

CARNEGIE Results

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It Highlights Corporation
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Produced Reports,
Results Or Information Of
Special Note.

Building the Campaign Finance Reform Infrastructure: Grantmaking to Strengthen U.S. Democracy

What this fight is all about is taking the \$100,000 check out of American politics for good. It's about putting the little guy back in charge, and freeing our system from the corrupting power of the special interests' bottomless wallet. It's about forcing our government to pay attention to the little guy, those people who actually cast votes to elect us, and not just to the richest in corporate America or the powerful union bosses.

— U.S. Senator John McCain (R-AZ), in opening debate in 1999 on the McCain-Feingold campaign finance reform bill

. . . Senator Mitch McConnell . . . sent letters to various trustees declaring his "concern that a serious error [that CED prominently identifies you as a backer of its legislative plan] has occurred, which may cause some embarrassment to you if it is not immediately corrected . . ." Several of these executives, who worked for companies that had significant issues pending before Congress at the time, considered the letters a thinly veiled attempt to intimidate them with the implied message: Resign and keep quiet, or don't count on doing business with Congress.

— Statement in a legal brief about how Senator McConnell (R-KY) attempted to pressure the nearly 300 business endorsers of the Investing in the People's Business report by the Committee for Economic Development (CED) to withdraw their endorsement.

Introduction

The American electoral system has been deluged by huge amounts of money from campaign contributors seeking influence at all levels of government, from town councils to the U.S. Congress and the White House. In many cases, our political leadership has accommodated, even encouraged, this torrent, using their access to campaign contributions to create often-unbeatable electoral advantages over their challengers. Even when not bribery or corruption, it produces unequal political influence.

This situation has had the effect of eroding democracy and public confidence in government, creating a spectacle in which policy decisions are seemingly for sale in an auction that the general public lacks the wealth to participate in. It is a spectacle worthy of the Gilded Age of the late 19th century, which inspired both muckraking journalists and reformers of the Progressive Era. “There is no enemy of free government more dangerous and none so insidious as the corruption of the electorate,” President Theodore Roosevelt declared in 1904.

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In his classic essay “The Basic Liberties and Their Priority” (1982), the political philosopher John Rawls wrote that the central problem caused by unregulated private money in campaigns is not bribery or apparent corruption, but unequal political influence. In *Buckley v. Valeo* (1976), the Supreme Court greatly limited the capacity of states to regulate the political role of private money. That decision was “profoundly dismaying,” Rawls writes, because it appeared to say that democracy is nothing more than a form of “political rivalry between unequals.” He urged that the public reject that conception, embrace a view of democracy as securing “for all citizens a full and equally effective voice in a fair scheme of representation,” and regulate private money to ensure such voice. This has been the task and imperative of the campaign finance reform effort for the last decade.

The campaign finance laws increasingly have foundered in the quarter century since landmark post-Watergate campaign finance reforms in the 1970s. With those scandals fading in memory, political parties and special interests, aided by key court and regulatory decisions, opened a series of loopholes that allowed money to surge into campaigns in a variety of ways—reversing much of the post-Watergate progress.

With help from Carnegie Corporation of New York and other funders, a new campaign finance reform infrastructure of nonprofit research, advocacy and legal action organizations has achieved several noteworthy recent successes. This coalition is now pursuing further gains with a variety of strategies ranging from litigation and electoral to research and advocacy—recognizing that such successes are only provisional and require a sustained effort.

“Our program’s overall goal,” says Geri Mannion, chair of the Corporation’s Strengthening U.S. Democracy program, who has guided the Corporation’s finance reform grantmaking, “has always been to increase civic—including political—engagement in the United States. One of the fundamental barriers to achieving that goal is the way campaigns are financed. The escalating ‘arms race’ for raising political contributions from a relatively small segment of the American public reduces competition for political office, increases public cynicism about politicians and government, and often subverts the public interest in the protection of special interests, especially those of business.”

Challenge and Response

The past decade has seen both a surge of money into politics and a remarkable number of reforms to respond to that trend.

Runaway Campaign Spending

At the national level, several key statistics tell the story.

- Having raised \$100 million (and foregone public financing) for his election in 2000, President George W. Bush adopted a goal to raise \$200 million for his re-election in 2004 (and had raised \$131 million of that by the end of 2003). Leading Democratic candidates for their party's 2004 nomination responded by foregoing public financing and raising record-high sums of their own.
- Money raised by national parties eclipses even that level of campaign spending. For the 2002 U.S. House and Senate elections, it totaled \$1.15 billion—a 50 percent increase over the 1998 elections. For example, in the 2000 elections, Jon Corzine spent about \$70 million to win a U.S. Senate seat in New Jersey, while Hillary Clinton spent the same amount to win her Senate seat in New York.

Because data gathering becomes more complex at the state and local level, available statistics are incomplete and fragmentary. However, the data we do have are revealing:

- State parties raised \$1.9 billion in 48 state elections in 2002—twice the \$960 million total raised for the 2000 state elections. Candidates in 2002 in those elections raised even more, \$1.95 billion—twice the total raised in 2000. In California alone, candidates and parties raised an astounding \$352 million for the 2002 state elections.
- Spending in big city mayoral elections also rose dramatically.

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Billionaire Michael Bloomberg spent about \$75 million in winning the 2001 New York City mayor election over then-New York City Public Advocate Mark Green, who spent about \$17 million. In Philadelphia, Pennsylvania, in 2003, the candidates for mayor spent a combined total of \$27 million. Businessman Bill White won election for mayor of Houston, Texas, in 2003 after spending \$8.6 million, nearly twice the previous record there of \$4.9 million.

- Even in smaller cities, spending on local elections has increased rapidly. In Tallahassee, Florida, candidates for mayor and four city commission seats spent a total of nearly \$1.2 million in 2003, more than tripling the previous spending record. Also in 2003, five candidates for mayor in Waterloo, Iowa, spent a total of \$154,000 in their campaigns, more than doubling the previous record set only two years earlier. The mayor of Asheville, North Carolina, spent \$123,000 to beat his challenger, who spent \$48,000 in the costliest race in city history.

Recent Reform Successes

Despite this rising tide of campaign spending, reformers have been heartened by recent successes and are poised to build from there.

McCain-Feingold. The centerpiece of this success was the hard-fought passage of the McCain-Feingold law (known formally as the Bipartisan Campaign Reform Act of 2002), the nation's most sweeping election campaign finance reform since the post-Watergate laws. Most notably, it closed the soft money and issue ad loopholes, raised the limit on individual contributions and restricted fundraising and electioneering by political parties, outside groups and individual candidates. Its most important provisions include:

- Banning outright "soft" money, unlimited contributions to political parties by individuals, businesses or labor unions. It includes a prohibition on soft money fundraising by federal officeholders or candidates in connection with a local, state or federal election.
- Banning soft money spending by state and local parties that directly affects federal elections.
- Banning radio or television "issue ads" that are thinly

veiled campaign ads to help candidates for federal office.

- Increasing the maximum individual contribution from \$1,000 to \$2,000 for a candidate per election, and a ban on such contributions by minors or foreign nationals.
- Requiring new disclosure requirements, such as more frequent campaign finance reports and explicit personal authorization of radio and television ads by candidates.

President Bush signed the McCain-Feingold bill into law on March 27, 2002.

McConnell v. Federal Elections Commission. Opponents, led by U.S. Senator Mitch McConnell (R-KY) immediately filed lawsuits to overturn the legislation, claiming that it violated political speech protected by the First Amendment. They hoped for a result similar to the U.S. Supreme Court's ruling in *Buckley v. Valeo* in 1976 on the campaign reform law enacted that year. That ruling struck down all spending limits—reasoning that spending was essential to political speech—as well as all limits on a candidate's personal contributions to his or her campaign.

Instead, on December 10, 2003, the Court ruling in *McConnell v. Federal Elections Commission* (FEC) upheld almost all of the McCain-Feingold law, most notably the ban on soft money in federal elections and the regulation of issue ads. (It invalidated the law's ban on contributions by minors and another provision regulating parties' election spending.) In the majority opinion, the Court ruled, "There is substantial evidence in these cases to support Congress' determination that such contributions of soft money give rise to corruption and the appearance of corruption."

Supporters of the law hailed the ruling. Charles Kolb, president of the Committee for Economic Development (CED), stated that "This is a victory for the American people and our democracy." Senator Russ Feingold (D-WI) stated, "In very clear language, the Court has recognized that the Constitution of the United States does not prevent Congress from giving the American people a campaign finance system that protects our democracy from the perils of unlimited contributions."

State and Local Public Financing. While 27 states now have some form of public campaign financing, until recently they were limited programs that provided partial funding of the real amounts needed to wage a competitive campaign, or directly funded qualified political parties, or provided tax deductions or credits to contributors.

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However, by the 1990s, state, regional and national reform organizations launched numerous efforts—including “clean money” campaigns by a new group, Public Campaign—that expanded on this base to enact several full-funding programs for state and local candidates.

Five states now have full funding of campaigns for some or all state offices. Two of them (Arizona and Maine) authorize full funding of campaigns for all state offices, including their legislatures. Twelve city and county governments ranging in size from New York City to Cary, North Carolina, now also provide partial public financing of campaigns—seven of the programs enacted since 1998. North Carolina also recently enacted full public financing for state judicial elections.

A New Reform Infrastructure. Perhaps just as important, these reforms were aided by a new infrastructure of nonprofit research, advocacy and legal action organizations now pursuing further gains with a variety of strategies ranging from litigation to electoral research and advocacy. For more than a decade, Carnegie Corporation has been a key funder of these organizations [see pg.11], along with the Arca Foundation, Stern Family Fund, Florence and John Schumann Foundation, Pew Charitable Trusts, the Joyce Foundation, the Open Society Institute and the Ford Foundation. Commenting on the Corporation’s strategy in this area, Scott Nielsen, Alexander Nielsen Consulting Group, says, “Carnegie Corporation, through its prudent and sustained funding of pillar organizations and support to a well-conceived portfolio of groups, has been a crucial philanthropic force in building and strengthening the campaign finance reform movement.”

There are a number of efforts underway to continue this progress including ongoing litigation to overturn the Supreme Court’s decision in *Buckley v. Valeo* that prohibited limits on campaign spending imposed by the 1974 Federal Election Campaign Act. Other efforts include supporting expansion of public financing of campaigns at all levels of government, “follow the money” projects to improve collection and analysis of federal and state campaign contributions, training news media to report the nature and impact of campaign contributions, and bringing new constituencies—such as business leaders, minorities, immigrants and youth—into the reform movement.

How Reformers Succeeded

Enacting the McCain-Feingold Law

The Bipartisan Campaign Reform Act of 2002 was the first major election campaign reform in nearly three decades, eliminating several gaping loopholes that had made much of the post-Watergate Federal Election Campaign Act of 1974 ineffective. Enactment of McCain-Feingold was the culmination of more than seven years of painstaking legislative efforts by a broad coalition of members of Congress, public interest reform organizations, academics and activists.

At the beginning of the 1990s, there were few national nonprofit public interest organizations with the ability to mobilize broad support for nationwide reforms. By the decade's end, there were dozens of such organizations representing widely varying grassroots constituencies, making their case with a vastly improved data, documentary and intellectual base provided by researchers, scholars and advocates. And the case they made was compelling, comprehensive and effective.

For example, in 1999, CED produced a report entitled, *Investing in the People's Business*, endorsed by more than 300 prominent business and civic leaders nationally. It showed that business leaders resented the pressure to make large contributions to candidates and parties. "Corporate executives have grown tired of enduring the 'shakedown' from politicians seeking ever-increasing campaign donations," said CED president Charles Kolb. "The business community wishes to compete in the marketplace, not through a political contributions arms race."

Groups such as Common Cause and the Democracy 21 Education Fund provided formidable advocacy and outreach coordination of the coalition's efforts on behalf of the intricate struggle for passage in Congress of McCain-Feingold. The Greenlining Institute and Fannie Lou Hamer Project provided crucial support to convince African American and Hispanic congressional caucus members to switch from opposing to supporting the reform bill. In addition, other groups coming forward to support the Bipartisan Campaign Reform Act included former members of Congress, 21 state attorneys general, former leaders of the ACLU, AARP, the Sierra Club, and civil rights and religious groups.

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Senator McCain later stated that this support culminated in action by hundreds of thousands of people. “When we had an amendment but also had people trying to cut off debate and block consideration of our legislation, we literally could tie up phone lines all over America with people calling to protest,” he told a forum on money and politics at Carnegie Corporation in January 2004.

Defending Reform in the McConnell v. FEC Case

Within months of passage, reformers faced an onslaught of legal challenges to the new restrictions on campaign money by McCain-Feingold. More than 80 plaintiffs filed 11 different lawsuits against the U.S. Justice Department and Federal Elections Commission (FEC), challenging every provision of the new law. Consolidated into one case, *McConnell v. FEC*, the plaintiffs ranged from Senator McConnell and Congressman Ron Paul (R-TX) to the Republican National Committee, the AFL-CIO, ACLU and the National Rifle Association.

The plaintiffs argued before the U.S. Supreme Court that the new law violated First Amendment rights to free speech and assembly and other rights. However, *The New York Times* warned, “If the Supreme Court holds that Congress cannot make these small but critically important fixes, it will be condemning the nation to a democracy forever held captive to the corrupting influence of monied special interests.”

Besides the law’s principal sponsors, numerous organizations joined the defense as interveners and amici, including the Brennan Center for Justice at New York University, which also provided considerable scholarship, public education and litigation resources to reformers.

Most important, defenders of McCain-Feingold provided the court with abundant documentation of the undemocratic influence of campaign contributions on federal policymaking, including affidavits from current and former members of Congress, and extensive research done in recent years by scholarly and other expert organizations.

For example, the CED *amicus* brief (which included such individual business leaders as Warren Buffett, Paul Volcker and Jerome Kohlberg) cited not only its own research, such as public opinion polls and in-

depth interviews with contributors and politicians, but also studies by the Center for Responsive Politics, Campaign for America and Public Campaign. The brief documented how political leaders have extracted soft money contributions to support a system of “access for sale”; how corporations fear retribution if they don’t contribute, and how such contributions are, therefore, not voluntary; how the contributions often do not reflect the true ideals of contributors but are intended for purely commercial self-interest; and how the system distorts the marketplace of ideas, which deserves protection.

The CED brief concluded with this flat declaration: “The coercive soft money system . . . has corrupted solicitor and contributor alike. It has engendered understandable public cynicism regarding both business and government. It has interfered arbitrarily in the functioning of the economy. Business leaders increasingly wish to be freed from the grip of [this] system . . .”

The strong case presented by defenders helped to persuade the Court to embrace both their arguments and conclusions in a nearly 300-page decision, which *The Washington Post* called “a strong affirmation of Congress’s authority to regulate the flow of money in politics.”

Enacting and Defending Public Financing of State and Local Campaigns

One of the greatest impacts of the coalition has been engendered by its array of national, regional and state organizations promoting public financing of campaigns at the state and local level, where targeted grassroots efforts have achieved some important victories. These victories were all the more remarkable because most of the organizations that helped to bring them about either did not exist or had little influence at the beginning of the 1990s.

Coordinating many of the reform efforts has been Public Campaign, founded in 1997, and dedicated to enacting “clean money” laws in state and local governments that would provide full public financing for candidates. In turn, much of the grassroots work has been carried out by regional organizations such as the Western States Center, Midwest States Center, Northeast Action and Democracy South; they helped mobilize local and state citizen groups around the country, develop ballot initiatives where possible, educate public officials, and provide technical assistance.

Playing a key role in expansion of the grassroots movement is the Piper Fund, a project of the Proteus Fund, a collaboration of individual donors and small and large foundations supporting state organizations working to implement comprehensive campaign finance reform.

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Since 1997, Piper has provided some \$6 million in grants to election reform groups in 45 states. With experienced staff, Piper is a key mechanism for large funders—such as Carnegie Corporation—to direct small grants to local and emerging reform organizations.

Helping with research has been the National Institute on Money in State Politics, which is the first national organization to amass huge amounts of state campaign finance data and make it available to anyone in online databases and search engines—no mean feat given the wide array of state campaign finance requirements and systems. It also produces reports on such campaign finance abuses as the contribution patterns of gambling interests in Michigan and pharmaceutical companies in many states. The Los Angeles-based Center for Governmental Studies has provided research, model legislation and strategies for creating or improving public financing systems.

The first major statewide public financing breakthrough happened in Maine. In 1996, Maine voters passed the “Clean Elections Act” ballot initiative that created the nation’s first system of public financing of candidates for all state offices beginning in the 2000 elections and funded by voluntary income tax check-offs and state appropriations. Candidates had to forego private contributions and agree to spending limits. *The Boston Globe* hailed it as a “blueprint for national change, enabling Americans to take back their democracy.”

That was just the beginning, however. Northeast Action helped Maine supporters craft implementing legislation and regulations—fighting legislative opponents at every step. Supporters also had to meet legal challenges on constitutional grounds by such organizations as the National Right to Life PAC and the Maine Civil Liberties Union. The Brennan Center and the National Voting Rights Institute have pitched in with litigation support, and the public financing system prevailed in court.

As the system gained more acceptance by Maine politicians, participation increased. After the 2000 election, one state senator who ran with public financing said, “It was refreshing not to have to raise money . . . It was nice to be able to say [to special interests], ‘Thanks for

the thought, but I'm running clean.” Elected legislators in the 2002 elections who ran with public funds held 59 percent of the seats, twice the number who ran with public funds in 2000, according to a General Accounting Office (GAO) study issued last year. While the report also noted increased voter participation, it concluded that it was still too soon to determine if the new system had improved voter choice, electoral competition, interest group influence or had other effects in Maine.

Another example of the success of the campaign reform movement was the election of Arizona Governor Janet Napolitano in 2002, who had to collect more than 4,000 \$5 qualifying contributions from registered voters, abide by strict spending limits, raise no private money beyond a very modest amount of seed money, and participate in public debates. In return, she financed her race with \$2.3 million in public funding. Governor Napolitano was not alone; the number of “clean” candidates in Arizona in 2002 rose to 139, including nine of the eleven statewide elected officials. According to the GAO study, voter turnout in Arizona rose over 20 percent in four years, and the number of residents contributing to campaigns increased from 30,000 to 90,000 making \$5 contributions; 600,000 residents funded clean elections through the voluntary check-off on their state tax returns. Both Republicans and Democrats benefited, and there were more competitive races.

Public Campaign counts five states that have adopted public financing systems for some or all state offices—Arizona, New Mexico, North Carolina, Vermont and Massachusetts—as well as others such as California, Connecticut, Hawaii, Illinois, Maryland, Minnesota, West Virginia and Wisconsin where reform efforts are receiving growing interest and support. Moreover, 12 city and county governments have adopted public financing laws: Austin, Texas; Boulder, Colorado; Cary, North Carolina; Tucson, Arizona; Miami-Dade County, Florida; New York City and Suffolk County, New York; and Long Beach, Los Angeles, Oakland, Sacramento and San Francisco, California.

However, not every campaign for public financing has succeeded or survived. Legal and political challenges have been formidable. Ballot initiatives in Oregon and Missouri failed in 2000, victims of strong opposition by business and other interests. The Massachusetts legislature refused to fund its new public financing system, forcing reformers to sue, winning a decision by the state Supreme Judicial Court.

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Since then, however, the Massachusetts legislature has rescinded the law, replacing it with an eviscerated version of public financing. Two of the 12 local jurisdictions that enacted public financing later suspended it. Challenged in court, Cary agreed to suspend its program until the North Carolina legislature could enact specific authorization. Oakland postponed implementation until 2006, by vote of the City Council. In Arizona—home to Senator McCain—challenges to the state’s campaign finance laws have also been raised, but the senator has vowed to be at the forefront of efforts to defend the legislation.

The lesson here is that reforms, even at the state and local level, are complex and difficult, requiring a sustained effort that may last for years. In all, the Corporation, through support of the Piper Fund, the National Voting Rights Institute and the Brennan Center, aided the defense of at least 10 such state and local campaign finance reform projects.

Research and Analysis

Much of the success of recent reforms hinged on the extensive documentation of the massive scale of campaign financing and its consequences along with the development of effective reform proposals. This provided the intellectual underpinnings for the movement comprising numerous nonprofit research and advocacy reform organizations. Before these reforms were enacted, even the disclosure of basic information about how election campaigns were financed was difficult to come by.

The Center for Responsive Politics has been providing increasingly detailed federal campaign finance data on its web site (www.opensecrets.org) in searchable electronic formats available to anyone with a modem and computer, from citizens and local activists to reporters and scholars. Because numerous proprietary databases for use by political parties and candidates, consultants, and lobbyists are priced dearly and closely held, the Center’s free service helps level the playing field. It supplements its volumes of raw data with in-depth profiles of advocacy groups’ spending to influence specific issues, such as pension reform and Arctic drilling, as well as with an online newsletter, “money in politics alerts” and a special section on activities of the Federal Elections Commission.

Since 1990, the Center for Public Integrity has regularly produced in-depth special reports, such as its *Buying of the Presidency* series, presenting these as “public interest journalism”; the materials are frequently disseminated by newspaper, magazine and broadcast outlets. (One of the major stories the Center uncovered was the Lincoln Bedroom scandal, in which hundreds of campaign contributors spent nights in the Clinton White House.) In some cases, the Center has joined with regional newspapers, such as the *Chicago Tribune*, to research and publish major investigative series on money and politics and on conflicts of interest at the state legislature level.

The Center for Governmental Studies has generated an impressive variety of research and education efforts since its founding in 1983, expanding its scope from a focus on California government to national politics by undertaking projects ranging from model campaign finance reform legislation to its pioneering use of the Internet for political communication. Especially useful has been its “Investing in Democracy Toolkit” of videos and printed guides that, developed in collaboration with Public Campaign, provide a detailed look at the benefits of what it calls “voter owned elections.”

Advocacy and Coalition Building

Besides Public Campaign and the regional organizations that have mobilized citizens in support of public financing reforms, other groups have provided the organizational resources to mount effective national reform campaigns for the McCain-Feingold law. All of them comprise an “advocacy infrastructure” that simply did not exist before the 1990s.

Some are organizations created to meet an unfilled need, such as Democracy 21 and the Campaign Finance Institute, which focus on advocacy for federal reforms such as the banning of soft money and reform of the FEC and of the presidential public financing system. They and others maintain a tight focus on FEC implementation of McCain-Feingold, to deter it from creating new loopholes that enable soft money abuses to resume, and monitor potential abuses by parties and candidates.

While both of these organizations include many familiar approaches to reform, the new and promising aspect of the coalition has been the addition of partners that bring new constituencies to the effort. These are drawing in a diverse array of politically active groups that identify campaign finance reform with the success of their own agendas.

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Among the “new partners” concerned with campaign finance reform is the business leadership group, Committee for Economic Development (CED), which was instrumental in gaining Congressional approval of the McCain-Feingold law. Its statement that reforms were good for markets and economic efficiency—an argument that attracted wide attention—was an effective counter to other business groups lobbying against reform. The organization’s 1999 report, *Investing in the People’s Business*, recommended a ban on soft money, an increase to \$3,000 on individual contribution limits to candidates, and two-for-one public matching funds for small donations for candidates who adhere to spending limits. Its frank description of the impact of current abuses was summarized by its statement, “A vibrant economy and well-functioning business system will not remain viable in an environment of real or perceived corruption.”

The Reform Institute represents another new voice in the political reform movement. Founded by John McCain, the institute’s staff are key members in coalition efforts on campaign finance and other electoral reform initiatives at both the federal and state levels. In particular, they have been engaged in helping to defend Arizona’s “clean elections” reform at the state level, in supporting the public financing of state judicial elections in North Carolina and other states, and in urging that broadcasters grant free television time to candidates in election years.

Finally, two other organizations contributed to the 2002 reform success by gaining the critical support of Hispanic and African American members of Congress for McCain-Feingold. The San Francisco-based Greenlining Institute (its antonym for redlining, or discriminatory real estate practices) adopted campaign finance reform as one of its six key social action programs, reasoning that the influence of monied interests worked against solutions to the problems of low-income and minority communities.

The Fannie Lou Hamer Project (named for the leader of the 1960s Freedom Democratic Party in Mississippi), based in Michigan, helped reformers define campaign finance abuses as a civil rights issue. Its 2003 report, *The Color of Money*, co-published with Public Campaign and the William C. Velasquez Institute, documented how over 90 percent of federal campaign funds came from white contributors. “The current campaign finance system acts like a modern-day poll tax,

blocking low and moderate income voters from having an equal, effective voice in the political process,” says Stephanie Moore, the Project’s executive director.

Communications and Media

Several organizations working on campaign finance issues have taken on the task of communicating with the public and policymakers directly as well as through established news media. The Center for Public Integrity, for example, has been focusing on improving the quality of news coverage of campaign finance abuses; its staff of investigative reporters not only write in-depth articles for established news media, they also help train and provide access to information that can enhance and improve journalists’ ability to do “follow the money” research and reporting and to cover other aspects of campaign finance reform efforts.

Even more important, the Center and other organizations have helped expand reporters’ attention beyond specific illegal acts and scandals to the far greater impact that money and its influence can have on who ends up running for elective office on the local, state and national levels. The Radio and Television News Directors Foundation and Investigative Reporters and Editors help provide journalists with training aimed at enabling them to produce more nuanced and sophisticated coverage of money and politics.

The Annenberg Public Policy Center at the University of Pennsylvania has provided a scholarly dimension to money and politics with its focus on political communication and advertising. While other organizations report on funds flowing to parties and candidates, the Annenberg Center tracks how they spend this money to influence elections and government decisions. It also maintains a web site, www.factcheck.org, that bills itself as a “consumer advocate for voters” to monitor the accuracy of what is said by major U.S. political players in TV ads, debates, speeches, interviews and news releases.

Another organization, the Alliance for Better Campaigns, has documented the growing dependence of candidates on paid television advertising and broadcasters’ predatory pricing for airtime. It has crafted reform proposals for its “Our Democracy, Our Airwaves” campaign to require that broadcasters air at least a minimum amount of candidate and issue coverage in the weeks before elections, and to make access to television affordable to more candidates—not just those flush with campaign money.

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The technology-minded, Los Angeles-based Center for Governmental Studies (CGS) has developed unique media opportunities for political communication, such as its California Channel and its online Democracy Network and Digital Democracy, which are evolving in interesting ways. It provided a contrarian, but useful, insight about the widely derided 2003 California recall election of Governor Gray Davis, noting the unusually intensive media coverage on both candidates and issues—and the relatively limited amounts spent (by California standards, at least). “This is the way that we had hoped elections would be: big turnout, free media, discussions around the water cooler, less emphasis on raising money and lots of ideas being debated,” CGS executives Robert Stern and Tracy Westen wrote in the *Los Angeles Times*.

Prospects for Further Reforms

There are two things that are important in politics. The first is money, and I can't remember what the second one is.

— Ohio political boss and U.S. Senator
Mark Hanna, 1895.

Since the nation's founding, campaign contributions have always played a role in U.S. elections and probably always will. Despite the recent achievements in campaign finance reform at the state and federal level, this new generation of the reform movement is still in the nascent stage. Reformers have indeed shown increasing sophistication and effectiveness by achieving the successes of recent years—demonstrating that strategic investments by foundations and other funders can have a broad impact on our political system. The lessons learned will be instructive and essential in the years to come as the current generation of reformers works to preserve and expand its gains. The challenges ahead are numerous and formidable.

Improved Public Financing for Presidential Elections

Encouraged by the success of the McCain-Feingold law, reformers are preparing legislation to improve the inadequate system of public financing of presidential campaigns for the party primaries and general election—a problem demonstrated so starkly in the 2000 and 2004

elections. “For almost 20 years, it worked pretty well. Now we have to fix it again so that there are greater incentives to use matching funds,” Senator McCain said in 2004.

Proposals include increasing the federal match for individual contributions, moving up the date on which financing begins, increasing candidates’ overall spending limit and increasing the amount of the individual tax return check-off to fund the system.

Improving the Federal Elections Commission

It has been a bitter irony to reformers that the agency meant to regulate campaign financing has deliberately undermined it after the 1976 reform law by creating new loopholes for unrestrained spending by the parties. The six FEC commissioners are evenly divided between Republicans and Democrats and essentially act to advance the interests of their parties and not to conscientiously enforce the law, observers have noted.

Even the Supreme Court, in *McConnell v. FEC*, recognized the dominance of party interests. “In large part, [McCain-Feingold] simply effects a return to the scheme that was approved in *Buckley* and that was subverted by the creation of the FEC’s allocation regime, which permitted the political parties to fund federal electioneering efforts with a combination of hard and soft money,” the Court opinion stated.

Given the weak enforcement history at the FEC, efforts are underway to reform the agency; these focus on restructuring its composition, removing partisan influence and increasing funding to enable its staff to ensure accuracy and compliance with the law.

Overturing Buckley

Ongoing litigation continues to aim at overturning the Supreme Court’s decision in *Buckley v. Valeo* that prohibited limits on campaign spending (but not contributions) imposed by the 1974 Federal Election Campaign Act. By equating political money with protected political speech, the Court erected a major legal barrier that has thwarted campaign finance reforms for nearly three decades.

Using broad-based litigation tactics, the Brennan Center and National Voting Rights Institute are probing for weak aspects of the *Buckley* decision, aiming to expand the constitutionality of reforms and ultimately overturn its most burdensome elements.

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Although they differ in legal approaches, attorneys at both of the public interest law centers agree that the effort may take many years, though some cases are already winding their way towards the Supreme Court. History may be on their side: both legal teams point out that poor Southerners first challenged the poll tax in 1937—an onerous racial barrier to voting in the South—that the Supreme Court upheld it in 1951, but finally struck it down in 1966 as an unconstitutional infringement of the right to vote.

Expanding Public Financing at the State and Local Level

Because of several setbacks in recent years, including the loss of ballot initiatives in Missouri and Oregon, regional and state organizations are expanding and redirecting their efforts in state legislatures and local governments to enact public campaign financing systems. For example, reformers ascribe the Oregon loss in the 2000 elections, even though polls showed widespread support, to a crowded ballot with 26 initiatives and lack of a field-organizing program to build and mobilize its constituency.

Supported by national research, advocacy and legal organizations—such as Public Campaign and the Brennan Center—reform advocates are concentrating on more careful groundwork (coalition building, public education and hard-hitting reports) before launching more direct “clean money” efforts.

Improved “Follow the Money” Projects

Existing research organizations, such as the Center for Responsive Politics, are poised to handle the changes brought by McCain-Feingold to the volume and complexity of federal data, as well as to improve the analyses building the case for continued reforms. They will provide crucial help to reformers by providing timely data to support reform efforts—and by expanding access to vast databases.

As efforts expand in the states to enact public financing—and states increasingly require electronic filing by candidates and political organizations of campaign finance data—the National Institute on Money in State Politics and related groups will have a key role in providing state elections data to build the case. Underscoring the difficulty of this challenge is the bewildering state-by-state differences

in required data and compliance, which could be eased by states adopting more uniform reporting requirements.

Improving Political Coverage and Communication by Media

In seeking new ways to facilitate communication between candidates and the public, one area reformers have focused on is the media, suggesting improvements in training news staff to report the nature and impact of campaign contributions, securing greater access by candidates to local television news coverage, providing low-cost or free air time for direct communication by candidates and developing ways to use the Internet as an alternative communication and organizing platform.

Innovative uses of the Internet by presidential candidates such as Howard Dean in 2003 and 2004 have heightened interest in this medium, which has the great advantage of relatively low costs, an expanding base of subscribers and an openness to innovation. The Center for Governmental Studies continues to explore new possibilities in such technologies as streaming videos as a low-cost method for promoting political discourse.

Expanding the Coalition for Reform

It was fortuitous that the coalition of diverse organizations opposed to campaign finance reforms in the past convinced supporters of the McCain-Feingold law to bring new constituencies—such as business leaders, minorities, immigrants and youth—into the movement. The challenge remains to transform more key opponents into supporters, to bring in new constituencies from the sidelines and to build a more durable coalition for reform.

Conclusion

“Could It Be That The New Rules Are Actually Working?” read an article headline in a 2004 issue of the authoritative *National Journal*, as it hailed the surge of hundreds of thousands of relatively small donations to both parties after the loss of the few huge soft money donations they had come to depend upon.

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Senator John McCain noted that the Democratic Party had replaced some 800 soft money donors in the 2000 elections with 600,000 new “hard money” donors, while the Republicans had attracted one million new such donors.

Developments like these help affirm that change is possible and that, however daunting may be the huge dimension of the problem of money in politics, there are ways to overcome it. The Supreme Court opinion in *McConnell v. FEC* noted that “money, like water,” will continue to find its way in the system. To that hoary observation, Trevor Potter, former chairman of the FEC, countered, “The only analogy I can give you back is to say, dams work. We have seen them. They stand. They can last a long time with proper maintenance.”

The enactment of the Bipartisan Campaign Reform Act of 2002 and its successful defense before the Supreme Court clearly were momentous advances nobody can ever diminish in importance—and the new system has begun to work as contemplated. Much of the credit must go to the new reform infrastructure painstakingly built since 1990 with the help of a wide range of funders, including Carnegie Corporation.

But no one should be under the impression that recent reforms have solved the problem of the huge amounts of money required to compete in elections at every level of government. That is the challenge for a continuing reform agenda that includes an improved presidential public funding system, a restructured Federal Elections Commission, state-level public funding, free or reduced-cost television time for candidates and many other changes needed to achieve truly open political discourse in America.

In a society as open as ours, these changes may come from completely unexpected sources, such as happened with the creative Internet-based fundraising and communications techniques that emerged for presidential candidates and advocacy groups in the 2004 elections. For example, who could have predicted that, at the time of this writing, Amazon.com would enable people to use its home page to contribute to presidential candidates? “We’re making it as easy for people to contribute as it is to buy the latest *Harry Potter*,” the company announced. The site also displays a running total of contributions to each candidate.

Whatever the source, changes must come. We are fortunate that we can now build on a base created by a remarkable campaign finance reform infrastructure that is diverse, creative and capable. As Senator McCain puts it, “Much remains to be done, but I am confident that we can succeed. Reform creates transparency, equality, and participation, and inspires confidence in those we represent. The strength and real

muscle in this fight lie with the American people.”

Carnegie Corporation of New York and Campaign Finance Reform

Campaign finance reform benefited from the Corporation's grantmaking in this area, which began over a decade ago; more than 20 organizations received nearly \$20 million by 2004. Having been a leading philanthropic funder for these years, the Corporation is planning to reduce its financial support by 2005. Its efforts over the past years have been instrumental in building the campaign finance reform infrastructure, helping to create interrelated programs that are attracting considerable support now from other individual and institutional funders.

Grant recipients have included:

National Research and Advocacy Organizations

Campaign Finance Institute
Center for Responsive Politics
Common Cause Education Fund
Democracy 21
National Institute on Money in State Politics
Public Campaign Reform Institute

State and Regional Research and Advocacy Organizations

Center for Governmental Studies
Democracy South
Midwest States Center
Northeast Action
Piper Fund, a project of the Proteus Fund
Western States Center

New Constituencies

Committee for Economic Development
Democracy Matters
Fannie Lou Hamer Project
Greenlining Institute

Litigation and Legal Defense

Brennan Center for Justice
National Voting Rights Institute

Media

Alliance for Better Campaigns
Annenberg Public Policy Center
Center for Public Integrity
Investigative Reporters and Editors
Radio and Television News Directors Foundation

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