RF, Volume 28, No. 2, July, August 1992

COVER STORY

Money in Politics

Campaign finance reform is once again teetering at the edge of failure. Both houses of Congress managed to pass a bill and send it to the president, but, just as he had warned, President Bush quickly vetoed the bill, with no chance of an override and little climate for a compromise. This is a shame.

NORMAN ORNSTEIN SUGGESTS HOW CONGRESS SHOULD REFORM CAMPAIGN FINANCING

There are few areas of political reform where change is more desirable and action can clearly make more of a difference. And there are few areas where both parties, overcoming their myopia, should more directly be able to come to a common understanding of how to reform the system for the better.

While real reform has remained elusive, there is general consensus on the major deficiencies of the system. First of all, campaigns have become outrageously expensive; as a result, politicians have become obsessed with money. Without money, challengers cannot run effectively and incumbents cannot be assured of keeping their seats. Today's politicians spend enormous amounts of time raising money for campaigns, plotting ways to raise money, and thinking about how much money they need to raise. This time would surely be better spent tending to constituents needs or working on public policy.

Another major problem with the system is that special interests have gained an inordinate amount of influence. The general public is particularly sensitive about this issue; people feel that they have been squeezed out by monied interests and no longer have access to their representatives in Congress. Washington is awash in lobbyists, and the most observable, reportable, and quantifiable evidence of their influence is campaign contributions. These donations may be legal, but their growing size and role in campaigns has led to an overwhelming desire to change the laws, to reduce this special interest presence.

Finally, there is general agreement that in a world of big-money campaigns, challengers are left out, and incumbents have unfair advantages. Few challengers have the wherewithal or the access to resources to raise anywhere near the amount of money needed to wage a competitive campaign these days. Incumbents increasingly have monopolized PAC contributions, thus worsening the financing problems of challengers. In addition, incumbents have built-in advantages, such as mailing privileges and staff, which only add to the obstacles faced by challengers. All of this helps to explain the unbelievably high reelection rates for incumbent members of Congress in 1986, 1988 and 1990.

Real reform can be achieved by taking moderate steps to improve the system from within, without starving incumbents and challengers and undermining the public discourse. Nearly everyone connected with the political process understands the shortcomings of the current system. But most move from them to a fatal misconception about their roots and to faulty assumptions about what would cure them.

The fatal misconception is that the problem is too much money. Few assertions about politics are as widely and readily believed; few are as flat-out wrong. But to start from that assumption leads inevitably to a set of reforms to cure it. The most common solution offered by reformers is to remove as much money as possible from the system. Some would accomplish this by eliminating PACs; others by putting spending caps on campaigns. Each solution solves the wrong problem and creates a bigger one.

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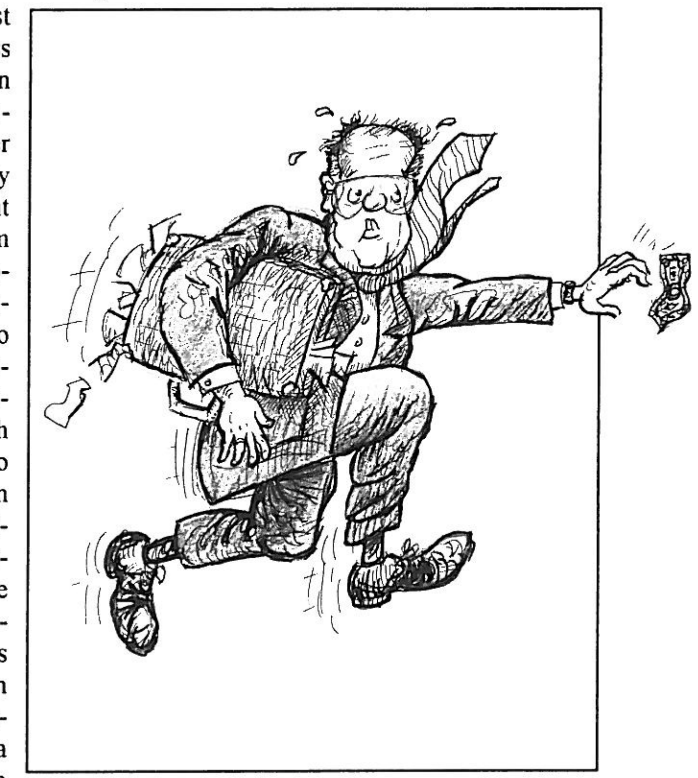
WE NEED MORE CAMPAIGN MONEY

The reality is we need ***more*** money, not less, in our campaigns. In a vast and heterogeneous society like the United States, elections are expensive, and have to be. We happen to have a lot of voters, spread out over huge geographical expanses. Candidates need to raise lots of money to run effective campaigns -- campaigns, in other words, that adequately reach voters. A political campaign is a crucial forum in a democracy for raising issues, debating differences and showcasing problems of governance. But it exists not in a vacuum but surrounded by a literal blizzard of other information and noise -- 50 or more cable TV channels, newspaper and radio advertising, computer information systems, direct mail and so on-- that all makes it difficult to get any messages across. As any commercial advertiser could attest, to do so costs considerable sums of money. The trick is to make it the right kind, and make it more accessible.

Unfortunately the current system, designed in considerable part by the same reformers who decry it, makes raising money in any form especially difficult. For example, the single largest reason for the sharp growth in PACs has been previous "reforms" that cut the amount of money in campaigns and made it more difficult for candidates to raise money from small individual donors. For candidates needing to raise the $400,000 or so required for an average competitive House campaign, or the several million necessary for a Senate race, PACS -- easily accessible in Washington, in business specifically to give money, and with much higher limits than individuals -- have become increasingly attractive.

Eliminating or sharply reducing the role of PACs may well be desirable, given our concern with special interest influence. But to eliminate PACs without freeing up other sources of money would create a bigger problem, without solving the old one. All candidates, not just incumbents would have an increased burden raising the large sums of money needed to communicate effectively with voters. Either they would become even more preoccupied with raising money, spending more time and energy on it than they do now, or they would raise and spend less money, narrowing the ability of candidates to reach voters.



Neither would eliminating PACs erase special interest influence. Long before the creation of PACs, interest groups had access and influence in Washington, indeed, much greater influence than they have now. But that was in a pre-reform era, before disclosure of contributions enabled us to detail systematically and quantitatively their cash contributions to Washington. Even if PACs were eliminated, special interests would continue to exert their influence. As James Madison noted in Federalist 10, special interests are a part of American democracy's genetic code.

That is not to argue that we should simply throw up our hands and accept any system of overt influence peddling. It is to say that since we cannot erase the influence or role of special interests, reforms must be designed with a different goal in mind. We need to channel that influence in a more balanced way, creating more avenues for rank-and-file voters and broader interests to tilt the playing field away from an over-reliance on narrow special interests and their money.

But simply eliminating PACs without creating compensating changes to loosen restrictions on other kinds of money will be counterproductive. The compelling need candidates have for

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PACs Not the Problem

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campaign resources would increase, not abate.

Rather than eliminating PACs, some reformers would prefer to place caps on campaign spending. Advocates of this approach believe it would reduce the obsession with money, give challengers more opportunity by reducing the huge leads that well-off incumbents have, and trim special interest influence by cutting the overall money in the process.

A cap on spending might reduce a candidate's ability to communicate with voters, but it would not reduce special interest influence, merely rechannel it. And it would have the opposite effect of its intentions on incumbents and challengers. The problem for most challengers has not been how much an incumbent has, but rather how little the challenger can raise to overcome the overwhelming threshold of name recognition and issue communication required to reach a huge constituency.

Five Steps To Cleaning Up Campaigns

❖ **FULL TAX CREDIT FOR SMALL, IN STATE CONTRIBUTIONS:** Would make it easy to solicit money from individual citizens and would give people a much needed incentive to get involved in the political process.

❖ **ESTABLISH A MATCHING FUND FOR IN STATE CONTRIBUTIONS:** This would be a major incentive for candidates to raise funds from the people they would be representing and not from special interests. A threshold could weed out non-serious candidates.

❖ **CUT THE LEVEL OF PAC CONTRIBUTIONS:** Cutting the limit on PAC donations from $5,000 to $2,000. This would reduce the influence of special interests but keep their participation in observable and legitimate routes.

❖ **ESTABLISH A "SEED MONEY" MECHANISM:** Raise individual contribution limits to $10,000 for a certain number of donations. To avoid abuse, require extensive disclosure of donors and limit large donations to early in the campaign to avoid "sandbagging" late in the game.

❖ **REFORM POLITICAL ADVERTISING RATES:** Require radio and television stations to offer the lowest cost commercial rates for political advertisements. This would significantly reduce the cost of federal campaigns.

How then can we achieve genuine campaign finance reform, that is, reform that would reduce special interest influence, reduce the intense preoccupation with raising money, and open the doors to quality challengers to make elections more competitive?

What we need to do is provide easier paths to the "right" kind of money (the kind that no reasonable person would call tainted) for all candidates, easier access to "seed money" for new candidates to get a Congressional campaign under way, and methods to reduce the cost burdens of campaigns without restricting the communications vital to democratic elections. The plan outlined below would achieve all of those goals with a few simple steps.

REFORMING THE SYSTEM

First, a full tax credit for small, in-state contributions should be enacted. The best kind of money to have in campaigns is small contributions from individual citizens from a candidate's state. A 100 percent tax credit for in-state contributions of $200 or less would make it easy for candidates to solicit money from average citizens, and would add considerably to the incentive for citizens to contribute to campaigns -- a nice way to get them involved in democracy.

In addition to enacting a tax credit, a matching fund process should be established for these in-state contributions. This would serve as a major incentive for candidates to raise "good" money. A threshold could be set, at say $25,000, in order to weed out non-serious candidates. Once over that limit, candidates would get federal matching funds for every contribution of this sort.

With these two reforms, Congressional candidates would suddenly have a major incentive to raise money in small individual contributions from their own state's voters, tilting the playing field sharply away from PACs and toward "average" people.

A third element of the plan would be to cut allowable PAC contributions. PACs can currently contribute up to $5,000 per election (primary or general) to a candidate. Cutting the limit to $2,000 would greatly alter incentives for candidates and open up a major new flow of funds into campaigns.

Reducing PAC contributions to individual campaigns would not eliminate PAC influence; no doubt, many interests would try to find other ways to enhance their clout in politics, perhaps through the soft money or "bundling" of contributions from different sources. But enhanced disclosure would help to counter that tendency, as would a beefed-up enforcement arm for the now-toothless Federal Election Commission.

More importantly, keeping PACs alive but reducing their clout would keep most interest involvement in campaigns channeled into observable and legitimate routes, but routes with a much lower volume of traffic.

The fourth component of the plan would be to install a "seed money" mechanism. This would be accomplished by raising individual contribution limits to $10,000, with some restrictions and allowing candidates to raise up to $100,000 in early contributions of $1,000 or more.

One of the goals of campaign finance reform has to be to enable challengers to "get over the hump," i.e. to raise start-up funds to create an organization, do some polling and advertising, and build some momentum. That is very hard to do without a seed money mechanism.

Under current law, individuals are limited to $1,000 contributions. Candidates have been unable to finance more than a small portion of their campaigns with $1,000 individual contributions; realistically, few individuals have the means to write $1,000 checks to political candidates (most who do could easily add a zero). Sharply raising the limit would enable challengers, especially, to turn to a small number of well-heeled individuals to get campaigns under way.

This change could only be effected with several safeguards. The overall sum that a candidate could raise in this fashion would be limited, to keep the "seed money" principle in place. Every contribution of more than $1,000 would be accompanied by extensive disclosure from the donor, including name, address, job positions, corporate and other board memberships, and any direct legislative interests, released within 48 hours of the contribution to both the Federal Election Commission and to major journalistic organizations in the state. Furthermore, to prevent a candidate from sand-bagging an opponent, contributions over $1,000 would be restricted to the early stages of a campaign.

There is a danger here, of course, in letting a cadre of wealthy people have overwhelming influence on campaigns. But with the limits in place and with the extensive publicity the disclosure provisions would ensure, the public would have a full opportunity to weigh the appropriateness and impact of the contributions during the campaign. In fact, these contributions would have the ironic benefit of providing non-wealthy candidates with a counter to the unlimited spending allowed by independently wealthy candidates.

THERE IS A GENERAL AGREEMENT THAT IN A WORLD OF BIG MONEY CAMPAIGNS, CHALLENGERS ARE LEFT OUT AND INCUMBENTS HAVE UNFAIR ADVANTAGES.

REFORM TELEVISION COSTS

Finally, the plan includes a provision which would require television and radio stations to provide the lowest-cost commercial rates for political advertisements of at least one minute in length for qualified Congressional candidates. The largest and fastest growing expense in House and Senate campaigns is TV advertising. This is one area where we can find a reform to reduce the costs of campaigning for candidates and parties. Doing so simply by requiring free time would be a mistake. Deciding how to allocate television time to thousands of congressional candidates would become a bureaucratic nightmare. Consider what the implications would be in areas, like New York, where television stations reach as many as thirty or forty congressional districts in three states. Would every candidate get free time -- all districts, every party -- in equal amounts, even for seats that are uncontested or barely contested? Who would watch hour after hour of political commercials, and how would confused voters sort out their own candidates' messages from the hundreds of others being broadcast? Under what authority would cable stations, unlicensed by the federal government, be required to give time? If cable stations are left alone, what is the rationale for the competitive damage done to commercial broadcast stations vis a vis their cable competitors? These and other questions, including the role of the parties and of the candidates, cannot be answered without one realizing the Pandora's Box created by the concept of free time for congressional campaigns,

However, there is no reason why stations,

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Cut Broadcast Advertising Costs

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granted valuable licenses by the government to dominate public airwaves, should be able to take advantage of democracy by charging higher prices to candidates than they do to commercial advertisers. At the same time, by targeting the lowest rates to commercials of one minute or more, we would discourage campaigns from relying ever more heavily on the 15- or 30-second "hit-and-run" spots that have become so popular, and so negative.

This series of reforms would improve the lot of candidates and generally create a more healthy political and campaign process. It does not address the role and health of the political parties. There have been proposals to inject more life into the parties by making them the conduits for money and the allocators of television time into congressional campaigns. Given the widely disparate strength and sophistication of local parties around the country, this would have uneven and perhaps destructive effects. The campaign finance system cannot turn a system with weak and decentralized parties into one with strong, vibrant and unified parties, and it would be a mistake to try to use reform as a vehicle to accomplish that goal.

THE REALITY THAT NO GOOD REFORM CAN WORK WITHOUT PUBLIC MONEY ... OUGHT TO BE ACCEPTED BY REPUBLICANS.

At the same time, it would be an equal mistake to rush to reform "soft money" out of existence, without considering the unintended consequences of such a change for the parties. To many erstwhile reformers, the problem is in fact soft money. *The New York Times* calls soft money "sewer money" in its editorials calling for more campaign finance reform.

THE ROLE OF SOFT MONEY

What is soft money? Federal election laws do not regulate the states and thus do not control the state and local parties. Contributions to them are not limited or disclosed -- and big givers, the so-called "fat cats" of American politics, have made their big contributions here. This is what is generally meant by soft money. In 1988, there was at least one contribution that exceeded $500,000. That went, via state parties, to the Republican Party; in 1986, Joan Kroc, the widow of the founder of the McDonald's Hamburger franchise, gave $1,000,000 in soft money to the Democratic Party. In all, fundraisers for both presidential candidates in 1988 raised around $25 million each in soft money. The recent and controversial "President's Dinner" in Washington is the latest example of big soft money contributions.

The money to state and local parties is ostensibly for state and local purposes. But get-out-the-vote and voter registration drives, polling efforts and party advertisements are all ways in which this money can be used to benefit federal candidates -- congressmen, senators, and presidential hopefuls -- at the same time. The soft money loophole is also one that enables corporations, unions and foreign nationals to contribute in many states, usually without any extensive disclosure.

Current campaign finance laws were designed to limit the size of individual donations in order to prevent individuals from buying access or influence. However, the soft money loophole has enabled the parties to solicit millions of dollars from wealthy individuals and powerful interests. Senate reformers are willing to limit soft money contributions, while House members have been reluctant to do so. This may be due in part to the fact that House members, because they run for office more frequently, have more to gain from coordinated campaigns run by the state party and designed to benefit the entire party ticket. As it stands now, the laws vary from state to state and are, on the whole, extremely lenient.

There is a dilemma inherent in the debate over soft money. Any serious limitations on this type of fundraising would likely have the effect of weakening parties on every level. What many critics of soft money do not realize is that most of the money flowing into parties these days comes from the unlimited contributions made at the state and local level. Those who advocate the elimination of soft money would also like to see the parties strengthened. The former is not likely to lead to the latter. If we are interested in keeping our parties from going out of existence altogether, more prudent reforms in this area, including some limits on contributions, some changes in the definition of coordinated campaign activities between local and congressional parties and candidates, and fuller disclosure of soft money contributions, makes more sense than the wholesale change recommended by the *New York Times* and Common Cause.

USING THE PUBLIC'S MONEY

Enacting this series of reforms would address each of the major concerns we now have about the campaign finance system. We would tilt the system away from an increasingly heavy reliance on special interest money, restoring more balance to the policy process and more of a role for rank-and-file voters. We would make it easier for politicians, incumbents and challengers alike, to raise the money necessary to run effective campaigns in our large and diverse democracy, without having to demean or prostitute themselves in the process, or to turn their attention unduly away from policy making concerns.

In addition, we would break the logjam of non-competitiveness in campaigns by giving solid and promising challengers more opportunities to raise the money necessary to get their messages across while avoiding the creation of the kinds of restrictions on incumbents that are unrealistic or counter-productive.

Of course, all of this would require a good deal of public money, perhaps as much as $150 million to $300 million a year. This seems a small price to pay for cleaning up the campaign mess, especially when we consider that $150 million constitutes a mere one-seventy fifth of one percent of the federal budget. Nonetheless, given today's fiscal environment and the current public mood, finding any public money will be more difficult now than ever.

The task before us then is to find some realistic and reasonable sources of funds that will pay for real and positive reform without enraging the public. Two sources come to mind. The first would be a tax on PACs. Instead of abolishing PACs, why not make the special interests they represent pay for improving the campaign system? The procedure would be simple and straightforward. For every contribution a PAC makes to a House or Senate candidate, it would be required to make an equal contribution to the US Treasury, earmarked for a campaign finance trust fund. The trust fund would reimburse the Treasury for revenues lost by giving tax credits for small, individual, in-state contributions.

How much money might this generate? PAC contributions to Congressional candidates in the 1990 election cycle were $150 million. Assuming some dropoff in contributions caused by the tax, it is still reasonable to expect that a 100 percent tax on PAC donations could raise $100 to $120 million. That in and of itself would pay for a $50 to $100 tax credit per American and might even make it politically feasible to have a $200 credit.

Of course PACs won't welcome such a proposal, nor will campaign reform purists, who would prefer to see PACs eliminated altogether. PACs may try to scuttle any efforts at campaign finance reform. However, given the current pressure for reform, from inside and outside of Congress, PACs would be better off accepting this type of compromise than risking their total demise.

A second source of money could come from a user fee on television advertising. Television advertising represents the single biggest and fastest rising cost of campaigning today. Television stations and outlets have garnered huge sums of revenue from political campaigns. Recently many observers have suggested that TV stations be required to provide free time to candidates and parties. Obviously, forcing the stations and networks to allocate time to thousands of candidates in hundreds of districts would be a bureaucratic mess.

However, there is a better way to tap into the resources of TV stations for the good of the campaign process. A "user" fee based on advertising revenues would raise tens of millions of dollars which could then be put into a trust fund to help pay for the proposed tax credit. The fee could be charged once every five years, when television stations are required to apply to the FCC for license renewal. In 1991, total revenues for spot and local television advertising are projected at over $16 billion. A fee of one-half of one percent of a year's advertising revenue would raise perhaps $75 million per election cycle.

Of course broadcasters would resist any such measure. They have already voiced their total opposition to any license fee, and are now feeling the effects of the recession on their ad revenues.

Nonetheless, the idea of having those who benefit from the current campaign funding system pay some realistic and reasonable price for making it better ought to have enough logic and momentum to overcome these objectives. If not, we may need to turn to another, non-connected source of revenue; perhaps a modest filing fee on tax returns for corporations and partnerships, on

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U.S. Aid Changing

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past mistakes, particularly if member countries continue to maintain good oversight. With recent international changes, the institution has greater access to the world's store of intellectual resources and is the logical place to accumulate the best worldwide information on the social, economic and geographical characteristics of all nations.

Additionally, the international organization has formalized a process to deal with and respond to non-governmental agencies and is improving its capacity to relate to people, community based issues and women's rights.

MAJOR DONORS ARE SETTING NEW STANDARDS OF CONDUCT WHICH THIRD WORLD COUNTRIES ARE EXPECTED TO MEET TO QUALIFY FOR FUTURE ASSISTANCE INCLUDING POLITICAL REFORMS

In the past, increased U.S. voluntary contributions to the U.N. programs has leveraged additional funds from other industrialized countries and there is no reason to think this wouldn't happen again, resulting in a fairer assistance burden.

Increasing the U.S. assistance levels should also have a beneficial effect on Congress because Senators and Congressmen will feel less pressure to earmark funds for private voluntary organizations presently operating in the third world. More U.N. funds would make the body more sensitive to the needs of member nations and compel them to coordinate programs with all donors.

With the impressive enthusiasm and obvious skills of Boutros Boutrous-Ghali, the new Secretary General, and with former Attorney General and Pennsylvania Governor Dick Thornburgh serving as second in command, what better time for the Congress and the Administration to take a hard bipartisan look at the United Nations. It's time to examine individual U.N. programs, closely evaluate their past performances and see how increasing aid can benefit the United States and meet the development challenges of the 21st Century. ■

Many Republicans Are Pro-choice

PRO-CHOICE *from page 2*

diseases which exploded in the 1980s.

What is more significant than the Bush Administration's policy about fertility control, is the fact that many polled Republicans say that they are pro-choice. A recent study entitled "Debunking the Myth" by the moderate GOP organization, Republican Mainstream Committee, tallied the results of various polls which concluded that 71 percent feel that abortion should be a private decision made by the woman herself; 68 percent oppose a constitutional amendment to ban abortion; 61 percent do not want *Roe v. Wade* overturned and 69 percent oppose the Administration's efforts to prohibit federally funded clinics from providing patients with information about abortion.

The GOP needs to get with the ticket and recognize the large numbers of pro-choice voters proudly call themselves Republicans. Both conservatives and moderates in the Party are angry. Who could blame them? Their views on this important issue are being ignored. *The Editors* ■

Reform Needed

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a sliding scale based on revenues, would be feasible.

Whatever the source of revenue, the reality that no good reform can work without public money in one form or another ought to be accepted by Republicans. At the same time, the futility of basing reform on spending limits ought to be accepted by Democrats. If each side makes this major concession, real reform, not just change for the sake of change, is achievable. ■