I. A brief look at money in elections

Box 8.1, pp. 245-46

A. Phase 1: money as a supplement to party activities (1790s to 1880s)
   1. Media coverage
   2. “Treating”
   3. Mailings
   4. Parades
   5. Canvassing

B. Phase 2: (money as the key variable) the rise of corporate politics (1880s to 1950s)
   1. Origin: the Industrial Revolution and preferments
      a. Subsidies – e.g., cash & land grants; tax exemptions, credits, & deductions
      b. Favorable policies – e.g., monetary, foreign-trade, and immigration policies
   2. Beginning of shift from
      a. Retail to wholesale campaign tactics
      b. Party volunteer activists to paid professions

C. Phase 3: (high-cost) media-centered elections (1960s [actually, 1950s] to the present)
   1. Origin:
      a. Rise of broadcast media
         (1) National-network radio - 1920s
         (2) National-network television - late 1940s
      b. Decline in partisan identifiers & rise in independent identifiers – 1968 de-alignment
      c. Polarization of parties
      d. Uncertainty of electoral outcomes
   2. Even greater shift from
      a. Retail to wholesale campaign tactics
      b. Party volunteer activists to paid professions
      c. High-tech applications
         (1) Collection and analysis of public-opinion polling data
         (2) Focus-group analysis
         (3) Media advertising analysis
         (4) Computerized direct-mail
         (5) Internet applications

II. Efforts to regulate the flow of money in elections

A. History
   1. Civil Service Reform Act (1883) – limitations on patronage
   2. Tillman Act (1907) – ban on corporate contributions (extended to labor unions in 1943)
   3. Corrupt Practices Act (1925) – spending limits
   4. Hatch Act (1939) – ban on campaign activities by federal employees & campaign solicitations to welfare recipients

B. Results
   1. Weak enforcement
   2. Loopholes exploited

III. Meaningful reform: Watergate and federal reforms

A. Revenue Act (1971) – public funding through tax check-off system
B. FECA 1971 – tougher disclosure rules & new limits on media spending
C. FECA amendments of 1974 –
   1. FEC
   2. Contribution limits
   3. Spending limits
      a. Congressional & presidential candidates
      b. National parties
      c. Independent spending by individuals & groups
   4. Disclosure requirements
   1. Public funding upheld but made voluntary – candidates could refuse
   2. Candidate spending limits upheld – but tied to public funding
3. Party spending limits upheld – but footnote 52 applied limits only to express advocacy
4. Independent spending limits struck down as 1st Am. violation
5. Contribution limits upheld

E. The rise of PACs

1. Origin:
   a. AFL-CIO in 1943 & business/corporate/trade associations in 1950s
   b. FECA Amendment (1974) limit on individual contributions
   c. 1975 FEC advisory opinion allowing PAC overhead costs to be paid by corporations & unions

2. Consequences
   a. Explosion of PACs and bundling of individual contributions
   b. Symbiotic relationship between PACs and political parties

**IV. Creative party finances in the Information Age**

Table 8.1, p. 255 & Box 8.2, pp. 256-57

A. Issue advocacy – footnote 52 loophole

B. Independent (not coordinated with candidate) expenditures

C. Hard and soft money

1. Hard money: contributions to candidates subject to federal rules
2. Coordinated expenditures: Individual, PAC, or party expenditures with candidates: subject to federal rules
3. Soft money:
   a. Unregulated party expenditures not coordinated with candidates
   b. The primary means of channeling fat-cat and PAC contributions to candidates
   c. Loophole opened up by FECA Amendments of 1979

D. Transfers to state party committees

1. Large contributions shifted to states with weak or nonexistent reporting requirements
2. Then traded back to national party organization as a hard-money contribution

E. McCain and Feingold have their day: reforming the reforms

Box 8.3, pp. 265-67 & Table 8.6, pp. 268-71

1. Provisions
   a. Doubled hard-money individual caps →$2000 to candidates & $95,000 aggregate per cycle
   b. Millionaire opponent provision in congressional elections
   c. Banned soft-money contributions to national parties
   d. Banned soft-money issue-advocacy ads broadcast within
      (1) 30 days of primary elections
      (2) 60 days of general elections
2. Loopholes
   a. No limit on contributions to PACs
   b. No limit on contributions to state and local parties (but there are limits on state and local party expenditures in federal elections)
3. A controversial beginning
   a. Legal challenge pending before the U.S. Supreme Court
   b. FEC policy clarifications have been controversial – making it easier for individuals, parties, & PACs to channel soft money into federal elections
   c. Could splinter national from state and local party organizations

**V. The future of party finance in America**

A. Role of Internet important

1. McCain in 2000
2. Dean in 2004

B. Role of “shoe-leather” or retail politics may still be important – as demonstrated by the Republican’s 72-hour initiative in 2002