Topic Page: Campaign finance

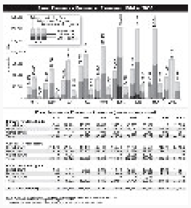

Image from: **CAMPAIGN FINANCE REFORM** in *Encyclopedia of U.S. Political History*

Summary Article: **Campaign Finance**
From *Encyclopedia of Political Communication*

Campaign finance refers to the methods and governing rules under which candidates and political parties obtain the funds necessary to organize political parties and carry out campaigns for public office. In the United States, for example, campaign finance is largely achieved through private fundraising by both candidates and parties. Public finance of candidates or parties is exceptional, although it does exist in limited circumstances. In contrast, many democracies in other parts of the world rely almost exclusively on public funding of political parties and candidates, and many utilize a combination of public and private funding.

Political parties require funding—more in election years than in others—to create and maintain their organizations, pay staff, recruit candidates and volunteers, and to engage in election campaigns. Over the years political campaigns, especially in Western democracies, have become more and more professionalized. The need for funds has increased to hire services such as pollsters, advertising agencies, production companies, political consultants, and media time, including everything from campaign buttons to yard signs to billboards, posters, radio and television ads, Web sites, and Internet-based advertising and distribution of spots, position papers, and other campaign materials. In addition, engaging accountants and lawyers to aid in compliance with campaign finance regulations is a necessary expense. Campaign finance has assumed constitutional dimensions in countries such as the United States, where the Supreme Court declared in *Buckley v. Valeo* in 1976 that

> *virtually every means of communicating ideas in today's mass society requires the expenditure of money. The distribution of the humblest handbill or leaflet entails printing, paper, and circulation costs. Speeches and rallies generally necessitate hiring a hall and publicizing the event. The electorate's increasing dependence on television, radio and mass media for news and other information has made these expensive modes of communication indispensable instruments of effective political speech.*

In the United States, political parties and candidates either provide their own campaign funds from personal wealth or have them donated by supporters. The principal exception to this is the limited public financing provided by the federal government for candidates for president of the United States. The 1974 Amendments to the Federal Election Campaign Act of 1971 established a system of partial public funding of presidential campaigns and party conventions funded by a voluntary tax check-off system in which taxpayers may designate on their federal income tax returns that $3.00 (originally $1.00) of their tax liability should go to the Presidential Election Campaign Fund. This fund provides funding for the national nominating conventions of qualifying political parties, primarily the Democratic and Republican Parties. In 2004, each major party received $14.924 million for their party convention from public funds. Parties do not receive public funding for the campaign itself or for their general operation.

This fund also provides partial funding for candidates for president. Under the presidential funding scheme, candidates are allowed to choose whether to participate in public funding. Those who do not participate do not receive public funds but are not restricted as to the amounts that may be expended on their campaign. Those who do participate receive partial matching public funds during the primary in proportion to certain eligible private contributions that they receive and full funding during the general election campaign (private contributions may not be accepted) if they win their party's nomination. In 2004, each major party nominee received $74.62 million in public funds for the general election campaign. For the primary, nine candidates (not including Kerry, Bush, and Dean who declined public funding) received a cumulative total of approximately $28 million. The exact 2008 election amounts will not be determined until early 2008, but the major parties' candidates can expect to receive over $82 million for the general election in 2008, assuming they accept public funds.

Candidates who are participants in the public funding system are limited in the amounts they may spend during the primary season and in each state. In the general election, candidate spending is limited to the amount of the public grant. In 2004, the primary spending limit was $37.31 million, and it is expected to exceed $42 million in 2008. Candidates may choose to decline public funding in the primary and still receive it in the general election. Ross Perot declined public funding in 1992, and the first major party candidate to do so was George W. Bush in 2000. In the 2004 election, several major party candidates declined public matching funds in the primary, including Bush, Howard Dean, and John Kerry, but Bush and Kerry accepted full public funding for the general election. The reason for declining the matching funds in the primary was to avoid being bound by the spending limits in the primary, which were considered insufficient to mount a competitive campaign.

The future of the presidential public funding system has been called into question by the fact that increasingly, insufficient numbers of the general public choose to check off and donate $3 to the fund, which reduces the amounts available. In addition, the fact that so many candidates now choose to decline public funding in the primary indicates that the limits of the program are now exceeded by the needs of the most competitive candidates. So far, no major party candidates have declined public funding in the general election, but this may yet happen. On the other hand, bills to provide public funding for congressional and Senate candidates have been introduced, but so far have not seemed likely to pass. A few states, including Maine and Arizona, have partial public funding systems for state candidates, but this is the exception rather than the rule.

Outside the United States, public funding, direct and indirect, is more common. For example, in-kind subsidies prevalent in European democracies include official publicly prepared voter registry lists, as opposed to the U.S.-style voter registration drive, and free provision of media time for party election broadcasts. Where free media time is provided, some countries permit parties or candidates to purchase additional broadcast time, though many do not, or allow such purchases only on privately owned channels but not public channels. (Public channels in foreign countries, unlike in the United States, often have the highest viewership numbers.)

A study of 111 countries showed that 71 have a system of party finance, another seven have assorted rules but no system, and 12 have a candidate-oriented system rather than a party-oriented one. Sixty countries in the study had rules on disclosure of income, either by the political party (54) or by the donor (14). The disclosures are not made public in all of these countries. Thirty countries set a ceiling on how much a donor can contribute to political parties and nine countries limit how much money a party can raise. Fifty-four of the countries have requirements that political parties disclose their expenditures, and 27 countries limit party expenditures. Corporate contributions are banned in only 22 of 111 countries, and labor union contributions are banned in only 17.

The most common form of political party regulation is public funding; 65 countries have provisions for direct public funding of political parties, and 79 have provisions for indirect public funding. Direct public funding is allocated among parties by a mixture of methods. In 57 of the 65 countries, the basis for funding allocation is the number of seats or votes in the current or previous election; in 12 countries an equal allocation among parties is either the sole basis or one of the criteria for direct funding allocation. Eight countries allocate funds based on the number of candidates fielded in the election. Direct funding is allocated to election expenses in 45 countries and/or to general party administration costs in 29 countries, and 20 countries do not designate a purpose.

Indirect party funding is provided more often than direct funding and takes many forms, such as favorable tax rules for parties or donors (32 countries), free or subsidized franking of letters and use of telephones (7 countries), free transportation (4 countries), free use of government buildings (4 countries), and free printing of party ballot papers (3 countries). Free access to state-owned media is the most common form of indirect public funding (71 countries). The allocation of broadcast time is based on a principle of equal time for all parties in 49 countries, performance in the previous elections in 20 countries, the number of candidates fielded in the current election in 13 countries, or a combination.

See also
Bipartisan Campaign Reform Act; Buckley v. Valeo; Federal Election Campaign Act; McConnell v. Federal Election Commission

Further Readings

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