

On the other hand, the Supreme Court invalidated the limits contained in the Act on the overall spending limits for a campaign, the amount a person may spend on her own candidacy, and the amount that a person or entity may independently spend in support of or against a candidate. The Court found that these expenditure ceilings imposed a direct restraint on political speech, and since they did not serve a governmental interest that was sufficiently compelling, they were not constitutionally permissible.

The government argued that expenditure limits were designed to equalize the financial resources of candidates. Putting candidates on an equal financial footing was important to ensure that elections were not won or lost based on resources, but on ideas and community support. The government also cited statistics showing the explosive growth of campaign spending, and that limits would serve to reduce the overall amount of expenditures. The Court rejected these arguments, stating that campaign spending necessarily varies due to the size and intensity of the support of the candidate. Moreover, the Court found that expenditure limits may not equalize opportunities for success, but would unduly handicap a candidate who lacked name recognition. The Court also rejected the notion that reducing total campaign expenditures was a legitimate goal of government. It stated, "[t]he First Amendment denies government the power to determine that spending to promote one's political views is wasteful, excessive or unwise." *id*., at 59. The Court further stated that the governmental interest of mitigating the actuality or appearance of corruption in the political system does not apply in the context of expenditure limits because they do not offer the direct *quid pro quo* opportunities that large contributions offer. Apparently, the Court did not find it persuasive that it is the absence of expenditure limits that creates the corrosive and corrupting chase for money in the political system.

Regarding a candidate's use of personal funds, the Court stated that a person's ability to advocate her own views, and to vigorously promote her own election, is at the heart of the right to freedom of expression. The Constitution values this right very highly, and any abridgement of the right must be subject to the greatest scrutiny. The Court also noted that the government's interest in curbing the appearance or actuality of corruption in the political system did not apply to a person spending her own money. Therefore, the Court found that the interest in creating a level playing field between candidates who may have vast differences in personal wealth was an insufficient governmental interest to curtail a person's right to spend their own money on their own candidacy.

The Court also reviewed the restriction of "independent expenditures" on political campaigns. These are expenditures that are made on behalf of a candidate, but not by the candidate or her political committee. They are made without coordination or pre-arrangement between the person or entity making the expenditure and the campaign. The Court held that any restriction on independent political advocacy would represent a substantial impairment of core freedom of speech rights. Such restrictions would "represent substantial…restraints on the quantity and diversity of political speech." Buckley at 19. The Court further stated that these expenditures do not give rise to the danger of an improper political *quid pro quo*. Since the expenditure is made without coordination with the campaign, the candidate cannot make any improper commitment in exchange for the expenditure. The Court in Buckley did recognize, however, that expenditures made in coordination with the campaign are, in essence, contributions and that, therefore, government may regulate them.

The Supreme Court later upheld the principle that government cannot restrict independent expenditures. In the 1996 case, Colorado Federal Election Commission v. Federal Election Commission, 518 U.S. 604 (1996), the Court stated that government cannot prevent political parties, like other persons or entities, from making unlimited independent expenditures on behalf of a candidate.

Independent expenditures are technically different from soft money, but many citizens do not make this distinction. Independent expenditures, often in the form of "issue ads", allow third party interest groups -- which are neither candidates nor political parties -- to spend unlimited amounts of money communicating to voters about one or more candidates. Moreover, there are no disclosure laws governing these independent expenditures. This constitutionally protected speech is another way in which money influences politics. Darrell West describes these expenditures as "Stealth vehicles in political contests… 'Issue ads', for example, typically have less to do with issues and more to do with negative appeals…many of them cross the line into direct electioneering".[18]

However, in Federal Elections Commission v. Colorado Federal Election Commission, 2001 U.S. Lexis 4668, (known as Colorado II), decided in June, 2001, the Court specifically held that coordinated expenditures between political parties and

[18] West 2001 (15-16)

campaigns can be restricted by government. Noting the "reality" that the funding of political parties often comes from individuals with their own personal interests in mind, the Court found that prohibiting government from restricting coordinated campaign expenditures between the parties and its candidates would offer an easy way for special interests to circumvent permissible contribution limitations to the campaigns themselves. Colorado II augurs well for the Constitutionality of reform proposals presently before Congress because it recognized that indirect contributions could have such a corrosive effect on democracy that they could be regulated.

The Federal Election Campaign Act

The Federal Election Campaign Act covers federal election activities, including campaigns for the House of Representatives, Senate and the Presidency. It also regulates entities such as political parties, political action committees (PACs), labor unions, corporations and any other entities seeking to participate financially in federal election activities. FECA, however, does not govern state or local elections.

FECA is administered and enforced by the Federal Elections Commission (FEC). There are six Commission members who serve staggered six-year terms. They are appointed by the President with the advice and consent of the U.S. Senate. No more than three of the Commissioners may belong to the same political party. This ensures that no single political party can control the Commission. However, this arrangement has led at times to FEC gridlock, preventing the Board from accomplishing its work. Moreover, this bi-partisan nature of the Board still tends to favor the interests of those in power on both sides of the aisle. Some states and localities that have enacted progressive campaign finance laws have opted for "non-partisan" or "citizen commissions".

Contribution source prohibitions and limits

FECA includes limits on the amount that persons and entities can give to candidates for federal elections, national political parties (e.g. the Democratic and

Republic National Committees), and to other political committees that participate in federal elections. An individual may give a campaign for the House of Representatives, Senate or President up to $1000 per election. Thus, an individual contributor may give a candidate's campaign committee up to $1000 for a primary election for the nomination of a political party, and another $1000 for the candidate's general election.

Multi-candidate committees may give $5000 to a candidate per election. To qualify, they must have more than 50 contributors, and donate to five or more campaigns for federal office. Political Action Committees (PACs) have been created to take advantage of this more liberal treatment of campaign contributions. PACs are often established by corporations or industries seeking to promote their interests in government processes; by people who wish to promote an ideology or a specific policy position, such as gun rights or abortion rights; and by elected officials who wish to create a vehicle to raise money and, in turn, donate the money to other campaigns. An elected official who is able to raise and spend money to promote the election of other candidates enhances her own power with other elected officials who have received the benefit of the contributing elected official's largesse.

There are higher contribution limits for national political parties that, as noted above, are regulated by the FECA. Individuals and committees that are not multi-candidate committees may donate up to $20,000 per calendar year to the national parties. Multi-candidate committees may donate up to $15,000 per calendar year. Finally, contributions to any other federal political committee (other than a national party committee) are limited to $5,000 per calendar year for individuals, multi-candidate committees and other political committees.

In addition to these limitations on contribution amounts, corporations, labor organizations, federal government contractors and foreign nationals are prohibited from making any contributions to federal campaigns and are further prohibited from making any expenditures to influence federal elections. As will be discussed later, however, corporations and labor organizations are able to make unlimited soft money contributions for "party building activities".

Disclosure

Comprehensive disclosure of a campaign's finances is an important facet of any campaign finance program. Disclosure allows the enforcement agency that is responsible for monitoring elections to have an ongoing understanding of the campaign's financial practices. Perhaps even more importantly, it gives the public information about who exactly a campaign is raising its money from and in what amounts. FECA requires campaigns to disclose any contributions or expenditures that aggregate to $200 or more in a year.

Especially in competitive and high profile races, the press monitors disclosure statements and reports information about candidate's campaign finances. Additionally, candidates will often review their opponent's campaign finance records. Candidates may publicize campaign finance information that they determine will reflect poorly on their opponent. For example, a challenger who is running against an incumbent who is raising money from people who are doing business with government would likely publicize that fact, with its implication that there may be a *quid pro quo* arrangement. Disclosure that is easy for the press and public to access, such as information that is entered into a searchable database and available on the World Wide Web, not only informs voters about an important aspect of a campaign, but serves as a deterrent to fundraising practices that may conflict with the public's interests.

Expenditures

Buckley v. Valeo banished the possibility of placing involuntary expenditure limitations on campaigns. Also, the candidate herself may use any amount of her own personal funds to finance the campaign. In addition, a political party or other entity may make expenditures that are independent of the campaign in unlimited amounts.

The only expenditure limit which was allowed to stand in Buckley v. Valeo was the voluntary expenditure limit for candidates for President of the United States. Candidates for President may opt to agree to spending limits in return for accepting public funding of the campaign for each the primary and general elections. For the primary, candidates who meet a financial threshold may receive matching funds of up to half the applicable spending limit. In 2000, the limit was $40.5 million for the primary.[19] The general election, in theory, offers full public funding for the major party nominees. In this past election, the major party nominees received $67.56 million in public funds for the campaign (however, there are certain exemptions which allow campaigns to raise and spend money far in excess of this amount). Most major candidates have accepted expenditure limits in return for receiving public funds. One notable exception was George W. Bush's successful campaign for the Republican nomination in the 2000 elections. He explained during the campaign that he did not want to use the taxpayer's money to help him in his election. Even if he did not want to use taxpayer money for his election, he could have voluntarily accepted the expenditure limits, but he refused, and his campaign exceeded the expenditure limit that would have applied to his campaign.

The federal campaign finance regime, which is restrictive in its contribution limits and provides meaningful disclosure, has been rendered almost meaningless by the gaping loopholes in the law and the manner in which the FEC interprets it.

V. Soft Money and Campaign Finance Loopholes

The American political system has numerous points of entry and places from which political power may spring. This is one of the reasons it is particularly difficult to regulate the role of money in politics. Accordingly, the history of campaign finance reform has been characterized by solving one problem simply by creating another.[20]

Regulating corporate contributions created an explosion in the number and influence of PACs, as well as an increased role for soft money and independent expenditures. In 1974, there were only 608 registered PACs of which 89 were corporate.

[19] This spending limit is subject to certain exemptions that enable the candidates to spend more money.
[20] For example, see Sabato 1989 for a discussion of loopholes and the rise of PACs as a response to the passage of the FECA.

By 1998, there were 4,598 registered PACs of which 1,778 were corporate. The dramatic increase in the use of soft money has been discussed elsewhere in this paper.[21]

Today, much of the debate surrounding campaign finance reform centers around restricting soft money. To a great extent, restricting soft money is part of an effort to close the current loopholes in the campaign finance system. However, an acknowledgment must be made to the difficulty of ensuring that political parties are not allowed to spend money on behalf of their nominees due to the complex relationship between campaigns and free speech.

The effort to restrict soft money is fueled by the presence of numerous political organizations that exist almost entirely for the express purpose of raising and spending soft money. For example, a Republican candidate for congress in Missouri will spend money directly from her campaign committee, while the Republican Congressional Campaign Committee, the Republican National Committee, the Missouri Republican Party and the Republican party organization in each of the counties where the candidate is running will also spend money directly and indirectly to help the candidate. This does not include any money spent as independent expenditures to help the candidate get elected. Thus, while the First Amendment makes it difficult to restrict the speech of a political party, soft money exploits this loophole and skirts the spirit of campaign finance law.

Soft money is, broadly speaking, money that is raised and spent outside of FECA. In 1978, the FEC issued an advisory opinion that exempted money that is raised and spent for "party building" activities at the state and local level from the provisions of the Act. It created a distinction between activities such as state and local voter registration drives and "get out the vote efforts" and spending to support a specific federal candidate. Foreseeing the potential for abuse in this new loophole, good government organizations such as Common Cause vehemently opposed the ruling, but were unsuccessful in their efforts.

The fears of the good government community proved to be correct. The loophole appears to have been discovered by the political parties during the 1988 presidential

[21] All data in this paragraph is from the Federal Election Commission.

campaign. As Common Cause predicted, much of the money raised under the "party building" guise is spent on television and radio commercials that are thinly disguised campaign advertisements, known as "issue ads". They cannot expressly use the words "vote for" or "do not vote for", but otherwise can and do advocate for a candidate. One technique that is often used is to describe a candidate in a negative way and urge viewers to "call Candidate X and tell him what you think".

This money is unregulated, except that now it is subject to FEC disclosure requirements. That means that sources that are prohibited from making campaign contributions, such as corporations and labor unions, may make contributions to various national political parties to use for soft money expenditures. Equally important is the fact that there are no limits on how much an individual, corporation, or any other entity can give. When the press has reported on scandalous fundraising practices, it has usually been soft money fundraising. For example, when President Clinton was offering people the opportunity to spend the night in the Lincoln Bedroom of the White House for a contribution of $250,000, he was not soliciting funds for his own campaign committee, which was bound by a $1,000 contribution limit. Rather, he was raising money for the Democratic National Committee which, in turn, could transfer money to Democratic state organizations to run soft money issue ads for President Clinton or his political allies.

Since it was first used in 1988, soft money spending has increased exponentially to staggering amounts. It is impossible to know just how much was raised and spent in soft money dollars before 1991, since the money was not even subject to basic disclosure requirements. However, in 1991, the Federal Elections Commission amended its regulations to require political parties to disclose their soft money donors. Federal elections occur every two years; each period is an election cycle. For the election cycle that ended with the 1992, a presidential election year, the Republican and Democratic parties collected $86 million in soft money contributions. By 1996, the following presidential election year, the two parties raised $263 million in soft money donations during the election cycle. Finally, in the last federal election cycle that ended in 2000, the parties raised $487 million in soft money. Soft money raised during the non-presidential election cycles is seeing similar dramatic increases, which means the parties are becoming increasingly dependent on soft money contributions to fund their election activities. In 1992, soft money represented 19% of total funding for the Democratic Party, and 16% for the Republican Party. In 2000, soft money made up 47% of total fundraising for the Democratic Party, and 35% for the Republican Party. This increasing dependence makes it more difficult to push a bill through Congress to ban soft money. However, because of the public's outrage about campaign finance scandals, the unceasing pressure of good government organizations, and the leadership of a few maverick members of congress from both parties, there is a realistic chance that real reform of the soft money system will occur.[22]

On April 2, 2001, by a vote of 59-41, the United States Senate passed the McCain - Feingold bill, entitled the Bipartisan Campaign Reform Act of 2001. Its companion bill in the House of Representatives, the Shays – Meehan bill, is under consideration and facing an uncertain fate. If these bills are eventually signed into law, they would prohibit the national committees of political parties, federal candidates and officeholders, from soliciting or receiving funds, or making any expenditures outside of the Federal Elections Campaign Finance Act. It completely shuts down the unregulated soft money loophole as it exists today. In addition, anticipating that the soft money that now flows to the national committees would simply change course and flow to state party committees, the bill provides that any money spent by a state committee on any federal election activity is subject to the FECA.

The bills also clarify the definition of independent expenditure. As discussed above, the Supreme Court in Buckley determined that government cannot restrict independent expenditures made to advocate for or against a candidate. However, the Court also acknowledged that coordinated expenditures are really in-kind contributions that could be regulated by government. The bills provide a broader and more meaningful definition of the word "coordination" to ensure that expenditures that are claimed to be made independently are truly independent.

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[22] I obtained this information from the Brennan Center for Justice at NYU School of Law report, entitled the Purposes and Beneficiaries of Party "Soft Money". The source of their table is the Federal Elections Commission.

Another noteworthy provision in the Senate bill is that they seek to lower the rates that television stations charge to political candidates. Television stations understand that political campaigns have very little flexibility in terms of the time that they can broadcast commercials, and that any delay can spell electoral disaster for a campaign. Therefore, the stations will often charge campaigns on the high end of market rates for commercial time. To help lower costs, the bills would require that television stations offer broadcast time at the lowest rate the stations charged for the same time slot during the preceding year.

On the hard money side of the equation, the McCain - Feingold bill raises the contribution caps for candidates and the parties. Some argue that raising contribution limits creates a greater incentive for *quid pro quo* corruption. Others have argued that $1000 contribution limits per election are unrealistically low, and work to create pressure to find loopholes such as soft money. Low contribution limits may also require candidates to spend more of their time fundraising. Finally, by making it so difficult for candidates to raise money, the low limits put a premium on name recognition, which is an advantage that incumbents generally enjoy over challengers, thus tilting the balance in favor of incumbents even more. The McCain – Feingold bill would raise the individual contribution limit to a candidate for federal office from $1000 to $2000 per election, and from $20,000 to 25,000 for other political committees, such as the political parties.

The one reform that is markedly absent from the bills in Congress is the imposition of voluntary spending caps and any expansion of the presidential public funding program to other offices. As long as campaigns can spend unlimited amounts of money on their campaigns, the frantic money chase will continue. And as long as private money is fueling elections, there will always be scope for undue influence in the political system.

In addition to the constitutional problems associated with restricting the speech of political parties, there are additional reasons why passing legislation regulating soft-money will be difficult. First, as with most campaign finance related proposals, there is no natural legislative constituency for regulating soft money. Many members of Congress have been elected with the help of soft money from their party and know that if they face a tough reelection campaign, soft money from their party will be very helpful. Additionally, congressional leadership is particularly fond of using soft money because it allows them to help elect their colleagues and earn their loyalty.

In short, soft money is one of the many methods used to ensure that incumbents are reelected most of the time, so it is unlikely that a group of incumbent legislators will vote to restrict it in a meaningful way. Only a strong wave of public opinion combined with a grassroots organization and an ambitious legislator or group of legislators will make it possible to meaningfully reform soft money in the United States.[23]

Some of the obstacles confronting efforts to regulate soft money are more complex and less obvious than those described in the preceding paragraphs. Soft money not only has an impact on campaigns between the Democrat and Republican Parties, but the raising and spending of soft money is also an important part of inter-party politics. The organizations and interests which are able to provide the most soft money are able to exert more influence within each party. This is particularly important given the substantial number of legislative districts at all levels of government in the United States which are dominated by one party and where the primary is the real election. Moreover, many elected officials and political interests are able to help disperse soft money in ways that strengthen them politically nationally and in the districts they represent.

One way to understand the role of soft money in determining who has more power within a given party is to compare two of the most important fundraising sources of the Democratic party: labor unions and trial lawyers. These two groups are important parts of the Democratic coalition raising millions of dollars and providing votes, volunteers and other services every election cycle. Accordingly, the Democratic Party has, for the most part, supported these two interests. Democrats are considerably more friendly to organized labor than the Republican Party and have staunchly opposed tort reform, a position very important to trial lawyers in the United States.

While both the trial lawyers and organized labor provide money to the Democratic Party and to individual party candidates, they provide this money in different

[23] See Dwyre (2001) for a discussion of issue leadership and policy entrepreneurs in congress on both sides of the effort to ban soft money.

ways. The trial lawyers have a PAC, the American Trial Lawyers Association (ATLA), which contributes to some candidates and provide some soft money to Democratic Party organizations. However, the primary way in which trial lawyers contribute to campaigns is through individual contributions to candidates, known as hard money. Because trial lawyers are a relatively affluent group, a pro-trial lawyer candidate who is strongly supported by ATLA will have access to ATLA's membership and will be able to solicit them directly for individual contributions.

Labor unions do not have similarly affluent members. They may make direct PAC contributions to candidates, but they cannot raise hard money comparable to ATLA. However, labor unions as organizations have access to a great deal of money and are among the very biggest contributors of soft money to state and national party organizations. Thus, soft money is one of the most important ways for organized labor to gain and exert power within the Democratic Party. Within the context of internal party politics, labor would suffer a loss of influence relative to the trial lawyers from a ban on soft money. Ironically, in most elections, the Republicans who fight the interests of organized labor spend more soft money than the Democrats. Clearly, the incentives for labor and other interest groups regarding soft money are very mixed.

The debate around soft money specifically, and campaign finance more generally is also informed by how money is spent in politics and campaigns. This issue is addressed in greater length elsewhere in this paper. However, it is important to note here that politicians are able to distribute soft money to individuals and organizations in exchange for continued political support. Soft money, as with all political money, plays an important part in building political organizations or machines.

Soft money has become an important replacement for patronage in many communities. Members of congress and other elected officials who no longer control many jobs can award thousands of their party's dollars to loyal supporters during election season. This is one of the reasons why, in 2001, the Congressional Black Caucus came out against the proposed ban on soft money. Although, this entirely Democratic caucus does not benefit directly from soft money, they are able to spend soft money that, among other things, provides work for people in their heavily minority and lower income districts.[24]

VI. Campaign Finance Reform at the State and Local Level

The last time supporters of campaign finance reform have had a significant success was in 1974. And, as described above, loopholes have largely circumvented those reforms. While still fighting for change on the federal level, reformers have opened a new point of attack at the state and local level. Many state and local jurisdictions are fraught with campaign finance abuses. Some states have no contribution limits at all and no computerized disclosure, making monitoring of abuse nearly impossible. Therefore, the states and local jurisdictions present an opportunity for real advances in campaign finance reform in the United States. They can also serve as a laboratory for determining what works well in campaign finance regulation, and what does not work so well.

An important tool that reformers have used for ushering through serious campaign finance reform is initiative and referendum. Initiative and referendum enables citizens to petition to put a question directly onto the election-day ballot. It circumvents the control of the elected officials, who may have a self-interest in opposing campaign finance reform. Initiative and referendum has been successfully used to pass serious state campaign finance reform in Massachusetts, Maine, Vermont, and Arizona.

Public funding is an important aspect of campaign finance reform programs at the state and local level, yet its expansion at the federal level to include races for Congress is rarely seriously discussed. Many on Capitol Hill claim that public funding is unpopular with the public. Some critics of campaign finance reform label public funding "welfare for politicians". Yet, whenever reform appears on the ballot at the state and local levels, the voters often vote "Yes". This was true in the traditionally liberal state of Massachusetts, as well as the very conservative state of Arizona.

[24] See Larnder, George Jr. "For Black Caucus, Big Stake in Soft Money, PAC's Fundraisers, Creation of Think Tank Bring Questions about Disclosure" *The Washington Post* July 21, 2001 and Shenon, Philip "The Black Caucus, Once a Foe, Enjoys Soft-Money Games" *The New York Times* August 27, 2001.

The Massachusetts Program

In Massachusetts, the voters approved a "clean elections" reform package that includes a high percentage (at least 80%) of public funding of campaigns. The term "clean elections" refers to the fact that campaign money will derive from the public coffers, which comes with no strings attached ("clean money"), rather than private sources who may seek favors if the candidate is elected ("dirty money").

The Massachusetts Program, like all campaign finance programs that include expenditure limits, is voluntary. Buckley requires it that programs limiting expenditures be voluntary. The principal inducement that these programs use to encourage a candidate to participate is the availability of the public money. The Massachusetts Program gives candidates for Governor $1,622,100 in public money for a contested primary election, and $1,135,500 for a contested general election. Thus, a candidate for Governor who is successful in the primary and who goes on to run in the general election can receive a total of $2,757,600 in public funds for the entire election cycle. The state of Massachusetts has a population of 6.3 million, and 4 million registered voters. Candidates for the Massachusetts State House of Representatives seeking to represent districts containing approximately 37,600 people may receive $16,200 for a primary election, and $9,700 for the general election, totaling $25,900.

To receive the public funds, candidates must agree to strict contribution and expenditure limits, and meet a threshold amount of contributions from private individuals who live in the district that the candidate seeks to represent. The purpose of setting this threshold amount is to ensure that the person running for office is serious and has a certain basic level of grassroots support before handing him or her a check paid for with taxpayer money. To qualify for public funds, a candidate for Governor must obtain contributions of between $5 and $100 from 6,000 residents of Massachusetts. Candidates for state representative must receive such contributions from 200 district residents.

Candidates may continue to raise money from private sources until the deadline when they must file nominating petitions, which occurs in late May to early June of the election year. However, candidates may not be able to use all the money they raise.

Gubernatorial candidates have an expenditure limit of $1,944,100 for the primary election and $1,300,100 for the general election. State Representative candidates have a $19,500 primary election spending limit, and a $12,900 general election spending limit.

Given these financial parameters, candidates must do a cost-benefit analysis of whether it is worthwhile to join the Program. The major benefit to joining, of course, is receiving public money. However, some candidates who are wealthy or have access to wealthy donors may not be persuaded by the public funds to agree to stringent contribution and spending limits, rigorous audits and, in some cases, increased reporting requirements.

The Massachusetts Program seeks to further encourage participation and to level the playing field between Program participants and non-participants by giving the participant additional public funds to match the spending of the non-participant that exceeds the expenditure limit, up to twice the amount of the expenditure limit for the applicable office. Other state and local programs offer participants funding bonuses and expenditure cap relief when running against a high spending non-participant.

The New York City Program/Cultivating Relationships with the Press

Another important way that a campaign finance program discourages non-participation is by developing relationships with members of the press and editorial boards of influential publications. In *New York City*, the Campaign Finance Board has a high level of credibility with the New York Times and other newspapers. Since its inception, the Board has been chaired by Father Joseph A. O'Hare, who, as a Jesuit priest and President of Fordham University, is a respected member of the community. Under his leadership, the Board has cultivated a reputation for impartiality, fairness and effectiveness. The strength of the Program and the reputation of the Board have influenced the press to discourage non-participation and justify the spending of public money on political campaigns.

For example, during the 1993 elections, Andrew Stein, the scion of a wealthy real estate family, announced his decision to run for Mayor and not join New York City's

Campaign Finance Program. He decided to use his personal funds and to accept large contributions from wealthy connections. By not joining, he avoided the Program's $6,500 contribution limit and the expenditure limit that applied to all of his potential contributors. Under New York State law, which applies to candidates who opt-out of the Program, he was eligible to accept more than $41,000 from any contributor and could use any amount of his own money for the campaign. For Mr. Stein, the public money that program participation offered was apparently not enough to offset the financial benefits of non-participation. In spite of what would have been an overwhelming financial advantage, Mr. Stein aborted his campaign in the face of harsh media criticism over his refusal to join the Program.

In addition, organizations dedicated to enhancing democratic processes in New York City also helped draw attention to Mr. Stein's efforts to "buy the election". In one action that drew particular attention, staff members and volunteers of the New York Public Interest Research Group and New York State Common Cause dressed up as fat cats and protested outside an Andrew Stein fundraising event. Their point was to dramatize the fact that corporations and wealthy individuals – or fat cats – were donating to the Stein Mayoral campaign with the hopes of receiving favors from him should he be elected Mayor.

Mr. Stein's unsuccessful run for Mayor served as a stern warning. Four years later, every major candidate for citywide office joined the Program. In 2001, Alan Hevesi, the City's Comptroller and a major Democratic Mayoral candidate, indicated that he was considering not joining the Campaign Finance Program. He had a large fundraising advantage over his chief rivals, which would have grown larger if he was freed from the Program's $4500 contribution limit, prohibition on corporate contributions, and restrictive expenditure limits. The public funds the Program offers were insufficient to replace the contributions he could have received in the amount of $45,400 per donor. Nevertheless, citing the negative perception that not joining would have with the press and public, he joined the program along with his other three Democratic rivals.

Michael Bloomberg, who won the 2001 election running as a Republican, has opted not to join the Program and spent well over $70 million over the course of the campaign. Bloomberg, the billionaire founder and CEO of Bloomberg Information Services, financed his own campaign. He overwhelmed his Republican opponent with spending in the Primary, the well-known Herman Badillo and narrowly defeated the Democratic nominee Mark Green in November, 2001. Although Mark Green frequently accused Bloomberg of buying the election, Bloomberg was able to overwhelm Green with television ads and direct mail during the last days of the campaign.

VII. Conclusions - Reforming Campaign Finance and Reinvigorating Democracy

The effect of money on American democracy is profound. The increasing cost of campaigns has had a major impact on accountability, participation and legitimacy in the American political system. Even in a polity like the United States, where the formal institutions of democracy have existed, in some cases, for centuries, this is troubling. The formal structures of democracy: a written constitution, free and fair elections, the rule of law and civilian control of the military, to name a few, are not enough to sustain a meaningful democracy if the people lose faith in the system and participation drops dramatically.

There is a broad perception that elected officials feel more accountable to their contributors than to the people they represent. Some research argues (Sabato 1989) that contributors do not seek to change elected officials' views on policy, but instead seek to reward friends and keep them in office. However, in terms of voters' perception, this is an irrelevant distinction. The relationship between, for example, a legislator and the pharmaceutical companies which help finance her campaign, is suspect regardless of whether or not the legislator's views predate her support by the pharmaceutical industry. In either case, voters feel that their voice matters less because they cannot or will not contribute substantial sums of money.

As this paper has argued, the presence of large amounts of money in political campaigns has diminished political participation and produced a downward trend in voter turnout in the United States. Moreover, money has increasingly replaced volunteers in political campaigns, a symptom of decline in political participation that is, in many respects, more significant than reduced voter turnout.

As the role of money continues to grow, it is clear that meaningful democratic governance in the United States is in danger. The task of reforming campaign finance is difficult because of political and legislative obstacles discussed earlier in this paper. Moreover, campaign finance issues are frequently intertwined with free speech issues in the United States a condition that creates a complex legal environment for campaign finance reform.

Nonetheless, the United States' mixed experience with attempting to regulate the role of money in politics can be useful for democracies, particularly less developed ones. The first and most important lesson is that campaign finance reform is a critical issue that requires full attention. Beyond simply taking this issue seriously, the American experience demonstrates that polities must invest time and resources to ensure that private money does not unduly influence politics.

Restricting the influence of money on elected officials is not something which only a wealthy country that has solved more fundamental needs should focus on. On the contrary, ensuring that money does not dominate politics is at the center of building a democracy in which people participate meaningfully, where legislation is an open process, where all people have equal representation and where equal access to the franchise is not corrupted by unequal access to resources.

The examples of the American experience with campaign finance reform from which other, less affluent countries can learn are not found at the level of national politics. Rather, they can be seen in American states as different as Arizona and Massachusetts, as well as in large and diverse cities such as New York. While the specifics of these programs vary, successful campaign finance programs in the United States all share a number of characteristics.

First, they all call for public disclosure that is easily accessible to the media, other candidates and the public at large. These programs make it easy for anybody to see who has contributed to each candidate. This creates a disincentive to accept money from individuals who are known to not share the interest of the community at large. It also makes it possible for an informed and curious voter to find out who is providing support for candidates.

Second, all these programs have spending caps that limit how much each candidate can spend on the election. One effect of these spending caps is that candidates must reinvigorate volunteers and rely on more personal and grassroots approaches to campaigning. Meeting voters at house-parties, debates, forums, and walking tours, and other forms of inexpensive but personal types of campaigning become relatively more important. Another effect spending limits have is a reduction of the time the candidate has to spend raising money, which in turn gives candidates time to meet voters and campaign in other ways. Candidates in races without caps often continue raising money until the polls close on election day and have very little time to actually meet voters.

Public funding is the third characteristic these programs share. Public funding, particularly when combined with spending caps, substantially reduces the pressure on candidates to raise money, thus allowing the candidate to spend time meeting with voters. More importantly, public funding makes major strides in equalizing the funding between candidates running for the same office. In campaigns with no public funding, it is not unusual for the winner to outspend her opponents by a ratio as large as three to one or greater. Public funding makes this type of often insurmountable financial advantage virtually impossible.

Contribution caps are the fourth component which all of the successful campaign finance programs share. Capping contributions limits the influence that any one individual or organization can have on a candidate. By forcing candidates to raise money from a larger number of contributors, more grassroots approaches to fundraising are encouraged. When combined with a public funding program, contribution caps encourage small donors and make them feel that their contributions are important as well. It is important that contributions are capped at an appropriate amount. If the amount is too high, the cap is irrelevant. For example, caps of $10,000 or $25,000 per individual have very little impact. However, caps that are too low, particularly in the absence of substantial public funding, force candidates to spend all their time raising small contributions. Many people feel that the $1,000 cap on contributions from individuals to congressional campaigns, which was determined almost 30 years ago, is too low and forces congressional candidates to spend almost all their time on the phone raising money.

The fifth characteristic shared by all successful campaign finance programs is that they enjoy broad support from political elites, the media and important civic institutions. This broad support creates a strong incentive for candidates to participate and comply with campaign finance laws. This is particularly essential in places like New York City, where participation in the campaign finance program is voluntary. For example, a key institution that encourages candidates, even those who have personal fortunes and do not stand to gain by accepting both matching funds and spending caps, is *The New York Times*. It is the city's most prestigious newspaper; *The Times* endorsement is often the most important single endorsement in a campaign. However, because most political players in New York City understand that *The New York Times* supports the campaign finance program very strongly, they will not consider endorsing a candidate who is not participating in the program.

Finally, for campaign finance reform to be truly successful, in the United States and elsewhere, it will not be enough to simply craft and approve a package of reforms governing contributions, expenditures and disclosure. True reform must occur in the context of a broader democratization. In the United States that means it must be part of an effort to increase all forms of political participation and to strengthen ties between elected officials and the people they govern. For this reason, successful campaign finance reform must, as it has in Massachusetts and Arizona, originate with the reform and good government groups and move upward to the state and national legislatures.