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## Soft money : private foundations of party politics

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**SOFT MONEY: PRIVATE FOUNDATIONS OF PARTY POLITICS**

by

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Submitted in Partial Fulfillment of the Requirements of the  
Senior Scholar's Program

**COLBY COLLEGE**  
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## **Abstract**

In the area of campaign financing in federal elections, one of the most controversial issues is that of soft money. Soft money refers to those funds raised by the national party organizations for use on various grassroots and party-building activities, but which are not subject to the restraints of federal campaign finance law. Critics contend that these party-building activities, such as generic television advertising, voter registration and get-out-the-vote drives, provide ancillary benefits to federal candidates and should, therefore, be subject to federal contribution and expenditure limits. Critics further argue that because these funds are not subject to federal law and do benefit federal candidates, the national parties raise monies in amounts and from sources, such as corporations and unions, that are prohibited under federal law.

Efforts to gain a better understanding of soft money have been hampered by a lack of data, as the national parties were not required to disclose their soft money receipts and transactions until 1991. The purpose of this study is to analyze data recently made available in an attempt to add the import of empirical evidence to the debate over soft money. The nature, size and timing of soft money contributions are investigated and national party soft money disbursements are examined. The findings suggest that any attempts to reform the soft money system must first consider its compensatory benefits. Most prominently, this includes the extent to which soft money has promoted the resurgence of the national party organizations in the context of election politics.

*FOR MY PARENTS*

## Introduction

For the past several decades, observers have expressed concern over the decline of American political parties. In 1979, the United States Congress took the first steps to remedy this by amending the Federal Election Campaign Act (FECA) to empower state and local party organizations with new means by which to finance political activities that benefit candidates for both federal, as well as state and local office. Under the law, the funds used to conduct these activities are exempted from the strict federal contribution and expenditure limits. This is justified on account of their support for activities that either do not directly influence federal elections, such as contributions to state and local candidates, or do so only indirectly, such as get-out-the-vote drives, voter registration, and the production of generic party campaign literature. These funds are, however, subject to state and local campaign finance laws. Nonetheless, because state and local regulations are often less stringent than federal law, the parties can raise and spend unlimited sums of money to pay for these efforts. In that these funds are not governed by federal limits, this type of political finance is known as "soft money" and contrasts with those resources raised pursuant to the FECA, or "hard money."

Over the years, the soft money system has evolved beyond the original intentions of the authors of the 1979 amendments in two particular ways. First, Federal Election Commission (FEC) rulings have expanded the exempted activities to include such "party-building" items as overhead and television advertising. Second, through the industry of enterprising party officials and further FEC decisions, the national party organizations have been included in the soft money nexus.

As a result of these developments, soft money has gradually become one of the most controversial aspects of the United States campaign finance system. Supporters contend that soft money has served to restore the role of party organizations in federal elections. Critics, however, allege that the influence of soft money on federal elections is

dramatically understated and should, therefore, be subject to federal limits on contributions and expenditures. Insofar as soft money influences federal elections, critics further note that the parties can exploit lax state and local campaign finance laws in order to raise money from sources and in amounts expressly prohibited under federal law. Thus, this form of funding has served as a means for circumventing the proscriptions of federal law.

Efforts to gain a better understanding of soft money have been complicated by the relative dearth of reliable data on the role of nonfederal funding in national politics. This study is an attempt to take advantage of data recently made available in the hope of adding the import of empirical evidence to the debate over the pros and cons of the larger soft money system. It is also an attempt to add to the growing body of literature commenting upon the recent trend of national party organization resurgence. Therefore, this paper will examine the soft money activities of the Republican and Democratic National Committees (DNC and RNC). As opposed to state and local party committees, the DNC and RNC will be analyzed for several reasons in addition to testing the idea of party renewal. First, party disclosure is significantly better at the federal level. In 1990, the FEC required the national party committees to report all contributions of \$200 or more and all transactions conducted through their nonfederal, or soft money, accounts. While every state has disclosure laws, the information required of contributors and party committees is often inadequate and undermined by poor administration. Second, although state and local parties do raise soft money, the vast majority of funds are raised at the federal level. Finally, national party financial activities have received the most vehement criticism and calls to abolish soft money generally focus on this particular component of the system.

Information in support of this study has been drawn from a number of sources. Careful analyses have been made of Federal Election Commission reports on soft money contributions and national party disbursement records for the 1991-92 presidential election cycle.

Further, in an attempt to assess both the specific activities supported by national party soft money funds and the relative importance of national party services provided with the aid of such funds, a questionnaire was sent to all one hundred state party executive directors. In particular, state officials were asked if they received nonfederal transfers from the national parties. If so, they were then asked to both describe the activities supported by these funds and assess the importance of these funds in carrying out the stated activities. The same inquiries were made with regard to fundraising assistance from the national parties. Forty responses were received, twenty-four from Democratic directors and sixteen from Republican directors. Despite its relatively small size, such a sample can be viewed as useful for several reasons. First, it provides some insight into the views of those who actually participate in and stand to benefit from the soft money system. Second, a majority of the respondents were from states not targeted for large soft money transfers during the 1991-92 presidential election cycle. Had most of the respondents been from targeted states, it could be argued that the results are inherently inflated. Therefore, such a sample, in that it includes responses from targeted and non-targeted states, can be viewed as representative of general state party official sentiment.

In an attempt to discuss the evolution of the soft money system as a whole, Chapter One of this study will provide an historical and legal analysis of the genesis and expansion of nonfederal, or soft money, activities. Chapter Two will observe the nature, size and timing of soft money contributions. Chapter Three will trace how these funds are disbursed. This will allow for a description of what soft money has meant to the national parties and to what extent its use has allowed them to adapt to the modern, capital intensive, technologically sophisticated climate of election politics. Finally, Chapter Four will frame the debate around which proposals for reform must revolve.

## Chapter One

### The Soft Money System

In 1979, Congress amended existing federal campaign laws to allow state and local political parties to conduct volunteer grassroots campaign efforts on behalf of presidential candidates. The funds used to finance these activities came to be known as "soft money" and remained uncontroversial until the national parties assumed responsibility for a system originally designed to benefit their state and local affiliates. This chapter outlines the historical and legal contours of the modern soft money system and the manner in which the Democratic and Republican National Committees have developed this type of funding into an important source of party and election finance.

#### Campaign Finance Reform and the Withering of State and Local Parties

In many regards, the 1972 presidential election was a throwback to the no-holds-barred days of the late nineteenth century, when national elections were largely the province of wealthy individuals and giant corporations. Congressional investigations into the financial practices of the Committee to Re-elect President Nixon revealed a number of illegal activities and "dirty tricks." Among other things, these investigations highlighted the committee's reliance on large contributions, which although not illegal under 1972 campaign finance statutes, were nonetheless controversial. A total of 1,254 individuals contributed more than \$51.3 million to the President's reelection effort--an average of more than \$40,900 per individual. This included several donations in excess of \$1 million apiece.<sup>1</sup> Despite a ban on contributions from corporate treasuries dating back to the Tillman Act of 1907, twenty-one companies pleaded guilty to charges of making illegal

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<sup>1</sup> Political Contributors of \$10,000 or More in 1972 (Princeton, NJ: Citizens' Research Foundation, 1975).

corporate gifts totaling \$968,000.<sup>2</sup> The investigations also raised important questions about the influence of money on the political process as numerous allegations surfaced regarding the awarding of ambassadorships and legislative favors in exchange for campaign contributions.

In 1974, the United States Congress enacted legislation in an attempt to curb the kinds of excesses and illegal activities uncovered in the post-1972 election investigations. While technically a set of amendments to a 1971 campaign finance reform statute, the 1974 Federal Election Campaign Act (FECA) constituted the most significant reform of the campaign finance system ever adopted.<sup>3</sup> Under the new law, an individual was permitted to contribute no more than \$1,000 per candidate in any primary or general election and \$20,000 per year to the national committee of a political party. An individual's total annual contributions to all federal elections could not exceed \$25,000. The FECA maintained both the ban on corporate treasury gifts and the 1947 Taft-Hartley Act ban on labor union treasury funds as sources of campaign finance. However, labor unions and corporations were permitted to spend treasury funds to establish and administer political action committees, which were limited to \$5,000 per election for each candidate, with no aggregate limit on contributions.

The 1974 law also contained a provision instituting a system of public financing in presidential elections. The legislation established a scheme of public matching funds in primary elections, contingent on a candidate's ability to raise a specified level of contributions of \$250 or less. In general elections, major party presidential candidates were eligible for an amount equal to the inflation-adjusted spending limit authorized by the Act, which totaled \$20 million in 1974.<sup>4</sup> In exchange for this sum, recipients had to agree to eschew private donations and adhere to spending limits in their general election

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<sup>2</sup>Herbert E. Alexander, Financing Politics: Money, Elections, and Political Reform, 4th ed. (Washington, DC: Congressional Quarterly, Inc., 1992) p.18.

<sup>3</sup>See Public Law 93-443.

<sup>4</sup>By 1992, both Bill Clinton and George Bush were eligible for \$55.2 million.



campaigns. Finally, the law created the Federal Election Commission (FEC) to administer election laws and oversee the public financing system, empowering the body to receive all campaign reports, promulgate rules and regulations, conduct audits and investigations, and seek civil injunctions to ensure compliance with the law.

The 1976 presidential election was unique in United States political history, as it was the first one ever paid for with public funds. Democrat Jimmy Carter and Republican Gerald Ford each received \$21.8 million in U.S. Treasury funds at the outset of their general election campaigns. While neither candidate could receive private contributions, the FECA did create two methods of party finance designed to benefit presidential candidates. First, the national parties were permitted to make expenditures on behalf of and in coordination with their presidential nominee's campaign equal to no more than two cents times the voting-age population (\$2.9 million in 1976). Second, each state and local party committee was permitted to spend up to \$1,000 for presidential election-related activities.

The \$1,000 allowance, however, was virtually meaningless at the state and local level. First, the sum was clearly not adequate to finance the grass roots efforts--the voter registration and turnout drives--that were historically the province of state and local parties. Second, most of the state and local committees failed to make any federal expenditures, as they assumed that either the national party committees or the Ford and Carter campaigns would provide financial assistance for these activities. This, however, was not to be the case. Presidential candidates who accepted public financing were limited in the amounts they could spend to that which they were publicly allotted. Quite understandably, campaign strategists sought to put their scarce and exhaustible resources to their most efficient use. Restrained by limits on coordinated expenditures, national party officials deferred to campaign strategists in deciding the appropriate allocation of funds. Convinced that mass media advertising was the most effective way to present voters with the desired image of their candidates, the strategists invariably expended a substantial amount of money on such advertising. In 1976, Carter and Ford spent 44.1% and 56.6%,

respectively, of their public funds on mass media advertising. By contrast, in 1972, before public funding, Nixon spent 11% of his funds on the mass media, while his opponent, George McGovern, whose campaign was considerably less-well financed, spent 25.2%.<sup>5</sup>

The emphasis on media advertising drained nearly all the funds that might have been available for the traditional grassroots boosterism that Americans associate with electioneering. Political paraphernalia--yard signs, balloons, potholders, lapel buttons--were scarce in the 1976 campaign. With them went the volunteer-driven voter registration efforts and get-out-the-vote drives. *Washington Post* reporter David Broder remarked, "In many big-city neighborhoods and in most small towns there was nothing to suggest America was choosing a president--no local headquarters, no banners, no bumperstickers."<sup>6</sup>

Local party and campaign officials were angered by the situation. A California campaign coordinator for Jimmy Carter lamented: "It might be good for a volunteer to go door-to-door on behalf of a candidate, but unless he can drop off a piece of campaign literature, it's a waste of time."<sup>7</sup> Gerald Ford's New Jersey Campaign Director agreed. "These are the trimmings of a campaign that fuel local enthusiasm. And when somebody wants to go door-to-door with campaign literature and can't get it, the situation certainly doesn't help our image."<sup>8</sup>

The obvious withering of any meaningful role for state and local political parties in the 1976 presidential election coincided with a dip in voter participation to 53.1%, the lowest rate since 1948. Many factors contributed to the situation--not the least of which was the voter alienation and disaffection which followed the Watergate scandal and the resignation of President Richard Nixon. However, the discouragement of volunteer, labor-

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<sup>5</sup>Financing Presidential Campaigns: An Examination of the Ongoing Effects of the Federal Election Campaign Laws Upon the Conduct of Presidential Campaigns (Cambridge, MA: Harvard University, John F. Kennedy School of Government, 1982), pp. 3-4.

<sup>6</sup>David Broder, "Bumperstickers Without Limit," *Washington Post*, September 30, 1976, p. D7.

<sup>7</sup>Randy Handy, quoted in Jon Nordheimer, "Fund Shortage Cools Interest in Race for President," *The New York Times*, October 25, 1976, p. A18.

<sup>8</sup>Thomas H. Kean, quoted in *ibid*.

intensive grassroots activities by the restrictions on party spending in the 1974 Federal Election Campaign Act was assigned a share of the blame.

### The 1979 Amendments and the Origins of the Soft Money System

In 1979, the United States Congress responded to these complaints by adopting numerous "technical" changes to the Federal Election Campaign Act of 1974. One of these changes, which is the focus of this study, was designed to allow state and local party organizations to conduct specified activities without the payments made for these activities being considered "contributions" or "expenditures" under the FECA.<sup>9</sup> The 1979 amendments specifically exempted three types of traditional party activity from the FECA's contribution and expenditure limits: these included the preparation and distribution of slate cards, sample ballots, and other listings of three or more candidates; the production of campaign materials, such as pins, bumper stickers, brochures, posters and yard signs; and the carrying out of voter registration and turnout drives on behalf of the party's presidential ticket.<sup>10</sup> These efforts were permitted so long as two conditions were met. First, they had to be performed in conjunction with volunteer activity. Second, these activities could not be assisted by the aid of general public advertising, such as newspapers, magazines or billboards.

Insofar as the amendments provided that the costs of these grassroots and party-building efforts were neither a contribution to nor an expenditure for a presidential candidate, they appeared to countenance unlimited state and local party expenditures--limited only by what they could afford. A question remained, however, as to the *source* of

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<sup>9</sup>Under the FECA, a contribution includes "any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office." An expenditure refers to "any purchase, payment, distribution, loan, advance, deposit, or gift of money or anything of value, made by any person for the purpose of influencing any election for Federal office." (See 11 CFR 100.7[a][1] and 11 CFR 100.8[a][1])

<sup>10</sup>For the list of specific activities exempt under the 1979 law, see 11 CFR 100.7(b)(9), 100.7(b)(15), and 100.7(b)(17).

the funds used to conduct these exempted activities. The amendments stipulated that the funds be raised from "contributions subject to the limitations and prohibitions of this Act [i.e. FECA]."<sup>11</sup> Party officials and lawyers, however, quickly noted that the FECA regulated contributions made "for the purpose of influencing any election for Federal office."<sup>12</sup> Since the exempted activities benefited not only federal candidates, but state and local candidates as well, party officials argued that only the portion of funds influencing candidates for federal office should be subject to the limits and prohibitions of the FECA, while the remainder of the funds could be raised from sources regulated by relevant state and local campaign finance laws. In short, party officials claimed that contributions made to influence nonfederal elections and in support of nonfederal activities were not within the purview of the FECA. These nonfederal funds came to be known as "soft money" and contrasted with federal funds raised under the FECA, or "hard money."

With respect to voter registration and turnout drives, in particular, party officials justified the use of nonfederal funds by citing a 1978 FEC advisory opinion that authorized parties to allocate costs between the federal and nonfederal portions of such drives.<sup>13</sup> In this ruling, the Kansas Republican Party was permitted to defray those voter registration costs pertaining to nonfederal contests with money raised and spent pursuant to Kansas campaign finance law.

While the 1978 opinion referred specifically to voter registration drives, a similar argument was offered to justify the use of soft money in funding a portion of the costs associated with the production and distribution of campaign materials. Specifically, the 1979 amendments subjected to federal regulation any state or local party expenditures for campaign materials used "on behalf of nominees of such party."<sup>14</sup> Interpretation revolved around the term "nominee," which the amendments did not define. In a now-common stream of thought, party officials claimed that the term could include state and local

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<sup>11</sup>See 11 CFR 100.7(b)(17).

<sup>12</sup>See 2 USC 431 (8)(a)(i).

<sup>13</sup>See Advisory Opinion 1978-10.

<sup>14</sup>See 11 CFR 100.7(b)(15).

candidates and if so, payments for materials including these candidates could be allocated between federal and nonfederal monies.

Irrespective of the specific arguments forwarded in support of the use of nonfederal funds, the practical effect was that party organizations could--in the name of promoting nonfederal candidates in voter registration drives, candidate listings and campaign materials--extend their appeal on behalf of federal candidates, in general, and presidential candidates, in particular, to a wider audience than they might have reached if they had used only federal money to fund these efforts.

The exemption of particular activities from the FECA was justified on the basis that they promoted the party as a whole rather than the party's individual candidates. This, of course, begged the question as to whether the efforts specifically delineated in the 1979 amendments were the *only* activities that could be defined as "party-building" in nature. Party officials asserted that strengthening the party infrastructure was a necessary precondition to participating in both federal and nonfederal elections. Therefore, it was argued, overhead and administrative expenses should also be partially defrayed with nonfederal funds.<sup>15</sup> The Federal Election Commission agreed and in 1980 promulgated regulations mandating that political party committees financing both federal and state political activity either:

- (i) Establish a separate federal account in a depository. . . ; or
- (ii) Establish a political committee which shall receive only contributions subject to the prohibitions and limitations of the Act [FECA].<sup>16</sup>

To comply with these regulations, party organizations segregated nonfederal contributions from federal contributions by establishing wholly separate accounts, a nonfederal account which held soft money, and a federal account which contained funds raised pursuant to the FECA.

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<sup>15</sup>For example, see John F. Noble, "Soft Money," Campaigns and Elections (Summer 1984) p. 44.

<sup>16</sup>See 11 CFR 102.5 (a)(1)(i)-(ii).

The use of nonfederal funds to defray a portion of party expenses led to the question of how to determine the allocation between federal and nonfederal funds; that is, mechanisms were required to decide the extent to which the exempted activities were federal or nonfederal in nature. The 1979 amendments were silent on this issue and required guidance from the FEC. In ruling on this issue, the FEC acknowledged that the activities exempted by the 1979 amendments did provide ancillary benefits to federal candidates. However, the FEC declined to offer specific guidance to party committees in their attempts to establish representative allocation schemes. Originally, the FEC permitted committees to allocate expenses between hard and soft money funds on any "reasonable basis."<sup>17</sup> The ambiguity of this prescription led to a series of divergent allocation schemes. For example, the FEC permitted a combination of hard and soft money that reflected the proportions spent on federal elections vis-a-vis nonfederal elections. Parties could also allocate funds proportionately, based on the number of federal and nonfederal candidates appearing on a state's ballot.

Regardless of the particular methods of allocation, party organizations tended to understate the federal component of the scheme because federal funds were legally more difficult to raise and distribute. This practice resulted in two separate concerns. First, some of these allocation methods clearly did not accurately reflect the amount of federal activity that the party organization had undertaken. For instance, if a full slate of state and local candidates were running in a presidential election year, allocating costs according to the percentage of federal offices contested might underestimate the degree to which party organizations designed the campaign efforts to benefit the presidential candidate.

Second, distinctions in allocation schemes were limited only by the creativity of state and local party officials. A frequent practice among party officials was to allocate costs for campaign materials on the basis of the actual physical space devoted to federal and nonfederal candidates. The result was the development of largely inexplicable disparities in

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<sup>17</sup>See Advisory Opinion 1980-127.

state-by-state allocation schemes. During the 1988 presidential election, for example, the Tennessee and Florida Republican parties produced federal/nonfederal allocation splits of 48%-52% and 21%-79%, respectively.<sup>18</sup>

In 1990, the FEC sought to address these problems. With respect to state and local party spending, the FEC uniformly required that administrative expenses and the cost of generic activities be allocated according to the composition of the next general election ballot. Under this scheme, each type of race (President, U.S. Senate, Governor, etc.,) received one point, with the allocation ratio being the proportion of total offices on the ballot that were federal. National party organizations were compelled to allocate at least 65% of their administrative and generic costs as hard money expenses in presidential election years and 60% in non-presidential election years.<sup>19</sup>

#### Soft Money and the National Party Organizations

The 1979 amendments did appear to limit the exemption from the FECA definition of "contribution" and "expenditure" to those endeavors carried out by state and local party organizations. However, since this exemption was justified by noting that these efforts served the purpose of party-building, could not the national party organizations as well pursue such activities? Ultimately, the efforts of the Democratic and Republican National Committees received formal recognition, if not approval, from the Federal Election Commission. For example, the FEC's 1980 ruling that required party committees participating in federal and nonfederal elections to establish both hard and soft money accounts included the national party organizations. National party attempts to use soft money to defray a share of their administrative expenses prompted the 1990 FEC ruling on allocation, which required the RNC and DNC to allocate a fixed 65% of their

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<sup>18</sup>James Barnes, "Hard Questions on Soft Money," National Journal, December 7, 1989, p. 864.

<sup>19</sup>See 55 Federal Register, 26 June 1990, pp. 26058-26073.

administrative expenses and voter drive costs as hard money payments. That the FEC allowed for a significant proportion to be paid with soft money funds amounted to a further acknowledgment that national party committees can and do engage in party-building activities other than those directly related to federal elections. Nonetheless, national party soft money efforts initially focused on assuring that their state and local affiliates had ample funds to pay the costs of exempted activities on behalf of their respective parties' presidential ticket. This was complicated by 1979 amendment regulations that required state and local parties to personally raise the funds that they spent on presidential registration and turnout drives, sample ballots, slate cards and campaign materials; that is, they could not use funds received from the national party organization to finance these efforts.<sup>20</sup> However, nothing in the law expressly prohibited national party assistance in defraying the overhead or even state election activity expenses of state and local parties. In short, the DNC and RNC considered the amendment's prohibition on national party contributions applicable only to the federal share of these activities. As demonstrated below, the national parties effectively acted upon this interpretation throughout the presidential elections of the 1980s.

### *The 1980 Presidential Election Campaign*

One of the primary attractions of soft money was the relatively lax nature of state campaign finance laws, which often permitted contributions in amounts and from sources, such as labor unions and corporations, that were prohibited under federal campaign finance law. For example, as of 1992, 16 states placed no limit on the size of individual contributions. New York and Washington did limit individual gifts, but their ceilings were so high (\$50,000) that they failed to discourage large donations. Nineteen states placed no limit on political action committee (PAC) gifts. Eleven states failed to limit corporate contributions and one state, Massachusetts, imposed no ceiling on labor union

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<sup>20</sup>See 11 CFR 100.7(b)(17) and 11 CFR 100.7(b)(15).



contributions.<sup>21</sup> The permissiveness of state campaign finance laws was not lost on national or state party operatives. Rocky Pennington, Chair of the Florida Republican Party, noted that "We can take a check for \$1 million. We can take corporate checks."<sup>22</sup>

In the 1980 presidential general election, the Republicans took greater advantage of these opportunities than the Democrats. The best estimates are that state and local Republican Party committees raised \$6 million from their own sources and under campaign finance laws in individual states. Further, the RNC established a nonfederal account to segregate their hard and soft monies, through which an additional \$9 million was funneled to state and local committees by the RNC's soft money operation, called the Victory Alliance '80.<sup>23</sup> These monies were either raised at the national level and directly transferred to state and local party accounts or raised by RNC operatives who identified corporate and individual donors willing to have their gifts channeled to committees in states where such contributions were permissible.

Regardless of the method by which the soft money funds reached the states, they were directed where spending for such activities as voter registration and turnout drives would have the greatest benefit. According to one Republican fundraiser, "We picked out the states that needed the money, identified money from major contributors and funneled it into those states."<sup>24</sup> One such state was Illinois. During the last week of the campaign, when Ronald Reagan's victory over President Carter was not yet assured, nationally orchestrated gifts appeared from as far away as Virginia, Texas, New Jersey and California.<sup>25</sup>

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<sup>21</sup>Campaign Finance Law 92: A Summary of State Campaign Finance Laws (Washington, D.C.: National Clearinghouse on Election Administration, 1992).

<sup>22</sup>Ellen Miller and Peter Lindstrom, Soft Money: A Loophole for the '80s (Washington, D.C.: Center for Responsive Politics, 1985), p. 7.

<sup>23</sup>Elizabeth Drew, Politics and Money: The New Road to Corruption (New York: Collier Books, 1983), p. 142.

<sup>24</sup>Robert Perkins, quoted in Elizabeth Drew, Politics and Money, p. 104-105.

<sup>25</sup>Miller and Lindstrom, Soft Money: A Loophole for the '80s, p. 7.

One of the primary goals of the public funding provision of the FECA was to relieve candidates from having to focus their energies on fundraising. However, in 1980, the candidates on the Republican presidential ticket took part in numerous fundraising events intended to fill state and local party committee coffers. For example, a fundraising event held in Texas in September 1980 was attended by both Ronald Reagan and George Bush and raised \$2.7 million for use against the Democratic ticket in the state.<sup>26</sup>

Democratic soft money efforts were decidedly less successful than those of their Republican counterparts. The party's presidential and vice presidential candidates took part in a number of fundraising events designed to benefit state and local party committees, but they were only able to raise about \$2.7 million to be spent on exempted activities. An additional \$1.3 million was raised at the national level from unions and individuals and was channeled to committees in states that permitted such contributions.<sup>27</sup>

### *The 1984 Presidential Campaign*

The 1980 election demonstrated that the national parties--at least on the Republican side--would assert their presence in a system that had been established specifically to empower state and local parties in their efforts to conduct grassroots activities. The 1984 election witnessed the successful co-optation of these efforts by the national party committees working in tandem with the organization of the party's presidential candidate.

Shortly after Walter Mondale won the Democratic Party's presidential nomination, party and campaign officials announced the formation of the Democratic Victory Fund as the financial arm of the Democratic National Committee. The head of the Victory Fund was Tim Finchem, Mondale's political finance advisor, who stepped into the DNC role to solicit soft money donations after Mondale captured the nomination. This practice was legal so long as strategic decisions were made independent of both candidate Mondale and present

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<sup>26</sup>Herbert E. Alexander, "Soft Money' and Campaign Financing" (The Public Affairs Council: Washington, D.C., 1984), p. 14.

<sup>27</sup>Anthony J. Corrado, Paying for Presidents: Public Financing in National Elections (New York: The Twentieth Century Fund Press, 1993), p. 67.

members of his campaign staff. The Victory Fund hoped to raise about \$4 million in soft money, which would be used by state parties to fund their voter registration and turnout efforts.<sup>28</sup> In order to ensure that these donations did not violate federal law, fundraisers encouraged potential donors of large amounts to designate their contributions to DNC nonfederal accounts. Potential donors to the nonfederal accounts were provided with legal opinions drafted by the DNC's legal counsel, which stated:

Where allowed by state law, the DNC may use funds contributed by corporations, labor unions or individuals and political committees in excess of federal limits for direct contributions to candidates for state and local office or to the nonfederal accounts of state and local party committees. In addition, such funds may be used to defray the appropriate nonfederal share of the costs of various party-wide or ticket-wide activities (such as Party voter registration and get-out-the-vote programs) conducted by the DNC or by state and local party committees, affecting federal, state and local elections, in accordance with regulations and advisory opinions of the Federal Election Commission.<sup>29</sup>

Further, although the provisions creating soft money were designed to primarily benefit state and local activities and candidates, the DNC used the Democratic presidential ticket's names to attract contributions. For example, the DNC sent a solicitation letter signed by Geraldine Ferraro, the Democratic Vice Presidential nominee, reminding potential contributors that "although presidential campaigns are publicly funded, a critical advantage will go to the side whose party committees can raise a larger war chest for voter registration and get-out-the-vote efforts."<sup>30</sup>

According to information provided by party officials, the Victory Fund received large soft money contributions from individuals and labor unions that greatly exceeded the amounts permitted in federal elections under the provisions of the FECA. It was reported that the Democrats received at least three individual contributions of \$100,000 apiece, while

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<sup>28</sup>Jeff Gerth, "Democrats Set Up \$27 Million Drive," The New York Times, August 29, 1984, p. A12.

<sup>29</sup>Letter from Anthony J. Harrington, DNC General Counsel, to Charles T. Manatt, DNC Chair, August 28, 1984, pp. 1-2.

<sup>30</sup>Miller and Lindstrom, Soft Money: A Loophole for the '80s, p. 14.

two labor unions had each contributed over \$300,000 in nonfederal funds. As a whole, the Victory Fund raised an estimated \$6 million in soft money, which was more than originally anticipated. Despite this, the Democrats still fell short of the Republicans.<sup>31</sup>

By the opening of the general election campaign, the RNC had organized no central soft money drives comparable to the Victory Alliance '80. According to political scientist Herbert Alexander, there are several explanations as to why they failed to do so. First, party and campaign officials were confident that most state party committees would be able to raise substantial amounts of money on their own. In fact, the RNC took several steps to ensure this. Between 1981 and 1984, the RNC paid the salaries of several national party field directors (with soft money) who in turn worked to help build state party fundraising capabilities. Second, the RNC was able to supplement state party funds by transferring hard money, raised under FECA limits, to their state affiliates. Although the 1979 amendments prohibited the use of this money on volunteer grassroots activities, it did have the effect of "freeing up" funds raised by the state parties to pay for such activities. Finally, party officials were concerned about the negative publicity they had received in relation to their 1980 soft money efforts.<sup>32</sup>

Despite their initial hesitancy, however, the Republican Party ultimately raised about \$10.6 million in soft money during the general election. About half of this sum was raised by the Republican National State Elections Committee (RNSEC), a separate committee created by the RNC to receive funds not raised under the provisions of the FECA to support candidates for state and local offices. The remaining \$5.6 million was raised to finance an extensive "voter contact" initiative. The Republican presidential ticket played a significant role in raising these funds, attending numerous national party fundraising events held during September and October 1984. President Reagan and Vice President Bush also made concerted efforts to bolster state and local party coffers in several

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<sup>31</sup>Ibid.

<sup>32</sup>Alexander, *Soft Money and Campaign Financing*, pp. 21-22.

electorally critical areas. For example, a September fundraising event in Houston attended by Reagan netted \$2,058,000. Bush was present at a dinner in Los Angeles the next month that raised over \$600,000.<sup>33</sup>

A particularly prominent feature of the 1984 presidential election was the use of soft money to pay for media advertising. Although the 1979 amendments prohibited the direct use of soft money accounts for advertising, subsequent FEC opinions allowed for its use in cases where the advertising clearly identified no candidates, but did promote party themes. Specifically, the FEC ruled that ads using party symbols, such as the donkey or elephant, or ones discussing "general" issues, could be considered "party-building" in nature and financed out of a national or state party's operating account.<sup>34</sup> The RNC took full advantage of this opportunity and proceeded to design and produce several ads that adhered to the tone of the Reagan campaign. Most prominently, "America's Back Again" was tailored to President Reagan's attempt to invoke an image of strength before an electorate that had chosen him four years earlier to reverse a growing sense of American military and economic decline.

### *The 1988 Presidential Election Campaign*

During the 1988 election, both the DNC and RNC continued to support state parties with soft money transfers. The Center for Responsive Politics reported that the national parties targeted ten particular state affiliates, and between them transferred over \$9 million to state nonfederal accounts in support of voter registration and turnout activities.<sup>35</sup> Further, both the Democrats and Republicans continued the practice of coordinating party and presidential campaign financial activities by moving members of the campaign into key party positions following their respective nominating conventions. Robert Farmer, Michael

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<sup>33</sup>Ibid, p. 23.

<sup>34</sup>For example, see Advisory Opinion 1984-15.

<sup>35</sup>These states included California, Colorado, Florida, Illinois, Missouri, Pennsylvania, North Carolina, Texas and Washington state. See Herb Schultz and Laura Weiss, Soft Money '88 (Washington, D.C.: The Center for Responsive Politics, 1989), p. 6.

Dukakis' chief fundraiser during the presidential nominating campaign, assumed control of DNC financial efforts. On the Republican side, Robert Mosbacher, Bush's primary fundraiser, was named head of RNC financial operations.

What characterized the 1988 election, however, was both the increasing aggregate amount of soft money raised and national party reliance on large contributions. Immediately following the 1988 Democratic National Convention, Farmer announced that his party would not be outspent by their Republican counterparts. In order to reach this goal in the short time available between the convention and election day, Farmer assiduously solicited \$100,000 donations. This approach proved successful, as the DNC counted 130 individuals who gave at least \$100,000,<sup>36</sup> including a \$1 million gift from Joan Kroc, the widow of the founder of the McDonald's Corporation. Overall, the Democrats met Farmer's fundraising objective, raising \$23 million as compared to the \$22 million raised by the RNC.<sup>37</sup>

The Republicans, likewise, actively sought wealthy donors, and to this end created Team 100, a group consisting of individuals or corporations willing to give at least \$100,000 to national party coffers. The RNC received 267 contributions of \$100,000 or more, a figure not surprising given the party's relatively wealthy base of support. Among these so-called "fat cat" gifts was a contribution of \$502,263 from former ambassador to Hungary Nicholas Salgo, which was described at the time as the "largest known political gift since the 1972 Nixon campaign."<sup>38</sup>

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<sup>36</sup>The number of \$100,000 donors does not necessarily represent individuals who gave the full amount in soft money. It should be recalled that an individual can give up to \$20,000 in hard money to the party under the FECA. The remainder, however, is soft money.

<sup>37</sup>Herbert E. Alexander and Monica Bauer, Financing the 1988 Election (Boulder, CO: Westview Press, 1991), p. 37.

<sup>38</sup>Corrado, Paying for Presidents: Public Financing in National Elections, p. 69.

## The Problem of Soft Money

The soft money activities pursued by the national parties have generated considerable criticism. Frequent references to soft money as a "glorified money laundering system" and a "sham" have led many to question not only its utility, but its legality.<sup>39</sup> The most fundamental criticism of the soft money system is that it provides a mechanism by which funds that could not lawfully be given to a presidential candidate can still be used to aid that candidate's election effort. Voter registration and turnout drives, for example, invariably assist state and local candidates. However, because voter registration and turnout drives comprise the essential field operations of campaigns for all levels of government, party conduct of these activities reduces the amount that candidates must spend on such items. This frees up campaign funds for use on other areas, which is especially critical to presidential candidates, whose expenditures are limited by law. Further, expenditures on media advertising, as shown above, can be tailored to a presidential candidate's campaign themes. The presentation of these party ads once again extricates a presidential candidate from spending his own money. Party officials, in fact, appear to leave little doubt as to who are the primary beneficiaries of the soft money system. During the 1988 campaign, John Weaver, the head of GOP fundraising in Texas, said of their soft money efforts: "Obviously the emphasis is on George Bush." Peter D. Kelly, chair of the California Democratic Party, indicated that "the whole theory behind the soft money effort was to raise enough money to help Governor Dukakis win the state."<sup>40</sup>

That presidential candidates benefit from activities funded with soft money has led to questions regarding the legality of the sources of these funds. In short, if soft money benefits federal candidates, should individuals be allowed to exceed the FECA's strict

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<sup>39</sup>Jeffrey Denny, "A \$100,000 Understanding," Washington Post, May 10, 1992, p. 4 and Fred Wertheimer, "Bush and Dukakis Took Illegal Money," New York Times, February 1, 1989, p. A25.

<sup>40</sup>Wertheimer, "Bush and Dukakis Took Illegal Money," p. A25.

contribution limits? Further, should corporations and labor unions be allowed to contribute at all, given the persistence of laws that prohibit their participation in federal elections?

The proliferation of extraordinarily large contributions from corporations, labor unions and individuals has encouraged watchdogs to pay special attention to potential undue influence that accrues as a result. The most frequently cited example involves Dwayne Andreas and his company, Archer Daniels Midland (ADM), a major commodities processing firm that controls 70% of the ethanol market. Andreas and ADM gave a combined total in excess of \$180,000 to the RNC over the course of 1991 and 1992. In October 1992, President Bush overturned an EPA regulation in the Clean Air Act that would have severely limited the use of ethanol-blended fuels in smoggy cities, a decision that some predicted would net ADM \$30 million to \$75 million annually.<sup>41</sup> Critics also allege that a Watergate-era relationship exists between political contributions and political appointments. For example, of the ambassadorial appointments made by former President Bush, at least ten were members of Team 100.<sup>42</sup>

Even if *quid pro quos* for large soft money gifts cannot be proven, the existence of such large donations has agitated public perceptions about the influence of wealthy donations and the inefficacy of the average citizen's role in the political system. A 1992 CBS News/New York Times survey showed that three out of four Americans think the government is "pretty much run by a few big interests looking out for themselves."<sup>43</sup> Critics insist that even if these perceptions cannot be unambiguously tied to soft money donations, they play an important role.

Further, some argue that far from empowering state and local parties, soft money has led to the accumulation of power by the national parties. The showering of money on a few pivotal states has led some to call into question the validity of the claim that soft money

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<sup>41</sup>Beth Donovan, "Much-Maligned Soft Money is Precious to Both Parties," Congressional Quarterly, May 15, 1993, p. 1196.

<sup>42</sup>Wayne Slater, "Big Contributions Land Plum Ambassadorships," Dallas Morning News, May 31, 1992, p. 1.

<sup>43</sup>Peter Stone, "Return of the Fat Cats," National Journal, October 17, 1992, p. 2352.



is being used for state and local party building exercises. Critics also cite the apparent centralization of fundraising. For example, in the ten states targeted by the DNC and RNC in 1988, soft money transfers from the national party committees represented 64% of total Democratic state party receipts and 35% of Republican state party receipts.<sup>44</sup>

The above criticisms are serious, for they not only call into question the 1979 amendments but the effectiveness of the FECA and its attempt to curb the influence of money in elections and restore public confidence in the electoral system. An assessment of these charges, however, is impossible without empirical support. Therefore, the following chapters will be devoted to an examination of soft money in the 1992 presidential election and will carefully explore the substance of soft money contributions and the nature of the expenditures they fund.

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<sup>44</sup>Schultz and Weiss, Soft Money '88, p. 16.

## **Chapter Two**

### **Soft Money: Who Gives and How Much**

Much of the debate about soft money focuses on the sources of the funds used to conduct legally sanctioned grassroots and party-building activities. In that soft money expenditures provide ancillary benefits to federal candidates, critics contend that funds are raised from sources and in amounts prohibited by the FECA. It is further alleged that donors give not to support state and local party activities, as was intended by the 1979 amendments, but to bolster major party presidential candidates. A lack of disclosure at the national level has made accurate findings of soft money contributions difficult, if not impossible. However, the FEC's 1990 disclosure regulations have allowed for initial analyses of contributions to national party nonfederal accounts. In order to obtain a more thorough understanding of the donor side of the soft money equation, this chapter will examine the nature, size and timing of contributions to both the Democratic and Republican National Committee nonfederal accounts for the 1991-1992 presidential election cycle.

#### **DNC and RNC Nonfederal Accounts**

The Democratic and Republican National Committees have established nonfederal accounts that segregate soft and hard money contributions and finance activities conducted in association with state and local elections and party-building efforts. From a logistical standpoint, this provides several immediate advantages to the parties. First, because the accounts serve as central financial clearinghouses, they facilitate both compliance with allocation requirements and transfers to state and local affiliates. Second, nonfederal accounts expand the financial resources available to the national committees, in that contributors may offer hard and/or soft money gifts. Finally, the accounts free the national parties from having to return checks from PACs, unions, corporations and individuals who

exceed federal limits. Instead, the parties can either ask a donor if his or her check can be deposited in a nonfederal account or they may simply send the donor a notice explaining the nature of the activity supported by their contribution.

The Democrats technically maintain four primary accounts that are distinguished by the source of the contribution. The DNC Corporate and General accounts receive contributions from corporate and union treasury funds, respectively. Several union organizations actually set aside a fixed percentage of membership dues for donations to the national parties. In 1992, for example, the membership body of the United Steelworkers agreed to devote 1% of its dues to political contributions.<sup>45</sup> The DNC Individual and MaxPAC accounts retain donations from individuals and PACs that have either earmarked their gifts as soft money donations or "maxed out;" that is, already given the maximum amount in hard money allowable under federal law. Moreover, the DNC maintains several secondary nonfederal accounts established by affiliated party organizations. Examples include the Association for State Democratic Chairs and the College Democrats of America, both of which raised and expended nonfederal funds in support of 1992 voter registration and turnout drives.

As with the Democrats, the Republican National Committee receives soft money donations from individuals, PACs, corporations and labor unions. The RNC, however, does not maintain separate accounts for different types of donations. Formed in 1984 to solicit contributions to be used solely in support of state and local candidates for office, the Republican National State Elections Committee (RNSEC) now receives all soft money gifts and is used to conduct all election-related soft money activity.

Both the DNC and RNC possess so-called "building fund" accounts, which also collect funds not subject to the contribution limits of the FECA. These monies are used--as the name suggests--to develop and maintain the physical apparatus of the parties, such as the Democratic Headquarters Building and the RNC's Dwight D. Eisenhower Center, both

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<sup>45</sup>Charles Babcock, "Parties Rack Up Six Figure Gifts of 'Soft Money'," Washington Post, September 8, 1992, p. A15.

of which are located only short distances from the Capitol. For the purposes of this paper, building funds are not considered a focal point of the soft money system for three reasons. First, building fund receipts as a percentage of total soft money receipts are relatively insignificant. In 1991-1992, they accounted for less than 1% of DNC receipts and just under 7% of RNC receipts.<sup>46</sup> Second, building funds play little, if any, role in election-related activities, which are the focal point of most of the criticism surrounding soft money. Third, as will be shown, the function and intent of building fund accounts--the institutionalization of the national parties--is mainly served by the primary nonfederal accounts maintained by the DNC and RNC.

#### Contributions to DNC and RNC Nonfederal Accounts

Several commentators have noted the traditional financial advantage Republican Party committees have held relative to their Democratic counterparts. This can be partially attributed to the GOP's more affluent donor base. At least as important, however, is the RNC's highly effective formal fundraising structure, particularly its direct mail effort. This procedure was first introduced in 1962 and dramatically expanded in the 1970s. The DNC, in comparison, initiated its first direct mail fundraising effort as late as 1981.<sup>47</sup>

Republican fundraising success extends to soft money (see Table 2.1). Since 1980, the RNC has raised over \$86 million, while their Democratic counterparts have received slightly over \$63 million. However, what is perhaps most notable about the GOP's financial advantage is the extent to which it is progressively diminishing. Whereas in 1980, the Republicans raised almost three times the amount of soft money as the DNC, by 1992, the difference was largely negligible. Several factors help to explain this occurrence. First, with the passing of time and the advent of new technologies that allow

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<sup>46</sup>1991-1992 Federal Election Commission Selected Receipts and Disbursements.

<sup>47</sup>Alexander, *Financing Politics*, p. 53.

for more efficient and extensive outreach, Democratic direct mail fundraising efforts have improved.<sup>48</sup> Second, in 1992, the political prospects of the Democratic presidential nominee, Bill Clinton, certainly helped to fill party coffers. The excitement surrounding the probability of a Democratic victory for the first time in over a decade encouraged many contributors, including some Team 100 members, to give large sums in support of the Democratic ticket.

**TABLE 2.1**  
**Soft Money Receipts, 1980-1992**  
**(\$ Millions)**

<i>Year</i>	<i>RNC</i>	<i>DNC</i>
1980	15.1	4.0
1984	15.6	6.0
1988	22.0	23.0
1992	33.5	30.1

Note: Amounts for 1980-1988 are based on estimates from the Citizens Research Foundation. The dollar figures for 1992 are based on FEC lists of national party soft money receipts.

Source: *Citizens Research Foundation and 1991-1992 FEC Selected Receipts and Expenditures*

Another possible explanation for the Democrat's relative fundraising success is the significant enhancement and broadening of the party's base of financial support. Tony Coelho, former Congressman and Chair of the Democratic Congressional Campaign Committee during the early 1980s, maintains that the Democratic Party has increasingly come to mirror their Republican counterparts in the solicitation of corporate soft money gifts.<sup>49</sup>

This development is reflected in the results of Table 2.2, which presents the aggregate contributions received by each primary nonfederal account for the 1991-1992

<sup>48</sup>Ibid, p. 54.

<sup>49</sup>Tony Coelho, as quoted in Brooks Jackson, Honest Graft: Big Money and the American Political Process (Washington, D.C.: Farragut Publishing Co., 1990), p. 70.

presidential election cycle. The dollar amounts indicate a common reliance on corporate gifts. Donations from corporate treasury funds accounted for 48% of total DNC receipts and 63% of RNC receipts. In aggregate terms, the Republicans raised significantly more in corporate gifts than the Democrats, which is not surprising given the corporate community's status as the most substantial and traditional of all GOP donor bases. This, however, understates the extent to which the DNC has received increasing support from this constituency. Robert Farmer, Dukakis finance director and treasurer for the Clinton campaign, stresses that, over time, "the Democratic Party has consistently improved its financial standing among the corporate community."<sup>50</sup>

**TABLE 2.2**  
**Primary Nonfederal Account Receipts, 1991-1992**

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<i>Account</i>	<i>Total Receipts (\$)</i>
DNC Corporate	14,541,370
DNC Individual	11,291,115
DNC General	3,841,532
DNC MaxPAC	416,050
RNSEC	33,469,440
Corporate	21,191,507
Individual	12,101,659
Union	5,000
PAC	171,274
Total	63,559,507
Democrats	30,090,067
Republicans	33,469,440

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Note: As stated, the RNC maintains one nonfederal account--the RNSEC. The delineations listed above are the author's and were calculated by segregating RNSEC receipts by the source of the contribution.

Source: 1991-1992 Federal Election Commission Selected Receipts and Expenditures

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<sup>50</sup>Elizabeth Neuffer, "New Interest Groups Emerge as Big Donors," *Boston Globe*, September 17, 1992, p. 1.

In addition to corporate contributions, individual donations comprised the other main source of DNC and RNC soft money funds in 1991-1992, representing 38% of Democratic funds and 36% of GOP funds. Together, corporate and individual gifts accounted for 86% and 99% of DNC and RNC receipts, respectively, and 93% of all the soft money generated by the major parties combined.

While corporations and individuals clearly served as the most financially significant of soft money contributors, they were not the sole participants. For the Democrats, labor unions were crucial donors, accounting for 13% of DNC coffers. In practice, this may actually understate union activity on behalf of Democratic candidates since these organizations often directly sponsor voter registration and turnout drives for their members and families.<sup>51</sup> Traditionally supportive of the Democratic Party, labor unions provided little support to the RNC. Indeed, the Republicans raised only \$5,000 from labor unions for their soft money accounts.

Several observers have expressed concern over the role of PACs in the political process. Illustrative of this concern is Phillip Stern, who contends that "lawmakers are indebted to outside interest groups for their campaign money. Thus, PACs are often able to push their way in through the turnstile ahead of a lawmaker's own constituents."<sup>52</sup> To put political action committee funding in perspective, in 1990, PAC contributions represented 22% of total receipts for Senate candidates and 38% for House candidates.<sup>53</sup> In terms of presidential campaign finance activity, however, PACs play a much smaller role.<sup>54</sup> This is most likely due to the fact that presidential candidates are less-pressed for funds, given provisions for public financing. With regard to soft money, in fact, public disapproval of PACs has led some candidates to discourage their respective party

<sup>51</sup>Interview with Robert Biersack, Chief Statistician at the Federal Election Commission, March 21, 1994.

<sup>52</sup>Phillip M. Stern, *The Best Congress Money Can Buy* (New York: Pantheon Books, 1988), p. 15.

<sup>53</sup>Alexander, *Financing Politics*, p. 119.

<sup>54</sup>It must be noted that Professor Anthony Corrado has documented the rise of so-called "precandidacy PACs," whereby presidential candidates seek to circumvent federally prescribed expenditure limits by creating political action committees to support precandidacy activities such as travel, development of fundraising lists and issues development. See Anthony Corrado, *Creative Campaigning: PACs and the Presidential Selection Process* (Boulder, CO: Westview Press, 1992).

organizations from soliciting and expending any PAC funds in association with the presidential election, as did Michael Dukakis in 1988. While Bill Clinton placed no limit on PAC nonfederal contributions for the 1992 presidential election cycle, political action committees were not active participants in the soft money system during this period, accounting for merely 1% of DNC receipts and less than 1% of RNC receipts.

### Soft Money: Return of the Fat Cats?

The chorus of criticism surrounding soft money sings loudest over the size of these contributions. In theory, the Watergate-era election laws set strict limits on individual contributions and forbade donations from corporations and unions. In practice, however, the 1979 amendments and subsequent FEC rulings have allowed the national parties to solicit unlimited sums from these sources. According to a spokesman for the RNC, "Under present law, it is possible to put \$1 million into anybody's campaign--legally."<sup>55</sup> In reference to the lure of soft money, wealthy philanthropist Stewart Mott notes, "I've figured out how to be a fat cat again."<sup>56</sup> The result, according to Ellen Miller, director of the Center for Responsive Politics, is a campaign finance system that "serves as a haven for large contributors."<sup>57</sup>

There are several methods by which to test this latter claim. Table 2.3 presents the number of contributions made to the DNC and RNC in 1991-1992. These figures literally represent individual checks deposited in party nonfederal accounts. Looking at the average contribution is one way of gauging how much donors give. However, as indicated by comparing the numbers of donations and donors in Table 2.3, this approach is limited, for average donations do not account for the numerous instances in which individuals,

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<sup>55</sup>William Greerer, as quoted in Brooks Jackson, "Loopholes Allow Flood of Campaign Giving by Businesses, Fat Cats," Wall Street Journal, July 5, 1985, p. A1.

<sup>56</sup>*Ibid.*

<sup>57</sup>Rita Beamish, "Fat Cats are Back and Spending Big," Waterville Morning Sentinel, October 10, 1988.



corporations and labor unions pledge multiple contributions. As a result, this method tends to understate financial activity, in general, and the actual size of contributions, in particular. For example, two distinct contributions of \$5,000 from one individual are counted as two separate receipts. These receipts do not accurately depict the given transaction scenario, however, because one individual donor has actually contributed a total of \$10,000.

An examination of soft money donations does, however, allow for initial conclusions regarding the size of contributions. First, that the DNC received more corporate contributions than the RNC, yet received less financial assistance from this source (for monetary totals by account, refer to Table 2.2) suggests that the Democrats relied on smaller contributions. Table 2.3 provides initial support for this, as the average corporate donation to the DNC was \$7,000, as compared to \$14,800 for the RNC. Second, the Democrats acquired fewer aggregate donations from individuals than the GOP, while in financial terms, the sums were quite close. This implies that the DNC depended on larger contributions from individual donors than their Republican counterparts. Indeed, the average individual donation to the DNC was \$21,755, while the average individual contribution to the RNC was \$13,450.

**TABLE 2.3**  
**1991-1992 Soft Money Donations and Donors by Account**

<i>Account</i>	<i>Donations (#)</i>	<i>Avg. Donation (\$)</i>	<i>Donors (#)</i>	<i>Avg. Donation per Donor(\$)</i>
DNC Corporate	2,695	4,904.34	2,053	7,082.98
DNC Individual	659	17,133.71	519	21,755.52
DNC General	259	14,832.17	106	36,240.87
RNSEC	3,524	9,497.57	2,318	14,118.34
Corporate	2,266	9,351.94	1,415	14,788.00
Individual	1,207	10,026.23	903	13,448.67

Note: PAC receipts are excluded as they represent less than one percent of the combined RNC and DNC nonfederal funds.

Source: 1991-1992 Federal Election Commission Selected Receipts and Expenditures

To more precisely measure the size of soft money gifts, we must distinguish between a contribution and a contributor. Whereas a contribution refers to separate donations, a contributor represents the donor and aggregates the contributions made by that donor. For instance, the average DNC union contribution in 1992 was \$14,800 while unions, on average, gave a total of \$36,200. This latter figure more accurately depicts union financial activity.

Examining average gifts per contributor is particularly useful because it highlights a fundamental dichotomy in the debate over soft money contributions--that is, there is a difference between the threshold of funds most contributors give and the threshold of funds the parties rely on to fill their coffers. According to one staffer with the Democratic National Committee, "What most people don't realize is that most donors give relatively small amounts of cash."<sup>58</sup> Table 2.4, which divides the total receipts by account into categories based on the size of the contribution, supports this contention. Of all DNC and RNC soft money contributors, 71% and 66%, respectively, gave no more than \$5,000. This trend also exists when examining the separate party accounts. With regard to the DNC Individual account, one-third of all donors gave \$1,000 or less and over 50% donated \$5,000 or less. Further, 84% of all individual soft money givers donated amounts less than or equal to \$40,000. This is significant because the FECA limits individuals to hard money contributions of no more than \$40,000 over a two year cycle (\$20,000 per year) to a national political party. Similar to the Democrats, over half of all individual Republican donors contributed \$1,000 or less; over 70% donated \$5,000 or less; and 90% gave \$40,000 or less.

As with individual donors, most corporations and unions gave relatively small amounts of money to the national parties. Seventy-seven percent of all donors to the DNC Corporate account and 61% of all corporate donors to the RNSEC gave no more than \$5,000. Just under 60% of the labor unions donated \$5,000 or less to the DNC General

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<sup>58</sup>Linda Feldman, "Give Money and They Call Back," Christian Science Monitor, November 3, 1992, p. 8.

account. While corporations and unions may not directly contribute to a candidate for federal office, they are permitted to use treasury funds to help administer political action committees, which can, in turn, donate up to \$15,000 in hard funds per year, or \$30,000 over two years, to a national political party. Over the 1991-1992 presidential election cycle, 93% of Democratic corporate donors, 74% of Democratic union donors and 83% of Republican corporate donors gave less than the maximum amount allowable under federal law for hard money gifts.

That most donors gave modest sums to the RNC and DNC should not be interpreted to mean that the parties derived their financial sustenance from these contributions. A clear demonstration of this lies in the fact that while the majority of Democratic and Republican individual and corporate donors gave less than \$5,000, the average contribution per donor for these sources was significantly higher (see Table 2.3).

For both the DNC and RNC, the vast majority of soft money funds came not from small but large contributions. While 71% of all Democratic donors gave less than \$5,000, these gifts accounted for less than 10% of all DNC soft money. In fact, 171 donors who gave more than \$40,000, or 6% of all Democratic donors, accounted for over 57% of the DNC's 1991-1992 soft money receipts. Observing the size of contributions across the various nonfederal accounts reveals a similar pattern. Individuals who gave more than \$40,000 constituted 15% of all givers, but represented 70% of DNC Individual receipts. Large corporate and union donors enjoyed a similar prominence. Corporations that gave more than \$20,000 accounted for less than 7% of all corporate donors, but over 55% of all corporate receipts. The 25% of union donors who gave more than \$20,000 accounted for 91% of total union gifts.

This model of reliance on large donors was not unique to the Democrats. Two-thirds of all GOP contributors gave less than \$5,000. Nonetheless, these contributions represented only 6% of all RNSEC receipts. As with the Democrats, a relatively small number of Republican givers provided the lion's share of financial support for the RNC.

To be precise, the 207 donors who contributed more than \$40,000, or 7% of all contributors, accounted for almost two-thirds of total RNSEC monies. Individual donors of more than \$40,000 represented less than 10% of all individual donors, but 70% of all individual receipts. The 16% of corporate givers of more than \$20,000 were responsible for 73% of all RNSEC corporate gifts.

**TABLE 2.4**  
SOFT MONEY BY SIZE OF CONTRIBUTION  
(\$ THOUSANDS)

	<i>0.001-1</i>	<i>1.001-5</i>	<i>5.001-20</i>	<i>20.001-40</i>	<i>40.001-100</i>	<i>100.001+</i>	<i>TOTAL</i>
<b>DNC Individual</b>							
Contributors	165	111	104	59	64	16	519
Amount (\$)	93.383	352.102	1,256.482	1,758.882	4,756.196	3,074.070	11,291.115
<b>DNC Corporate</b>							
Contributors	990	593	332	72	50	16	2,053
Amount (\$)	650.710	2,006.379	3,749.591	1,993.894	3,147.741	2,993.055	14,541.370
<b>DNC General</b>							
Contributors	42	20	17	5	7	15	106
Amount (\$)	31.575	57.800	217.591	176.550	502.850	2,855.166	3,841.532
<b>RNSEC Individual</b>							
Contributors	461	184	105	55	81	17	903
Amount (\$)	250.978	431.211	1,462.159	1,532.683	5,723.128	2,701.500	12,101.659
<b>RNSEC Corporate</b>							
Contributors	480	382	319	125	79	30	1415
Amount (\$)	327.473	1,253.974	4,095.024	3,671.518	5,011.430	6,832.088	21,191.507
<b>Grand Total</b>							
Contributors	2,138	1,290	877	316	281	94	4,996
Amount (\$)	1,354.119	4,101.466	10,780.847	9,133.527	19,141.345	18,455.879	62,967.183

*Source: 1991-1992 Federal Election Commission Selected Receipts and Expenditures*

This analysis certainly suggests that both the RNC and DNC placed a premium on large contributions as a means of generating soft money. The epitome of this trend is the prevalence of donors who gave at least \$100,000. During the 1991-92 presidential election cycle, the Republicans sought to build on the success of the 1988 Team 100 approach by not only maintaining the program, but asking prospective donors to contribute \$25,000 in each of the years between 1988 and 1992, in addition to gifts of \$100,000 in the presidential election year itself. The Democrats attempted to replicate this strategy by creating the "trustees" program, which included donors who either agreed to contribute or raise at least \$100,000. Gifts of at least \$200,000 to the DNC qualified an individual, corporation or union as a "managing trustee."<sup>59</sup> The efforts of both parties resulted in the solicitation of several exceedingly large contributions. More than 60 individuals and corporations contributed at least \$100,000 to the RNSEC, and over 70 corporate, individual and union sources gave \$100,000 or more to the appropriate DNC nonfederal accounts (refer to Table 2.4).

These figures suggest that there were fewer \$100,000 contributors to national party nonfederal accounts in 1992 than in 1988. However, this does not mean that the parties placed less reliance on large contributions in 1992 or that they were less successful in attracting such contributions. First, recall that a "trustee" could meet the \$100,000 requirement not only by contributing but by raising this sum. One report estimated that under this definition, there were about two hundred and fifty \$100,000 "donors."<sup>60</sup> Further, because Federal Election Commission disclosure reports only included contributions made in 1991 and 1992, Team 100 members who donated annual gifts of \$25,000 would not be counted as \$100,000 donors.

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<sup>59</sup>Charles Babcock, "Both Parties Raise Millions in Soft Money," Washington Post, July 26, 1992, p. A1.

<sup>60</sup>Neuffer, "New Interest Groups Emerge as Big Donors," p. 15.

## Soft Money Contributions and the Presidential Election Campaign

Contributions within the soft money system should not be simply interpreted as transactions between individual donors and the national parties. Another critical element in this equation is the presidential campaign of the respective party candidates. This is most clearly seen in the close relationship between national party and campaign fundraisers, a development that blurs the line between the privately financed party and the publicly funded campaign. As stated above, it is often the case that staff members of a candidate's nomination campaign are transferred to the national party committee after the end of the primary season to coordinate fundraising activities designed to fill soft money coffers. The close connection between campaign and party personnel allows the national party to solicit gifts from a broad donor base, since they can now tap into the candidate's supporters as well as the party's traditional fundraising sources. Further, the national party, which now contains former members of the candidate's campaign, can devote the allocation of funds to state parties for purposes that complement the strategic approaches of the presidential campaign. As in previous years, both the DNC and RNC pursued this approach in 1992. Shortly after the July Democratic convention, Rahm Emanuel, Bill Clinton's prenomination campaign finance director, assumed control of DNC fundraising activities. Following the Republican Convention, Robert Mosbacher left his post as general chair of President Bush's re-election campaign to supervise fundraising for the RNC.

The distance between party money and the presidential campaign is also mitigated by the fundraising strategies of the national parties. According to Joshua Goldstein, a campaign finance expert at the Center for Responsive Politics, "both Clinton and Bush participated in numerous events designed to raise soft money for the national parties."<sup>61</sup> The extent to which this occurs is difficult to determine due to the reluctance of presidential campaigns to release information regarding candidate fundraising activities. However,

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<sup>61</sup>Joshua Goldstein, quoted in Feldmann, "Give Money and They Call Back," p. 8.

enterprising journalists have managed to disclose such events on occasion. For example, immediately following his party's convention, Bill Clinton attended three events in Texas, which raised over \$750,000 in hard and soft money. Donors were instructed to make checks payable to the Democratic National Committee.<sup>62</sup> In April 1992, George Bush hosted the President's Dinner Committee fundraiser in Washington, D.C., which reportedly raised more than \$8 million in hard and soft money. Proceeds were divided among the Republican National Committee, the National Republican Senatorial Committee and National Republican Congressional Committee.<sup>63</sup> Moreover, in soliciting soft money donations, the national parties frequently invoked the names of the presidential candidates. A DNC mailing urged potential contributors to "help Bill Clinton and the Democrats bring change to America and economic security to American families." An RNC solicitation warned that financial support was necessary to "help George Bush and all Republican candidates defeat Democrats who oppose lower taxes and policies designed to increase jobs."<sup>64</sup>

Such practices strongly suggest coordination between party and campaign fundraising efforts. Does this, however, explain why individuals and corporations contribute to party coffers? That is, do these actors supply soft money funds to the national parties to help presidential candidates or to promote general party-building activities? Dwayne Andreas, chairman of the Archer Daniels Midland Corporation, defended his large contributions to the RNC as "a mark of good citizenship" in that they were used to "finance groups that help get out the vote."<sup>65</sup> To some, the notion that individuals give large sums of money to help finance party-building activities is, on its face, an utter fiction. According to Fred Wertheimer, President of Common Cause, "People don't make \$100,000 contributions to Presidential campaign fundraisers to help local candidates run for the state

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<sup>62</sup>Charles Babcock, "Clinton's Fundraising Becomes a Duty of the DNC," Washington Post, July 23, 1992, p. A12.

<sup>63</sup>"Common Cause News," Common Cause Magazine, May 28, 1992, p. 3.

<sup>64</sup>August 1992 DNC and RNC solicitation letters.

<sup>65</sup>Ed White, "ADM Chief Defends Fat Contributions to Political Parties," Associated Press News Release, April 19, 1993.

legislature."<sup>66</sup> Kenneth Dickerson, Senior Vice President of the Atlantic Richfield Company, implied that contributions are, in fact, related to government policies, if not influence. "What we get through political contributions is a recognition that we exist."<sup>67</sup> Others bluntly concede that donations are offered not so much to support a particular party, but a particular candidate. Swanee Hunt left little doubt that the \$250,000 she gave to the Democratic National Committee over the course of 1991-1992 was to help Bill Clinton: "My support for Bill Clinton is consistent with my philanthropic work."<sup>68</sup> Philanthropy aside, however, there are those who find a disturbing connection between Hunt's generous contribution and Clinton's subsequent decision to appoint Hunt ambassador to Austria, despite her complete lack of foreign service experience.<sup>69</sup>

It is, of course, impossible to determine precisely why individuals contribute to political causes. However, as Table 2.5 notes, the pattern of soft money contributions during the 1991-1992 presidential election cycle suggests that donations may have been motivated by political pragmatism as well as ideology and democratic ideals.

Both the DNC and RNC received substantial sums of soft money in the last four months of the presidential election cycle, the time in which the campaigns direct most of their energy, time and resources to election-related activities. During this period, the DNC collected over 65% of its total soft money receipts. In the same period, the RNC raised just under 40% of its total funds. That national party nonfederal accounts were particularly active at this time is not surprising, given that this is, by far, the most active fundraising stage of the campaign. However, what is striking is the extent to which soft money contributions mirrored the status of the presidential election.

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<sup>66</sup>Wertheimer, "Bush and Dukakis Took Illegal Money," p. A25.

<sup>67</sup>Stone, "Return of the Fat Cats," pp. 2350-54.

<sup>68</sup>Babcock, "Parties Rack Up 6-Figure Gifts of 'Soft Money'," p. A15.

<sup>69</sup>Barbara Slavin, "Capital Gains: It's Business as Usual at the White House," Los Angeles Times, April 14, 1994.



**TABLE 2.5**  
**1991-92 National Party Soft Money Monthly Receipts**

<b>1991</b>			
<i>Month</i>	<i>RNSEC Receipts (\$)</i>	<i>Month</i>	<i>DNC Receipts (\$)</i>
January	2,733,403.50	January-June	2,029,992.32
February	1,199,507.14	July-Oct. 16	1,945,249.65
March	203,101.00	Oct. 17-Nov. 25	387,484.45
April	452,378.93	Nov. 26-Dec. 31	1,022,026.01
May	655,444.21		
June	629,651.00		
July	517,869.56		
August	608,835.55		
September	602,302.36		
October	970,374.38		
November	528,343.50		
December	1,261,893.48		
<b>Total</b>	<b>10,363,104.61</b>	<b>Total</b>	<b>5,384,752.43</b>
<b>1992</b>			
January	3,090,677.00	January	448,421.92
February	1,685,116.49	February	560,783.74
March	1,285,953.00	March	796,167.75
April	1,175,892.00	April	756,495.32
May	650,401.00	May	814,585.51
June	1,786,114.75	June	1,707,979.97
July	3,388,366.50	July	2,242,036.98
August	4,189,866.19	August	5,242,683.03
September	1,944,419.40	September	4,453,894.13
Oct. 1-Oct. 14	1,149,677.00	Oct. 1-Oct. 14	3,586,683.14
Oct. 15-Nov. 23	2,509,063.59	Oct. 15-Nov. 23	5,093,894.70
Nov. 24-Dec. 31	250,787.16	Nov. 24-Dec. 31	260,020.36
<b>Total</b>	<b>23,106,334.08</b>	<b>Total</b>	<b>25,963,646.55</b>
<b>1992 Cycle</b>	<b>33,469,438.69</b>	<b>1992 Cycle</b>	<b>31,348,398.98</b>

Note: (1) In non-presidential election years, the national parties are permitted to file quarterly reports, which is an option the Democrats pursued in 1991 (2) It may be noted that a combination of 1991 and 1992 DNC receipts yields a total higher than that reported in Table 2.1. This is due to an accounting practice of the DNC, which includes cash on hand at the beginning of the reporting year in its calculation of annual receipts. The DNC began 1991 with \$1.3 million on hand. Subtracting this sum eliminates the discrepancy (3) Both the RNC and DNC filed reports ending Oct. 14 and Nov. 23 in compliance with an FEC requirement that such reports be filed no later than 12 days before a general election.

Source: 1991-1992 DNC and RNC Disclosure Reports filed with the Federal Election Commission

For the first nineteen months of the election cycle, the RNC raised more than twice that of their Democratic counterparts. This was a period in which George Bush was consistently ahead of all presidential rivals and Bill Clinton often trailed the unlikely challenger Ross Perot. However, after the July convention, Clinton assumed front-runner status and never again trailed either Bush or Perot. During this period, the Democrats out-raised the Republicans by over 60%. In reference to the Democrats fundraising success in the month of July, Robert Farmer, finance director for Michael Dukakis, noted that "In the last month, as Clinton has gained in the polls, a lot of people have become players. The smell of victory is very important to fundraising."<sup>70</sup> The difference between the 1988 campaign and the surging 1992 Clinton campaign, according to Farmer, was that "In the Dukakis campaign, our money slowed down considerably in September and October,"<sup>71</sup> a time in which Dukakis' ratings fell precipitously. The Republicans, on the other hand, bore the flip-side of this equation. One RNC fundraiser remarked that "there is just no denying that as George Bush declined, contributing to the Republican Party became less attractive."<sup>72</sup>

A prominent example of contributions following the prospects of the respective candidates was the support the DNC received from industry groups and companies that had traditionally supported the RNC. Table 2.4 presents the ratio of Republican soft money contributions to DNC soft money contributions over time. Following the Democratic convention in July, such stalwart GOP industries as oil and gas, insurance, liquor and securities dramatically reversed their otherwise historically consistent pattern of political financial support.

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<sup>70</sup>Stephen Labaton, "Quickly, DNC Coffers Are Beginning to Fill Up," New York Times, July 16, 1992, p. A17.

<sup>71</sup>Stephen Labaton, "Despite Economy, Clinton Sets Record for Funds," New York Times, October 24, 1992, p. A8.

<sup>72</sup>Feldmann, "Give Money and They Call Back," p. 8.

In explaining this trend, C.J. Silas, CEO of Phillips Petroleum, commented that the "Clinton-Gore campaign talked about economy, economy, economy and jobs, jobs, jobs. And that's certainly very important to our industry."<sup>73</sup> If this answer is plausible, then it is at least equally plausible that the above industries pursued "the investment theory of politics," in which they used their funds as investments in the next president as the election tide turned to Bill Clinton.

**TABLE 2.6**  
**Soft Money Contributions by Industry, July 1, 1992-October 14, 1992**

	RNSEC:DNC (Before July 1, 1992)	RNSEC:DNC (7.1/10.14)
Securities and Investment	4.3:1	1:1.3
Oil and Gas	3.6:1	2.1:1
Pharmaceutical and Health	2.8:1	1:1.2
Beer, Wine and Liquor	4.2:1	1:1.5
Insurance	3.5:1	1.3:1

Source: Jill Abramson, "Crowd of Usually Stalwart Pro GOP Industries Stopped Feeding Elephant as Clinton Surged," *Wall Street Journal* (19 November 1992), p. A16.

A final example of the relationship between soft money donations and the presidential campaign was the existence of "split-givers," or those who gave to both the DNC and the RNC. Perhaps most importantly, in many cases, these contributions were made late in the race as the prospects of a Democratic victory increased. For example, RJR Nabisco gave \$362, 650 to the RNC in May 1992. In October, RJR deposited \$145,800 in DNC nonfederal accounts. Ronald Perlman, a charter Team 100 member, and his company, the Revlon Group, contributed \$140,000 to the RNC in April 1992. In October,

<sup>73</sup>Jill Abramson, "Crowd of Usually Stalwart Pro GOP Industries Stopped Feeding Elephant as Clinton Surged," *Wall Street Journal*, November 19, 1992, p. A16.

the company donated \$120,000 to the DNC. Edgar Bronfman, one of the leading Team 100 members in 1988 and 1992, gave \$200,000 to the DNC in early October. Archer Daniels Midland, whose chair was another Team 100 member, donated \$90,000 to the DNC four days before the election.<sup>74</sup> A contributor who gives money to one side in an election may be aiming for access and influence, but can also plausibly claim to be trying to promote the political good as they understand it. A contributor who gives money to both sides, however, is much more likely to be primarily interested in access.

This chapter has focused on the contributor side of the soft money equation. The available data appears to lend considerable support to the hitherto speculative claims of those who have criticized the soft money system. That is, the line between party money and the general election campaign of the party's presidential candidate is often murky; the vast majority of soft money comes from quite large contributions; and there appears to be a direct relationship between contributions and the relative prospects of presidential candidates. However, this analysis portrays an incomplete picture of the larger soft money system. The next section will focus on the activities supported by soft money contributions.

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<sup>74</sup>1991-92 Federal Election Commission Selected Receipts and Disbursements.

## Chapter Three

### Where the Money Goes

The debate over soft money has focused primarily, if not entirely, on the sources of these funds. Overshadowed in this discussion, however, is the original purpose of the 1979 amendments, which was to provide state and local party organizations with a substantive role in presidential elections. Subsequent Federal Election Commission rulings served to include the national parties in this matrix. Therefore, this chapter will explore the extent to which soft money has empowered the national two-party system and examine the contention that soft money expenditures are targeted more towards elections than party-building activities.

#### An Overview of Soft Money Expenditures

Over the years, soft money has become an integral part of federal campaign finance. In 1980, \$19 million in soft money was spent in conjunction with federal elections; for 1984, the sum grew to \$19.6 million; by 1988, \$45 million; and in 1992, the Democratic and Republican National Committees spent a total of \$64.8 million.<sup>75</sup> Soft money expenditures have increased with each presidential election for a number of reasons. First, as will be described below, soft money has become critically important to both the national parties and the presidential campaigns. Second, the national parties have succumbed to the politics of game-theory. For example, in justifying their 1988 fundraising goal of \$50 million, Robert Farmer noted that "for the past three elections, the Republicans have hit a Mack truck through campaign loopholes [reference to GOP soft money advantage]. Our objective has been to create a level playing field."<sup>76</sup> Farmer later conceded that this strategy

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<sup>75</sup>The figures for 1980, 1984 and 1988 are from Alexander, *Financing Politics*, p. 67. Because disclosure requirements regarding national party non-federal accounts were not issued until 1991, these sums are estimates. The figure for 1992 is from DNC and RNC reports of receipts and disbursements filed with the FEC for the 1991-1992 presidential election cycle.

<sup>76</sup>Robert Farmer, as quoted in Gloria Borger, "The Dirty Big Secret of Campaign Finance," *U.S. News and World Report*, November 7, 1988, p. 29.

inadvertently triggered a Republican response in the form of Team 100, which greatly enlarged GOP coffers.

For the 1991-1992 presidential election cycle, the Democratic and Republican National Committees spent soft money funds on four general types of political activity: joint activities, that is, efforts designed to benefit both federal and nonfederal elections; direct transfers to state and local parties; contributions to candidates for state and local office; and miscellaneous endeavors known as "other spending" (see Table 3.1).

**TABLE 3.1**  
**1991-1992 General Soft Money Expenditures**

<i>Party</i>	<i>Transfers to State Parties</i>	<i>Contributions to State/Local Candidates</i>	<i>Joint Activity</i>	<i>Other Spending</i>	<i>Total</i>
Republican	5,417,637	1,249,000	21,826,880	6,558,961	35,052,478
Democrat	9,632,382	184,654	17,927,078	2,045,833	29,789,947
TOTAL	15,050,019	1,433,654	39,456,799	8,604,794	64,842,425

*Source: DNC and RNC Reports of Receipts and Disbursements filed with the FEC, 1991-1992*

In general, both the RNC and the DNC concentrated their spending on joint activities, which accounted for 62% and 60% of their total soft money disbursements, respectively. Table 3.1, however, reveals major differences between the two parties in their use of non-federal funds to assist state and local party committees and candidates. The Democrats devoted a significantly larger share of their funds to state and local party transfers (32%) than did their Republican counterparts (15%). This may reflect the more propitious financial situation of Republican state party committees. While there are no definitive analyses of state party finances, a 1988 study by the Center for Responsive Politics is at least suggestive. In nine of the most electorally strategic states of the 1988 presidential

election, Democratic state parties, on average, relied on the DNC for 44% of their contributions, whereas the GOP state committees received only 18% of their receipts from the RNC.<sup>77</sup>

The RNC did, however, place a greater emphasis on contributions to state and local candidates, devoting 4% of its resources to this area, while the Democrats set aside less than 1%. The reasons for this are not surprising. Despite winning five of the last six presidential elections, the GOP has fared less well in capturing the nation's state houses and governorships. If this financial commitment proves successful, the Republicans may not only improve their representation in state assemblies, but also in the United States Congress, as the state legislature often functions as a breeding ground for service in the national legislature.

### Soft Money and the Resurgence of the National Party Committees

For decades, political observers have noted the declining role of party organizations in the United States.<sup>78</sup> This trend can be traced to a number of twentieth century historical, cultural, party-inspired and legislative changes.

The direct primary and civil service regulations instituted during the Progressive era deprived party bosses of the patronage and control over the nominating process that strengthened their hold over candidates and political activists. Demographic progressions reinforced this pattern. Increasing education and social mobility, declining immigration, and a growing national identity contributed to the erosion of the close-knit, traditional ethnic neighborhoods that formed the core of the constituency of the old-style political machines. With the emergence of a nationally focused mass media, voters began to turn away from local party committees for their political information. These developments deprived the

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<sup>77</sup>Schultz and Weiss, "Soft Money '88," pp. 35-36.

<sup>78</sup>For example, see V.O. Key, Jr., Politics, Parties and Pressure Groups (New York: Thomas Y. Crowell, 1958), p. 559.

parties of their political bases and rendered many of their communications and mobilization techniques obsolete.<sup>79</sup>

Further, intra-party reform and campaign finance regulations had negative effects on the parties. The McGovern-Fraser reforms, as well as the reforms instituted by later Democratic reform commissions, were designed to make the presidential nominating process more open and representative. One of their effects was to make it more difficult for long-time "party regulars" to attend national party conventions or to dominate other party activities. However, they also made it correspondingly easier for issue and candidate activists who had little history of party service to play a larger role in party politics.<sup>80</sup> The Federal Election Campaign Act of 1971 and its subsequent amendments imposed upon the parties strict contribution and expenditure limits, as well as disclosure provisions. These laws also sanctioned the widespread establishment of political action committees, and in so doing, cleared the way for PACs to challenge, if not surpass, the parties as the major financiers of election politics.

Perhaps the most significant development that contributed to the decline of political parties was the proliferation of technological advancements. Mass media, television advertising, public opinion polling and high-speed computers provided new tools for learning about voters and communicating messages to them. These tools required highly skilled personnel: professional campaign consultants, fundraisers and public relations experts, all of which were located outside the formal party apparatus. Use of these modern techniques drew attention away from political parties and party-sponsored activities and towards candidates and events the candidates organized on their own behalf.<sup>81</sup>

These changes and the parties' ostensible inability to adapt to the new "high-tech," cash economy of campaign politics resulted in their being pushed to the periphery of the

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<sup>79</sup>Xandra Kayden and Eddie Mahe, Jr., The Party Goes On (New York: Basic Books, 1985), p. 95.

<sup>80</sup>Austin Ranney, Curing the Mischiefs of Faction (Berkeley: University of California Press, 1975), pp. 139-142.

<sup>81</sup>Austin Ranney, Channels of Power: The Impact of Television on American Politics (New York: Basic Books, 1983), p. 110.



election process. In its place emerged a candidate-centered system in which contenders for political office assembled their own campaign organizations, first to compete for their party's nomination and then to contest the general election.

The 1979 amendments and subsequent FEC opinions and regulations were not, as critics contend, a series of "loopholes"<sup>82</sup> but a purposive attempt by the United States Congress to ameliorate the declining status of American political parties. Therefore, in addressing the effects of soft money, we must take into consideration the extent to which this device has empowered the national parties.

### *Joint Activity*

In compliance with Federal Election Commission disclosure practices, both the DNC and RNC sub-divide their reports on joint activity under the headings of "administration" and "fundraising." Because general party overhead and fundraising serves to benefit not only federal, but state and local party efforts as well, a portion of these expenses can be defrayed with soft money. For example, because most national party staff members spend at least some time working with state party officials or assisting individuals associated with nonfederal activities, both parties use soft money to pay for 35 to 40 percent of their payroll costs.

As Table 3.2 demonstrates, the national parties devote the vast majority of their funds spent on joint activities to administrative functions. This category pertains to a wide range of endeavors, including what is traditionally conceived of as overhead, or operating expenses. Overhead, of course, includes such basic necessities as transportation, office supplies, meals and the expenses for utilities, communications and accounting. Operating costs, however, also cover the many investments the parties have made to enter the technological age. Throughout the 1980s and into the 1990s, the DNC and RNC have

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<sup>82</sup>For example, see Ed Zuckerman, "Soft Money: A New Life for 'Fat Cats'," *PACs & Lobbies*, January 16, 1985, pp. 1-3.

aggressively bought audio and video equipment, computers, voter lists, fax machines and high-tech phone systems.

**TABLE 3.2**  
**1991-1992 Aggregate Joint Activity Disbursements**

	<i>Administration (\$)</i>	<i>Fundraising (\$)</i>	<i>Not Identified (\$)</i>	<i>Total (\$)</i>
<b>DNC</b>	15,334,343	1,573,599	1,019,136	17,927,078
% of Total	85.5	8.8	5.7	—
<b>RNC</b>	18,858,891	2,964,765	3,224	21,826,880
% of Total	86.45	13.54	0.01	—

Note: (1) The dollar amounts listed above refer to the nonfederal share of joint activity, or that portion that may be defrayed with soft money (2) "Not Identified" signifies those disbursements not accounted for by the RNC and DNC.

Source: 1991-1992 DNC and RNC Disbursement Reports filed with the FEC

In reference to the RNC and the necessity of using soft money to help defray a share of the costs for overhead expenses, party chief Haley Barbour notes: "It's a business. We've got the same sort of costs that any other business has."<sup>83</sup> According to former DNC chair Paul G. Kirk, "Soft money has been essential to building the party infrastructure."<sup>84</sup> These statements should be taken as nothing short of a significant departure from the state of the parties only a few decades earlier. In 1964, political scientists Cornelius Cotter and Bernard Hennessy wrote that the DNC and RNC were "homeless"; they were "renters in a city where lesser political groups had their institutional footing."<sup>85</sup> In contrast, the parties now are characterized by organizational permanence. The symbolic significance that this bestows is evident. However, the practical effect of

<sup>83</sup>Donovan, "Much-Maligned 'Soft Money' Is Precious to Both Parties," p. 1198.

<sup>84</sup>Carol Matlack, "Backdoor Spending," *National Journal*, October 8, 1988, p. 2577.

<sup>85</sup>Cornelius P. Cotter and Bernard C. Hennessy, *Politics Without Power: The National Party Committees* (New York: Atherton Press, 1964), p. 5.

organizational permanence, as will be shown, is that it is a necessary precondition to the provision of services to candidates and affiliated party organizations.

The use of soft money for administrative purposes is not limited to the above forms of overhead. Between 1991 and 1992, the DNC and RNC spent \$2.9 and \$5.1 million in soft money, respectively, on payroll.<sup>86</sup> The extent to which this commitment signifies greater institutionalization is reflected in the size and degree of specialization of national party staffs. Here, the importance of soft money cannot be overstated. One DNC staffer notes that "soft money has certainly allowed us to devote greater resources to payroll. This leads to a larger and better staff."<sup>87</sup> As Table 3.3 indicates, the RNC and DNC have grown precipitously since the advent of soft money. In fact, these numbers understate the actual size of party payrolls, for they only include full-time staffers. What they do not indicate are the literally hundreds of individuals who perform consulting, polling and other election-related activities for the parties. The years between 1980 and 1988 were an especially significant era of national party growth. It is apparent that the RNC grew faster during this period than did its Democratic counterpart. A larger and more steady flow of money enabled the GOP to hire more workers than could the Democrats. Nonetheless, as DNC finances have improved, this trend has ameliorated somewhat.

In addition to expanding their staffs, the DNC and RNC have become more functionally diversified. Each committee generally contains four highly specialized divisions. A finance division handles fundraising and oversees the committee's budget. The political division has broad jurisdiction over electioneering functions. A research section collects general demographic information about states and districts and specific information about federal, state and local candidates of their own party as well as the opposition. Finally, the communications section functions as an advertising agency, producing high quality television and radio commercials. In the last several years, the DNC has doubled the number of staff-members responsible for communications from

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<sup>86</sup>DNC and RNC disbursement reports filed with the Federal Election Commission.

<sup>87</sup>Interview with Jenny Petro, Assistant Director of Personnel for the DNC, 12 April 1994.

eleven to twenty-two. Despite this, the DNC's communications division is still about one-sixth the size of the RNC's.<sup>88</sup>

**TABLE 3.3**  
**National Party Organization Staffs, 1980-1992**

	<i>1980</i>	<i>1984</i>	<i>1988</i>	<i>1992</i>
DNC	25	78	130	212
RNC	81	150	300	320

*Source: Estimates provided by committee staffs.*

The professionalization and specialization of the party staffs have allowed the national party organizations to enter the high-tech, cash-centered environment of modern politics. One of the most prominent forms of joint activity is what can generally be referred to as communications. Both the DNC and RNC use soft money to maintain media centers comprised of sophisticated electronic media facilities and staff-members with considerable technical expertise.<sup>89</sup> In recent years, the RNC and, to a lesser extent, the DNC, have used these media centers to develop new press programs. For example, the parties have improved their capacity to tape radio "actualities" for party officials who want to respond quickly to the issues of the day.<sup>90</sup>

However, the most visible form of communications is generic advertising, such as the spots that say "Vote Democratic" or "Vote Republican." While the parties do use advertisements for non-election purposes, such as the RNC and DNC's recent health care media war, they are primarily reserved for election-related activities. Traditionally, campaign advertising has conveyed the images, issues, symbols and themes around which

<sup>88</sup>Ibid.

<sup>89</sup>Paul Herrnson, "Reemergent National Party Organizations," in L. Sandy Maisel, ed., The Parties Respond: Changes in the American Party System (Boulder, CO: Westview Press, 1990), p. 34.

<sup>90</sup>James Barnes, "Ron Brown's Fast Start," *National Journal*, June 6, 1989, p. 1104.

an election is contested. Communications, in fact, is what most voters, candidates, party leaders and journalists refer to when they speak of "the campaign." As stated earlier, the advent of television largely displaced hand-disseminated election propaganda as the primary source of campaign communications, which greatly diminished the role of the parties in this field. Yet in 1992, both the DNC and RNC invested heavily in television advertising, paying for the production and broadcast of ads with a combination of hard and soft money funds. Overall, the Democrats spent approximately \$14.2 million on ads and the GOP spent about \$10 million. Soft money funds accounted for about \$4.9 and \$3.3 million of these expenses, respectively. This tactic has become a mainstay for the RNC, which first produced ads in the 1980 presidential election. Advertising, however, is a more recent venture for the DNC. In fact, in 1988, the DNC spent just under \$1 million in hard and soft monies combined and close to nothing in 1984.<sup>91</sup>

The final components of joint activity for which soft money is used are voter registration and fundraising efforts. Although voter mobilization primarily takes place at the state and local level, several registration-related activities, including the expenses associated with phone banks, voter targeting and the development and itemization of voter lists are often paid for at the national level.<sup>92</sup> Further, both the DNC and the RNC use soft money to maintain extensive telephone and direct-mail fundraising programs, from which the majority of their funds originate.<sup>93</sup> The national parties also retain the services of professional fundraisers, who coordinate and direct events designed to fill party coffers. During the 1992 presidential election cycle, the Democrats and Republicans devoted 8.8% and 13.5%, respectively, (refer to Table 3.1) of their total joint activity expenses to the costs of fundraising efforts designed to raise soft and hard money.<sup>94</sup> Not all of these costs, however, were incurred to raise money for the national parties. In fact, part of the

<sup>91</sup>Michael Frisby, "A Spending Problem for the GOP," Boston Globe, November 2, 1992, p. 10.

<sup>92</sup>1991-1992 DNC and RNC Disbursement Reports filed with the Federal Election Commission.

<sup>93</sup>Paul Hermson, Party Campaigning in the 1980s (Cambridge: Harvard University Press, 1988), p. 127.

<sup>94</sup>This, of course, refers to the nonfederal share of joint activity, or that share of joint activity that can be paid for with soft money. Recall that only a portion of joint activity can be defrayed with soft money, with the remainder being paid for with hard money.

difference between the parties can be accounted for by RNC efforts to raise money for prospective gubernatorial and other state and local candidates. In October 1991, for example, the RNC sponsored a fundraising event in Washington that raised almost \$750,000 for such candidates.<sup>95</sup>

### *Contributions to State and Local Candidates*

The Republican Party has made a commitment to improving the election prospects of state and local candidates. The RNC donated over \$1.2 million to candidates for various offices in 48 states. This is somewhat deceptive, however, because almost 44% of these contributions were to assist the Republican nominee in key gubernatorial contests in Missouri, New Hampshire, North Dakota, Utah and Washington. William Webster, the party's nominee in Missouri and leading recipient of national party funds, was given \$225,000. Ken Eikenberry of Washington received \$125,000, while Edward Schafer of North Dakota was given \$95,000. In addition to direct contributions, the RNC provided over \$220,000 in media assistance to contests the party considered crucial to their strategic objectives. The primary beneficiaries of this form of support were Richard Riordan and Kirk Fordice. Riordan won in his election bid to become the first Republican mayor of Los Angeles in over thirty years, while Fordice became the first Republican governor of Mississippi since Reconstruction.

A particularly useful service provided by the RNC was polling. In 1992, the party spent over \$220,000 on polls and surveys conducted in 39 states. These polls, which were dispatched by Washington polling firms, were shared with state and local candidates and used to develop campaign strategy.<sup>96</sup> The DNC also spent a significant amount of money on polling assistance. In fact, the entire sum of DNC contributions to state and local candidates (\$184,654) represented monies spent on survey research. To perform these

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<sup>95</sup>"Soft Money," *National Journal*, December 7, 1991, p. 2828.

<sup>96</sup>1991-1992 RNC Disbursement Report filed with the Federal Election Commission.

surveys, the DNC hired several Washington-based polling firms, including the firm of Stanley Greenberg, the Clinton campaign pollster. While the polls often targeted key races, such as the New Hampshire gubernatorial and Philadelphia mayoral contests, they were also made available to candidates in 31 states for the offices of lieutenant governor, state Supreme Court, state representative, state senate, secretary of state and, in Texas, railroad commissioner.

The national parties' extension of polling services provided several benefits to state and local candidates. For example, sophisticated polling and tracking information is a campaign resource that many candidates could not otherwise afford. Further, for those candidates who could purchase polling services but were not required to do so because of national party assistance, scarce campaign funds were freed up for use on other campaign activities, such as media advertising.

### *"Other" Spending*

In 1992, the DNC and RNC also spent soft money for an array of miscellaneous purposes that were categorized under the general heading of "Other" spending. Of the \$2 million spent by the DNC and the \$6.5 million spent the RNC, a considerable proportion can be accounted for by an accounting practice that includes as "Other" spending transfers between nonfederal accounts. For the Democrats, this included the Individual, Corporate, General and MaxPAC accounts, whereas the Republicans transferred over \$2.5 million to its building fund account. Funds were also spent on administrative tasks including contribution refunds, loan repayments, legal services and party publications. Finally, the DNC expanded its polling services to include such non-party groups as Wisconsin's for Tax Fairness and No On Vouchers, the California organization aligned against the proposed school voucher program.<sup>97</sup>

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<sup>97</sup>1991-1992 DNC Disbursement Reports filed with the Federal Election Commission.

Both parties also reported expenditures on legislative redistricting activities. While the DNC did not specifically earmark funds for these purposes, it did contribute money to the Democratic-sponsored National Committee for an Effective Congress, which supported such redistricting-related activities as general legal services and targeting analyses. The RNC, however, directly spent over \$2.2 million on redistricting efforts in at least twelve states.<sup>98</sup> In most cases, the RNC sent soft money funds to data analysis and computer graphics firms capable of researching and designing proposals for various redistricting models. These proposals were then sent to relevant state legislatures for consideration. In other instances, the RNC simply transferred funds to ad hoc committees organized for the purpose of coordinating redistricting efforts, such as the Massachusetts Redistricting Task Force.<sup>99</sup> The RNC's expenditures on redistricting demonstrates the extent to which soft money has equipped the national parties with the resources necessary to participate in technologically sophisticated and capital intensive efforts hitherto inaccessible.

#### *Transfers to State and Local Party Organizations*

The institutionalization of the national parties has also had a major impact on relations between the Washington organizations and their state and local affiliates. The emergence of stronger national party organizations has to some extent reversed the flow of power in the American party system. Austin Ranney points out that party rule changes, such as nationally imposed requirements on how each state party must select its convention delegates, have strengthened the power of the national committees vis-a-vis their state affiliates.<sup>100</sup> The development of soft money, however, may have an even greater impact on intra-party relations. According to political scientist Eddie Mahe, "Whereas the national

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<sup>98</sup>These states included Illinois, Virginia, California, Massachusetts, New Mexico, Maryland, New Hampshire, Oregon, Ohio, Georgia, North Carolina and Arkansas.

<sup>99</sup>1991-1992 RNC Disbursement Reports filed with the FEC.

<sup>100</sup>Ranney, *Curing the Mischiefs of Faction*, p. 183.



party used to exist solely for the purpose of selecting national nominees and was financed by state parties, it now provides the money to the states."<sup>101</sup>

In contrast to the 1970s when the national parties provided paltry assistance to a relatively small number of states,<sup>102</sup> the DNC and RNC now extend significant support to a larger proportion of states. During the 1991-92 election cycle, the DNC transferred a total of \$9.6 million in soft money funds to 47 states. Their Republican counterparts directed \$5.4 million to 42 states. These expenditures accounted for 32% and 15% of total DNC and RNC soft money disbursements, respectively.

Included in these sums were specific activities and services provided by the national parties for the benefit of their state and local affiliates. For example, in addition to the \$184,000 spent on polling for state and local candidates, the DNC spent \$212,445 on polling for 33 state parties.<sup>103</sup> As with state and local candidates, polls provided by the national party free up limited state party resources to be spent on other activities. Further, in providing a service that many state parties could not otherwise afford, the national parties are able to promote party-building at the state level. The utility of polls extends beyond elections. It is an essential aspect of general party activities because they aid in the development of more effective communications with both party members and prospective members.

The national parties also provided funds and equipment specifically earmarked for the establishment of phone bank efforts in conjunction with state party voter registration and get-out-the-vote drives. Recall that the 1979 amendments prohibit state and local parties from using national party money to pay for exempted activities, including registration and get-out-the-vote efforts.<sup>104</sup> However, the parties have interpreted this proscription to pertain only to the federal share of these expenses and not the nonfederal

<sup>101</sup>Eddie Mahe, quoted in Ronald Brownstein, "Political Focus," National Journal, December 7, 1985, p. 1125.

<sup>102</sup>Stephen and Barbara Salmore, Candidates, Parties, and Campaigns: Electoral Politics in America (Washington, D.C.: Congressional Quarterly, 1985), p. 201.

<sup>103</sup>1991-92 DNC Disbursement Reports filed with the Federal Election Commission.

<sup>104</sup>See 11 CFR 100.7(b)(17) and 11 CFR 100.7(b)(15).

share. In accordance with this interpretation, the DNC spent over \$1.9 million in soft money in 1992 on phone bank equipment that was sent to 34 state parties. The RNC provided 25 state parties with phone bank equipment at the cost of over \$1.5 million.<sup>105</sup>

For the most part, intra-party financial efforts took the form of cash transfers from DNC and RNC nonfederal accounts to affiliated state and local party nonfederal accounts. The activities that these funds supported are not precisely known, given the often inadequate disclosure requirements of state party financial accounts. However, a questionnaire was mailed by the author to every Republican and Democratic state party executive director asking them to identify the activities pursued with soft money funds transferred from the national parties. The responses, which corresponded to available interviews with national, state and local party officials, reveal much about state party efforts sponsored by RNC and DNC financial assistance.

Soft money transfers were used extensively to defray the routine operating costs of the state parties, including the acquisition and maintenance of computer systems, mail, payroll and phone activities. The latter proved quite costly given its extensive use as a device for identifying general voter attitudes. Transfers were also used to defray the expenses associated with polling, generic media advertising and policy and issues research, all of which benefited candidates at all levels. All of the state parties reported using soft money to purchase, update and computerize voter lists, an essential tool for engaging in targeted mailings and canvassing, as well as soliciting names of individuals available for volunteer work. Finally, the state parties, without exception, used nonfederal funds to write-off the nonfederal share of the exempted activities identified in the 1979 amendments, including the preparation of slate cards, campaign and party materials and literature, and the costs associated with voter registration and get-out-the-vote drives.

While the national party organizations are now said to be stronger and more influential than in years past, it is essential to evaluate their services from the perspective of

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<sup>105</sup>1991-92 DNC and RNC Disbursement Reports filed with the Federal Election Commission.

those other than national party officials. The assessment of party activities must come from those who are most directly affected by them--and state parties have, without question, been among the primary beneficiaries. State party executive directors were asked to critique their respective national party organizations on two accounts: (1) the importance of national party soft money transfers in the execution of the activities listed above and (2) the importance of national party assistance in state party fundraising efforts.

As Table 3.4 indicates, soft money transfers from the national parties were highly valued by recipient state parties as a means of defraying of the costs of state party-identified activities, including polling, administration, media, voter registration and get-out-the-vote drives, as well as the development and production of voter lists and party materials. At least 90% of all state parties receiving transfers from the DNC and RNC rated them as either moderately or very important. As one state party executive noted, "Without these funds, very little would have been possible." Of course, the extent to which national party funds play a role will vary by the financial status of the given state party. However, even responses from well-endowed state parties emphasized the importance of national organization assistance.

In addition to general national party transfers, the DNC and RNC also provide fundraising assistance to their state affiliates. National party efforts in this area come in two forms. First, the parties can use soft money to pay for fundraisers in Washington which are designed to benefit state parties. Second, the parties can transfer funds to their state affiliates for their own use on fundraising activities. Recent national party intervention here highlights their attempts to promote the financial growth of state party organizations. As shown in Table 3.5, fundraising assistance from the national parties was highly valued. Eighty-eight percent of state parties receiving fundraising aid from the DNC assessed it as either moderately or very important as did 84% of those parties who benefited from RNC assistance.

**TABLE 3.4**  
**State Party Appraisals of National Party Soft Money Transfers**

	<i>Not</i>	<i>Slightly</i>	<i>Moderately</i>	<i>Very</i>
State parties receiving transfers from RNC (%)	0	6.4	33.6	60
State parties receiving transfers from DNC (%)	0	10	25	65

Note: In response to question, "How important were national party soft money transfers in carrying out the above functions [listed in text]?"

**TABLE 3.5**  
**State Party Appraisals of National Party Fundraising Assistance**

	<i>Not</i>	<i>Slightly</i>	<i>Moderately</i>	<i>Very</i>
State parties receiving fundraising assistance from RNC (%)	8	8	30	54
State parties receiving fundraising assistance from DNC (%)	0	12	30	58

Note: In response to question, "How important was national party assistance in your fundraising efforts?"

### Soft Money Disbursements in the Context of Elections

According to Joshua Goldstein of the Center for Responsive Politics, "because most soft money is spent right before the election and on activities designed to supplement the presidential campaign, it is not being used for party-building purposes."<sup>106</sup> Inherent in this statement are three simple, yet critical assumptions. First, soft money is, in fact, stockpiled by the national parties for use in the last moment of an election season. Second, soft money disproportionately benefits presidential candidates. Finally, election activities do not constitute party-building.

In the modern political environment, parties are able to efficiently provide polling, message development, targeting and communications techniques only if they are able to develop ongoing organizations that make the capital investments necessary to pay the skilled people and provide the services that will be of benefit to candidates and party affiliates. This basic assumption is allegedly compromised if party expenditures are tailored disproportionately towards elections.

It is, however, to be expected that joint activity expenditures will increase in election years. While daily overhead may remain relatively static, advertising and polling activities naturally intensify as the election nears. Further, this is the period in which voter mobilization and get-out-the-vote efforts are conducted. To finance these increased costs, fundraising efforts expand. Finally, national party staffs, and therefore payrolls, tend to bulge in an election year. RNC disbursement reports recorded the inclusion of sundry workers at or near election time. For example, both parties hired field workers to watch election-day voting booths and recruit neighborhood captains for state precincts.

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<sup>106</sup>Interview with Joshua Goldstein, Center for Responsive Politics, May 1, 1994.

**TABLE 3.6**  
**1991-1992 DNC Joint Activity Expenditures By Month (\$)**

<b>1991</b>				
<i>Month</i>	<i>Administrative</i>	<i>Fundraising</i>	<i>Not Identified</i>	<i>Total</i>
January	251,368	0	91,367	342,735
February	180,646	11,708	57,724	250,078
March	231,332	5,282	62,051	298,665
April	191,526	8,768	59,126	259,420
May	177,776	39,384	55,949	273,109
June	162,887	43,704	56,500	263,091
July	329,111	30,571	0	359,682
August	297,363	16,036	0	313,399
September	309,260	5,193	0	314,453
October	243,770	19,287	23,778	286,835
November	150,229	56,682	44,952	251,863
December	527,598	11,477	10,997	550,072
<b>Total</b>	<b>3,052,866</b>	<b>248,092</b>	<b>462,444</b>	<b>3,763,402</b>
<b>1992</b>				
<i>Month</i>	<i>Administration</i>	<i>Fundraising</i>	<i>Not Identified</i>	<i>Total</i>
January	151,598	0	58,657	210,255
February	210,260	11,315	0	221,575
March	253,498	36,129	52,414	342,041
April	256,013	19,881	0	275,894
May	270,946	442	45,874	317,262
June	395,026	0	-1,452	393,574
July	661,114	20,585	125,699	807,398
August	403,868	224,681	969	629,518
September	2,969,378	613,045	82,385	3,664,808
October	4,731,560	245,541	39,285	5,016,386
November	1,119,350	68,396	0	1,187,746
December	858,866	85,492	152,798	1,097,156
<b>Total</b>	<b>12,281,477</b>	<b>1,325,507</b>	<b>556,629</b>	<b>14,163,613</b>
<b>1991-92 Cycle</b>	<b>15,334,343</b>	<b>1,573,599</b>	<b>1,019,136</b>	<b>17,927,078</b>

Note: Figures represent the dollar amounts of the nonfederal, or soft money share of joint activity.

Source: Federal Election Commission

**TABLE 3.7**  
**1991-92 RNC Joint Activity Disbursements By Month (\$)**

<b>1991</b>				
<i>Month</i>	<i>Administration</i>	<i>Fundraising</i>	<i>Not Identified</i>	<i>Total</i>
January	618,130	212,182	29	830,341
February	778,620	135,435	0	914,055
March	769,408	24,813	0	794,221
April	689,088	30,373	3,108	722,569
May	762,511	58,464	30	821,005
June	665,549	56,288	0	721,837
July	782,437	40,074	0	822,511
August	561,886	40,837	0	602,723
September	684,166	86,118	57	770,341
October	732,581	60,801	0	793,382
November	557,316	104,563	0	661,879
December	812,825	175,683	0	988,508
<b>Total</b>	<b>8,414,517</b>	<b>1,025,631</b>	<b>3,224</b>	<b>9,443,372</b>
 <b>1992</b>				
<i>Month</i>	<i>Administration</i>	<i>Fundraising</i>	<i>Not Identified</i>	<i>Total</i>
January	700,103	208,022	0	908,125
February	755,820	246,400	0	1,002,220
March	762,137	112,897	0	875,034
April	706,257	44,595	0	750,852
May	694,138	190,434	0	884,572
June	742,958	95,888	0	838,846
July	992,340	309,816	0	1,302,156
August	973,764	421,697	0	1,395,461
September	964,401	185,667	0	1,150,068
October	1,517,465	68,029	0	1,585,494
November	1,300,837	11,914	0	1,312,751
December	334,154	43,775	0	377,929
<b>Total</b>	<b>10,444,374</b>	<b>1,939,134</b>	<b>0</b>	<b>12,383,508</b>
<b>1991-92 Cycle</b>	<b>18,858,891</b>	<b>2,964,765</b>	<b>3,224</b>	<b>21,826,880</b>

Note: Figures represent the dollar amounts of the nonfederal, or soft money share of joint activities.

Source: Federal Election Commission

**TABLE 3.8**  
**National Party Payroll Disbursements By Month, 1991-1992 (\$)**

<b>1991</b>		
<i>Month</i>	<i>DNC</i>	<i>RNC</i>
January	143,394.19	182,728.02
February	94,644.78	182,220.23
March	98,969.98	204,480.44
April	95,722.54	199,290.10
May	93,761.80	201,992.76
June	93,094.02	200,743.72
July	136,889.72	201,590.63
August	94,118.72	214,955.69
September	96,705.26	207,187.00
October	96,595.78	210,107.87
November	94,598.81	212,211.76
December	101,262.21	244,887.48
<b>Total</b>	<b>1,239,757.81</b>	<b>2,462,395.70</b>
 <b>1992</b>		
<i>Month</i>	<i>DNC</i>	<i>RNC</i>
January	84,075.49	184,335.42
February	85,549.17	194,234.36
March	91,504.95	195,654.76
April	84,989.44	206,657.42
May	87,547.39	212,625.24
June	136,307.65	227,035.85
July	131,722.90	240,275.19
August	146,117.87	236,538.95
September	169,269.69	227,126.27
Oct. 1-14	74,936.45	None
Oct. 15-Nov. 23	164,864.27	572,964.67
Nov. 24-Dec. 31	498,564.68	162,771.98
<b>Total</b>	<b>1,755,449.95</b>	<b>2,660,220.11</b>
 <b>1991-92 Cycle</b>	<b>2,995,207.76</b>	<b>5,122,615.81</b>

Note: (1) The figures represent the nonfederal shares of payroll expenditures (2) There are reporting periods ending Oct. 14 and Nov. 23 because the FEC requires the national parties to file disbursement reports no later than 12 days before a general election (3) No payroll was recorded by the RNC for the period Oct. 1-Oct. 14 because the required pre-general election report was filed before the pay period was completed.

Source: 1991 and 1992 DNC and RNC Disbursement Reports filed with the FEC.



**TABLE 3.9**  
**National Party Transfers to State Affiliates By Month, 1991-92 (\$)**

<b>1991</b>			
<i>Month</i>	<i>RNC</i>	<i>Month</i>	<i>DNC</i>
January	None	January-June	154,472.50
February	None	July-Oct. 16	107,335.76
March	17,500.00	Oct. 17-Nov. 25	50,000.00
April	8,500.00	Nov. 26-Dec. 31	1,817.78
May	3,000.00		
June	None		
July	11,250.00		
August	20,000.00		
September	None		
October	19,000.00		
November	5,000.00		
December	21,000.00		
<b>Total</b>	<b>105,250.00</b>	<b>Total</b>	<b>313,626.04</b>
<b>1992</b>			
<i>Month</i>	<i>RNC</i>	<i>Month</i>	<i>DNC</i>
January	None	January	None
February	2,527.29	February	2,500.00
March	73,955.00	March	35,650.00
April	18,269.39	April	6,110.25
May	69,567.50	May	184,743.33
June	296,560.00	June	None
July	350,613.14	July	74,454.84
August	777,000.00	August	888,770.68
September	273,155.35	September	1,600,228.61
Oct. 1-Oct. 14	226,775.00	Oct. 1-Oct. 14	2,397,684.31
Oct. 15-Nov. 23	3,223,789.75	Oct. 15-Nov. 23	3,826,749.44
Nov. 24-Dec. 31	None	Nov. 24-Dec. 31	68,141.77
<b>Total</b>	<b>5,312,387.42</b>	<b>Total</b>	<b>9,085,033.23</b>
<b>1992 Cycle</b>	<b>5,417,637.42</b>	<b>1992 Cycle</b>	<b>9,398,659.27</b>

Note: (1) Figures refer to soft money transfers to state party affiliates (2) In non-election years, the DNC files mid-year reports, as opposed to monthly reports (3) Reports were filed by the DNC and RNC ending Oct. 14 and Nov. 23 due to an FEC requirement that such reports must be registered no later than 12 days prior to a general election.

Source: 1991-92 RNC and DNC Disbursement Reports filed with the FEC

Tables 3.6, 3.7 and 3.8 examine the timing of national party organization joint activity disbursements for the 1991-92 election cycle, with special attention given to administrative activities, of which payroll is an important component, and fundraising efforts. Although the majority of RNC payments for payroll, fundraising and administrative functions were paid in 1992, the numbers are not significantly disproportionate. When these three areas are combined, a little over 55% of the disbursements in these areas were made in 1992. In addition, far from expending soft money in the final stages of the election, less than 25% of RNC joint activities took place in the last four months of the 1992 presidential election cycle.

Contrary to speculation, RNC joint activity disbursements can best be described as operating on a relatively stable continuum. Republican National Committee reports reveal that issues research, polling, communications, and the development of voter lists all transpired not only in election years, but in non-election years as well. In fact, nearly half of payroll costs were met in 1991, as were 46% of administrative costs.

At first glance, however, there does appear to exist a strong relationship between DNC joint activity disbursements and the concluding stages of the 1992 presidential election cycle. Nearly 60% of the total administrative (including payroll) and fundraising expenditures were made in the final four months of the election season. Yet upon closer examination, these numbers prove misleading. It is important to recall that although almost 60% of joint activity disbursements were made in the final four months, roughly the same percentage (63%) of DNC receipts were collected over this time period. On the other hand, the GOP was able to pursue a more stable spending pattern because it benefited from a more stable fundraising pattern. Therefore, it appears that the national party organizations engage in an investment approach to joint activity expenditures, largely spending funds as they are raised. In other words, it does not appear that the national parties stockpile funds for use in the limited election period. This is evidenced by the fact that, according to DNC

reports, the Democrats engaged in similar non-election year activities as their Republican counterparts, despite their less than favorable financial status. The primary distinction, of course, was the extent to which the range and comprehensiveness of these efforts were limited by the DNC's financial situation.

It is also alleged that joint activity disbursements disproportionately benefit a party's presidential candidate. The most frequently cited expenditures are those related to generic advertising. Without question, party-sponsored television advertising benefited the 1992 presidential candidates, and Bill Clinton in particular. David Wilhelm, Clinton's campaign manager, noted that the DNC's advertising services allowed the Clinton campaign to fully engage a national media strategy that sent the Bush campaign scrambling to defend its base, allowing the Democrats to strengthen their position in toss-up states that would ultimately decide the election.

It is very important that George Bush has had to spend millions of dollars defending places like Texas and Florida, while we have not been required to spend money in California, upstate New York or Illinois. That means they have had to spend resources defending their base, while we were allocating funds to states on the margin.<sup>107</sup>

The DNC's advertising efforts also served to free up scarce Clinton campaign resources for use on other activities. For example, the contest between Clinton and Bush in Texas became so competitive that the Clinton campaign considered spending additional money there during the last week. Instead, it bought a thirty minute spot on national television while the DNC funded generic ads in Texas tailored to Clinton's dogged emphasis on the economy.

In conceding that the DNC's joint activity disbursements benefited Bill Clinton, it is important to note that this is not a violation of the intent of the Federal Election Commission. In assigning allocation schemes for national party organizations, the FEC assumes that their activities will largely, if not disproportionately, benefit candidates for federal office. Therefore, in presidential election years, the DNC and RNC must allocate at least 65% of

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<sup>107</sup>Frisby, "A Spending Problem for the GOP," p. 10.

their administrative and generic activity costs as hard money expenses. However, it is misguided to assume that joint activities do not provide critical benefits to nonfederal candidates. Generic advertising allows the national committees to build support for their respective parties and communicate major issues to the voters, which benefits party candidates running for office at all levels of government. Michigan State Representative Mary Brown noted that the DNC's generic advertising in her area "not only provided a campaign technique I wasn't able to afford on my own; it also presented a message [the economy] that I could easily adopt and run on."<sup>108</sup>

Table 3.9 reviews the timing of national committee transfers to state party affiliates and clearly documents the correlation between such transfers and the election. The DNC transferred 96% of its funds to state parties in 1992. Further, 92% of the soft money transferred occurred in the last four months. A similar trend emerged with the RNC, which transferred 98% of their funds in 1992 and 83% in the last four months.

Not only did the national parties transfer funds late in the election cycle, but most of the soft money sent to their state party affiliates was focused on a small group of targeted states (see Table 3.10). Both the DNC and RNC disbursed two-thirds of their total transfers to states considered essential to a presidential victory. The ten states targeted by the Democrats contained 219 electoral college votes, or 81% of the total needed to win. Included in this list were the three Southern states the Clinton campaign thought they could win--Georgia, Louisiana and North Carolina. The Republicans sent funds to states comprising 190 electoral votes, or 70% of the number needed to win. The one "oddity" on the RNC list was North Dakota. However, the Republicans viewed North Dakota as a critical "base" state of significant symbolic, if not strategic, worth.

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<sup>108</sup>Interview with State Representative Mary Brown (D-MI), 48th Legislative District, April 4, 1994.

**TABLE 3.10**  
**National Committee Soft Money Transfers to State Parties, 1991-1992 (\$)**

<i>Top Ten Democratic States</i>		<i>Top Ten Republican States</i>	
1. California	1,204,814	1. Ohio	968,891
2. Texas	1,035,383	2. California	492,150
3. Pennsylvania	637,935	3. North Carolina	325,452
4. Georgia	632,711	4. Georgia	292,860
5. New York	611,711	5. Michigan	289,825
6. North Carolina	582,633	6. Washington	256,725
7. Illinois	459,539	7. North Dakota	253,775
8. Louisiana	373,914	8. South Carolina	239,500
9. Michigan	339,694	9. Pennsylvania	227,381
10. Missouri	332,387	10. Florida	222,432
<b>Total</b>	<b>6,210,895</b>	<b>Total</b>	<b>3,568,991</b>
<b>% of All Soft Money Transfers</b>	<b>66.1</b>	<b>% of All Soft Money Transfers</b>	<b>65.9</b>

Source: *Federal Election Commission*

That transfers to state parties provided substantial benefits to candidates Clinton and Bush is indisputable. For example, money for voter registration, get-out-the-vote drives and campaign literature fulfilled many of the duties of the candidates' own field operations, thus freeing up valuable presidential campaign funds for other purposes. Money for state-wide polls allowed the Clinton campaign access to information it needed on the status of the race in targeted states without having to bear the full cost of these polls.

Taken together, the data on the timing of soft money transfers to state parties and the extent to which they assisted the 1992 presidential candidates appears at first to validate the claim at the beginning of this section that soft money disbursements are not being used for party-building purposes. Again, however, upon closer examination, this is not so obvious. It is important to recall that the specific intent of the 1979 amendments, which created what is known as soft money, was to provide state party committees with a meaningful role in federal *elections*. As the state party executive director responses in Tables 3.4 and 3.5 indicate, the national parties have provided significant, if not critical, assistance to their state

affiliates and have helped them take advantage of the opportunities extended through the 1979 amendments. If this is the intention of the national party committees, then it is not surprising that soft money transfers occurred so late in the election cycle. Not only did very few federal elections occur in 1991, but less than 5% of state-wide elections occurred in 1991.<sup>109</sup>

Soft money skeptics argue that in addition to the timing of transfers, the national parties' tendency to target a limited number of states of critical importance to their respective presidential candidates also questions the national parties' commitment to overall party building. First, it is important to note that how the national committees choose among the states when allocating scarce resources is no doubt a complex calculation. In a presidential election cycle, it is reasonable to assume that the interests of the presidential campaign will be considered, particularly when former members of the campaign are directing national party finance efforts. However, the complexity and competitiveness of elections within particular states are also critical factors. Of the states targeted by the DNC, all were the sites of a U.S. Senate race in the 1991-92 cycle, with the exception of Michigan. Further, in North Carolina and Missouri, gubernatorial races were being held. In the states targeted by the RNC, all held Senate races (again, with the exception of Michigan) and gubernatorial contests were held in Washington, North Carolina and North Dakota.

Second, it cannot be assumed that in spending a disproportionate sum on a small number of states, the remaining states are neglected. As stated, 47 states received transfers from the DNC and 42 states received transfers from the RNC. Most of these states were the beneficiaries of at least a generic phone bank program designed to identify party supporters and turn-out-the-vote. Further, in the survey of state party executive directors, the majority of respondents were not from the states targeted by either party. Yet, almost without exception, they replied that national party assistance was either moderately or very important in the execution of various election-related activities. This leads to one conclusion: there is

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<sup>109</sup>Book of the States, 1992-93 ed. (Lexington, KY: Council of State Governments, 1993), p. 264.

no fixed threshold of funds that a state party must receive in order for it to deem the service as important.

In providing important services to state parties, the national party organizations benefit not only presidential candidates, but candidates at all levels. Most of the activities supported by soft money transfers are devoted to the so-called "coordinated campaign." This concept, initiated in the 1980s and employed by both parties, was developed to allow candidates for every level of government to exploit economies of scale on their labor-intensive phone banks, door-to-door canvassing, get-out-the-vote efforts and the like, as well as the more technical facets of a campaign, such as polling and advertising.

The most critical and basic assumption made by those who claim that national party expenditures on election activities demonstrate a lack of concern for party-building is that the two are somehow incompatible. However, it is an unavoidable fact that American political parties are essentially electoral parties. The 1979 amendments and subsequent FEC rulings equated their largely election-related exemptions with the overall goal of party-building. This chapter has focused on the capacity for national party adaptation, the ability to find a new and constructive role in the changing climate of election politics. Central to this is the ability of the parties to lend more to the electoral arena than their mere labels. In a candidate-centered system, the parties will not be the dominating actors that they once were. Nonetheless, soft money has been an important factor in revitalizing the national party organizations. They are stronger, more professional and more sophisticated. They have emerged as financial brokers, providing important services and expertise to candidates and party affiliates.

## Chapter Four

### The Context of Soft Money Reform

The French mathematician Pierre Simon de Laplace is thought to have said, "Speculation is at bottom nothing but common sense minus data." From the period of its creation until 1990, the soft money system has matured without accompanying rigorous empirical review. This study has been, in large part, an attempt to use recently released data in order to replace "common sense" with a more reliable method of testing widespread speculation about soft money.

According to Fred Wertheimer, president of the campaign finance watchdog group Common Cause, "If we want to clean up corruption in Washington, the soft money scam has to be shut down. It's that simple."<sup>110</sup> However, the findings of this study tend to suggest that the soft money system should be characterized more by its ambiguity than its simplicity; that is, soft money is something of a mixed bag. In some instances, an examination of RNC and DNC receipt and disbursement reports lent considerable support to the suspicions of some soft money observers. For example, RNC and DNC election period disbursement patterns suggest a level of coordination between the strategic and electoral objectives of the presidential campaign and the national party organization. Further, the national parties do appear to rely heavily on large contributions to fill party coffers. These findings, in particular, highlight two fundamental problems with the soft money system as it stands today.

First, the relationship between the national parties and the presidential campaigns has challenged the basic purposes of the presidential public funding program. In forbidding presidential candidates from soliciting or receiving private contributions during the general election, this initiative was designed to limit presidential campaign expenditures

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<sup>110</sup>Albert R. Hunt, "Shut Down the Soft Money Scam," The Wall Street Journal, February 17, 1994, p. A17.



to the sum publicly allotted. In so doing, not only was this intended to limit overall campaign spending, but the time candidates were forced to spend on fundraising activities. With the advent of soft money, however, national party financial activities are often headed by former members of the presidential candidate's staff who can, if necessary, tailor party expenditures to the strategic needs of the presidential campaign. Further, the presidential nominees participate in numerous party fundraising events, which collect monies that will eventually be expended on purposes that provide indirect benefits to their respective campaigns.

Second, the predominance of large political donations may contribute to popular feelings of alienation and inefficacy. According to Walter Ganzi, a Bush fundraiser, the solicitation of \$100,000 checks "leads the average citizen to think that his \$25 or \$100 contribution doesn't make a difference."<sup>111</sup> Further, U.S. District Judge Thomas Flannery notes that "the climate of concern surrounding soft money threatens the very appearance of corruption by which the integrity of our system of representative democracy is undermined."<sup>112</sup>

However, any analysis of soft money would be incomplete without also noting its considerable compensatory benefits. The chorus of criticism surrounding soft money has masked its value to the United States electoral system. Disbursement patterns indicate that the parties spend soft money on a relatively stable continuum, dismissing suggestions that they are mere transitory election installments. The national party organizations are now institutionally stronger and more capable of playing an effective and permanent role in contemporary elections. They provide sophisticated campaign services to both state affiliates and state and local candidates--services which these actors might not otherwise be able to afford. According to political scientist Paul Herrnson, "The research shows the national parties to be stronger now than at any other recent time. The money mattered."<sup>113</sup>

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<sup>111</sup>Babcock, "Both Parties Raise Millions in Soft Money," p. A1.

<sup>112</sup>Judge Flannery, quoted in Wertheimer, "Bush and Dukakis Took Illegal Money," p. A25.

<sup>113</sup>Donovan, "Much-Maligned 'Soft Money' Is Precious to Both Parties," p. 1196.

National party soft money assistance has served to benefit their state affiliates beyond the immediate presidential election as well. When the election is over, the state organizations are left with materials and experience that can be used to assist candidates in subsequent elections or serve as the foundation for future party-building efforts. Finally, at a time when so much campaigning is devoted to television and mass media, national party soft money expenditures have been used as a counter-balance, encouraging activities that involve citizens at the grassroots level.

The ambiguity of the soft money system is, in a sense, reflective of the larger federal campaign finance system. The post-Watergate laws sought to reduce corruption and influence primarily by placing restrictions on private money in political campaigns. However, the 1979 FECA amendments and subsequent Federal Election Commission regulations reintroduced private money to promote the goal of party-building. Proposals to dispense with the soft money system face a similar series of trade-offs. For example, as there is concern over the size of soft money contributions, there is also a desire to empower the two party system.

A thorough assessment of whether the soft money system should be retained is beyond the scope of this study. However, in making policy, decision-makers must answer several fundamental questions. First, should private money play any role in presidential elections? Recall that the 1974 Federal Election Campaign Act sought to remove private funds from presidential campaigns. As a result, party organizations were effectively removed from any meaningful role in the 1976 presidential election, an occurrence that was the wellspring for the 1979 amendments. If private money is to play any role in presidential elections, one must ask through what channels that money is best raised and spent. On balance, the 1979 amendments, through their emphasis on voter contact and volunteer activities, appear to be well conceived.

Second, is it possible to impose a strict system of limitations on campaign financing? Has not the development of soft money testified to the resourcefulness of

American political candidates and parties in ensuring that they obtain the financial resources they feel they need to conduct their relevant operations? Campaign finance reforms tend to succumb to the same immutable law that keeps the Neiman-Marcus Christmas catalogue flourishing: people with money always find new ways to spend it. For example, merely eliminating soft money at the federal level would not prevent individuals from making large contributions directly to state parties. Further, it may be safe to assume that the national parties will find other means to finance the activities to which they have become accustomed. In anticipation of Congressional action that will curb the use of soft money, the RNC has created the National Policy Forum. As a tax-exempt foundation, the Policy Forum is not subject to contribution or expenditure limits. In addition, tax-exempt foundations are not required to disclose their contributions or expenditures. Finally, although the Policy Forum was established specifically to develop ideas and issues for the party, there are no clear limits on the range of activities it may perform.<sup>114</sup> As a result, eliminating soft money may force the national parties to establish other, less accountable means of financing party-building activities.

Third, what value do we place on the objective of enhancing the national party organizations? Soft money is vital to both the Democratic and Republican National Committees, accounting for nearly one-third of their total financial resources.<sup>115</sup> That these funds have greatly contributed to the resurgence of the national parties is indisputable and is evinced by the degree to which party renewal has mirrored the development of soft money.

In 1950, the American Political Science Association's Committee on Political Parties opined that the strengthening of the organizational and electoral capacities of the parties would result in the emergence of a more responsible two-party system.<sup>116</sup>

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<sup>114</sup>Hunt, "Shut Down the Soft-Money Scam," p. A17.

<sup>115</sup>Babcock, "Both Parties Raise Millions in Soft Money," p. A1.

<sup>116</sup>Committee on Political Parties, American Political Science Association, "Towards a More Responsible Two-Party System," American Political Science Association 44 (1950).

Therefore, before eliminating soft money, consideration should be given to the possible effects of the parties' organizational development on the political system as a whole.

Party-centered television commercials, radio advertisements and literature help clarify, solidify and strengthen the images that are presented to voters by the major parties. They present fully national campaign themes shaped by unified party programs rather than personalities, patronage and other local matters. The presentation of more meaningful and more national party cues may help to increase current levels of party identification, straight-ticket voting, and voter turnout. Further, the parties' ability to play an effective role in elections will further strengthen their connection to both state party affiliates and the winner of the presidential campaign. Ron Brown, former chair of the DNC, notes: "You care about institutions that help you. The tighter the web of relationships, the harder it will be to ignore that web."<sup>117</sup>

While it is true that their emerging financial power has not produced the type of responsible, policy-based parties that many observers maintain represents the best hope of providing the electorate with meaningful choices in political campaigns, the ability of the parties to play an ever-increasing role in elections is a necessary precursor. However, even if the national parties continue to pursue modest electoral aims and fail to resemble the responsible party model envisioned by the American Political Science Association, their ability to play an important role in elections may still be viewed as beneficial. If political parties are removed as a critical source of both revenue and general campaign services to party affiliates and candidates, what will emerge in their wake? Political parties can act as beneficial filters between the sources of campaign money and the recipients. Whereas political action committees, independent organizations, and individuals often expect to lobby those to whom they contribute, parties are primarily interested in electing them.

The complexity of these issues need not deter policy-makers from addressing them. If the Congress and President Clinton decide to maintain the soft money system, its more

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<sup>117</sup>Barnes, "Ron Brown's Fast Start," p. 1104.

blatant deficiencies should be rectified. For example, consideration should be given to limiting the amounts donors may give to national party nonfederal accounts. In *Buckley v. Valeo*, the Supreme Court ruled that the connection between large contributions and the appearance of influence is a justifiable reason for limiting such contributions: "Of almost equal concern as the danger of actual *quid pro quo* arrangements is the impact of the appearance of corruption stemming from public awareness of the opportunities for abuse inherent in a regime of large individual contributors."<sup>118</sup> Because there is nothing sacred about arbitrarily imposed contribution limits, such limits could be imposed so as to preserve for the national party organizations a meaningful role in the contemporary political process. Any reform proposal, however, must also serve to inculcate public respect for the electoral system, which is the inherent goal of all campaign finance laws.

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<sup>118</sup>*Buckley v. Valeo*, 30 January 1976, 425 U.S. Reports, p. 27.

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