EXTENSIONS OF REMARKS

BIPARTISAN CAMPAIGN REFORM ACT OF 2001

SPEECH OF

HON. ROBERT W. NEY

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 13, 2002

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 2356) to amend the Federal Election Campaign Act of 1971 to provide bipartisan campaign reform:

Mr. NEY. Mr. Chairman, The following information I wish to submit for the RECORD on this matter of Campaign Finance Reform.

NEY-WYNN IS THE EFFECTIVE SOFT MONEY BAN

Perhaps the best way to explain the difference between the ''soft money bans'' is to elaborate on comments by the President of Common Cause, Scott Harshbarger, panning Ney-Wynn. As you may know, Common Cause strongly supports Shays-Meehan, and was apparently heavily involved in drafting much of its language. He incorrectly asserted that Ney-Wynn is just like Senator Hagel's bill, and that Ney-Wynn continues to let in unregulated and unlimited soft money. Both are false—Ney-Wynn does ban (as opposed to cap) soft money for Federal election activity.

First, with respect to Senator Hagel's approach, I have reviewed both bills, and am of the view that any comparison to Ney-Wynn is an oversimplification. Senator Hagel's bill merely put a limit on the amount of non-federal funds the party committees could accept. It put no restriction whatsoever on how the money could be spent, and would not have dramatically altered how party committees currently operate. Party committees would have still been free to run so-called ''soft money issue ads'' and engage in other similar activities. It would not have forced the party committees to use federal money for federal election activity.

On the other hand, the Ney-Wynn bill would radically alter how party committees on both sides of the aisle operate. Unlike Hagel, it bans soft money for federal election activity. It bans us from doing so-called ''soft money issue ads.'' In short, Ney-Wynn actually accomplishes what the reformers want—an end to party committee soft money being used in Federal elections via the back door.

With respect to soft money, Ney-Wynn bans the party committees from using it for any Federal election activity. As for the limited amount that party committees will be allowed to accept, all the Ney-Wynn bill does is treat party committees the same as corporate and union PACs, allowing us to use limited soft money contributions for fundraising and administration. And that's all—it can't be transferred, used for issue ads or the like. In fact, Senator McCain himself voted to let this use of soft money continue.

Moreover, Ney-Wynn is consistent with the recent decision in Colorado Republican II, where the Court said that ''[a party committee] is in the same position as some individuals and PACs.'' It also avoids the issue presented in Jacobus v. Alaska and a recent opinion letter from the Attorney General of New Hampshire (finding total contribution bans are unconstitutional). So as to ensure that the Ney-Wynn ban is truly a ban, even voter registration and get out the vote conducted within 120 days of a federal election must be paid for entirely with federal hard dollars. But critically, this limitation still allows the party committees the ability to do voter registration and other outreach.

Several state laws already ban soft money in this way, most notably Texas and New York, and to a certain extent, Florida and California. States that have taken the Shays-Meehan approach tend to be left-of-center, and eventually try some form of public financing. The current Shays-Meehan actually mandates that public financing be studied.

As someone who has intimate knowledge of the financial and political operations of party committees, I believe Ney-Wynn is a radical change. It will force the parties to use hard dollars for our activities, but still allow us the resources to assist our candidates in getting their messages heard. The party committees will remain able to drown out special interest ads, albeit with hard dollars. In sum, Ney-Wynn achieves what ought to be everyone's common goal: allowing the candidate's voice to be the central voice in American politics.

Shays-Meehan will have the opposite effect—it simply attempts to emasculate the political parties, and leave candidates to fend for themselves. It does not make any effort to ensure that parties continue to register voters and involve people in the process. Once the Shays-Meehan experiment inevitably makes matters worse, reformers will then insist that public financing of all Federal elections is the only option left.

As for soft money, Shays-Meehan does not constitute a soft money ban with respect to federal election activity. Contrary to what has been repeated time and time again, ''soft money'' is neither unlimited nor unregulated. Over 30 states have passed limits or outright bans on corporate and union money, including contributions to state political parties—laws that Shays-Meehan actually preempt. In fact, when the full impact of the two bills is analyzed, particularly in light of the application (or preemption) of state law and the $30 million soft money loophole, Ney-Wynn constitutes the more effective soft money ban. It has the added advantage of requiring disclosure of third-party issue ads that is consistent with judicial precedent.

Please contact me with any questions or concerns.

[Institute of Governmental Studies and Citizens Research Foundation Policy Brief, July 6, 2001]

ASSESSING THE IMPACT OF A BAN ON SOFT MONEY: PARTY SOFT MONEY SPENDING IN THE 2000 ELECTIONS

(By Ray La Raja and Elizabeth Jarvis-Shean)

This policy brief examines how national, state and local parties of the Republicans and Democrats spent soft money in the 2000 Elections. Our findings demonstrate that the state parties, which receive about 83% of their soft money from national party transfers, are the primary venue for soft money spending. About 44% of state party soft money spending went toward media activities, while 15% was invested in mobilization and grassroots activities. Parties target their media and mobilization spending in competitive states. The Democrats rely more on soft money for campaign activity than Republicans. Spending on all campaign activities—media, mobilization and grassroots—has been increasing over the past several election cycles. If soft money is banned—or simply curtailed within 120 days of a general election—it is likely that both media and party building activity will be reduced significantly unless the parties can make up for the shorfall with hard money.

The purpose of this report is to furnish basic data about soft money spending in the 2000 elections as a way to understand the potential impact of campaign finance reform legislation being debated in the 107th Congress. In particular, we consider the effect of a ban on soft money, a provision that remains the centerpiece of a bill sponsored by Senators McCain and Feingold, and passed by the Senate on April 2, 2001. The House of Representatives will soon consider a similar version of the bill. Much of the debate over reform considers the effect of eliminating soft money on party activities. Will the parties be weakened? To what degree are parties using soft money for issue ads? In this report we assess how parties spent their soft money in past elections as a way to understand the likely consequences of banning or restricting soft money.

Soft money includes funds that parties raise that lack the contribution limits set by the Federal Election Campaign Act of 1971 and its amendments. Under federal law, soft money may be used for party building but not direct candidate support. Advocates for banning soft money argue that its elimination is essential for preserving the integrity of the electoral system. Their underlying premise is that soft money corrupts the political process by allowing wealthy donors to trade political money for favorable treatment in policymaking in Congress and the Executive branch. Some argue that even if candidates are not corrupted, voters perceive that the exchange is corrupt or that parties abuse campaign finance laws by using funds illegally to help their candidates. Such perceptions alienate voters from the political process and undermine the legitimacy of the nation's political institutions.

Others argue, in contrast, that a ban on soft money will damage American democracy. Citing several court decisions, they claim that constraints on political activity run counter to the 1st Amendment. Another line of argument contends that eliminating soft money will weaken an essential political institution in American democracy—the political parties. Removing this resource will weaken parties relative to other political actors such as interest groups, and reduce the party's efforts to get voters to the polls. Rather than reinvigorate political participation, the McCain-Feingold reforms might actually reduce citizen activity.

The arguments on either side deserve rigorous empirical scrutiny. It appears, however, that Congress is poised to enact legislation without considering some basic information about soft money. Drawing on financial data about parties released by the Federal Election Commission, we try to shed some light on the uses of soft money. We are hardly prepared to provide an in-depth analysis to address the claims of either side in this upcoming reform debate in the House. Instead, our goal is to provide an empirical foundation to help policymakers consider carefully the ramifications of their decisions.

The questions we ask are simple, but to our knowledge they have not been addressed adequately. How did parties spend soft money in the 2000 elections? To what extent did they use soft money to finance ''issue ads?'' How much soft money went toward traditional voter mobilization efforts and other party building activity? Did parties spend differently from prior elections?

Using data providing by the Federal Election Commission we explore these questions about soft money spending. We categorized more than 500,000 entries of itemized expenditures by national, state and local parties in the 2000 elections. Our framework for examining soft money is to consider what would happen if the McCain-Feingold bill was made into law. The key provisions of the bill, as they pertain to party soft money, are the following:

National parties

May raise or spend only hard money (i.e., limited contributions, no labor or corporate contributions).

May not make contributions to non-profits.

State parties

Must use hard money to fund any ''federal election activities'' (defined as Get-Out-the-Vote, or voter registration in the 120 days preceding an election) during a federal election year.

May fund ''federal election activities'' with soft money capped at $10,000 from the same source if state laws permit.

Candidates

Banned from raising soft money for ''federal election activities.''

Non-profits

National parties banned from making or soliciting contributions to nonprofits; candidates banned from raising soft money for non-profits for ''federal election activities.''

FINDINGS I

How did parties spend soft money in the 2000 Elections?

Parties at the federal, state and local level spent almost half a billion dollars in soft money in the 2000 elections. These funds were spent primarily by the state parties because federal and state regulations are more permissive of soft money spending at this level. The 100 major state parties—Democratic and Republican—spent approximately $340 million in soft money. The national parties, in contrast, spent only $136 million. The national parties, however, raised a good portion of soft money and then transferred it to the state parties. According the Federal Election Commission, the national committees raised approximately $496 million in soft money and transferred $280 million (56%) to the state parties.

Local parties (158 of them) spent only $4 million. It should be noted that federal, state and local parties spend additional soft money in non-federal elections. But because these funds are not related in any way to a federal election they do not have to be reported to the Federal Election Commission. Therefore, the soft money data we collected pertains only to campaign spending related to federal elections. We should also point out that we are reporting only soft money figures here. By law, parties are required to match soft money with hard money for each activity, using complex accounting guidelines provided by the Federal Election Commission. If we included the hard money figures in several of the subsequent tables, the spending in these categories would be 40% to 50% higher.

For national parties, most soft money (about 43%) is invested in overhead and basic administrative costs of maintaining the party headquarters in Washington. Unsurprisingly, the next largest expenditure is for fundralsing (approximately 39%), It appears that little more than 13% of national party spending goes directly into campaigns for media and mobilization activities. Based on our analysis of party spending reports, we believe the bulk of media spending includes the cost of producing and airing television and radio ads. Mobilization spending, in contrast, includes the ''ground'' activity: registering and identifying voters, Get-Out-the-Vote (GOTV) phonebanks and precinct canvassing, and costs of direct mail. Although the national parties spend a small portion of their soft money on these activities, their investments are significant in absolute terms, investing $10.3 million on media-related activities and $7.4 million on mobilization activities.

State parties use soft money more than other party committees. In the 2000 Elections, they spent 2.5 times as much soft money as national parties. Through transfers, however national parties supply approximately 83% of the soft money that state parties spend for federal related activities. At the state level, 44% of soft money for federal related activities ($149.3 million) is invested in media, a significant increase from the 1996 election in absolute terms, as well as a rise in the portion of the party budget devoted to media. Clearly, state parties are major sponsors of issue ads. Another 12 percent of the budget ($41.8 million) goes toward ground mobilization activities, much of it targeted in competitive states. Only 4% of state party budgets reflect grassroots campaign activity that includes distribution of bumper stickers and pins, the staging of rallies and related volunteer work ($11.3 million). State parties rely heavily on soft money for office upkeep and general administrative expenses ($99.5 million or 29% of budget).

Finally, local parties use very limited amounts of soft money in federal elections. Among the 158 local major parties that submitted campaign finance reports to the Federal Election Commission, their total soft money spending amounted to just $4 million. More than half of this was for party administration and overhead. Only 2% was used for media, 10% was for mobilization work and 5% for grassroots activities. Local parties are obviously more concerned with local elections so it is unsurprising that they spend so little soft money in federal election activity. Furthermore, much of their work does not involve the costly technical aspects of modem campaigning such as broadcast media. On the other hand, it seems reasonable to expect that more soft money would make its way to the local level since the intent of amendments to the Federal Election Campaign Act was to encourage grassroots party building.

How does soft money spending in the 2000 elections compare to earlier elections?

One question that arises in the current debate is whether parties have transformed themselves into campaign media organizations through financing issue ads with soft money. The data provide evidence that state parties have become important venues for producing and airing issue ads, something they did not do prior to the 1996 elections. On the other hand, state parties continue to use soft money for party building activities as they have in the past.

In the 2000 elections, state parties invested significantly more soft money directly in campaigns than in prior elections. For example, they spent $149.1 million on mediarelated activity, more than double their expenditures in 1996. The portion of total party soft money devoted just to media increased from 37% in 1996 to 44% in 2000. Spending on mobilizing voters through the ''ground campaign'' (telephones, canvassing, direct mail) increased from $16 million in 1996 to almost $42 million in 2000, a boost of 160 percent. The share of the soft money budget devoted to this activity increased from 9 to 12 percent between 1996 and 2000.

In 1998, media and mobilization spending was more evenly distributed than during a presidential election cycle. During the 1998 elections, 17% of soft money went toward media and 12% toward ground mobilization. These figures suggest that the media strategies of presidential campaigns drive much of soft money spending. Nonpresidential contests do not always rely as heavily on a media campaign strategy as presidential contests, even though soft money has played an increasingly important role in financing issue ads for congressional campaigns.

State parties continue to rely a great deal on soft money to maintain the party headquarters, paying for staff salaries, benefits, office equipment and other basic necessities. In the 2000 elections, parties spent almost $100 million on administration, a 38% increase from 1996. Administrative costs reflected 29% of all state party soft money spending in 2000, which was a much smaller portion that in the 1996 elections.

What can we surmise from these data? To the dismay of those seeking definitive evidence to confirm their point of view, the data appear to support both reformers who favor a ban on soft money and those who highlight the virtues of soft money. Advocates of a ban are accurate in observing that the parties abuse their access to soft money by using it for thinly disguised issue ads that actually help the campaigns of particular federal candidates. The parties can hardly claim that their recent media spending is part of a conventional party building strategy when state parties spent virtually no money on issue ads prior to the 1996 elections. On the other hand, those who say a ban on soft money would weaken parties have grounds for concern. It would be wrong to claim that party soft money has not been invested in building the party. Soft money spending on mobilization and grassroots increased substantially with each election for which we have data. It is also clear that soft money pays for a significant share of maintaining the party headquarters.

What effect will the ''120-Day Rule'' have on party activity?

The McCain-Feingold bill allows parties to spend soft money up until 120 days before the general election, so long as contributions are capped at $ 10,000 per source. We assume that the motive of this provision is to enable the parties to engage in partybuilding in the early build-up to an election, without letting them use soft money directly in federal campaigns just before the election. With this in mind, we observe how much soft money was spent before and after this 120-day marker. We find that only one-quarter of soft money is spent prior to this 120 day marker. Parties invest the vast majority of soft money within the final four months of the election.

Which activities will be affected the most by the 120-day rule? If the intent of the provision is to root out much of party spending on media activities it might achieve this result. Only 7% of media spending came before the 120-day mark. Of course, under this new rule, parties could simply frontload issue ads (if they learn how to craft ads that do not violate other provisions of the new law). But undoubtedly, the impact of media advertising is strongest closer to the election and party strategists will likely seek ways to get around this new provision. Our hunch is that they will spend soft money on issue ads prior to the 120-day marker, and then invest heavily in ''independent'' issue ads that require hard money. Recent court decisions protect the party's ability to spend without limits when they operate independently from the candidates.

In the effort to eliminate soft money issue ads, it appears that party-building activities will also be affected. Only 9 percent of spending on voter registration and GOTV activities takes place before the 120-day point. Similarly, only 11% of grassroots and traditional party ''hoopla'' take place before this point. Unsurprisingly, the parties spend significant soft money before the four-month window on maintaining headquarters and raising funds in anticipation of the intense campaign activity to follow. A soft money ban within 120 days of an election will not only reduce party spending on media, but also curtail party building activities Congress intended to encourage through revisions to the Federal Election Campaign Act during the 1970s.

Are there partisan differences in soft money spending?

A common concern among policymakers is the relative effect of a ban on either party. Who might be hurt more by banning soft money, Republicans or Democrats? Surely, party members will not want to change campaign finance laws in ways that put their party at a disadvantage. It appears that the Democrats rely more heavily on soft money for direct campaign activity than Republicans. Democrats, for instance, outspent Republicans $87 million to $62 million on media with their soft money. Similarly, Democrats invested more than Republicans in mobilization with soft money, but the difference is not as great as for media. Republicans use more soft money for party overhead than Democrats, and use it slightly more for fundraising.

The explanation for the Democratic strategy is that the Republicans raise far more hard money than Democrats. It appears, then, that Democrats try to make up for the difference with soft money, using it in ways that might benefit their federal candidates as much as possible. While both parties use soft money to benefit federal candidates directly rather than for generic party building, the Democrats have a far stronger incentive to employ this strategy than Republicans. We can only speculate whether the large figure for ''unidentified'' expenditures ($18.7 million) suggests that the Democrats are reluctant to reveal the way they use soft money to influence federal campaigns.

Given these findings we expect the Democrats to suffer the most from a soft money ban in the short term, since they use it to make up for their relative deficiency of hard money. Over the long-term the Democrats might be able to reach parity with Republicans hard money fundraising, although traditionally the Democrats have been less successful soliciting small contributions than Republicans.

Table 5 (not shown) is further evidence that soft money is important to both parties in federal elections. It demonstrates that the parties concentrate their money in competitive states. The 10 party organizations that spent the most on media were in states with a highly competitive presidential or Senate campaign, or both. These included 6 Democratic and 4 Republican organizations. The average media expenditure among all 100 state parties was 63 cents per voter. Those in the top 10 spent in the range of $1.91 to $9.73 per voter.

Table 6 (not shown) provides the same analysis for party expenditures on mobilization. The average mobilization expenditure among all 100 state parties was 19 cents per voter. Those in the top 10 spent in the range of 40 cents to $1.3 9 per voter. Interestingly, Democratic organizations comprised the first 8 of 10 organizations in this top category, demonstrating a preference for this mobilization strategy in tightly contested races. For Democratic organizations, the average expenditure on mobilization was 24 cents per voter, while it was only 14 cents per voter for Republican committees.

SUMMARY POINTS

National parties use soft money mostly for party overhead & operations, as well as fundraising. They also transfer 55 percent of their soft money to state organizations, which perform much of the campaign work.

State parties rely on soft money to perform a variety of campaign activities: Approximately 44% was spent on media ($149.4 million); 29% on party overhead and operations ($99.5 million); and 15% on direct mobilization and grassroots ($53.1 million).

The ''120-day rule'' that prohibits soft money spending within 120 days of a general election could eliminate as much as 3/4 of soft money spending: 89% of spending on issue ads falls within 120 days of the general election; and 91% of spending on GOTV and registration falls within 120 days of the election.

Democrats will likely be hurt by a ban on soft money more than Republicans in the short term: Democrats spend more soft money on media and mobilization than Republicans. Democratic organizations, on average, spent 85 cents on media per voter and 24 cents on mobilization per voter. Republicans, in contrast, spent 42 cents and 14 cents on media and mobilization per voter, respectively.

The parties concentrate their soft money resources in the closest races: States with competitive presidential contests spent the most on media and mobilization per voter.

The corrupting influence of unlimited soft money contributions and expenditures, whether real or perceived, is cause for concern and perhaps legislative action. Such action should target underlying problems, while attempting to minimize harmful unintended consequences. The McCain-Feingold bill, with its 120-day amendment and $ 10,000 contribution limit, will eliminate most soft money spending, including spending 12 on thinly disguised candidate ads parading as ''issue ads.'' But it is likely that voter mobilization efforts will be reduced as well. The dramatic increase in soft money media expenditures is driven by the belief that this expensive campaign activity delivers results at the polls. In an effort to prevent corrupt contributions and purge issue ads, the McCain-Feingold bill will constrain the party in other ways. State parties, particularly in states where the parties rely on major donors, will find it more difficult to pay administrative costs, even as they augment efforts to raise money from smaller donors. It is also conceivable that media expenditures will maintain current levels and be paid for with hard money as ''independent'' party expenditures. Given finite resources, broadly based party-building, including voter registration and mobilization, may suffer the most. Certainly there are no guarantees, but it is a plausible outcome that should be kept in mind as the House begins debate on campaign finance reform.

[Columbia Law Review, April 2000—Symposium: Law and Political Parties]

*598 SOFT MONEY, HARD MONEY, STRONG PARTIES

(Stephen Ansolabehere and James M. Snyder, Jr.)

Political parties are central to current efforts to reform campaign finance in the United States. Party money constitutes approximately half of all campaign funds raised at the national level. Limiting party money is, thus, integral to campaign finance reform. This Article examines what might be gained and lost if regulations on party money are imposed. Proponents of stronger (and better financed) parties conjecture that strong parties increase the ability of voters to hold their representative's accountable. We find that such benefits are, in practice, minimal. Instead, we argue that the main benefits of party money, especially soft money, derive from the parties' campaign activities. Soft money finances state party organizations' voter registration and mobilization efforts, which have substantial effects on turnout. Reducing party money will, thus, reduce participation. The benefits of limitations on party soft money must therefore be weighed against likely reductions in voting that would result.

INTRODUCTION

American campaign finance law is often described as more loophole than law. Congress and the courts, sometimes working at cross-purposes, continually attempt to clarify and perfect existing regulations, but as campaign practices evolve, candidates, parties, individuals, and groups devise clever, new ways to bend the rules. Today, efforts to reform campaign finance focus on the transfer of national party, funds to state and local organizations. Political parties raise large sums from individuals, corporations, and other associations. They then channel these funds to state and local party organizations, which in turn conduct campaign activities that indirectly and sometimes directly affect federal elections. This was an intended consequence, a genie that Congress meant to let out of the bottle. Our concern is with the effects of putting the genie back in.

In 1979, Congress amended the Federal Election Campaign Act (''FECA''), [FN1] excluding state and local party building activities from the federal contribution limits. [FN2] The Federal Elections Commission (''FEC'') further clarified the law in a series of rulings, which in essence allow individuals and organizations to give unlimited amounts of money to the national parties' ''non-federal'' accounts. [FN3] Funds in such accounts are intended *599 for ''party activities'' at the state and local levels, and may not be contributed to or spent in coordination with federal candidates. Behind this exemption, since termed ''soft money,'' lies a simple objective: Strengthen the political parties.

The soft money loophole arose in response to two forces: the sorry state of national parties in the 1970s and the long-held belief among political scientists that stronger national parties would improve the ability of voters to hold government accountable. National parties in the U.S. have never had well-financed organizations. [FN4] and in the 1970s, their situation appeared especially dire. The national party organizations reputedly needed a greater presence in the new world of campaign finance created by FECA, which put candidates at the center of national political campaigns. [EN5] FECA imposed new restrictions on the amounts that national parties could give to candidates and on the ways that the parties could raise money. These restrictions hit the Democratic National Committee (''DNC'') particularly hard, as the committee labored under debt from the 1968 and 1972 campaigns.

Soft money also answered a century of political science speculation and theorizing. Political scientists have long argued that the absence of strong national party organizations in the U.S. limits the ability of voters to hold government accountable for public policies. [FN6] In order to hold the government accountable, voters need to face clear, programmatic choices. Party money is one means to this end.

Parties are able to impose discipline on their members, acting as a counterweight to the many special interests that may chip away at the public good behind legislation. [FN7] Expanding party money might also weaken the influence of interest *600 groups by lessening the unique campaign finance advantages of incumbents, which derive substantially from interest group contributions. [FN8] This argument received its most famous expression in a report of the American Political Science Association published in 1950 and entitled ''Toward a More Responsible Two-Party System.'' [FN9]

The committee that crafted the report recommended three concrete changes in the practice of politics that would improve accountability: more programmatic parties, greater democracy within the parties (such as primary elections), and deregulation of the parties' campaign fundraising activities. [FN10] On all three counts, American politics have moved in the direction of the committee's proposals and its vision of responsible party government. The parties within Congress exhibit much more party line voting today than they did in the 1970s, providing voters a much clearer choice. [FN11] Primary elections and other party reforms in the 1960s and 1970s created more democracy within the parties. [FN12] The consequence of those changes in our national politics is the subject of intense scholarly scrutiny. [FN13] Our concern is with the third factor in the contemporary experiment with stronger parties, the money.

Today, the American political parties are prolific fundraisers. In 1998, for example, Democratic and Republican national party organizations raised $445 million for their federal (hard money) accounts, and $224 million for their non-federal (soft money) accounts. [FN14]

Party money has not been heartily embraced by the public, politicians or political scientists. Twice, Congress has nearly closed the soft money loophole. [FN15] Campaign reform bills proposed by Representatives Shays and Meehan and by Senators McCain and Feingold passed the House of Representatives in each of the last two Congresses, and have failed in the Senate only because a minority of senators sustained filibusters. *601 [FN16] Scholarly and popular commentary has similarly turned against party finance, and against soft money in particular. The objections are not that the parties have become too strong. Rather, it is alleged that party finance practices have inadvertently increased the political leverage of interest groups [FN17] and have ruined the ability of government agencies to regulate the system of political finance. [FN18]

Specific objections to soft money emphasize the evasion of existing limits. Following Buckley v. Valeo, [FN19] contribution limits on individuals and groups became the centerpiece of campaign finance regulations in the United States. [FN20] In each election, individuals may give no more than $1,000 to a candidate, up to $20,000 to national party organizations, and a total of no more than $25,000 to all federal candidates. Organizations may give no more than $5,000 to a candidate and $15,000 to national party organizations in each election. The 1979 amendments to FECA provide an avenue through which groups and individuals can avoid these limits, giving unlimited amounts to the parties' non-federal accounts. [FN21] In addition, organizations, especially corporations, can avoid having to set up a separate and segregated fund, commonly called a political action committee (''PAC''), through which the organizations raise money for federal elections. Finally, soft money is widely seen as an evasion of presidential spending limits, as presidential candidates can raise money for the ''non-federal'' accounts of the DNC and RNC and those funds can be spent in battleground states.

Critics of contemporary campaign finance raise a more generic concern about party money. Interest groups might capture or corrupt the parties, just as they allegedly compromise congressional decisionmaking. Soft money is raised without contribution limits; many of the donations exceed $100,000 and come from corporations, associations, and individuals with strong interests in legislative and executive decisions facing the government. Large donations from a specific interest or industry, it is feared, might convince the party caucuses within Congress or the president to protect that interest. Our aim is to put the essential claims about party money to empirical scrutiny. First, how apt is the traditional view of parties? Does party money produce greater degrees of electoral accountability and legislative discipline? Second, how accurate are contemporary critics of parties? Is party money, especially soft money, swamping the system? Has FECA's system of contribution limits broken down? Finally, what would be the *602 practical political consequences of further constraining party money raised for state and local parties and elections? We analyze these questions through the lenses of campaign finance reforms that would end soft money.

Part I of this paper details how parties raise money and how they handle it, especially in contrast to how candidates raise money. Here we assess how much money would be affected by proposals to close the soft money loophole, and whether the rise of soft money signals the failure of the contribution limits established by FECA. Part 11 assesses two key claims about party money and party discipline in national politics: that party contributions and expenditures foster electoral competition and that party money creates greater party discipline within the legislature. In this Part we argue that the parties do produce more electoral competition, but that a ban on soft money would have little impact on national party politics. Part III of this paper explores how party money is used at the state level, especially for grass roots activities. Here we project that a complete ban on soft money would significantly curtail grassroots activities of state party organizations and would significantly reduce participation, a consequence that has as yet received little attention in national discussions about campaign finance reform.

I. Party Money Amounts and Accounts

Party money is extremely important: It accounts for nearly half of all campaign money raised at the national level. [FN22] But, as we document, the importance of party money has not changed much over the last twenty years.

To measure the importance of national party fund raising we contrast the resources of parties to those of candidates, rather than to interest groups. There are four reasons for this contrast. First, recent political science scholarship emphasizes that candidates have eclipsed parties as an organizing force in voting behavior and elections. [FN23] The rise of personal voting and the incumbency advantage over the last forty years suggests that many voters focus on the individual politician more and rely on party less. [FN24] Individuals and groups may choose to channel their resources either to parties or individual candidates. The decline of parties is often traced to increases in the campaign resources of individual candidates, especially incumbents, and declines in electoral resources and activities *603 of party organizations. [FN25] Do parties command substantially fewer resources than candidates do? Surprisingly, in our world of candidate-centered campaigns, parties and candidates attract approximately the same amount of money. [FN26]

Second, party committees are essentially campaign operations and are, therefore, most appropriately compared to candidates, rather than to political action committees. Parties seek to win a majority of seats in the legislatures or control of the executive office, and they do so through direct campaigning and by assisting their local campaign organizations. FEC reports reveal that parties are not primarily operations for donating money to candidates. Less than one percent of party money is contributed to federal candidates, and only about ten percent is spent on their behalf. [FN27] FEC audits of party committees reveal that the national Republican and Democratic organizations spend their funds on overhead, fundraising, and their own campaigns to win control over government, including grassroots organizing and television advertising, as well as on recruiting and training candidates and campaign organizers. An audit of the RNC's 1984 accounts revealed that approximately thirty percent of that money was spent on direct campaign activities, such as advertising and field operations; an additional third went to fundraising. [FN28] An audit of the Dukakis campaign in California, and of the California State Democratic party, in 1988 showed that half of the funds went for field operations, such as get-out-the-vote drives, canvassing, and direct mail; twenty percent went for media. [FN29] These figures are remarkably similar to the activities of federal candidates, whose reports to the FEC reveal that thirty percent of congressional campaign money goes for media advertising and about twenty percent goes for grassroots cwnpaign activity. [FN30]

Third, candidates are the relevant benchmarks against which to compare party finance because the government is ultimately organized both by individual politicians and by parties of politicians. The U.S. House and Senate, for example, are organized into committees, which are often tailored to members' and constituents' interests, as well as party hierarchies. If contributors can influence public policy or change the composition *604 of the government with their campaign donations, then they may be able to achieve their ends either through donations to politicians or to party committees. Finally, parties and candidates draw on the same pools of donors—individuals and organizations, especially corporations. But, different restrictions apply to candidate and party fund raising. Donations to federal candidates and party committees fall under the contribution limits imposed by FECA, and individuals and groups face lower contribution limits when they give to candidates than when they give to parties. Also, non-federal party accounts are not subject to federal contribution limits. [FN31]

Table 1 contrasts the receipts of federal candidates and of national party committees over nine election cycles in the 1980s and 1990s. The first and second columns of the table display the amounts raised by congressional (House and Senate) and presidential candidates, respectively. The Presidential funds include public funds provided in the primary and general elections. The third and fourth columns display the parties' federal (hard money) and non-federal (soft money) receipts. [FN32] Official FEC reports on soft money are not available for the early 1980s, and the amounts are presumed to be small. For 1984 and 1988, we include some estimates provided by the Citizens' Research Foundation and other sources.

Table 1. Candidate and Party Funds

Some double counting exists in the table because party committees and candidates may contribute money to each other. Surprisingly little money flows between parties' and candidates' treasuries. Parties contributed only about $5 million directly to candidates in 1998, accounting for less than one percent of candidates' funds. [FN33] In addition, parties' coordinated and independent expenditures totaled $67 million in 1998. In total, parties only spent about ten percent of their funds on federal election campaigns at the national level, and almost all of these expenditures are advertising and other coordinated and independent expenditures made by the parties, rather than direct contributions to candidates. Even less money goes from candidates to parties. Federal candidates contribute only a trace of their money to national party committees. [FN34] Parties and candidates, then, represent distinct campaign fund raising venues in national politics; one does not feed the other. More money flows among the party committees. Twelve percent of soft money in 1994 and ten percent of the soft money in 1998 came from *605 other accounts of the national parties. This indicates that the FEC reports suggest that there is more soft money than there actually is. Funds transferred from one non-federal account to another are simply double counted. Funds from federal to non-federal accounts should properly be considered federal money, as they were originally raised from individuals and corporations according to federal contribution limits. Actual soft dollars totaled $89.8 million in 1994 and $196.8 million in 1998. [FN35]

The contrast between party and candidate national fundraising helps put the parties in clearer relief. First, the data in Table 1 reveal that under FECA candidates and parties play roughly equal roles in campaign *606 fund raising. Federal and non-federal money, amounted to approximately forty percent of all money raised at the national level in the 1990s. [FN36] The fraction of all money going to candidates in Table 1 is fairly stable, averaging 60 percent, but never more than 65 percent or less than 55 percent. The equality of candidate and party money is somewhat surprising given the emphasis within political science on the rise of ''candidate-centered'' campaigns. The importance of parties, though, should not be seen as evidence that FECA has gradually broken down. The parties appear to be a constant in American campaign finance, and this is accommodated by FECA.

Second, the parties have changed how they handle their funds somewhat, relying increasingly on non-federal accounts. Much of the recent growth in the parties' treasuries has come through non-federal funds. The hard money accounts of parties have grown much more slowly than the hard money accounts of candidates. From the early 1980s to the late 1990s. House and Senate money (in off-year elections) grew 85 percent. Over that same time period, the federal accounts of the parties grew by only 45 percent. [FN37] Parties have kept pace with candidate fund raising through soft money.

Reports on the amounts of soft money before 1992 are highly incomplete. The Citizens Research Foundation estimated the amount of soft money in 1984 as $22 million, which amounts to about 5 percent of the party money raised that year. [FN38] The figures in Table 1 reveal that by the end of the 1990s soft money had risen to $200 million.

Third, soft money, though it has grown, is still a relatively small fraction of party money and of all money. By the end of the 1990s, non-federal accounts handled slightly less than a third of all party money. Even with this growth, non-federal accounts still handle much less money than federal accounts, and contributions to and expenditures from federal accounts must still comply with contribution limits set by FECA. Table 1 reveals that by the end of the 1990s, soft money accounted for just 15 percent of all money.

Soft money, as it is commonly discussed, has a more negative connotation than simply the amounts of money flowing into non-federal accounts. Soft money has become synonymous with money laundering. Parties, interest groups, and candidates reputedly avoid the limits on group and individual contributions to federal candidates and parties by funneling money raised in national accounts to state and local organizations. The state and local organizations serve merely as fronts for the federal candidates' and parties' campaigns. How much money exceeds the limits?

Total non-federal party money provides an upper bound estimate of the amount of money that is given in order to evade contribution limits *607 on individuals, corporations, and other associations. The figures in Table 1 suggest that the amount evading the contribution limits is small relative to the amounts subject to the limits. Even with the soft money loophole, two-thirds of all contributions to parties go to federal accounts and are subject to contribution limits. Party money constituted about 45 percent of national campaign finance in 1998; non-federal accounts handled only 15 percent of all money raised in 1998 at the national level.

Not all donors to non-federal accounts exceeded the limit that they would have been subject to had they contributed to a federal committee. In 1998, approximately 18,000 different donors gave to the national parties' soft money accounts. Only eleven percent gave more than $20,000 to soft money accounts, which is the limit on contributions to party committees. This relatively small number of donors gave 78 percent of the soft money—that is, $153 million of $196 million. This is a very large amount of money ''skirting'' the limits, and it is a cause for concern. However, it represents only 12 percent of all money raised by candidates and parties at the national level. [FN39]

Closing the soft money loophole will not force all of the money in parties' non-federal accounts out of politics. A sizable amount of non-federal money ($42.6 million out of $196 million) is raised within contribution limits, and we suspect that federal committees would likely attract these funds if non-federal accounts did not exist. [FN40] In addition, if soft money is banned, donors to these accounts might redirect their contributions to other accounts—to hard money accounts, to candidate accounts, or to state and local organizations directly.

II. Party Money in National Elections

Current campaign finance reform efforts, such as the McCain-Feingold bill, aim to eliminate soft money entirely. If those efforts succeed, what will be the consequences for national and state politics? We turn first to the national level. The concern for national politics, as political scientists have described it, is whether restrictions on party resources would lessen the ability of voters to hold the government collectively accountable. [FN41] Party finances may improve accountability in two ways. First, party contributions and expenditures in national elections might increase electoral competition. In particular, party money is often thought to be a counter-weight to the inequity between individual candidates' resources, most notably the discrepancies between incumbents' and challengers' financial advantages. Second, party money might produce more discipline in Congress, as leaders might be able to use contributions as inducements to keep the party's congressional delegation in *608 line on key votes. Greater discipline within Congress on votes central to the parties' programs would allow the parties to stake out clear policy or ideological positions. As a result, voters would be better able to distinguish the choices they face in the election and to reorient the government if they did not like the direction of the governing party. [FN42]

A further concern is how the parties conduct their own campaigns. If a sizable share of the money goes to voter registration and mobilization, then party money might foster accountability by encouraging people to vote and make their preferences heard. Here, we address the first two concerns; we leave the third issue to the next section, as that is more readily addressed at the state and local level.

A. Does Party Money Increase Electoral Competition?

Many students and observers of Congress complain bitterly about the lack of competition in congressional elections. They cite such facts as the high incumbent reelection rate (averaging over 95 percent since 1980): [FN43] the ''vanishing marginals''; [FN44] the incumbency advantage in voteshare, around 8 percent: [FN45] and the huge advantage incumbents have in fundraising. [FN46] Weakening the fundraising capabilities of parties would probably reduce competition. [FN47] Party money flows to more competitive races. [FN48] Also, as we show here, party money flows much more freely to non-incumbents than PAC money does. [FN49] The panels on the left-hand side of Figure I show the natural log of party money (including coordinated expenditures), plotted against the Democratic vote-share, for each House race between 1978 and 1998 that was contested by both major parties. The top left panel shows the relationship between Democratic party money *609 and electoral closeness: the bottom left panel shows the relationship between Republican party money and electoral closeness. A unit change in the logarithmic scale can roughly be interpreted as a one percent change in the variable. The graphs, then, represent how a percentage point change in the Democratic vote share corresponds to a percentage chance in the amount of party and PAC money received. The symbols are ''I'' for races incumbents. ''C'' for races with challengers, and ''0'' for open seat races.

Parties clearly, target closer races. The curves on the left have a distinct inverted-U shape, with a peak at almost exactly .5. showing that Democratic and Republican party committees target close races. Also, the curves are relatively symmetric at about .5, suggesting that the party committees concentrate equally on vulnerable incumbents and credible challengers, and tend to ignore safe incumbents and struggling challengers.

Figure 1: Party versus PAC Contributions as a Function of Democrat's Share of the Vote Won, US House Elections, 1978 to 1998.

The panels on the right-hand side show analogous plots for PAC contributions. Although PACs also tend to target close races, there is one striking difference between PACs and parties. While party contributions drop off sharply in noncompetitive races involving incumbents, PAC contributions do not. PACs give nearly as much to safe incumbents as they give to incumbents who are in trouble. Incumbency of course, is nearly synonymous with victory, as approximately 95 percent of incumbents who *610 seek reelection win. [FN50] The asymmetry suggests that PACs are drawn to candidates who are more likely to win. Elsewhere, we have shown that this behavior is consistent with the argument that interest groups give money as an investment in politics, with some expectation of a return for their donation. [FN51] Also, though this is more difficult to discern from the graph, PACs give significantly more to incumbents than to non-incumbents, holding the vote margin constant.

Specifically, PACs give more money to incumbents than they do to open seat candidates who win by the same vote margin or who compete in districts with similar partisan levels. [FN52] What is more, PACs give more to incumbents who lose by I to 5 percent than they do to challengers who win by I to 5 percent.[FN53] This is not true for the parties. Party contributions act as something of a counterbalance to PAC contributions. A back-of-the-envelope calculation gives some sense of what might happen if party money dries up. Consider all races between 1988 and 1998. On average, Democratic challengers received 14 percent of their total campaign funds (including coordinated and independent expenditures) from party committees, and Republican challengers received almost 11 percent of their funds from parties. The corresponding figures for incumbents were 2.0 percent and 1.7 percent, respectively. In a previous paper, we estimated that the elasticity of challenger vote-share with respect to challenger spending .05 to .08 range. [FN54] Using an intermediate value of .07, a 10 percent reduction in challenger spending implies that the average challenger's vote percent will fall by about 2.5 percentage points.

The effect of this counterweight of parties in specific races for Congress is slight, primarily because parties spend so little money on individual races. We are unsure what the effects on electoral competition and turnover might be if the parties were to spend. say, five times more than they currently do on national elections. This is the world envisioned by proponents of stronger parties. such as Dan Lowenstein, who recommends heavy public subsidy of parties to counteract the incumbency advantage. [FN55] The obstacle to forecasting what this world would be like is that it is unclear what circumstances would lead the parties to shift their *611 resources more heavily into congressional campaigns and away from state and local activities.

The bottom line, though, is that significant reductions in party receipts would not change competition in the national elections appreciably. Complete elimination of party contributions and coordinated and independent expenditures would lower challengers' vote shares by 2.5 percent, but the typical challenger today only receives 35 percent of the vote.

B. Does Party Money Buy "Loyalty" to the Parties?

One way to buy loyalty is to help elect and reelect those who are known to be loyal. There is some evidence that at least for Democrats, party committees give more money to House members who vote in line with their party's leaders. [FN56] The evidence is rather weak, however, and other studies find no effects. [FN57]

Showing that party money actually affects voting records is even trickier, because it is extremely difficult to control for the "baseline" level of party support (how much a member would support the party even if he or she did not receive party money). Leyden and Borrelli claim to show an effect, but it is doubtful that have correctly controlled for the baseline. [FN58]

We find mixed evidence for the first claim. We ran a series of Tobit regressions predicting party money as a function of electoral circumstances and party loyalty in roll call voting, measured as proximity to the parties' medians. [FN59] Using the estimated relationship we can measure the *612 expected amount of party money received by loyal and maverick incumbents. Contrast a Democrat who is at the party's median with one at the 25th percentile of his party (in the conservative or moderate direction). The average Democratic incumbent over the period 1978 to 1998 received about $10,000 from the Democratic party's committees. [FN60] The more moderate Democrat received only about $6,000 from party committees. In other words, the effect of being at the 25th percentile of the Democratic party, rather than at its median, cost the more moderate member about $4,000 in party campaign funds. For Republicans, the corresponding difference between the party's median member and a member at the 25th percentile (again in the moderate direction) is just $206—essentially no effect. [FN61]

These slight effects suggest that further restrictions on federal party contributions and spending money would have relatively little effect on discipline within the party. Nevertheless, these effects measure how we predict loyalty rates to change with modest changes in party contributions. It is unclear what the consequences for party discipline might be if the party committees' presence in candidates' campaigns expanded significantly. What seems more certain is that expanding the parties' campaign activities and expenditures would aid challengers somewhat. Parties contribute and spend money in federal races in ways that foster competition. The sums, however, do not appear large enough to make an appreciable difference in the final election outcomes. If anything, the behavior of the parties in national elections suggests that, if our objective is to increase electoral competition and, thus, electoral accountability, then parties command too little of the money spent in American national elections.

One caveat to this implication is in order. Party money is not politically balanced or neutral: Republican committees regularly raise and spend more money than Democratic committees. This pattern is especially strong in hard money accounts; in 1998. Republican committees raised $285 million and Democratic committees raised $160 million in hard money. Over the last decade (1988 to 1998), Republican national campaign committees raised 65 percent of the party money in federal accounts. [FN62] Soft money is more balanced: Over the last decade, Republican *613 committees have accounted for 55 percent of soft money. [FN63] Thus, complete deregulation of party money would likely benefit Republican committees and candidates, and elimination of the soft money loophole may benefit the Democrats.

III. Party Money in State and Local Elections

Closing the soft money loophole would affect state and local party organizations and the voters they reach much more acutely than it would affect national politics. The effects would be two-fold. First, as we show here, eliminating soft money would seriously reduce the party treasuries in many states. Second, eliminating soft money will significantly reduce the campaign activities that state and local party organizations conduct. Soft money appears to subsidize a wide range of activities, including get-out-the-vote drives, broadcast advertising, and day-to-day operations of the organizations. Of particular concern, cutting federal transfers to the state party organizations will likely reduce grassroots campaign activities and produce lower voter turnout as a result.

To provide a thorough accounting of state parties' financial activities, we chose to profile three states—Idaho, North Carolina, and Ohio—across three election cycles, 1991–92, 1993–94, and 1995–96. [FN64] These states appear representative of the rest of the country. Ohio is the seventh most populous state in the U.S., and it has highly competitive elections. [FN65] North Carolina is a mid-sized state (two-thirds the population of Ohio); it too is highly competitive. [FN66] Idaho is a small state, and leans strongly toward the Republicans, though Democrats have won statewide and federal offices over the last two decades. [FN67]

These states share some important characteristics. All three states have very complete public reporting of the receipts and expenditures of the parties. [FN68] In all three states, the parties' central or executive committees handle almost all of the parties' campaign money. Idaho's party committees raised a total of $3 million in 1996, $2.4 million of which *614 went to the state committees—the Idaho Democratic Party and the Idaho Republican Party. The remainder was distributed evenly across numerous county party, committees. [FN69] The House and Senate caucus committees controlled relatively little. North Carolina also has extremely active county committees; they tend to be recipients of state party money. [FN70] In Ohio, party money is concentrated in the state committees, though the legislative caucuses have played a relatively more important role in the past. [FN71] In terms of party money, these states span much of the observed variation in transfers from nonfederal accounts. Combining the 1996 and 1998 elections, Ohio, with 11 million people, received $10.6 million in soft money, North Carolina, with 7.5 million people, received $7.6 million in soft money, and Idaho, with 1.2 million people, received $2.4 million in soft money. [FN72]

Figure 2: Repub. and Democ. Soft Money in States, 1996–1998

Tabular or graphic material set forth at this point is not displayable.

Figure 2 graphs the combined 1996 and 1998 soft money contributions to state parties of Democratic and Republican national committees. [*615 FN73] The graph shows that Democratic and Republican money increase together. In the figure, California, with 32.7 million people, receives by far the most money ($33 million). Ohio ranks with New York and Illinois as the next largest recipients of soft money over the last two election cycles. North Carolina is in a cluster of states that includes Texas, Pennsylvania, Washington, and Kentucky. Idaho is in a cluster of smaller states including Arkansas, Connecticut, and Massachusetts, which received about $2 million total over the two election cycles. The densest cluster of states in the graph is in the lower left corner. One-third of the states received less than $1 million from national parties non-federal accounts over the two elections.

The importance of soft money to state parties is readily measured as the fraction of state party committees' total receipts that come from non-federal national party accounts. How dependent are the states on non-federal accounts for their resources? Using the reports of the state election finance agencies in Idaho, North Carolina, and Ohio, we calculated the total amount of money raised by the party committees in these states, excluding transfers between state party committees. In Idaho, the Republican and Democratic state and local party committees raised a combined total of $1.4 million in 1992, of which $550,000 was soft, and a total of $3.0 million in 1996, of which $1 million was soft. In North Carolina, the state and local party committees raised a total of $10 million in 1992, of which $4.9 million was soft, and a total of $18 million, $5.7 million of which came from soft money accounts. In Ohio, the state and local party committees amassed total receipts of $24.7 million in 1992, of which $8.1 million was soft, and $19.6 million in 1996, of which $7.6 million was soft.

These figures show that state parties depend heavily on soft money transferred from the national party committees. In all of these cases, more than one-third of the state organizations' total funds came from national ''non-federal'' accounts. Cutting soft money would significantly reduce state parties' financial resources.

How would reduction of these funds affect state parties' activities? It is often charged that non-federal money merely takes the form of advertising for federal candidates cloaked as state and local party building. This perception appears to be wrong for three reasons.

First, national party committees (such as the DNC-State Account) contribute or transfer money directly to the state party committees rather than spend money in the states, which the national committees might do if they were advertising for federal candidates. Nor is the money that they do spend clearly earmarked. Instead, almost all of the soft money that flows into these states is transferred to the general treasuries of state committees, *616 which are controlled by state party organizations. The ultimate decision about how the money is to be spent, it seems, rests with the state committees, rather than with federal committees or federal candidates.

Second, to the extent that we observe direct national expenditures in the states or earmarked money, these funds are dedicated to overhead, such as office expenditures. Ohio is the clearest example. In 1992, the RNC and DNC spent almost ten million dollars in the state; eighty percent of these funds were dedicated to ''office'' expenditures. [FN75]

Third, the state party organizations spend considerable sums on field or grassroots campaigning, such as direct mail, precinct walks, and voter registration. Documenting the amounts spent on various activities takes considerable effort. Working with the public reports of the parties filed with the state elections commissions in Idaho, North Carolina, and Ohio, we classified each itemized expenditure by the parties in the 1991–92 and 1995–96 election cycles. [FN76] All told there were over 41,000 separate data entries to classify. We divided the expenditures into a fairly detailed category scheme that paralleled the format developed by Dwight Morris and his collaborators. [FN77] We then aggregated these into several broader categories: ''grassroots or direct campaigning,'' ''media campaigning,'' ''overhead,'' ''consulting,'' ''contributions,'' ''transfers,'' and ''fundraising.''

The state parties spend fairly constant proportions on each of these categories. For our purposes grassroots and media campaigning are of greatest interest. In North Carolina, in both 1992 and 1996, we estimate that the state parties spent approximately 20 percent of their funds on media advertising and 25 percent on grassroots or direct campaigning. In Idaho, we estimate that the parties spent approximately, 15 percent of their funds on grassroots campaigning in 1992 and 1996. They spent just 4 percent on media in 1992 and 9 percent on media in 1996. In Ohio, we estimate that the parties spent 7 percent on media in 1992 and 5 percent on media in 1996. They, spent 32 percent on grassroots campaigning in 1992 and 27 percent on grassroots campaigning in 1996. In each of these states, the parties spent between 30 and 40 percent of their funds on reaching voters directly, the larger category of voter contact being direct voter contact, such as direct mail and canvassing, not broadcast advertising. [FN78]

How will the elimination of party soft money affect the campaign activities that parties conduct? Between 1992 and 1996 we observe for each state changes in the total receipts of the party treasuries as well as changes in their grassroots, or direct campaign, expenditures. The ratio *617 of the change in grassroots expenditures to the change in total receipts measures how the parties translate marginal changes in their receipts into changes in their activities. From 1992 to 1996, Idaho parties' receipts rose $1.5 million. Their expenditures on direct voter contact rose $250,000. For every additional dollar raised, the Idaho parties spent an additional 16 cents on voter contact. From 1992 to 1996, North Carolina parties' receipts rose $8.4 million. Their expenditures on direct voter contact rose $2.15 million. For every additional dollar raised, the North Carolina parties spent an additional 25 cents on voter contact. From 1992 to 1996, Ohio parties' receipts fell $7 million. Their expenditures on direct voter contact shrank, $1.3 million. For every dollar lost, the Ohio parties reduced expenditures on voter contact 18 cents. [FN79] These figures suggest that every dollar lost by the parties from a reduction in federal transfers would cut expenditures on state parties' direct campaign activities by 20 cents. [FN80] Soft money transfers to these states totaled $13 million in 1996. [FN81] Elimination of these funds, we estimate, would cut the state parties direct campaign expenditures by $2.6 million dollars.

How much would turnout decline? In 1996, 7.5 million people voted in Idaho, North Carolina, and Ohio combined. [FN82] To calculate how many fewer people would have turned out without the soft money subsidy of state grassroots activities, we need to know the cost of getting an additional voter to the polls through these activities. From a series of ingenious field experiments. Alan Gerber and Donald Green have estimated the marginal cost of getting an additional person to the polls through canvassing and related means of voter contact. [FN83] They estimate that mobilizing an additional voter costs between $15 and $20. [FN84] These figures suggest that between 170,000 and 130,000 fewer people would have voted in these states in 1996 without the grassroots activities underwritten by the national parties' soft money. In other words, cutting soft money would have lowered turnout in these states by slightly more than two percentage points. [FN85]

*618 CONCLUSION

Party money poses a dilemma, both for those who advocate stronger and more responsible parties and for those who advocate elimination of soft money to reform campaign finance. Broadly speaking, political parties are thought to be instruments of greater political accountability and mass democracy.

Voters can more readily hold stronger, unified national parties responsible for their actions and redirect government if need be. At least since the 1950s, political scientists have argued that we should strengthen the parties organizationally, and that unregulated party campaign money is one of the main mechanisms through which the United States can achieve stronger parties. [FN86] The devil, though, is in the fund-raising. The parties may have to act irresponsibly toward the public in order to raise funds from wealthy individuals, corporations, and other private concerns.

We have considered the concrete tradeoffs presented by proposals to eliminate soft money. In terms of reducing corruption or undue influence, such proposals, at best, can eliminate money that exceeds existing limits. We estimate that soft money contributions that evade existing contribution limits amounted to approximately $150 million in the 1998 elections. We are unsure what that money buys.

We know of no research that provides reliable estimates of the amount of influence purchased with each additional dollar. If we assume that the influence gained from a dollar contributed within limits is the same as the influence gained from a dollar given outside the limits, then limiting contributions to non-federal party accounts would weaken interest group influence over national politics in the United States somewhat, but this money should not be presumed to have much leverage. Soft money currently accounts for only 12 percent of total national campaign fund raising.

Individual legislators do not depend on these funds at all—if anything these funds are a nuisance, as the expenditures likely go to support their opponents. Thus, if the effects are corrupting, they are not corrupting of individual legislators. Soft money might, however, unduly influence the parties. Even still, the national parties raise two-thirds of their money in hard money donations.

Against these possible consequences must be weighed the possible effects of soft money on the ''responsibility'' of the parties. We have focused on three of the central arguments about what responsibility means: party discipline in policy-making, national electoral competition, and party building activities, especially grassroots mobilizing.

We believe that the effects of eliminating soft money on the ability of the parties to present voters with clear, programmatic choices would be slight. Contrary to the responsible party argument, party money evidently, does not correspond with significantly more party discipline. *619 Among Democrats party, loyalty within Congress and party contributions are correlated; among Republicans, they are not. And the sums are so small that it seems unlikely that the parties have created greater discipline through their campaign finance committees.

Party money, if it continues to grow, might have substantial consequences for national elections. In particular, party money has the potential to counterbalance interest group contributions in congressional elections. PACs account for most of the incumbency advantage in campaign finance. [FN87] Parties, by contrast, give to close races, as suggested in Figure 2, and spend their money efficiently so as to have the largest effect on electoral outcomes. More party money in congressional elections, at least relative to interest group money, would probably produce much higher electoral competition. However, the parties currently give little to congressional candidates and spend little on individual races.

The most troubling effect of closing the soft money loophole is that it would significantly lessen the electoral presence of state and local party organizations. Debates in Washington on bills designed to eliminate soft money, and many political science and popular journals have discussed the many ramifications of eliminating soft money. Little mention, however, has been made of the consequences for the state parties and the voters that they reach. Closing the loophole will starve many grassroots activities of state and local parties. Eliminating all current soft money expenditures, we estimate, would lead to a 2 percent decline in voter turnout—without soft money, approximately 2 million fewer Americans would have gone to the polls in 1996.

ENDNOTES

[FN1]. 2 U.S.C. §§431–55 (1994).

[FN2]. See Elizabeth Drew, Politics and Money: The New Road to Corruption 15 (1983); Frank J. Sorauf, Inside Campaign Finance 149 (1992).

[FN3]. There are numerous FEC advisory opinions that clarify what does and does not constitute a non-federal expenditure or contribution. Three are of particular note: Allocation of Costs for Voter Registration. [1976–1990 Transfer Binder] Fed. Election Camp. Fin. Guide (CCH) P 5340 (FEC Advisor Opinion 1978–10); Corporate Support for Party Convention, [1976–1990 Transfer Binder] Fed. Election Camp. Fin. Guide (CCH) P 5348 (FEC Advisory Opinion 1978–46); Get-Out-the-Vote Drive for State Candidates, [1976–1990 Transfer Binder] Fed. Election Camp. Fin. Guide (CCH) P 5353 (FEC Advisory Opinion 1978–50). See also Richard Briffault, The Political Parties and Campaign Finance Reform, 100 Colum. L. Rev. 620, 629 (2000) (discussing the FEC's role in clarifying non-federal party activities).

[FN4]. See American Pol. Sci. Ass'n, Toward a More Responsible Two-Party System, 44 Am. Pol. Sci. Rev. 45 (Supp. 1950).

[FN5]. See Sorauf, supra note 2, at 28–42.

[FN6]. The intellectual history on this is long and storied. See, e.g., Austin Ranney, The Doctrine of Responsible Party, Government: Its Origins and Present State (1962) (providing an excellent history of the American writers advocating strong parties at the close of the 19th century and beginning of the 20th century, including Woodrow Wilson, A. Lawrence Lowell, Henry Jones Ford, and Frank Goodnow). Ranney also offers an assessment of the widely held belief among political scientists in the middle of the 20th century that stronger political parties in the United States are desirable, and discusses the conditions under which such ''responsible'' parties can be achieved. See id. at 155–63.

[FN7]. E.E. Schattschneider provides the classic description of the struggle between parties and interest groups: The real choice is between a strong party system on the one hand and a system of politics in which congressmen are subjected to minority pressures. The assumption made here is that party government is better than government by irresponsible organized minorities and special interests. The parties are superior because they must consider the problems of government broadly, they submit their fate to an election, and are responsible to the public. E.E. Schattschneider, Party Government 193 (1942). See also Morris P. Fiorina, The Decline of Collective Responsibility in American Politics, 109 Daedalus 25, 27–28 (1980) [hereinafter Fiorina, Decline] (providing a more contemporary formulation of Schattschneider's argument); Anthony King, Running Scared 181–87 (1997) (discussing various ways to strengthen American Political Parties).

[FN8]. See Daniel Hays Lowenstein, On Campaign Finance Reform: The Root of All Evil is Deeply Rooted, 18 Hofstra L. Rev. 301, 348–51 (1989).

[FN9]. American Pol. Sci. Ass'n, supra note 4.

[FN10]. See id. at 9–11.

[FN11]. See Norman Ornstein et al., Vital Statistics on Congress, 1997–1998, at 11–13 (1999).

[FN12]. See Nelson W. Polsby, Consequences of Party Reform 9–16 (1983); Austin Ranney, Curing the Mischiefs of Faction 82 (1975).

[FN13]. See, e.g., Morris P. Fiorina, Whatever Happened to the Median Voter? (May 11, 1999) (unpublished manuscript, on file with the Columbia Law Review) (providing an excellent summary of how different factors have contributed to increased party discipline in the United States).

[FN14]. See Table 1, infra.

[FN15]. See Carroll J. Doherty, Campaign Finance Crusaders Regroup After Latest Defeat, CQ Weekly Rep., Oct. 23, 1999, at 2507–09.

[FN16]. See id. at 2507.

[FN17]. See Drew, supra note 2, at 15.

[FN18]. See Michael J. Malbin & Thomas L. Gais, The Day After Reform: Sobering Campaign Finance Lessons from the American States 9–13 (1998).

[FN19]. 424 U.S. 1 (1976).

[FN20]. See Sorauf, supra note 2, at 9–11.

[FN21]. See Drew, supra note 2, at 15; Frank J. Sorauf, Money in American Elections 317–22 (1988).

[FN22]. See Table 1, infra.

[FN23]. See Martin P. Wattenberg, The Decline of American Political Parties 1952–1988, at 58, 90–91 (1990).

[FN24]. See Bruce Cain et al., The Personal Vote: Constituency Service and Electoral Independence 9–12 (1989) (providing a thorough assessment of this trend). For a statistical measure of the rise of the personal vote, see Stephen Ansolabehere et al., Old Voters, New Voters, and the Personal Vote: Using Redistricting to Measure the Incumbency Advantage, 44 Am. J. of Pol. Sci. 17 (2000).

[FN25]. On the decline of party contact, see Steven Rosenstone & Mark Hansen, Mobilization, Participation, and Democracy in America 162–63 (1993).

[FN26]. See Table 1, infra.

[FN27]. See FEC, Reports on Financial Activity, various years; Frank J. Sorauf, Money in American Elections 128–31 & tbls. 5–1 & 5–2 (1988).

[FN28]. See Herbert E. Alexander & Brian A. Haggerty, Financing the 1984 Election 102–05 (1987).

[FN29]. See Herbert E. Alexander & Monica Bauer. Financing the 1988 Election 77–79 (1991).

[FN301]. These figures are from two comprehensive studies of all expenditures by all U.S. House and Senate candidates in the 1990 and 1992 elections. See Sara Fritz & Dwight Morris, Handbook of Campaign Spending: Money in the 1990 Congressional Races 5–6 (1991); Dwight Morris & Murielle E. Gamache, Handbook of Campaign Spending: Money in the 1992 Congressional Races 6–7 (1994).

[FN31]. See Drew, supra note 2. at 1–5: Allocation of Costs for Voter Registration. [1976–1990 Transfer Binder] Fed. Election Camp. Fin. Guide (CCH) P 5340 (FEC Advisory Opinion 1978–10).

[FN32]. These figures combine the accounts of the DNC, the RNC, the Democratic Senatorial Campaign Committee (''DSCC''). the National Republican Senate Committee (''NRSC''), the Democratic Congressional Campaign Committee (''DCCC''), and National Republican Congressional Committee (''NRCC'').

[FN33]. See FEC, Reports on Financial Activity, 1997–1998.

[FN34]. See id.

[FN35]. See FEC. Downloadable Databases Containing Financial Information About Candidates, Parties and Other Committees (visited Jan. 17, 2000) <http://www.fec.gov/finance/newftp1.htm> (on file with the Columbia Law Review), FEC, Reports on Financial Activity, 1993–1994, 1995–1996, and 1997–1998.

[FN36]. Calculated by the authors based on Table 1, supra.

[FN37]. Calculated from the second column of Table 1, supra.

[FN38]. See Table 1. supra: Alexander & Bauer, supra note 29, at 37.

[FN39]. See FEC. Report on Financial Activity, 1997–1998.

[FN40]. See id.

[FN41]. See. e.g, Fiorina. Decline, supra note 7, at 3O–33; Lowenstein, supra note 8, at 341–51.

[FN42]. See. e.g, Morris Florina. Retrospective Voting in American National Elections 202–03 (1981) (arguing in the conclusion that without programmatic parties, retrospective voting is not possible).

[FN43]. See Ornstein et al., supra note 11, at 61–62.

[FN44]. David Mayhew. Congressional Elections: The Case of the Vanishing Marginals, 6 Polity 295, 295(1974).

[FN45]. See Ansolabehere et al., supra note 24, at 30; Steven D. Levitt & Catherine D. Wolfram, Decomposing the Sources of Incumbency Advantage in the U.S. House, 22 Legis. Stud. Q. 45, 46 (1997).

[FN46]. See Gary C. Jacobson, Money in Congressional Elections 105–23 (1980); Stephen Ansolabehere & James M. Snyder, Jr., Money and Office, in Continuity and Change in Congressional Elections (David Brady et al. eds., forthcoming 2000).

[FN47]. Of course, it is not clear why increasing competitiveness, per se, is a good thing—rather, it depends on why there is little competition. If it is due to entry barriers of some sort, then it is probably bad. If it is due to the effectiveness of incumbents in giving constituents what they want, then it may not be.

[FN48] This pattern is noted by Gary C. Jacobson, Party Organizations and the Distribution of Campaign Resources, 100 Pol. Sci. Q. 603, 604 (1985–86), and by Paul S. Herrnson, National Party Decision Making, Strategies, and Resource Distribution in Congressional Election, 42 W. Pol. Q. 301, 307–09 (1989).

[FN49]. See Figure 1, infra.

[FN50]. See Ornstein et al., supra note 11, at 61–62.

[FN51]. See Stephen Ansolabehere & James M. Snyder, Jr., Money and Institutional Power. 77 Tex. L. Rev. 1673. 1682–98 (1999); James M. Snyder. Jr., The Market for Campaign Contributions: Evidence for the U.S. Senate 1980–1986, 5 Econ. & Pol. 219, 219 (1994).

[FN52]. See Ansolabehere & Snyder, supra note 46.

[FN53]. See FEC, Report on Financial Activity, various years.

[FN54]. See Stephen Ansolabehere & James M. Snyder, Jr., Money, Elections, and Candidate Quality (1997) (unpublished manuscript) (on file with Columbia Law Review). Alan Gerber, Estimating the Effect of Campaign Spending on Senate Election Outcomes Using Instrumental Variables, 92 Am. Pol. Sci. R. 401 (1998), produces very similar estimates for the U.S. Senate.

[FN55]. See Lowenstein, supra note 8, at 363–64.

[FN56]. See Kevin M. Leyden & Steven A. Borrelli, Party Contributions and Party Unity: Can Loyalty Be Bought? 43 W. Pol. Q. 343, 351–52 (1990) (concluding on the basis of Tobit results that ''the Democratic Party, 'rewards' its most loyal members with greater financial aid'').

[FN57]. See, e.g., David M. Cantor & Paul Herrnson, Party Campaign Activity and Party Unity in the U.S. House of Representatives, 22 Legis. Stud. Q. 393, 402 (1997) (concluding from the results of regression analyses that ''past party unity has no significant effect on the distribution of party assistance in campaign fundraising. . . .'').

[FN58]. See Kevin M. Leyden & Steven A. Borrelli, An Investment in Goodwill: Party Contributions and Party Unity Among U.S. House Members in the 1980s, 22 Am. Pol. Q. 421, 421–52 (1994) (reporting an association between party contributions to candidates and the likelihood that the legislator voted similarly to the party leadership). The problem of baselines is that the research does not simultaneously establish how the politician would have voted in the absence of contributions. If, for example, a legislator represented a district similar to the district of a party leader, then that legislator might cast roll call votes in line with the leader not because of party contributions but because such votes represent his or her constituents.

[FN59]. Tobit regression predicts a dependent variable, in this case contributions to and expenditures on behalf of individual candidates that came from political party committees, as a linear combination of many independent variables predicting a single dependent variable. Tobit regressions correct for ''censoring'' effects due to many 0's in the dependent variable. See generally William H. Greene, Econometric Analysis 962–65 (3d ed. 1997). The regressions include year dummies, district partisanship. opponent total expenditures. and roll call voting scores.

[FN60]. Party money in this analysis consists of contributions and coordinated expenditures combined. The average is for incumbents who received at least some party money contributions. The average for incumbents and non-incumbents combined was $14,000.

[FN61]. In the regressions pooling all years, for Democrats, the coefficient for proximity of roll call voting to the party median is positive and highly significant, with a t-statistic over 6. Looking at each year separately, the effect of proximity to the median for Democrats is significant in all years. For Republicans, the effects in the pooled data and in each year are always insignificant, and in some years have the ''wrong'' sign.

[FN62]. FEC, Press Release, FEC Reports on Political Party Activity for 1997–1998, at 2, Tables 1–2 (Apr. 9, 1999) http://www.fec.gov/press/ptyye98.htm (on file with the Columbia Law Review).

[FN63]. See id.; FEC, Press Release, FEC Reports on Political Party Activity for 1995-1996, at Tables 3–4 (Mar. 19, 1997) http://www.fec.gov/1997news.html (on file with the Columbia Law Review).

[FN64]. See Idaho Secretary of State, Election Division: Campaign Finance (visited Jan. 17, 2000) <http://www.idsos.state.id.us/elect/finance.htm> (on file with the Columbia Law Review) [hereinafter Idaho Election Div. Website]; North Carolina State Board of Elections, Campaign Finance Reports Download (visited Jan. 17, 2000) <http://www.sboe.state.nc.us/cro/finance.htm> (on file with the Columbia Law Review) [hereinafter N.C. Bd. of Elections Website]. In Ohio, data are distributed by the Secretary of State, 30 East Broad Street, 14th Floor, Columbus, Ohio 43266–0418. A database was provided by the Secretary of State's office.

[FN65]. See Michael Barone & Grant Ujifusa, The Almanac of American Politics, 2000 1240–48 (1999) (statistics on page 1248).

[FN66]. See id. at 1184–93 (statistics on page 1193).

[FN67]. See id. at 506–12 (statistics on page 512).

[FN68]. See FEC, Campaign Finance Law 98, Chart 1 (1999).

[FN69]. See Idaho Election Div. Website, supra note 64 (for hardcopy versions of these data, see State of Idaho, Contributions and Expenditures of Candidates for Statewide, Legislative, and Judicial Office and Political Committees (Jan. 1, 1997–Dec. 31, 1998)).

[FN70]. See North Carolina State Board of Elections, Analysis of Contributions and Expenditures, 1998 (Jan. 15, 1999).

[FN71]. See Ohio Secretary of State, Ohio 1998, Campaign Finance Facts 65–69.

[FN72]. See Barone & Ujifusa, supra note 65 at 512, 1184, 1248 (reporting population figures). Transfers to state committees compiled by authors from FEC, Press Release, FEC Reports on Political Party Activity 1997–1998, supra note 61, at Tables 9 and 10.

[FN73]. These figures come from FEC, Press Release, FEC Reports on Political Party Activity 1997–1998, supra note 61, at Tables 9 and 10.

[FN74]. Calculated by the authors from reports of the state election commissions. See supra notes 56–56.

[FN75]. See Ohio Secretary of State, supra note 71. We were able to classify 94 percent of the 41,000 expenditure items listed in the database into categories of office and overhead, fundraising, grassroots activities, media, contributions, and payroll.

[FN76]. See id.

[FN77]. See Fritz & Morris, supra note 30, at 15–29; Morris & Gamache, supra note 30, at Chapter 2.

[FN78] These estimates are based on data sets provided by the relevant state offices.

[FN79]. These figures are calculated from the datasets provided by the relevant state offices. See supra note 50.

[FN80]. The 20 cents figure is an average of the reduction in expenditures in the three states combined.

[FN81]. FEC, Press Release, Reports on Political Party Activity for 1997–1998, supra note 61, at 2.

[FN82]. FEC, Federal Elections 96: Election Results for the US President, the US Senate, and the US House of Representatives, at tbl. 1 (1997).

[FN83]. See Alan Gerber, A Tale of Two Literatures (Mar. 1999) (unpublished manuscript, on file with Dept. of Political Science, Yale University); Alan Gerber & Donald Green, The Effect of a Nonpartisan Get-Out-the-Vote Drive: An Experimental Study (Aug. 1999) (unpublished manuscript, on file with Dept. of Political Science, Yale University) [hereinafter Nonpartisan GOTV]; Alan Gerber & Donald Green, Does Canvassing Increase Voter Turnout? A Field Experiment, 96 Proc. Nat'l Acad. Sci. 10939 (1999).

[FN84]. See Gerber & Green, Nonpartisan GOTV, supra note 83, at 220.

[FN85]. We are indebted to Alan Gerber for assisting with these calculations.

[FN86]. See, e.g., Lowenstein, supra note 8, at 351–55; Fiorina, Decline, supra note 7, at 26–27.

[FN87]. See Ansolabehere & Snyder, supra note 46.

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SOFT MONEY SPENDING BY STATE PARTIES: WHERE DOES IT REALLY GO?

(By Ray La Raja and Karen Pogoda)

SUMMARY

In this study we analyze campaign expenditures by state political parties from the 1992 through 1998 elections, which includes disbursements of soft and hard money. We find evidence to support a more complex reality about how soft money is used by parties than is typically conveyed in the news media. While party spending on issue ads increased dramatically in 1996 and 1998, so did party-building activities, such as voter mobilization and grassroots, which were encouraged by amendments to the Federal Election Campaign Act in 1979. We also find that Democratic state parties spend more soft money than Republican parties on media-related activities, such as issue ads, probably to compensate for their lack of hard relative to the Republicans. We conclude with a recommendation that reformers consider some of the positive effects on American elections of party control of campaign resources as they attempt to curb the potential for corruption by restricting or eliminating soft money contributions to parties.

INTRODUCTION

Scarcely a week passes during an election year without news reports of a corporation or wealthy individual making a large soft money contribution to one of the major parties. Election web sites sponsored by nonpartisan organizations and government agencies routinely provide access to data on campaign contributions to candidates and parties. This widespread focus on contributions to and from political committees stems from a genuine concern to expose corruption rooted in the exchange of money. Even without sufficient evidence of corruption, reform advocates continue a single-minded quest to restrict the size of political contributions, without looking at the other side of the equation. What do candidates and their parties do with campaign contributions? Are they spent in ways that encourage or dampen competition? Does party soft money spending generate any public benefits in elections, beyond its intended support for candidates?

A narrow focus on the sources of contributions prevents us from speaking to such questions. In this paper, we try to redress what we see as a one-sided approach to the study of campaign finance, particularly with respect to the soft money issue. We set out to answer a simple question: how do political parties spend soft money? By most journalistic accounts, the conclusion is that parties use soft money to pay for ''issue ads'' that support the presidential or congressional candidates. Our study demonstrates this partial truth, but also provides evidence to support a more complex reality. In fact, the parties continue to spend a great deal of soft money on traditional party-building functions that mobilize voters through individual contacts.

Why should we care about making such distinctions about party spending? When Congress amended the Federal Election Campaign Act (FECA) in 1979, it made provisions for parties to spend unlimited amounts on so-called party building functions. The earlier version of the FECA in 1974 inhibited state and local parties from participating in the presidential campaign through grassroots activities because of rules limiting contributions to the candidates. The 1979 amendment, which exempted generic party activity from contribution limits for the presidential campaign, was a deliberate effort to increase the party role in American elections. In this study we find that this policy, worked. State parties, in fact, increased mobilization and grassroots activities in the 1990s, largely as a result of the 1979 exemption and the increased use of soft money.

It is unlikely, however, that when Congress made changes to the FECA, members understood the role that soft money would play in paying for issue advocacy, the generic media advertising sponsored by parties that often crosses the line into direct candidate support. Reform advocates argue, with merit, that issue advocacy reduces the distinction between hard and soft money spending. By producing campaign ads that bolster a particular candidate in all but name, parties found a way to get around limits on candidate support. So long as the party avoids the electioneering phrase, ''vote for,'' or something similar, they can pay for these ads with soft money. If parties can use soft money to help their federal candidates, then party contribution limits under FECA are rendered almost meaningless.

We find conclusively that national parties exploited an opportunity to help their nominees for federal offices by channeling funds to state parties for the express purpose of purchasing issue ads. Party-sponsored issue ads increased dramatically in the 1996 and 1998 elections, just when national parties were transferring significant sums of soft money to state parties. We also demonstrate that most media-related spending occurred in states with competitive races for the 1996 presidential and 1998 Senate campaigns.

But our analysis also reveals that party issue ads are only one part of the story. While expenditures on media-related activities surged in 1996, so did spending on grassroots and voter mobilization efforts—the kind of party campaign activity Congress wanted to encourage when it revised the FECA in 1979.

We believe our findings complicate the reform debate considerably. On the one hand, we observe parties violating the spirit, if not the letter, of the law when they pay for issue ads with soft money that help federal candidates. And yet, we also notice that soft money has been used to bolster party activities that citizens, elected officials and political scientists view as positive for democracy. The increased use of soft money is associated with greater spending on political rallies, bumper stickers and yard signs, as well as voter identification and get-out-the-vote programs.

Another healthy sign, especially from the perspective of political scientists, is that state party organizations appear to be growing stronger, if somewhat more reliant on national organizations. Our findings demonstrate that infusions of soft money have augmented activities at party headquarters, as evidenced by increased spending on staff salaries, rent, computers, telephones and other organizational maintenance necessities. For several generations, scholars have worried about the demise of party organizations that formerly played a key role in nominating candidates and pulling together coalitions. Weak parties leave the field open to single-issue interest groups and candidate-centered campaigns that tend to fragment the electorate and subsequently increase the difficulty of governing. To the extent that party organizations are increasingly active in campaigns, we take this as a positive sign of party revitalization. Beyond our preliminary analysis, future research should investigate in greater detail the degree to which party activity reflects ''pass throughs'' of money for specific candidates or support for a collective and unifying form of campaigning, closer to the model of responsible parties outlined by the American Political Science Association.

We make no assertions about whether soft money strengthens the party system and improves the electoral process. Our findings are merely suggestive. In part, we publish the results of this working paper to give pause to supporters of a ban on soft money from the campaign finance system. By moving too quickly to eliminate party resources, the public may forego potential benefits of stronger parties. Worse, the money that now flows through parties may simply be rechanneled through other, less visible organizations. Experience shows this is not simply plausible but probable. The prospects for effective reform are enhanced through a genuine understanding of the outputs, as well as the inputs, of campaign money.

SOME BACKGROUND

What is soft money?

Soft money is a term developed in the 1980s to differentiate contributions to the party that may be used to support federal candidates directly from those that cannot. Under federal law, the purpose of soft money is for party building and not for direct candidate support. In 1974, when Congress passed amendments to the Federal Election Campaign Act (FECA), it imposed a limit on contributions to the party, and the amount of direct support that parties could provide their candidates, either through cash or in-kind contributions. Individuals could donate no more than $20,000 to parties, and PACs were limited to $15,000. In the late 1970s, leaders of state party organizations lobbied Congress and the Federal Elections Commission (FEC) to permit them to extend the use of soft money to generic party activities that included distribution of lawn signs, bumper stickers and activities aimed broadly at mobilizing the vote. They argued that federal laws limiting party support of presidential candidates constrained them from performing generic party campaign activities that broadly benefited both federal and state candidates. Congress responded with amendments in 1979 permitting state and local parties to spend unlimited funds on ''party-building'' activities, such as grassroots campaign materials and voter contact activities. It is important to note that Congress did not authorize state committees to use unregulated funds to pay for these activities. State parties were required to use funds raised under the rules of the FECA.

In fact, the so-called soft money loophole did not open until the FEC was faced with the dilemma of providing accounting guidelines to state parties where state laws permitted unrestricted contributions from unions and corporations. In response to a query by the Republican State Committee of Kansas about how to allocate federal and nonfederal expenses incurred by party building activities, the FEC declared that the Kansas Republicans could use their nonfederal fund to pay a reasonable estimate of the nonfederal share of cost. This ruling effectively meant that the party could use a nonfederal fund—which had no constraints on corporate or union contributions under Kansas law—to fund activities that benefited, in part, federal candidates. A 1988 U.S. District court order, pursued by reform activists at Common Cause, required the FEC to provide detailed allocation requirements to prevent the parties from abusing their new ability to use soft money in federal elections. Yet even with the promulgation of specific allocation requirements, the national and state parties continued to seek the advantages of permissive state campaign finance laws to raise and spend nonfederal funds to support their federal candidates through party-building activities.

Since raising unregulated soft money is easier than federal (hard) money, which has contribution limits, the national parties pushed to expand the definition of party-building so they could spend soft money on more campaign activities. Perhaps the most brazen challenge to the 1974 reforms was when the Republican National Committee argued successfully in 1995 that television advertisements focusing on party themes, even when candidates are mentioned, should be considered party building and therefore payable with soft money. Once the FEC assented, the major parties crafted television ads, paid for largely with soft money, to help specific federal candidates. During the 1996 presidential election, close observers of the campaigns estimated that $100 million was spent on issue ads by the parties.

Although the FEC attempted to curtail the use of issue ads and other party activities that crossed the line from party building to candidate support, they were blocked by a Supreme Court ruling, *Buckley* v. *Valeo*. In this case, the justices tried to distinguish between constitutionally-protected free speech and electioneering messages. The ruling demonstrated that the courts would narrowly define ''electioneering'' to include messages that clearly exhorted citizens to vote for or against specific candidates. Under a narrow definition, parties could safely use soft money for issue ads that helped candidates so long as they avoided electioneering language that constituted ''express advocacy'' for a candidate. Such language includes use of the words, ''vote for,'' ''oppose,'' ''support,'' and the like.

One consequence of Buckley was a deliberate party strategy to funnel money to state parties where complex rules permitted them greater use of soft money. In a presidential election year, national committees must allocate hard money to at least 65 percent of administrative costs. The state parties, in contrast, might pay for the same activity with as little as 25 percent hard money, depending on a formula that considers the ratio of state and federal candidates in the election. Much has been written about party efforts to conceal campaign advertising behind the shroud of state party building, but there has been little systematic analysis to demonstrate the extent of this activity. We collected financial data on the 100 state parties over four elections to examine how parties use soft money.

METHODS

Our analysis is based on expenditure data provided by the Federal Elections Commission (FEC). Since the 1992 election cycle, parties at all levels have been required to maintain two separate accounts, federal and non-federal. The non-federal account is not reported to the FEC because these funds are applied exclusively to nonfederal activities, such as party support for state legislative candidates. The federal account, however, must include itemized expenditures that potentially benefit a federal candidate, even if the spending also helps state and local candidates as well. The FEC calls this ''Joint'' spending. Party treasurers are required to allocate hard and soft money for joint spending to reflect the federal-nonfederal split of benefits to candidates. To limit the discretion of treasurers—who have an incentive to claim that benefits accrue mostly to state and local candidates so as to avoid using hard money—the FEC promulgated rules determining the proper mix of hard and soft funds for a given kind of joint activity. For example, administrative costs are allocated according to the ratio of federal candidates to total candidates (state and federal) in the state. We use the federal account data, with its matching hard and soft allocations, to determine how parties spend soft money.

We believe the federal account provides us with the greater part of party expenditures. The non-federal account, according to some estimates, accounts for at least an additional 25 percent in soft money that state parties spend exclusively to benefit state and local candidates. State parties are compelled by federal law to use federal accounts whenever they perform some kind of generic party activity that might jointly benefit party candidates up and down the ticket. This requirement ensures that every expense, from routine office costs to voter identification programs, shows up in the federal account. The federal account also includes itemized expenditures on media that parties call ''issue advocacy.'' It is precisely because parties claim that issue advocacy reflects party rather than candidate specific themes that they must report this activity as generic (or joint) in the federal account.

Our study looks at the federal reports submitted to the FEC by the 100 state parties, for election cycles 1992 through 1998. Fortunately, staff at the FEC entered, by hand, each expenditure item in database files from the hard-copy reports submitted by state parties. Using these files, we developed a coding scheme to categorize more than 300,000 itemized expenditure entries in each election cycle. The categories are the following:

Overhead: office related expenses such as rent, salaries, computers, travel, and utilities.

Media: communication expenditures for television, radio and newspaper and production and purchase costs.

Mobilization: costs of contacting individual voters through direct mail, telephone banks, canvassing and voter identification files.

Grassroots: activities that encourage citizen participation in campaigns. Expenditures for rallies, fairs, volunteer precinct walks, banners, slate cards, bumper stickers, and local party support.

Multi-candidate contributions: non-generic in-kind contributions from the party to several candidates, e.g., newspaper ads, that jointly benefit specific federal and state candidates. These are distinct from the direct contributions to candidate committees.

Fundraising: costs associated with joint fundraising for federal, state and local campaigns.

Unidentified: expenditures that could not be determined from FEC reports.

In the following sections, we provide summaries for total soft money expenditures in each of the above categories. We are able to compare the data over four election cycles, 1992 through 1998.

FINDINGS

Are the state parties spending more soft money?

There is little doubt that state parties are more active than ever in election campaigns. Combined soft and hard money spending in the state party federal accounts almost doubled between 1992 and 1996. Undoubtedly, some of this spending is the product of mere ''pass throughs,'' the transfers from the national to state parties to purchase issue ads and other services in support of federal candidates. But as we demonstrate later, state parties have also increased spending on campaign activities that serve party building functions.

Much of this growth in spending has been spurred by additional use of soft money. In the 1996 presidential election the 100 state parties spent $178 million, almost triple the amount of soft money, spent in 1992. Similarly, between the 1994 and 1998 midterm elections the parties doubled their use of soft money, spending a record $187 million. Hard money expenditures have also risen but not at the same rate. Since FEC rules require soft-hard matching for each campaign activity, it is not surprising that hard money spending increases with soft money spending. It appears, however, that soft money pays for a larger portion of activities with each passing election cycle. In 1998, for the first time since 1992 when state parties were required to report soft money spending, they spent more soft than hard money in their federal accounts.

The apparent shift from hard to soft money is not difficult to explain. Soft money is easier to obtain since there are no limits on contributions to parties, except when state laws regulate party fundralsing. A party that wants to preserve its hard money for candidate contributions and coordinated expenditures in federal elections will purchase goods and services with soft money whenever possible. Over the four most recent election cycles, the state parties have learned how to match soft and hard money expenditures to maximize the use of the former. One indication that parties behave this way is that direct state party support for federal candidates, mostly in the form of coordinated expenditures increased from $5 million in 1996 to $18 million in 1998. We suspect state parties substituted soft for hard money when paying for many kinds of campaign activities, thereby freeing up additional hard money for direct candidate support.

An important question to ask is whether soft money reported in the federal accounts of state parties is actually controlled by the national parties, whose primary interest is to elect candidates for federal office. To the extent that national party supports the state parties through transfers, we can make the inference that they have some control over state party expenditures. Table 1 (not supplied) gives a sense of how much state parties rely financially on the national parties. The national parties support a larger percentage of state party budgets in 1996 and 1998 than they did earlier, suggesting that they have more influence in state party affairs than in earlier elections. Prior to 1996, national party transfers did not account for more than 14% of the federal accounts of state committees. In the 1996 and 1998 elections, this portion grew to 42% and 31% respectively. Table 1 also illustrates that state parties rely more heavily on national parties for soft money than hard money. National parties provide just under a quarter of the hard money that state parties end up spending, but 65% of the soft money they spent in 1996 and 37% in 1998. It appears that soft money has become a primary means of intraparty support. State parties continue to raise the majority of funds on their own—indeed, they raise more money independently than ever before—but they receive significant support from the national parties. In addition to party transfers, some journalistic accounts report that state parties benefit from soft money contributors who are encouraged to donate to state parties by officials of the national party.

Since national parties provide as much as one-third of state party funds, we suspect that portions of soft money from the national parties are targeted to achieve national party goals, which may differ from the priorities of state organizations. These data demonstrate unequivocally that the direction of resource flows between parties has reversed since the 1960s, when national parties had to solicit contributions from state affiliates. Heard (1960) predicted such a change would create opportunities for party integration and growth, even as it augmented tensions among levels of party.

To summarize, soft money spending by state parties has risen each year since 1992, and outpaced hard money spending in 1998. FEC matching requirements will ensure that soft money spending does not entirely eclipse hard money spending, but it appears parties exploit allocation rules to spend soft rather than hard money. We should note, however, that state parties raise and spend increasing sums of hard money, funds that meet all the requirements of the FECA. Hard money spending doubled between the 1992 and 1996 elections and the state parties are responsible for raising three-fourths of this money themselves. The prospect of securing soft money from the national parties may spur state parties to engage more effectively in raising hard money, precisely because of the federal matching requirements. We also find preliminary evidence that soft money spent on administrative chores frees hard money for contributions and coordinated expenditures in support of federal candidates.

How do state political parties spend soft money?

We now turn to a description of how state parties use soft money in campaigns. As we stated earlier, there is anecdotal evidence, mostly from the news media, describing the use of soft money for issue ads. More systematic scholarly research demonstrates that in key races soft money is invested in the ''ground war'' of campaigns, through contacts with individual voters using direct mail and telephone banks. Party and campaign finance scholars continue to speculate whether the infusion of soft money in the last two decades has altered patterns of state party activity. Advocates of stronger parties have argued that providing parties with privileged access to campaign resources would reverse the long decline of party organizations. From their perspective, the introduction of soft money into the party system provides an interesting test case for this theory. How will parties behave with this new wealth generated by soft money? Will they spend additional increments to build the party through voter identification programs and grassroots activity? Or will soft money simply buttress candidate-centered campaigns, with the parties serving as pass-throughs to pay for television ads promoting individual nominees?

Our findings will hardly satisfy those who seek support for an opinion that soft money is either good or bad for the party system. In fact, we find elements of what some would consider ''bad'' as well as ''good'' spending. On the positive side, we observe that state organizations continue to use funds in ways we traditionally expect of parties: to mobilize voters, provide grassroots paraphernalia like bumper stickers and lawn signs, and, of course, for basic organizational maintenance activities such as paying rent and salaries (overhead) and fundraising. In short, soft money enables parties to spend additional resources on party-building activities.

The election in 1996, however, marked a dramatic shift toward greater spending on media related activities. Whereas the state parties spent just 3 percent of their budgets on media activities in the 1992 presidential election year, four years later this category absorbed more than one-third of their budgets. The shift is more striking in absolute terms: media spending jumped from about $2 million to $65 million. The reasons for this shift have been explained in many journalistic accounts of the 1996 and 1998 campaigns. The increase in media spending in 1996 was a result of campaign strategies pursued by the parties and presidential candidates to saturate critical electoral markets with televised issue ads that benefited the candidates in all but name. Dick Morris, the key Clinton-Gore campaign strategist, urged the DNC to begin televising issue ads in the summer and early fall as a way to shore up a faltering Clinton early in the election and undercut the presumptive GOP nominee, Bob Dole. The RNC, in support of the Dole-Kemp ticket, countered with the same strategy right before and after the convention in July. Apparently, both national parties tried to take advantage of the favorable soft-hard ratios available to state parties by delegating responsibility for purchasing the ads to the latter.

Ironically, soft money spending on issue ads might be an artifact of the sweeping reforms of 1974 that established a system of public financing for presidential candidates. If a candidate accepts public funding, in the primary he faces limits on spending in each state. A competitive race could cause candidates to bump up against these limits rather early in the primary season, especially given the trend toward front-loading of primaries, forcing them to curtail spending severely during the weeks leading up to the convention. Bob Dole, for example, faced several tough and well-funded challengers in 1996. He was forced to spend money fending off Gramm, Buchanan and Forbes. Clinton, in contrast, began using party soft money, as well as primary campaign funds, to attack the GOP and promote his campaign themes for the general election. Dole and the Republicans could only retaliate with party soft money ads, given that the candidate would not receive additional public funds for the general election until after the convention. The late timing of FEC-released public funds leaves a good part of the summer in which either candidate can harm the other through attack ads. The parties joined in the campaign, in part, to bridge the period between the point at which a nominee effectively, but not officially, wins the party nomination, and the official start of the general election season as determined by the end of the party conventions.

The increasing use of soft money for issue ads may also reflect the inadequacy of a public funding system for presidential campaigns that falls to keep pace with rising media costs. A standard thirty-second advertisement during prime time in a major media market can cost in the range of $20,000 to $30,000. Only fifteen years ago, the same ad cost approximately half that amount. Although presidential funding system adjusts for inflation, average media unit costs have risen faster than the average for all other goods and services. More importantly, according to one study, campaign strategists rely increasingly on expensive media-related activities, especially television, which drive up the cost of the entire campaign.

During midterm elections, spending on media decreases without the demands of a national campaign. In the 1998 midterm, the amount spent on media related activities by state parties was cut more than half, to $30 million from two years earlier. But this amount was ten times as much as party spending on similar activities in the 1994 midterm election. The lessons of using party soft money for issue ads in the 1996 presidential campaign had obviously been passed on for congressional elections. According to a study sponsored by the Brennan Center, party spending on issue ads—which includes both state and national organizations—amounted to $25.9 million. This spending accounted for close to 45,000 ads, reflecting about 20 percent of all campaign advertising.

Our data demonstrate clearly that soft money was transferred to state parties to fund media-related activity that comprised mostly issue ads. But assuming that every dollar transfer produced a dollar's worth of issue ads, the fact remains that state parties spent little more than 55 percent of transfers on issue ads in 1996, and 43 percent on them in 1998. Where did the rest of the soft money go? The answer is that parties used ''excess'' soft money to increase traditional party activities. In 1996, spending on voter mobilization almost doubled from the previous presidential election, rising from $8 million to $16 million. Over the same period, spending on grassroots activities increased sevenfold, from $1.2 to $8.3 million.

These figures, of course, are small in comparison to allocations for media-related activity. One reason is that the cost of bumper stickers, or even telephone banks, is considerably less than that of media-purchases in metropolitan markets. At about ten cents per bumper sticker, one million dollars will purchase 10 million bumper stickers. The same amount will provide about forty ads (30 seconds) on network TV in a major media market during prime time.

Importantly, media spending did not crowd out spending on traditional party activities. The portions of the party budget spent on mobilization and grassroots did not change substantially even when media spending soared. In the 1998 elections, Magleby (2000) reports that the parties, particularly the Democrats, emphasized a ''ground war'' strategy that involved lots of direct mail, telephone banks and other get-out-the-vote activities. It appears, according to Table 2, that parties used additional soft money in 1998 to intensify mobilization efforts, spending nearly the same portion of their budget on such activities as they did in 1992 and 1994.

Additional soft money has also been used to expand party headquarter operations. In 1992, state parties spent $42 million on overhead, which include payments for salaries, rent and other organizational maintenance costs. By 1998, this total had risen to $107 million. Certainly, we would want to know the degree to which these rising expenses at headquarters reflect sustained organizational growth or temporary surges in activity for the limited campaign season. An analysis of party budgets during the off-election year should resolve whether these costs reflect enduring investments in the party organization. At the very least, the rising costs associated with maintaining party headquarters suggests that state party organizations are a locus of increased campaign activity.

Partisan differences?

To see if parties pursue different strategies with soft money we compare them for the 1996 and 1998 elections. The parties appear to spend similar amounts on all activities except for media, which accounts for much of the Democratic lead. In 1996 the Democratic state parties allocated about $48 million for media, three times as much as the Republicans. The gap for the 1998 midterm election was not as great since neither party spent as much on media, but the Democratic state parties continued to outspend the Republicans at the state level by more than 6 million. We believe these partisan differences exist because the national Democrats, being the relatively poorer party, attempt to exploit soft money for federal races more than Republicans. They do this by transferring soft money to state parties where the spending ratios for soft and hard money are higher, meaning that the state parties can use more soft money than the national parties to pay for the same activity.

The practice of using the state parties for national party goals probably comes at a cost. State parties might dun the national parties for these services by requesting additional transfers of soft money beyond the costs of the services. At the very least, a transfer strategy imposes greater coordination costs on national parties, particularly the Democrats, who appear to do this more often. National parties must monitor the transferred funds to ensure state parties spend them properly. The national Republicans, with a significant advantage in hard money receipts, can more likely avoid this problem by producing and purchasing media services directly, even if they must pay with additional hard money. We suspect that the national committees of the Republican Party outspend their Democratic counterparts on such campaign activities.

The Democratic strategy of transferring soft money to state parties for issue ads is clearly evident from Table 4, not supplied, which lists states with the highest media-related spending. In each of these states there was a close federal electoral contest. In 1996, Ohio was not only a key swing state for the Clinton re-election, but also included six close congressional races. The Ohio Democratic Party spent 10.5 million dollars on media-related activities, almost triple the amount of any other state party. Michigan and Illinois were other key states during the 1996 presidential campaign; the latter also contained a key Senate race and several competitive House races. In Washington, there were at least five critical House elections. Neither party was willing to concede California, the state with the most electoral votes, as well as a good number of competitive congressional races. In 1998, the parties were more evenly matched on media spending with much of it focused in New York, Nevada and Kentucky, the states with highly competitive Senate races.

CONCLUSION

We began with a question about how parties spend soft money. We speculated that soft money was not simply a resource to fund issue ads, but also a primary means to support party organizations and their traditional campaign activities. Our finding is that parties use soft money in ways that would strike many observers—including those favoring a ban on soft money—as positive. This preliminary study illustrates that parties use soft money to invest in campaign activities that promote party-building and citizen participation. If soft money permits the party to reach additional voters through telephone calls and mail, or generate enthusiasm for political campaigns through rallies and yard signs, then perhaps we are short-changing American campaigns by cutting off this supply of money. The overemphasis in the news and by public interest advocates on the media strategies of parties obscures the fact that parties do many things with soft money.

Undoubtedly, parties also exploit soft money to fund issue ads through their state organizations. Media-related spending by state parties jumped from just $2 million in 1992 to $65 million in 1996. The Democrats appear to take advantage of a state-sponsored issue ad strategy more than the Republicans, probably because they trail the Republicans in raising hard money. Both parties, however, use most of their soft money to expand party headquarter operations during the campaign. Since 1992, they have more than doubled the amount spent contacting individual voters through various voter identification and get-out-the-vote programs. In the last midterm election, just 16% of soft money went toward issue ads, the same amount that was spent on direct mobilization and grassroots efforts.

Seeing that the lesser part of party soft money goes toward issue ads, we feel compelled to re-examine the question: how is soft money harmful in elections? The obvious answer is that soft money permits candidates, contributors and parties to circumvent federal laws limiting campaign contributions. If party soft money can help a specific candidate by using it to purchase a candidate-tailored advertisement, then corporations, unions or wealthy individuals can simply funnel contributions to candidates through the parties. The potential for the quid pro quo exchange between contributor and policymaker escalates with the increasing size of contributions to the party.

But assume for a moment that party money is ''clean.'' Suppose party money is generated through public subsidies, or raised from contributors in increments that are small enough to prevent corrupt exchanges. Are the spending patterns of parties necessarily harmful in American elections? In this study, we observe that parties spend a significant portion of their cash to build the party as intended by the 1979 amendments to the FECA. It is primarily through soft money that parties have had access to resources that permit them to engage in activities that political scientists, for the most part, view as salutary for the electoral system. If the solution to the problem of corruption is to ban soft money fund raising, then reformers should also consider ways to ensure that parties have access to sufficient resources so they might continue occupying a central role in campaigns.

An earlier set of reforms in 1974 had the effect of weakening party role in campaigns by institutionalizing PACs as legitimate contributors to candidate campaigns. The number of PACs proliferated in the 1970s and early 1980s, providing candidates with an increasing share of their campaign funds. Candidates became more reliant on PACs than on their parties, which encouraged the candidate-centered nature of campaigns. The ever-adaptable American parties exploited the campaign finance regulations to reestablish themselves. Soft money probably helped restore the party role in campaigns, making the candidates less reliant on direct support from PACs. On the other hand, party leaders may now feel beholden to big soft money contributors, a potential problem that should not be overlooked. If the soft money regime encourages interest groups to contribute more frequently through the party leadership, then soft money may simply centralize the corrupt exchange among the most powerful political actors. If this is true we should see greater party unity in congressional voting than in the past, particularly for issues that are important to the most generous party patrons.

The type of party spending that concerns many campaign observers is issue advertisements. In our view, party spending on issue ads is not bad, per se, especially if these ads link the candidate closer to party. Scholars who desire responsible parties would argue that party-sponsored messages create more accountability by promoting themes that unify party candidates around a platform. A recent study by Krasno and Seltz (2000) appears to cast doubt on this theory since only 15 percent of the ads apparently mention the party in the text or graphics. On the other hand, these authors acknowledge that cookie cutter issue ads featuring the same graphics and text are common. We believe these generic ads encourage candidates to use similar themes and symbols across districts and states, which would tend to promote party unity and accountability. The problem, then, is not so much the issue ads themselves, but how they are funded.

The fact that party money goes toward television advertising reflects the reality of campaigning in a mass democracy. Party leaders and their consultants believe television advertising is critical to winning elections so they invest in this form of campaigning. By curtailing party resources, we doubt that party candidates will seek less of this kind of campaign activity. In fact, reform laws that cause the depletion of party resources will likely eliminate ''good'' spending, such as direct voter contacts, rather than ''bad'' spending, such as issue ads. Parties will employ a triage strategy that emphasizes media advertising over direct voter contacts and grassroots. The first activities to be shorn are those that support long-term party building and encourage volunteer participation, since these are not of critical interest to incumbents seeking re-election.

We also suspect that the placement of party issue ads encourages electoral competition. The vast literature on campaign contributions suggests that parties allocate campaign resources more efficiently than interest groups, preferring to give money to candidates in the closest races. Interest groups tend to pursue a low risk strategy by giving directly to incumbents who face little competition. Indeed, parties solve a collective action problem by moving resources to where they are needed most, since incumbents are often unwilling to transfer money from their campaign accounts to colleagues who may need it more.

Campaign resources that flow through parties, therefore, will tend to promote competition more than if resources flow directly into candidate committees, or when money is spent independently by interest groups to promote the election of a favored candidate. Using the Krasno and Seltz data for the 1998 elections, we observe a similar pattern of resource distribution in purchasing issue ads. Table 5 (not supplied) demonstrates that parties place almost 60 percent of their issue ads in competitive House elections, a greater percentage than either candidate committees or interest groups. For Senate elections, which are much more competitive, 92 percent of party issue ads appear in competitive elections, whereas 74 percent all candidate-sponsored ads appear in competitive elections. Interest groups provided less than one percent of ads in the 1998 Senate election, but all of these ads were placed in competitive campaigns. The relatively low participation of interest groups in Senate campaigns is probably because media costs are prohibitively high except for the wealthiest organizations.

Candidate-controlled advertising continues to dominate the airwaves, but interest groups and parties are more active than ever. The only institutional counterweight to outside spending by interest groups is the parties. As long as the courts prevent the FEC from regulating issue ads through *Buckley* v. *Valeo*, there is a danger from unilaterally disarming the parties by a ban on soft money. Candidates risk losing control of their campaigns in some very competitive districts. Fearful of being hit by outside spending of interest groups, candidates will no doubt enlist the support of groups favorable to them. Indeed, there is sufficient evidence in the 2000 elections that this is already occurring. The groups most able to produce campaign ads for candidates will likely be the wealthiest, skewing the candidates' obligations toward such groups even more.

We conclude with a policy recommendation that parties retain access to sufficient campaign resources to continue the activities they have pursued with soft money. Our findings suggest that soft funds encourage party-building and party integration, much as Congress desired when it passed amendments to the campaign finance laws in 1979. To reduce the potential for corruption, we recommend that Congress place a cap on soft money contributions or raise the limits on hard money contributions. On the other hand, we believe the distinction between soft and hard money is still valuable. Soft money provides an incentive for national parties to transfer funds to state and local parties, where campaign activities have increased substantially. We believe the likelihood of grassroots work is enhanced at lower levels of party, which afford more participation opportunities for amateurs and volunteers. The national parties may be more reluctant to transfer hard money to state parties for party building when they can use this money themselves for direct candidate support and issue ads.

COMMEMORATION OF THE 90TH ANNIVERSARY OF HADASSAH

HON. DAVID E. BONIOR
OF MICHIGAN
IN THE HOUSE OF REPRESENTATIVES
Tuesday, March 5, 2002

Mr. BONIOR. Mr. Speaker, last week, thousands of members of Hadassah, the Women's Zionist Organization of America, kicked off celebrations of their ninetieth anniversary.

Throughout the past ninety years, Hadassah has provided invaluable service to a wealth of communities and peoples. As America's largest female organization, this Jewish collective has provided unprecedented assistance to individuals in countless nations, regardless of race, religion or credo. Established in 1912 by Henrietta Szold, Hadassah has set an example of peaceful relations and service both here and abroad.

Founding the largest medical school in Israel, the women of Hadassah have united students from across the Middle East, building bridges through education and service and establishing friendships—all because they understand that this important work will provide a foundation for new forms of unity in the future.

Since its inception, Hadassah members have worked tirelessly to aid both their local and international communities. The Hadassah Medical Organization consistently stands on the cutting edge of technology, assisting regional patients as well as American troops, heads of state and Congressional delegations. Their reach extends throughout the world, building and staffing new hospitals in Zaire and training African and Asian doctors to work in developing nations. Their dedication to American relief work was demonstrated by the medical aid and blood banks provided in the aftermath of the Pearl Harbor attacks.

Today, Hadassah continues their work through medical and civic education, setting an example of excellence for their humanitarian efforts. A leader in community support programs, Hadassah has invested considerable time to providing information to female citizenries. The organization formed youth counseling groups and female career training in the Middle East, while creating the Hadassah Cares programs to champion efforts to raise breast cancer awareness in the United States.

Mr. Speaker, as our nations continue to work to establish a peaceful, just international community, it is my honor to commemorate the ninetieth anniversary of an organization that has demonstrated these qualities in the work they do every day.

HONORING SAL SALAZAR

HON. GEORGE RADANOVICH
OF CALIFORNIA
IN THE HOUSE OF REPRESENTATIVES
Tuesday, March 5, 2002

Mr. RADANOVICH. Mr. Speaker, I rise today to honor the late Sal Salazar on the occasion of the California Restaurant Association commemorating his life with the Lifetime Achievement Award. Mr. Salazar began his remarkable career in the restaurant in 1942 and his family continues the business holding fast to Sal's values and traditional recipes. This award is the Association's highest honor and marks the 60th anniversary of Sal's Mexican Restaurant and pays tribute to a successful entrepreneur, respected community leader, and beloved husband and father.

Mr. Salazar was born in Herez, Zacatecas, Mexico, and came with his parents to Selma, California, in the late 1920's. Sal worked as a farm laborer until he followed an impulse and on August 22, 1942 opened his own taco restaurant. The restaurant grew to include a full Mexican menu and earned regional acclaim.

A great Mexican restaurant was not the only thing that Mr. Salazar gave his community. Sal worked for the Selma Justice Court, Fresno County Superior Court, and California Supreme Court in Sacramento as an interpreter. He also sponsored 14 Mexican families who relocated to California, provided leadership in the formation of a West Selma improvement district that led to its incorporation into the city, and helped his siblings with their education. Sal also served on the Selma Chamber of Commerce, Selma Planning Commission, Selma High School Boosters Club, and Fresno County Grand Jury. In 1945, he served as an alternate on the interpreter staff at the first meeting of the United Nations in San Francisco.

Mr. Speaker, I rise today to honor the memory of Sal Salazar as his family accepts the California Restaurant Association's Lifetime Achievement Award on his behalf. I invite my colleagues to join me in remembering Mr. Salazar for his community service and entrepreneurial spirit and wishing his family and restaurants many more years of continued success.

TRIBUTE TO MARTY MARSHALL, PRESIDENT OF CALIFORNIA SCHOOL FOOD SERVICE ASSOCIATION

HON. ELLEN O. TAUSCHER
OF CALIFORNIA
IN THE HOUSE OF REPRESENTATIVES
Tuesday, March 5, 2002

Mrs. TAUSCHER. Mr. Speaker, Marty Marshall is President of the California School Food Service Association, with over 2,500 members, Director of Nutrition Services for Fremont Unified School District, with over 32,000 students, wife, mother, grandmother, and community volunteer. Her life has been, a continues to be, devoted to service to others. Whether to family, co-workers, friends, or fellow professional association members, Marty finds giving of her heart, energy and time to he her greatest pleasure.

As President of the California School Food Service Association, Marty Marshall has worked tirelessly to revitalize the Association by conducting strategic planning sessions, and accomplishing the resulting strategic goals in the areas of organizational structure, internal and external communication, membership, professional image, leadership development, and legislative activity. With her inclusive style of leadership, she has brought together members of all levels including site staff, management, and industry to come to consensus on the goals as well as the necessary steps to achieve them. The membership has expressed enthusiastic appreciation for bringing back some of the traditions and structure that had been lost over the past few years. In addition to her current position as President of CSFSA, Marty has served as President Elect, Chair of the Professional Development, Awards and Scholarships, and Rules and Resolutions Committees, Conference Program Chair, Conference Exhibits Chair, and President of the Josephine P. Morris and Northern California Chapter. She is also currently the Executive Committee Advisor to the Public