“Money, Like Water, Will Always Find an Outlet”:

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Abstract

This thesis investigates political finance in the United States focusing on presidential general elections from 1976 to 2012. Political finance is a scholarly field that has received renewed attention in American politics over the last decade, as the regulatory framework for money in elections has changed. Much of the media attention has been given to two Supreme Court decisions in 2010, Citizens United v. FEC and SpeechNow.org v. FEC, which enabled outside groups to receive and spend unlimited funds. With these changes in mind, the common wisdom has been that the costs of elections as a consequence have increased.

This thesis asks: Has the cost of U.S. presidential general elections increased over time? In relation to this it examines the processes and mechanisms behind the spending to help identify events and changes that have led to the current state of political finance in U.S. presidential general elections.

There are three main findings of this thesis. Firstly, a cost increase in U.S presidential elections is a fact. Real spending has seen a continuous growth from 1976, while spending as part of the economy and real spending per voter have stayed at about the same level up until 2000. For the most recent elections in 2004, 2008 and 2012 however, all three measurements recorded a strong increase, with the 2012 election breaking all previous cost numbers. Secondly, the power balance between the spenders have shifted in favor of the candidates, with outside groups strengthening their position at the expense of the parties – which have played a financially decreasing role in the most recent elections. Thirdly, the parties have become a casualty of an outdated regulatory regime, which has lessened the parties’ competitive edge. With the candidates attracting smaller donations, and the Super PAC accepting unlimited donations, the parties, restrained by artificially low contribution limits, have lost out in the battle for political funding.
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# TABLE OF CONTENTS

## CHAPTER 1 – Introduction

1.1 The Subject: Why Study Political Finance? ................................................. 4  
1.2 The Case: Why Study American Presidential General Election? ..................... 6  
1.3 The Structure of the Thesis ........................................................................ 7  

## CHAPTER 2 – Political Finance Theory

2.1 Political Finance: Defining the Subject ......................................................... 10  
2.2 Measuring the “Costs of Democracy” .............................................................. 11  
2.2.1 The Argument that Spending is Increasing ................................................ 12  
2.2.2 The Argument that Spending is Constant ................................................... 13  
2.3 Categorizing Political Expenditures: A Review and Rationale ......................... 15  
2.3.1 Political Money in Western Europe ............................................................. 16  
2.3.2 Political Money: A European Way in America? ........................................... 17  
2.3.3 Political Money: The American Way ......................................................... 19  

## CHAPTER 3 – Methodological Approach and Considerations

3.1 The Objective of the Thesis in a Methodological Context ............................... 21  
3.2 Why Case Study? ......................................................................................... 23  
3.2.1 What is a Case Study? .............................................................................. 23  
3.2.2 Case Study and Causal Mechanisms ......................................................... 24  
3.3 Choice of Case: Implications and Rationale .................................................. 26  
3.4 Data Availability, Validity and Reliability ..................................................... 30  
3.4.1 Validity .................................................................................................... 30  
3.4.2 Reliability ................................................................................................. 31  

## CHAPTER 4 – The History of Campaign Finance: Political Spending, the Congress, the Supreme Court and the First Amendment

4.1 1907-1972: A Rising Tide of Political Spending and Inadequate Levees .......... 34  
4.1.1 Stalemate and Legislative Slow-dance ....................................................... 35  
4.2 The 1970s: Stemming the Cash Flood ............................................................ 36  
4.2.1 Federal Election Campaign Act (FECA) of 1972 ....................................... 36  
4.2.2 FECA Amendments of 1974 ................................................................. 37  
4.2.3 FECA Amendments of 1976 and 1979 ..................................................... 38  
4.4 Bipartisan Campaign Reform Act (BCRA) of 2002: A Rebuilding Effort ......... 41  
4.5 2007- Demolishing the Dam, Releasing the River ......................................... 43  
4.5.1 FEC v. Wisconsin Right to Life (WRTL) (2007): Setting the Charges ....... 43  
4.5.2 Citizens United and SpeechNow.org (2010): Detonation .......................... 43  
4.6 The History of U.S. Political Finance, Concluding Remarks ....................... 46
CHAPTER 5 – Financing the Presidential General Elections, 1976 - 2008

5.1 Explaining the Numbers ................................................................. 47
5.1.1 Candidate: .............................................................................. 47
5.1.2 Party: .................................................................................. 47
5.1.3 Outside Groups........................................................................ 48
5.2 The 1976 Election....................................................................... 50
5.3 The 1980 Election....................................................................... 51
5.4 The 1984 Election....................................................................... 52
5.5 The 1988 Election....................................................................... 53
5.6 The 1992 Election....................................................................... 54
5.7 The 1996 Election....................................................................... 55
5.8 The 2000 Election....................................................................... 56
5.9 The 2004 Election....................................................................... 57
5.10 The 2008 Election...................................................................... 59
5.11 Financing Presidential General Elections from 1976-2008............ 60

CHAPTER 6 – Financing the 2012 Presidential General Election

6.1 Candidate Spending in the Presidential General Election.............. 61
6.2 Party Spending........................................................................... 64
6.3 Spending by Outside Groups.......................................................... 65
6.3.1 Super PAC Spending................................................................. 66
6.3.2 Other Independent Expenditure............................................... 68
6.3.3 Electioneering Communications ............................................. 70
6.3.4 Communication Costs ............................................................. 71
6.3.5 Convention Contributions ....................................................... 72
6.3.6 Outside Group Spending Summarized...................................... 73
6.4 Spending in the 2012 Presidential General Election Summarized.. 74

CHAPTER 7 – Financing Presidential General Elections

7.1 Real Spending Growth................................................................. 78
7.2 Spending Adjusted for Social and Economic Trends....................... 79
7.2.1 GDP .................................................................................. 80
7.2.2 Population Growth................................................................. 81
7.3 How Has the Cost Increase Occurred?......................................... 83
7.3.1 1980-1992: Inside Strength, Outside Weakness..................... 84
7.3.2 1996-2004: Resurgent Outside Spending, Weakening Candidates ... 85
7.3.3 2008-2012: The Road to a New Reality.................................... 87
7.4 Tracing the Cost Increase.............................................................. 91

CHAPTER 8 – Political Finance in American Presidential Elections: A Conclusion

8.1 Increasing Costs of Democracy – Fact or Fiction?........................... 95
8.1.1 Has the Costs of Presidential General Elections Increased Over Time? 97
8.2 The Road to 2012 ..................................................................... 97
8.2.1 Has the Developments of Political Finance changed Power Balance between the Candidates, Parties and Outside Groups? ................................................................. 99
8.3 Future Research Suggestions ........................................................................ 100

Bibliography ........................................................................................................ 101

TABLES AND FIGURES

Tables
Table 4-1 A Summary of the Important Events throughout Campaign Finance History ...... 33
Table 5-1 Campaign Spending in Presidential General Elections, 1976-2008 ................. 49
Table 6-1 Receipts and Spending by the Campaigns in the 2012 General Election .......... 62
Table 6-2 Party Independent Expenditure in the 2012 Presidential General Election ....... 64
Table 6-3 Super PAC Spending in the 2012 Presidential General Election ................. 66
Table 6-4 Other Independent Expenditure in the 2012 Presidential General Election ....... 69
Table 6-5 Electioneering Communication in the 2012 Presidential General Election ...... 71
Table 6-6 Communication Costs in the 2012 Presidential General Election ............... 72
Table 6-7 Outside Group Spending in the 2012 Presidential General Election ............. 73
Table 6-8 Spending in the 2012 Presidential General Election, All Categories .............. 75

Figures
Figure 7-1 Spending Adjusted for Inflation .................................................................. 78
Figure 7-2 Spending Deflated by GDP ......................................................................... 80
Figure 7-3 Spending per Voter .................................................................................... 82
Figure 7-4 Ratios between the Three Spending Categories .......................................... 84
CHAPTER 1 - Introduction

The effort to understand the relationship between money and politics is as old as the development of political theory, and the idea of democracy itself. At the core of this effort is the attempt to balance the power of money, with the power of the masses, and to help reconcile the inequality that the differences in riches in a democracy create (Alexander 1989: 9). A democratic government should hinder money influence that may corrupt the democratic process, but on the other hand, it should also not limit the freedom of speech. This relationship, and how political finance is an integrated part of political systems, is the main interest of the field of comparative political finance. The scholarly field of political finance, however, is an understudied subject in political science (Hopkin 2004: 628-629; Nassmacher 2009: 20), but it is a field that deserves more attention. This thesis aims to expand the knowledge of this field of comparative political finance. To achieve this, this thesis will study American presidential general elections from 1976 to the most recent one in 2012, assessing both the expenditures made, and the mechanisms and processes behind them. The research question is as follows:

Has the cost of U.S. presidential general elections increased over time?

In order to address the research question two additional elements needs to be reviewed in greater detail to shed light on the cost level. First, seeing that the 2012 presidential general election is the most recent election, and has gained a substantial amount of media attention (for more see below), does it exhibit extraordinary traits? Secondly, assessing the cost in each presidential general election – how has the power balance between the three spenders; the candidates, the parties and the outside groups, affected the level of cost?

1.1 The Subject: Why Study Political Finance?

Money is an important resource in politics because of its ability to be converted into goods and services that are vital to parties or candidates if they are to stay competitive, and because it is an important political resource for individual political participation (Dahl 1972: 226). These properties make gaining additional knowledge about this subject of great interest for the political sciences, but also for the society as a whole. The state of political finance and its
developments, worrying or not, should therefore be of interest for both legislators and the public itself. If the costs of political campaigning in presidential general elections are increasing, or other consequential developments occur in the current regulatory scheme, there is cause for a reconsideration of the political finance laws. At the same time, if the numbers show that there is in fact no cause for alarm in regards to the spending, it could encompass that the outcry for additional regulation is not warranted. As mentioned above this field of study is not one that has gained the attention it deserves, and thus is an understudied subject in political science. Adding new knowledge to the study of political finance is therefore very beneficial for both scholars and the average voter.

In addition, there are diverging views within the field about whether or not the political costs are increasing. The common view of political finance, shared by the majority of the mass media, is that the costs of running for office are increasing (Sorauf 1994: 1356). Several scholars, like Bloom (1956), Dunn (1972), Drew (1983), and Sorauf (1992, 1999), agree that the spending increase is very real, and that it is a problematic aspect of modern day politics. Disputing this, there are scholars who make the argument for a constant level of cost. Scholars like: Pollock (1926), Overacker (1932), Heard (1960), Ansolabehere, Figueriedo and Snyder Jr. (2003), and Nassmacher (2009), disagreeing with the conclusion made by those who hold that spending level is increasing from election to election. This conclusion is a fallacy they hold, because the argument for growing spending is based on a measuring of cost that does not include socioeconomic and economic trends. Including measurements that take into account such influential factors, they hold, a pattern of increasing cost vanquishes. This divergence of opinion between political scientists has been one of the motivations to study this phenomenon closer. Applying the different arguments to new empirical evidence to test their rigidity, and expand the knowledge of political finance is therefore, an important part of this thesis.

When designing a research project one should ask questions that would help “(…) obtain valid explanations of social and political phenomena” (King, Keohane and Verba 1994: 14). It is also important to emphasize that, while achieving this, the finished work should also contribute to scholarly literature to provide context, and be applicable and relevant to the real world (King et al. 1994: 15-16). In relation to King et al.’s (1994) criteria, several aspects of the thesis can give valuable supplement to previous writings. Others, represented more recently by Ansolabehere et al. (2003) and Nassmacher (2009), have conducted studies on spending in presidential elections. These studies however have not incorporated the three most recent elections in 2004, 2008 and 2012. Adding these elections to the data points that
already exist can help strengthen existing theories, or question their appliance on real world realities. This thesis hence contributes and adds to the knowledge about the field of comparative political finance.

1.2 The Case: Why Study American Presidential General Election?

In the U.S. the discussion of the place of money in politics has been an important one throughout its existence. But, after the Watergate scandal in the early 1970s, political finance received renewed interest from legislators and the media. In recent elections the debate of how to regulate money in politics has again gained national attention because of changes that has occurred over the last couple of elections. In the 2008 presidential general election, the Democratic nominee Barack Obama chose to forgo the public option and rely solely on his ability to raise funds through contributions. His decision was met with criticism, because this move: “(…) come with the expectations of special access or favors” (Murray and Bacon Jr. 2008). This, though controversial, enabled him to raise an unlimited amounts giving him an economic edge in the presidential campaign receiving a total of $336.9 million, more than quadrupling the sum raised by the Democratic candidate, John Kerry, in 2004 (Corrado 2006: 132; Corrado 2011b: 127).

Additionally, the changes brought about by two Supreme Court rulings in 2010 revitalized the political finance debate. Together Citizens United v. FEC (2010) and SpeechNow.org v. FEC (2010) transformed the way that outside groups and individuals involved themselves economically in politics. The rulings enabled the outside groups to make unlimited contributions to an independent-expenditure-only PAC, which had no limits on their spending (Corrado 2011a: 79). Reactions to the decision came quickly, and the majority of them condemned the rulings and warned about its consequences of increased spending and special interest influence. President Obama predicted that the ruling would: “(…) open the floodgates for special interests — including foreign corporations — to spend without limit in our elections” (Calmes 2010). His 2008 opponent John McCain agreed with this assessment calling Citizens United: “one of the worst decisions I have ever seen”, and forecasted that “there will be huge scandals associated with this huge flood of money” (Huffington Post 2012). Other politicians though, like Obama’s 2012 opponent Mitt Romney had a less negative opinion of the ruling, famously saying: “Corporations are people, my friend” (Rucker 2011). These developments of political finance in the U.S. made presidential general
elections an attractive case. With two recent changes that lessened the regulatory burden on money in the presidential general elections, examining the possible consequences would create the foundation for interesting findings. Whether or not the spending has grown, reviewing the processes and mechanisms behind the expenditures made would be fruitful to gain additional knowledge about the effect it has had on political finance.

In regards to empirical evidence, there are available numerous empirical studies of political finance in American elections, and official data that covers several decades, which makes making inference easier. Political finance in the U.S. has interested political science scholars from early century Pollock (1926) and Overacker (1932), to mid-century Heard (1960) and Alexander (1972) to more recently, Sorauf (1992, 1999), Ansolabehere et al. (2003) and Nassmacher (2009). To complement these, there exist detailed official data, especially since the establishment of the Federal Election Commission (FEC) in 1976. In addition, there exist a large number of studies utilizing this data in their analysis (Alexander 1979; Alexander 1983; Alexander and Haggerty 1987; Alexander and Bauer 1991; Alexander and Corrado 1995; Green 1999; Magleby 2001; Magleby, Corrado and Patterson 2006; Corrado and Magleby 2011). This makes creating an empirical and theoretical basis for this thesis an easier endeavor, and the possibility to draw comprehensive conclusions bigger.

1.3 The Structure of the Thesis

Chapter 2 is a review of the theories of political finance. First it considers the two sides of the argument regarding the cost level, where one argues that the level is constant, while the other holds that spending is increasing, or bound to increase. To help create a basis for the empirical evidence and analysis in the following chapters, how to categorize the spending is discussed, concluding that identifying categories by who the spenders are (candidates, parties and outside groups), is beneficial for the thesis.

In chapter 3, I review the methodological tools used to answer the research question. The chapter starts with defining the case study and its traits. After this follows a discussion on the central questions of how and why the qualitative approach of the case study, and within-cases, has been chosen. Its detail-oriented focus and the thesis’ emphasis on a single case, and the applicability of process tracing and the identification of causal mechanisms through such a method, is a big part of the rationale behind the choice of method.
Chapter 4 studies important events and developments throughout the history of campaign finance in the U.S, in order to create a backdrop for the data that will be presented later. The chapter reviews major events from the early 20th century, but the main focus is from the early 1970s up until today.

Chapter 5 reviews all U.S. presidential general elections from 1976 up until 2008. It gathers empirical evidence by detailing the spending made by candidates, parties and outside groups in each election.

Chapter 6 analyzes and discusses the 2012 presidential general election, but with more attention to details than in the previous chapter. Fluctuations and the distribution between categories and spending favorable to each candidate are paid more attention. The data in this chapter has been gathered from different sources and compiled in this thesis for the first time. Each category and-sub category of spending is therefore explored in-depth.

Chapter 7 utilizes the empirical evidence gathered in the three previous chapters to see if the campaign costs for presidential general elections have increased. Using different measurements, discussed in chapter 2, the aim is to gain a rigorous conclusion on whether or not the cost increase is fact or fiction. The other sections of this chapter are concerned with how the cost has fluctuated from the 1976 election to the 2012 election, and how the strength between the three spenders: the parties, the candidates and outside groups, can help explain the changes. Lastly, I trace the events to see if there are some events that are more influential, which may have played a more important role in the shaping of the current state of the political finance in the U.S.

Lastly, in chapter 8, I will summarize and conclude on the findings in the previous chapters, and answer the research question.
CHAPTER 2 - Political Finance Theory

“*The financing of political life is a necessity – and a problem.*”

(Pinto-Duschinsky 2002: 69)

Money is an essential part of democratic elections, and is a vital tool of political campaigning. Its importance, and the amounts available in politics, has been an emphasis of political debates for centuries. The first systematical empirical studies of the financing of political campaigning in the U.S. in the early 20th century, underlined the importance of adequate funding as a vital part of democracy (Pollock 1926; Overacker 1932). In fact, these authors argued that contribution limits did not hinder corruption, and that public funding should be a base on which donation could build upon (Overacker 1932: 99). Later major publications on the subject supported Overacker’s stand, holding that money is an essential component in elections, not an evil, as long as transparency and public disclosure was secured through an independent enforcement agency insulated from politics (Heard 1960; Alexander 1972). Studies of spending in congressional elections on the heel of these publications gave theoretical and empirical support for their conclusion showing that the ceilings on spending and contributions hindered electoral competitiveness and gave the incumbents a sharp competitive edge (Jacobsen 1978; 1980).

Other studies have, however, broken with the previous work’s more libertarian view. Sorauf (1988, 1992), though having the same scientific convictions as the previous researchers within the field of political finance, argued that spending limits at a relatively high level with a floor created by public funding would strengthen challengers to elected office (Sorauf 1988, 1992). He joined several authors and scholars who previously had argued for an unusual growth in campaign spending (Bloom 1956; Dunn 1972; Drew 1983; and later Krasno 2003). Since then the debate over political finance has continued through research, public opinion and the Supreme Court. The issue of political funding has since become an important field of research of government, seeing that, as Alexander (1989a: 10) wrote; “(…) the convertibility of money makes the financing of politics a significant component of the governing processes of all but the most primitive societies.”

To create a foundation for this thesis, this chapter will discuss literature on political finance in general, and empirical studies of the American system in particular. This chapter’s
starting point is hence the general literature on political finance. First it is necessary to define the subject of political finance to help narrow the extent of what I am studying in this thesis (2.1). As a venture point for the empirical presentation and analysis to follow it is important to establish a framework to help sort through and to understand the data collected.

In the first section of this chapter I will consider the different arguments that represent the diverging views on the realities of political spending (2.2). First I examine the arguments that claim that the spending has seen a continuous increase, and that warns against the possible consequences of this (2.2.1). After that I will turn to the arguments presented by scholars who reject the notion of increased spending and galloping costs, holding that if one uses the right measurement, incorporating social and economic changes, cost has in fact not grown (2.2.2).

The next part of this chapter is dedicated to dividing the spending into categories (2.2). First I will assess the method most used to distinguish between different types of spending. It differs between categories based on the sources that the money stems from, something that has been applied to most of the studies of political finance in Western Europe (2.2.1). This differentiating, however, has been designed for party-centered democracies, which the U.S. system is not. The next chapter addresses this issue (2.2.2). To help highlight possible problems of applying this approach to the American case, political spending in U.S. presidential general elections is fitted into these categories. This presents several problematic issues. As a consequence, other literature that has a framework designed for political finance in the U.S. is used (2.2.3). After a short discussion of which previous studies’ distinctions would fit this thesis best, I conclude that a division along the lines of the entity (parties, candidates, outside groups) that controls the money spent would be the most beneficial one. Such a categorizing of the spending will help identify fluctuation within the spending itself, not just the end sum.

2.1 Political Finance: Defining the Subject

In most scholarly writings on the subject, political finance is interpreted as synonymous with party finance because of its role as financer of campaigns in most Western democracies. This definition, however, does not encompass the diversity of all democratic systems. In some, like the American or Canadian, which are more candidate-oriented in their campaigning, the party is not the only big financial player. This way of reviewing political finance then, would be too narrow because a substantial fraction of the political expenditure made there is not through
the parties. Therefore a more accurate description of what political finance is, would be: “campaign funds, i.e. the funds spent in order to influence the outcome of elections” (Nassmacher 2009: 32), or as Pinto-Duschinsky (2002: 70) more briefly defined it: “money for electioneering.” This means that some aspects associated with the costs of democracy, such as socioeconomically outlays through policy confessions to pivotal electoral groups, or the income of politicians, will not be considered a part of political finance. This follows the trend of the political finance literature where the focus is on monetary contributions and expenditures, disregarding other forms of contributing resources (Mathisen and Svåsand 2002: 4). In addition there exists, despite being closely regulated, unreported and unregulated funds in Western Democracies today (Gunlicks 1993: 238-239). This includes, for example, abuse of legislative privileges or the benefits and services provided by the office (manpower, transportation etc.), which could be considered as part of the costs of democracy, but are not considered a part of political finance (Nassmacher 2003a: 4).

The study of political finance can roughly be divided into two sub-categories; political funding and political expenditures. Political expenditures, the expenses incurred by various entities in relations to elections, are of primary concern here. Political funding which focuses more on where the money comes from, rather than the spender and expenditures made, will not receive extensive attention in this study (Nassmacher 2001: 10). An elaboration on why this thesis will mainly focus on political expenditure is related to the traits of the American political finance system. The comparability of this longitudinal study is therefore an important aspect.

2.2 Measuring the “Costs of Democracy”

One of the major disagreements concerning political finance is regarding the spending increase. Is it fact, or is it fiction? Politicians and political scientists have diverging views, between, and amongst each other. At the core of the two different sides’ argument is how one measures the spending. Those who argue that spending in elections has increased over the years use inflation as the baseline when they examine political expenditure. On the other side, the proponents of the argument for a sustained level of spending refer to a different baseline. They dispute the choice of incorporating just inflation to adjust for changes in the economy, and instead argue that to take into account all the socio economic developments one should
instead use measures such as: spending as part of the GDP or GDP/CPI per voter, as a baseline. Both arguments will be discussed further below.

2.2.1 The Argument that Spending is Increasing

Several political scientists have observed a strong trend of increased costs of political campaigns across the spectrum over the century, as Bloom (1956: 170) put it: “Each year the costs of campaigning rise progressively to fantastic heights.” Several studies of campaign spending in the U.S. after his statement have come to the same conclusion (see for example Alexander 1999: 11; Nelson 2002: 22; Green and Kingsbury 2011: 86). This view of political finance is shared by the majority of the mass media as well (Sorauf 1994: 1356). They hold that big money in politics is a recent phenomenon (Mutch 2001: 2). The changes and adaptions of the role of money in politics is developing in a direction previously unseen in American politics which is “(…) different in both scope and in nature from anything that has gone before” (Drew 1983: 1).

This increase has been attributed to various factors, which in interaction with each other created the campaign expenditure growth. Alexander and Bauer (1991: 4) suggest the influential variables to be inflation, availability of better data (especially after the establishment of FEC), increased competitiveness, professionalization of politics and technological advances. Together these variables have helped create the spending increase, though most critics have put the strongest emphasis on the two latter factors. To reach a growing population, the role of the political consultants and the need to craft a public image of a candidate, and create the campaign theme that best fit the electorate, has become more important – this demands more funds. In addition, the need to gain group and geographical knowledge through polls and analysis has demanded even more cash in the campaign coffers. Luckily, the modern technology permits the candidates to utilize these resources to reach the voters at a large scale to substitute for the face-to-face politics of old. These methods of reaching and communicating with the voter may be a practical one, but it is also capital intensive creating basis for the growing costs of campaigning (Dunn 1972: 27-29).

Others though, argue that what is driving the chase after money is not just the ever-increasing costs of campaigning. They argue that the spending is driven by its own momentum (Drew 1983: 94). Agreeing with this assessment Sorauf (1999) suggests a new metaphor to describe the coming development of campaign spending: an international arms race. He argues that the growth of expenditures that political financing has experienced is not
a gradual one, but rather a development which could alter the system, destabilize it, and create insecurity regarding what is considered “enough”. The consequence of this would be: “(…) overkill, the raising and spending of money out of all proportions to a reality-based assessment of need” (Sorauf 1999: 55). Krasno (2003) underscores this rationale in his conclusion of the findings in his study of party and interest group spending in congressional elections. He finds that independent expenditures made have become less productive because of the spending being matched by both sides – something that is an essential part of Sorauf’s arms race theory.

Thus, examining the numbers from 1976 to 2012, these theorists would expect a continuous increase in spending. Based on their assumptions the expenditures made will grow as each side fight for the spending advantage. In the worst case this will in the end lead to, they hold, spending that is out of control.

2.2.2 The Argument that Spending is Constant

We will now consider the argument that holds spending has been has remained at a constant level. Unlike the proponents of reform the argument is that money has always been a part of politics, and that the amount of money in politics has not changed in a meaningful way over the years (Mutch 2001: 2). At the core of this theory is how we measure campaign expenditure. An important aspect of their view is the distinction between spending and cost. They agree that there is no doubt that spending has increased in most democracies over the years (Alexander and Bauer 1995: 178; Alexander 1999: 15), but that it is important to note that these numbers do not take into account social and economic trends. Incorporating this in the model one now measure cost instead of spending, since it entails more than just the amount spent (Nassmacher 2009: 157). Therefore we now turn to the possible influential factors that should be included when calculating costs.

When Pollock (1926: 170-171) published his first major work on political finance he critiqued the current calculations of costs for not including the population growth in their equations. If one expects the parties and candidates to reach all, or at least all likely voters, a growing electorate cannot be ignored, seeing that more possible voters require more total capital to be courted (Pinto-Duschinsky 2002: 85). When including population growth in the calculations it is also important, when considering the electorate and the cost per voter, to make a distinction between votes cast and voting age population. Incorporating the electorate
in your model only through votes cast, like Alexander (1971: 4) did, makes the cost numbers sensitive to shifts in voter turnout. Therefore, when incorporating the electorate into a model that measures cost, the electorate should always be operationalized as the total voting age population (Nassmacher 2009: 157).

As an alternative measurement of the growth (or decline) of an economy, a recommended tool by some political scientists, in addition to GDP, would be the Consumer Price Index (CPI), which takes into account the decreasing power purchasing parity of a growing economy. Although one should keep in mind certain shortcomings of this index (for more see Sahr 2004: 273-274), this measurement is a good quantification of the phenomenon we want to include (Nassmacher 2009: 159). Unlike GDP this measurement is focused on the electoral competition, since the rise of most campaign inputs like labor, television costs and office supplies follow the CPI-index (Ansolabehere, Gerber, and Snyder Jr. 2001: 35). Many previous comparisons and studies have considered the influence of population and economic growth separate of each other (Crotty 1977: 103-105; Sorauf 1988: 29), but this could be somewhat problematic. This is because their effect is not mutually exclusive seeing that both factors influence political spending – their effect is a cumulative one. The rate of inflation, CPI, should therefore not be considered with the total campaign spending alone, but should also be applied to campaign expenditure per voter. This measurement, the deflated per capita figures, is “(…) the only adequate indicator of the net increase of political spending over time” (Nassmacher 2009: 159).

In Overacker’s (1932) initial critique of the liberal standpoint and the, in her view, perceived growth in campaign spending, the main disagreement was the inadequate sensitivity to the fluctuations in the economy as a whole. The numbers presented by the critics and skeptics of the current financial regulations were unadjusted by the size of the economy and the growing populations, and hence produced a skewed picture of the reality. If one took into account these factors the image would be rectified. Her and other studies’ findings support this argument as they concluded that campaign costs had remained fairly constant and that no trends over time could be identified (Overacker 1932: 78; Heard 1960: 371-380; Mann 2003: 70). Since the total campaign expenses rise as the different items of expenditure, such as advertisement and labor costs, grow with CPI, the campaign expenditures should be estimated with real campaign disbursements. This, however, is not necessarily the right approach when one wants to measure the growth of campaign expenditure.

Ansolabehere et al. (2003: 119) hold that just adjusting for inflation to control for the fluctuations in the economy is not the right baseline to gauge the real state of political
expenditures. The appropriate baseline of measurement is instead fraction of GDP. In their research, Ansolabehere et al. (2003) find that if one uses real growth while examining campaign spending the rise is substantial. When one instead deflates the spending by GDP, no clear trend of expenditures can be identified for neither presidential nor congressional elections. From 1912 to 2000, they find that the spending in presidential campaigns has accounted approximately for the same fraction of GDP (Ansolabehere et al. 2003: 120-121). Their findings are in concert with the early findings of Overacker (1932: 80) who observed that the campaign costs had: “remained surprisingly constant”. The conclusion that they have come to is that at the macro-level campaign spending, with striking regularity, grows with the economy and remains constant as a tiny fraction of the economy (Ansolabehere 2007: 181). By deflating the campaign spending by GDP, how big a part of the economy political expenditures are is measured. Through this baseline we concern ourselves with the relationship between campaign spending and corruption. Assuming that politicians raise money in exchange for favors such as tax breaks, government contracts and regulatory shifts an increase in campaign spending as part of the economy would, hence, entail that favors bought through political spending also increase (Ansolabehere et al. 2001: 36-37).

Adjusting the spending to measure cost, thereby incorporating social and economic fluctuations, the proponents of the argument for a constant level of spending will expect the expenditures made to remain at about the same level from 1976 to 2012. There will probably be small adjustments from election to election depending on the competitiveness of the contests, but all things considered, a trend of cost increase cannot be found using the right baseline of either, spending per voter, or spending adjusted by GDP.

2.3 Categorizing Political Expenditures: A Review and Rationale

The development of and differences between political finance schemes is an important field of study, and if one is to study political finance it is important to create categories in which patterns and changes can be identified. Categorizing spending is a useful tool to help trace which mechanisms and processes that create changes in spending. The coming segment of this chapter will review how political expenditures are divided into categories, and how this categorization is sensitive to the uniqueness of each case.
2.3.1 Political Money in Western Europe

The approach typically used in political finance is to focus on the sources of political money. As mentioned above, this is in most cases in comparative political finance, political parties. Beyme (1985) identifies three different types of political funding and proposed a typology based on the source of the funds: internal, external and state support. However, there exist several different ways of attaining political funding. Nassmacher (2001: 23-26), acknowledging this, elaborates on Beyme’s categories, and distinguishes between four different strategies: grassroots funding, plutocratic funding, graft and public subsidies. The first category is heavily centered on gaining income from the grassroots of the party. This type of financing includes membership dues and voluntary donations from members and other loyal supporters who contribute through fundraisers or other mechanisms. Such a member-intensive way of financing political operations has been a traditional route for parties, a strategy especially employed in Western Europe (Nassmacher 2001: 23). As a second option, Nassmacher (2001) theorizes a strategy he has coined plutocratic financing. This type of political financing scheme relies heavily on contributions from wealthy individuals or corporate donations to the party coffers. These donations could be small amounts based on personal political preferences, but it could also be bigger contributions, traded for access, influence or political favors. But, to identify a connection between these large donations and possible corruption is difficult, and any revelation is more often than not dependent on a scandal (Nassmacher 2001: 24).

A third way of generating income is through graft. By using the control over government that a party has, they claim something close to a “party tax” from public servants and elected officials in change for job security. The income could also stem from kickbacks from corporations who are dependent on contracts and projects financed by the government (Nassmacher 2001: 25). Lastly, Nassmacher (2001) identifies income from public subsidies as a way to finance political activity. In such a financing scheme, the government covers, partly or wholly, the expenses incurred in relation to political campaigning and organizing (Nassmacher 2001: 26). Using this classification and focusing on the source of the funds has also been applied a lot to political finance studies, especially pre-2000s (see for example Koole and Nassmacher 2001: 34-52). Other authors, like Hopkin (2004) has adopted similar approaches focusing on the different structures that a party can develop to help integrate new sources of political funding.
2.3.2 Political Money: A European Way in America?

After defining the traditional way of categorizing political spending, it is appropriate to have a discussion on how this approach fits into the American case. This section is an attempt to place the American case into the framework employed in most political finance studies.

The American political system is a candidate-centered one. Therefore, the parties play a much smaller role here than in Western Europe, and have become more of an appendage to the candidate with a stronger emphasis on facilitating fundraising (Mann 2001: 11681). As a consequence, the use of contributions as the vantage point for the study of political money was an important part of Heard’s (1960) earlier work. Campaign expenditures are an essential component of political campaigns and the operation of the government, and contributions are, hence, also an important part of the political finance structure in the U.S. (Heard 1960: 11). As Nassmacher (2003a: 5) writes about the American way of financing politics: “the principle of ‘one person, one vote’ coexists with the concept of legitimate use of money for political purposes”. In American politics especially, contributions are an important form of political participation, which for the most part stems from people already involved in politics (Heard 1960: 38-39). In such an environment, where many different donors compete against each other to get their preferred political outcome, some will unavoidably win, and some will lose. But, tracing a decision, as mentioned above, keeping in mind the complicated character of government decisions, to candidate or party contributions is a difficult endeavor (Heard 1960: 92; Alexander 1989a: 9). The political finance regulatory regime established in the 1970s in the U.S., and the contribution limits that followed with it, further reduced the possibility of wealthy individuals to exert political influence through donations. Additionally, corporations, labor unions, federal contractors and foreign nationals are prohibited from contributing to campaigns. This, alongside the disclosure provisions of the regulatory changes in the 1970s made political influence through contributions even more difficult (Alexander 1989b: 116; Nassmacher 2003b: 39).

As mentioned above, unlike in most other Western democracies, the parties in the United States are not the dominant player when it comes to financing political activities. Here the money spent to influence elections is controlled by different actors in addition to the parties (Nassmacher 2003b: 33). One could attempt to divide the political funding into the categories proposed by Nassmacher (2001), since some exist, though in somewhat different forms. Grassroots funding through individual contributions is an important element of political funding, but they are divided between different recipients such as candidates, parties
and PACs in the American political finance system. These entities also transfer and contribute between each other. This gives them a somewhat ambiguous nature and no clear grassroots identity (see for example Corrado 2005 or La Raja 2008).

One could argue that PAC contributions could be categorized as plutocratic funding, as Nassmacher (2003b: 38) argues. PACs can be supported by labor union and corporate linked funds and they can indeed donate to candidates and parties, and have contributed substantial sums in recent elections (Hrebenar, Burbank and Benedict 1999). And though small amounts adds up to big money, each individual PAC can only donate limited amounts and are subject to the same contribution limits as individuals (Corrado 2005: 27-28, 40-41). Therefore, to characterize these kinds of donations as plutocratic would be incorrect. Especially seeing that access, and political influence through the limited contribution is unlikely, as the Supreme Court and others have concluded (Buckley v. Valeo 1976: 21; Denzau and Munger 1986; Snyder 1990; Grossman and Helpman 2001; Ansolabehere et al. 2003). Contributions should therefore not be viewed as a legislative investment but “(…) rather as a form of consumption – or, in the language of politics, participation” (Ansolabehere et al 2003: 117). Other entities, however, like the newly invented Super PACs and 527-groups seem to fit the description of plutocratic funding better. But, these expenditures are made independent of the parties and candidates’ campaigns, and although they may influence indirectly, they do not fit the mold. Seeing that they are not coordinated they will not be given as a “quid pro quo” for improper commitments from the candidate (Buckley v. Valeo 1976: 47).

Graft is not a widespread practice in modern political funding in the U.S. and the usage of this method as a source of fund basically ended a long time ago (Shefter 1994: 82; Nassmacher 2003b: 40). To apply this category to the political funding from 1976 to 2012 will hence have no practical purpose. Using Nassmacher’s (2001) fourth and last category, public funding, would help identify a large portion of such spending in the presidential elections, because there exist three different types of public subsidies. One for the candidates’ nomination campaigns, one for the general election campaigns, and one for the conventions (Nassmacher 2003b: 41-42). Earlier, the spending in presidential general elections had this as a major source, but the portion has decreased continuously since its adaption, making it less relevant as a separate category (see chapter 5 for more).

1 A summary of most of the studies conducted on contributions as a part of a marketplace done up until 2002 can be found in Ansolabehere et al. (2003: 113).
In light of the deliberation on the consequences of placing the U.S. case in the traditional categories, it is apparent that doing so will present more hardship than benefits. Placing the American case into Nassmacher’s (2001) four categories would be, as shown above, somewhat inadequate. Therefore a different approach is needed.

2.3.3 Political Money: The American Way

The mostly used method for studying comparative political finance is not very applicable to the American system. Hence, it is clear that, identifying patterns and processes of political spending in the United States, after 1976, demands an approach that can help identify the fluctuations within the case.

This requires a new and different way of categorizing spending. In light of the theoretical considerations discussed above, this thesis has adopted the categorizing deployed by several recent publications on the financing of presidential elections (Magleby 2001; Magleby, Corrado and Patterson 2006; Corrado and Magleby 2011). Where the previous studies focused for a large part on the source of the funding, the approach in this thesis will put emphasis on the actors in control of the political expenditures. This is because of the possibility to influence the voters through independent expenditure (be it party or outside groups) is stronger than through contributions (as discussed above), since the spender is in direct control of the money and message (Claude and Kirchhoff 1981).

The number of participants in elections is vast and diverse, and the campaigns are getting increasingly crowded with new players and large sums of money trying to persuade and mobilize the voters. One can divide the spending into three different categories based on who the spenders are (Magleby, Monson, and Patterson 2005: 8). The first category is candidate spending. In American politics the candidate controls large amounts through his or her campaign committee, and is an organization autonomous from the party. Operating separately from their party, the candidate campaigns are considered a spending entity of their own. This is not to say that the parties themselves, though not displaying the same organizational strength as their Western European counterparts, are not also an important political actor. The party spending as a category is a very relevant piece of the political spending puzzle, and the parties involve themselves financially through coordinated and independent expenditures and voter mobilization. The last category is the outside group spending which constitutes a considerable share of the expenditures in U.S. presidential
general elections (see chapter 5 and 6). The interest groups with different ideological preferences with either of the major parties play an influential role through for example independent expenditures, internal communications and electioneering communications (Corrado 2011b: 151). Each of these entities have their own goals, interests, responsibilities and resources, and should therefore be considered separately (Patterson 2006: 87).

Unlike for party-dominated parties in other Western democracies, the unique traits of the American political finance system demand a different take on the categorizing of political spending. That is why this thesis adopted categories that focus on who the spenders of political money are, instead of who the contributor is. This will, as the discussion on political influence through contributions have shown, better enable one to identify changes in how political expenditures are made, and help understand the causes of possible spending fluctuations.
CHAPTER 3 - Methodological Approach and Considerations

The choice of research method is an important decision and should not be taken lightly, especially since most researchers have an internal bias in choosing a methodological approach. Consequently, it is crucial that one is critical of, and argues for, the choice of method (Tarrow 2010: 252). It is therefore essential to keep in mind that there is no one approach that reign supreme in answering a research question (Ragin 2004). To justify the methodological tools chosen an exhaustive debate, and arguments defending the methodological approach chosen, is therefore needed before one proceeds to answering the research question.

3.1 The Objective of the Thesis in a Methodological Context

The goal of this thesis to review the spending in presidential general elections to see if the expenditure level is increasing, or remaining constant. In addition, to trace the road from the spending in 1976 to the spending in 2012, the expenditures made will be paired with the history of political finance to help identify patterns. An important tool here is the three spending categories; candidates, parties and outside groups.

The research question asks: Has the cost of U.S. presidential general elections increased over time? This being said though, the objective of this thesis is twofold. For the first part, the cost of presidential general elections is the main interest. The second objective, however, concerns itself more with the inner workings of the spending in each election, and compared to the other elections. Examining the history of campaign spending, law making and Supreme Court rulings up until 2012, the point of interest is the power balance between the candidates, the parties and the outside groups. Campaign spending is of importance here as well, but the interaction between the three spenders (candidates, parties and outside groups) and the changes in the state of political finance in context of each of these categories, is here of most importance.

This thesis aims to contribute to the current literature in the field of political finance, especially in regards to the United States. Seeing that there is vast amounts of data in the existing literature in this field, much of the empirical findings, especially from 1976 to 2008, is built on this literature. There exist few summaries of the combined spending in presidential general elections with focus on the spending categories I have chosen, and part of the goal in
this thesis is to compile data to create a comprehensive overview incorporating the 2012 election. With this as a vantage point, contribution to the field through testing theories is an important aspect of this thesis. As a consequence of this, a more descriptive and in-depth approach is necessary if an understanding of the influential factors surrounding political funding in presidential general elections is to be achieved. Additionally, if one is to be able to define different types of political spending and distinguish them from each other, a deeper understanding of the phenomenon is paramount. This aspect becomes especially important in Chapter 6 since the empirical findings there are based more on raw data than Chapter 4 and 5, which relies more on refined data from existing literature. To link the new developments described in Chapter 6 to the empirical information presented previously, typologies are important to help conceptualize and define the new developments (Box-Steffenmeier, Brady and Collier 2009: 163). Differentiating between types of political spending also makes identifying changes easier, and creating such subtype of the variables process-tracing becomes more valuable between within-cases (Munck 2004: 111). Consequentially, the research demands a methodology that is detail-oriented to help gain accurate information that will create the empirical basis which the conclusions of this thesis are built upon.

Keeping in mind that this study aims to identify processes, mechanisms and important events over time, a detailed review of the empirical evidence is a considerable part of the research in this thesis. This way of examining the research question differs from others because it describes prominent features of events, or meaningful and significant differences between them, and with a relatively general scope attempt to identify mechanisms within them (Tilly 2001: 24). Hence, the empirical and comparative focus will be on the change in the variables and the reasons why they change, more than just on the value of the variables themselves. Heeding these considerations, this chapter will lay out the rationale for the methodological choices made, and why the case study is the method best suited to answer the questions posed in this master thesis.

As a vantage point of the methodological considerations and approach, I start with a definition of the chosen method to answer the research questions: the case study. Thereafter, I discuss the comparative aspect of my thesis and why this is an important part of any study (3.2.1). Covering the basis, I will then proceed to justify the qualitative approach of the case study, especially in relation to causal mechanisms and process-tracing, its detail-oriented properties and the insight into causation that this thesis is seeking. I conclude that the need for deeper insight into how, and through which mechanisms, the changes have occurred, makes the case study of the political finance in the U.S. the method most suited for this study (3.2.2).
Following the discussion of the case study method, I turn to the decision of how many cases to include and the rationale of the choice, and its implications (3.3). In this section, I conclude that a within-case study of each presidential general election is the best approach. I also discuss the considerations that need to be made when conducting a single case study, the pitfalls and upsides of this choice that scholars previously have pointed out. Taking into account this discussion I argue that a good approach to the American case is the presidential general elections from 1976 and onwards because of different within-case properties. In the last section of this chapter I assess the validity and reliability of the data and findings of this study (3.4).

3.2 Why Case Study?

The nature of this thesis and the discussion above has underlined the need to form a detailed and informed picture of the state of, and developments in, political finance in the U.S. The choice of methodological viewpoint is guided by these realities. The demand for a descriptive and in-depth analysis method, which will enable the mapping of the causal mechanisms of a phenomenon, is therefore needed.

3.2.1 What is a Case Study?

Before turning to the more detailed rationale behind the choice of method, a discussion of what a “case study” is, and how this thesis fits into the comparative method, is needed. There has been a lot of debate about what case study research is over the years, and a clear cut definition has been somewhat difficult for scholars to agree on. Much of the early research had a wide array of properties packed into the concept of a “case study” (Platt 1992: 48). As a consequence of this there still exist several different definitions of what a case study is. Gerring (2007) defines it as an intensive study of a single unit in an effort to help understand the properties of a population as a whole. A case study may incorporate several cases, but as

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2 The authors referenced in this chapter all deploy different labels for the more qualitative and quantitative approaches. Gerring (2007) refers to the more qualitative approach as case study, or with-in case study and the quantitative as cross-case. Ragin (1989) on the other hand refers to case study as the case-oriented approach. Freedman (2010) calls case study, Causal Process Observations (CPO) and cross-case for Data Set Observations (DSO).
the number of cases increases, the ability to study them intensively decreases. To Gerring, there is not a clear boundary between what is, and what is not a case study. But, as his definition entails, as the number of units increases, the degree of “case study” decreases (Gerring 2007: 20, 37).

An important aspect of a case study is the comparative dimension, which helps to create context. A single case at one point in time, with no within-case considerations, creates no addition to the literature of causal proposition, as there is no comparison (Gerring 2007: 31). Or as Swanson (1971: 145) more eloquently put it: “Thinking without comparison is unthinkable.” There has been a lot of debate around what defines a comparative method in social science, and many scholars have argued that there in reality are no differences between the comparative social sciences and other social sciences (Smelser 1976: 5; Armer 1973: 50). Others, however, have distinguished it from other methods by its multilevel character, because it operates on macro and micro level simultaneously (Rokkan 1966: 19-20, Przeworski and Teune 1970: 50-51). This definition of what comparative inquiry is has later been deemed too restrictive. The unique aspect of the comparative method is it’s “(…) use of macrosocial units in explanatory statements” to “explain and to interpret macrosocial variation” (Ragin 1970: 5). This is most often done through interpretation of specific experiences and trajectories of countries (Ragin 1970: 16).

The application of the case study in the thesis is comparative in two aspects. Firstly, the comparative method does not necessarily imply that one studies a snapshot in time of different units (or cases), but also of unit(s) over time (Wiarda 2005: 21-22). In this study, this is achieved by explaining and identifying mechanisms and processes in the presidential general elections from 1976 to 2012 (ten elections) and the growth in spending from $58.1 million in 1976 to $1730.1 million in 2012 (these numbers are nominal). Secondly, the application of the theories to guide this thesis creates a comparative perspective. To guide the analysis I use existing literature and theories to create context, and to establish a foundation that can be built upon. Before we move on, however, it is important to argue why the case study, and its detail-oriented approach, is the best solution for answering the questions of interest in this thesis. Vital parts of this argument are processes and causal mechanisms, and it is this discussion we will now turn to.

3.2.2 Case Study and Causal Mechanisms

When choosing to conduct a study one also chooses what insight into the causation of the subject that one wants to focus on. By opting for a case study, the causal mechanisms, the
path from event to effect, is important. These mechanisms can be defined as: “frequently occurring and easily recognizable causal patterns that are triggered under generally unknown conditions or with indeterminate consequences” (Elster 2007: 36). The causal effect, the strength and precision of a cross population estimate is not what a case study is designed for. A case study can, however, in some instances make a more accurate estimate of the causal effect of an independent variable in a “before and after” case comparison where only the independent variable changes (George and Bennett 2005: 25). If this is not the case the generalization strength of the case study method is weak.

With a causal effect established, showing an independent variable to be strongly correlated with the dependent variable, the case study helps illuminate the process’ and mechanisms, the path from effect to event, which can be different from time to time, and across cases (Gerring 2007: 43-48, Ragin 1987: 25). This is what Ragin (1987) calls unraveling the causal complexity. By doing so we are able to identify several valuable features. The outcome of interest does not have a single cause; the causation is multiple and created by different combinations and conditions which vary depending on context (Ragin 1987: 27). The more we know about a case and the causal chain between event(s) and effect, the more confident we can be that we have the right explanation (Elster 1989: 6). This is because it is difficult to state the necessary and sufficient condition in which a mechanism is switched on. Case studies, suffering from small-N syndrome, do not inherent the same population representativeness as cross-case large-N studies do. The strength, however, of conducting a case study, with within-cases, is the fact that a single case can make the establishment of the veracity of a causal relationship easier (Gerring 2007: 43). The strong suit of focusing on the causal mechanisms is not to predict an outcome, but its ability to give us explanatory knowledge of a subject: “It provides understanding, whereas predictions at most offer control” (Elster 1989: 10).

A good method for uncovering the details of a phenomenon is process tracing. Through process tracing one can identify the steps within a changing case, something that helps us to gain knowledge of the causal mechanisms that links the independent and the dependent variable (Tarrow 2010: 174; George and Bennett 2005: 206). This fact also makes it an excellent method for adding to, or testing, existing theories, depending on the previous research conducted on the topic (George and Bennett 2005: 209).

Looking at this thesis, and the subject that it focuses on, how conditions differ from context and in time is an important aspect of the research. In this study the advantages of examining the causal mechanisms and processes behind the variance in political spending in
presidential general elections are many. If one conducted a quantitative study with an independent variable (degree of regulation for instance), and with it influencing the dependent variable (political spending) it is likely that one would find a causal relationship that would be applicable to other cases than U.S. presidential general elections. But by doing so we lose depth and a better understanding of the phenomenon of interest, which in this thesis is of great importance. In addition to the problems presented through the categorizing of spending across different democracies, this approach would lose important parts of the puzzle. Deploying a method such as the case study, it helps to identify which regulatory change that sparked the variance, but more importantly it identifies through which processes the growth or decrease in spending was created. Through a case study it is possible to identify and map these mechanisms. We get a closer look at who accounted for the spending, who benefited from different events (laws, rulings, and regulatory innovations), and if it was caused by a shift in how regulated the campaigns are. With the help of the detail-oriented approach and categories created we will hence be able to shed light on more than just the end result and the effect of standardized variables.

To help identify these mechanisms, a choice of which cases to focus on must be made. How many cases should be chosen, which within-case observations will be represented, and how many data point shall be included? In the next section these questions will be answered along with the justification for the choices made.

3.3 Choice of Case: Implications and Rationale

A common question that arises when choosing cases is: “What is the sufficient number of cases?” It is clear that one should strive to maximize observations drawn from within the cases being analyzed, to help shed light on the subject of the research (King, Keohane and Verba 1994: 213; Collier and Mahoney 1996: 70; Smelser 1976: 217-218). This, however, should not to be confused with maximizing the number of cases, because one may take place without the other. Different types of research designs that incorporate few cases may strengthen their quality by increasing the number of observations within the cases (King et al. 1994: 191). One should keep in mind though, that increasing the number of observations should not compromise the case comparison by causing conceptual stretching through the extension of concepts to observations that do not fit (Munck 2004: 113). In addition, it is important to consider the many aspects of the thesis, the implications of the research question,
and of previous theory and research, to help define the limits of the number of cases, and the scope of the study (Rueschemeyer 2003: 323, George and Bennett 2005: 20; Tarrow 2010: 251-252).

Case studies can rightly be identified with the “‘holistic’ analysis and with the ‘thick’ description of events” (Gerring 2007: 49). This is one of the important aspects of the diverging properties of a case study and a cross-case study approach – the degree of cross-case comparability. The more heterogenic a population is, the more difficulties will be presented if opting for a quantitative comparable approach. In some cases with extreme case heterogeneity the researcher will be better off just focusing on one single case (Gerring 2007: 50-51). The choice of case(s) hence, depends on how it/they are situated in the population (Gerring 2008: 2).

King et al. (1994: 129-132, 210-211) warns that single case studies seldom are valuable because of the “no variance” research design. This statement, however, overlooks the opportunities presented through a study of a deviant case or extreme case, and underestimates the dangers of conceptual stretching (George and Bennett 2005: 13). In a highly heterogenic population the conceptual validity of the study and conceptual stretching becomes an important aspect. Therefore, one should always strive to achieve the correct knowledge about the appropriate indicators to help measure the concepts of interest (George and Bennett 2005: 19; Yin 2003: 35). As the discussion in Chapter 2 showed, the unique traits of the American political finance system called for a different categorization. This fact, the heterogeneity of the population of interest, made the case study of just this one case an appealing tool to help understand the research subject. By concentrating on only one case, the generalizing strength is decreased, but the conceptual validity is kept at a high level, and possible implications of concept stretching is kept at a minimum (Collier and Mahon Jr. 1993: 846).

The case of American political finance has an unusual liberal interpretation of what free speech is, which have lessened the degree of regulation and enabled several entities to engage more unrestrainedly in political spending. This leads to the additional interest to study just this one case closer. This is what Gerring (2007: 101) has labeled the extreme case method which entails selecting a case: “(...) because of its extreme value on an independent or dependent variable of interest”. In this thesis we are selecting the case for an intensive study based on the independent variable. This indirectly violates the common wisdom problem of selecting a case based on the dependent variable, which some have argued will lead to biased conclusions (Geddes 1990; King et al. 1994). The problem arises because researchers and their foreknowledge of the variables of interest and their value can influence
their selection, and foster cognitive biases favoring a particular hypothesis (George and Bennett 2005: 24). However, if the population of cases is well understood, there is a justification for the “(...) selection of a single case exemplifying an extreme value for within-case analysis” (Gerring 2008: 12). To shed light on the case at hand, inference to help judge the explanatory claims that two, or more, competing arguments of a subject, the case study and the within-case methods, such as process tracing, is indispensable (George and Bennett 2005: 205-233). Process tracing is a way of achieving knowledge of changing processes within a case (Tarrow 2010: 174). Its goal is to uncover the causal chain and mechanisms that links the independent and dependent variable (George and Bennett 2005: 209; Rueschemeyer 2003: 318). With these attributions in mind it is an ideal method for uncovering relations between event and effect, and generating theory on how and why the chain of events came to be.

One way of achieving the increased observations that King et al. (1994) stressed the importance of, is by using the within-case analysis to create a compared comparison of one case at two (or more) different points in time. This method is called the “before-after” research design and is an attempt to achieve something close to the “most-similar”-method. By dividing a longitudinal study of one case into two separate sub-cases one maximizes the comparability through the inherent similarities of one case analyzed diachronically (Lijphart 1971: 689). This method creates an instance, which bares resemblance to an experimental design something that enables us to compare a “subject” before and after a treatment (event) (George and Bennett 2005: 166). One should always emphasize though, that the changing variable must be examined in a timespan well before and after the event of interest, not just immediately before and after. As Collier (1963: 19) writes: “Causal inference about the impact of discrete events can be risky if one does not have an extended series of observation.” In addition, one should keep in mind that when the variable(s) of interest changes within a case, so do others, and it is therefore important to do process-tracing on other variables than just the main variables of interest (George and Bennett 2005: 167).

In my study the within-case observations are the U.S. presidential general elections from 1976 to 2012. Presidential general elections have been chosen because the spending in presidential election years is at a higher level than mid-term elections (Magleby 2011a: 18). Studies of federal elections have time and again demonstrated that presidential election years have a cost level that is more than doubled of what a mid-term election have (Nassmacher 2009: 160). The study of campaign spending in the presidential elections is hence a strong indicator of the state of political finance considering that it represents spending at its most
intense. Another reason for why only presidential general elections has been chosen is the fluctuation of expenditure in the congressional, Senate and presidential primary elections because of varying number of candidates running for office. Comparing 1984 to 1992 for example, the difference is more than 900 candidates, increasing from 2,036 to 2,956 (Alexander and Haggerty 1995: 88; Alexander and Corrado 1995: 178). In addition, as numbers of candidates vary, so do the number of competitive races, a factor that influences elections differently from year to year (Herrnson 2006: 151). This is also the reason the nomination campaigns of the presidential hopefuls has been precluded. The primaries are plagued by the same issues as congressional elections because the number of candidates varies from election to election. In the 2008 nomination, the contest attracted 17 candidates in total, because of the unusual feature of having no incumbent President or Vice-President running, compared to only twelve in the previous election because of an incumbent President running for re-election (Green 2001: 103; Green and Kingsbury 2011: 89). General elections on the other hand are more time restricted and mostly limited to the two candidates from the two major parties. These elections are therefore not that extensively influenced by circumstantial events such as heavily contested prolonged primary battles, as was the case in 2008. If two or more candidates battle it out through an extended primary season, the costs of sustaining a competitive campaign is bound to increase the total spending in the presidential election cycle. This problem has become especially apparent from the 2000 election and onward after presidential candidates started to forgo public funding, and, hence, were not limited, and could spend indefinitely in the primary contests (Green and Bigelow 2001: 49; Green 2006: 93; Green and Kingsbury 2011: 92-95; FEC 2012d).

By focusing on just the presidential elections from 1976 to 2012, one consequence is a lower number of observations than could be achieved by including elections conducted previous to this period. An increased number of observations, as King et al. (1994: 191) discuss, would have enhanced the inferential strength of the case study. But, observations previous to 1976 have been excluded to mitigate a possible influential problem. The choice of 1976 as the starting point of this study coincides with the establishment of FEC and public financing. With the extra oversight it brought, the numbers were more detailed and accurate than the numbers previously generated by independent watchdog groups and reports filed that were not subject to strict audits. The numbers prior to 1976 have been more largely based on estimates, and have been reconstructed from budgets of campaign and party committees. As a consequence, these may not incorporate all the actual spending (Ansolabehere et al. 2003: 120). By selecting the starting point of the study to be the presidential general election of
1976, the possible impact of the availability of better data is lessened (Alexander and Bauer 1991: 4). This, however, does not mean that the numbers gathered from sources after the establishment of FEC is a hundred percent accurate, but the richness of data available gives stronger empirical evidence for making inference. To this point the possible shortcomings of the data, its availability, reliability and validity are the next topics we now turn to.

3.4 Data Availability, Validity and Reliability

The success of measurement – the quality of the data obtained and its power of leverage is essentially based on two factors: validity and reliability. If the data that a conclusion is building inference from exhibits high validity and reliability, the conclusion is of high quality (Jackman 2010: 2). One can differentiate between four tests to help evaluate the quality of the data and the results gathered from the case study: construct validity, internal validity, external validity, and reliability (Yin 2003: 36-40). We will now consider all these measurements of success in relation to the data collected and applied in this thesis.

3.4.1 Validity

Validity can be defined as being “(…) roughly analogous to the notion of biasedness in the context of parameter estimation” (Jackman 2010: 3). More simply put, a result has high validity if the measurements used are a good representation of the phenomenon of interest. In this section I will consider the validity of my study, including, its external, internal and construct validity.

External validity refers to how generalizable the results are to the population one aims to explain. This is, as briefly discussed above, a problem that has haunted the case study approach. Few cases offer a weak basis to generalize to a large population from, something that a large-N study is more apt to deal with (Gerring 2007: 43; Yin 2003: 37; Collier and Mahoney 1996). King et al. (1994), underlines the problem of inadequate external validity because of selection bias as a consequence of the low number of cases, the major challenges for case studies. More specifically, the external validity is reliant on the representativeness of the chosen cases for the population you want to generalize to (Gerring 2007: 43, Collier and Mahoney 1996). Therefore, it is important that the problem of selection bias and external validity is addressed when assessing the research and data. The potential issues caused by this problem are lessened by the fact that the selection bias decreases with the number of cases in the universe we want to generalize to (Gerring 2007: 49). More specifically, the external
validity is tightly linked to the population you want to generalize to, and the representativeness of the cases chosen to this population (Gerring 2007: 43, Collier and Mahoney 1996). As discussed above, the goal of this thesis, as the categorization is a good example of, is to generalize to the state of political finance in the United States. The scope condition of my research question limits the investigative reach and the universe of interest to the American case, and its within-cases. Therefore, external validity of the findings is strengthened because of the population this thesis wants to generalize to.

Unlike for external validity, internal validity is not a widespread problem in case study research. Internal validity considers the problem of making a statement of causal relationship between the independent variable, X, and the dependent variable, Y. A way to strengthen the internal validity is to go more into detail on the path from occurrence of X and its impact on Y. Since this study only considers one case over time, this qualitative, descriptive approach controls for most of the possible problems caused by inadequate internal validity (Gerring 2007: 43; Yin 2003: 36). In addition, seeing that process tracing is an important aspect of the methodological approach, the internal validity is strengthened through the within-case focus and the multiple data sources used (Gerring 2007: 173).

In any study one strives to achieve the correct knowledge about the appropriate indicators to measure the concepts of interest, and this is what conceptual validity is a measurement of (George and Bennett 2005: 19). As discussed above in Chapter 2, the uniqueness of American political finance, the more party independent political finance system, makes the search for analytical equivalent phenomenon a difficult endeavor. By focusing on just this one case, the generalizing strength of the study is decreased, but the conceptual validity of the findings are kept at a high level.

3.4.2 Reliability

The research should be based on data that is reproducible, meaning that if someone else were to conduct the exact same type of study, their findings and conclusions should be the same as the original scholar’s. In essence, this is achieved through limiting the errors and biases in the analysis of the data. To make the study reproducible, an important prerequisite is the documentation of the procedures and the data that the analysis is based on. One should therefore strive to conduct the research in such a manner that another researcher can repeat, and retrace the study (Yin 2003: 37-39). For this study, the data is readily available from the
FEC archives. These numbers are based on the budgets submitted by the candidates committees, and has been audited after the elections. In addition, there exist summaries in different literature and analysis based on the FEC-numbers and estimates on the data that the FEC has not been able to generate. This makes the recreation of the results of this thesis, based on these numbers, and the process outlined here, possible.
CHAPTER 4 - The History of Campaign Finance: Political Spending, the Congress, the Supreme Court and the First Amendment.

“Congress shall make no law . . . abridging the freedom of speech.”
The First Amendment

This chapter explores the history of campaign finance reform in federal election in the United States from the Tillman Act in 1907 to the Citizens United and SpeechNow.org rulings in 2010. An important part of this is on how the legislature reacts to the changes brought on by campaign finance ingenuity, how the Supreme Court reacts in regards to Congress’ regulation efforts, and how campaign finance again adapts to the combined impact of the exchange between the Congress, the Court and the First Amendment. This will help create a basis on which the developments and changes discussed in the following chapters can draw from and thereby create context. A summary of the history of political finance in modern day U.S. is found in table 4-1 below.

Table 4-1 A Summary of the Important Events throughout Campaign Finance History

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1907</td>
<td>The Tillman Act</td>
<td>Banned contributions directly to candidates and parties from corporations and banks.</td>
</tr>
<tr>
<td>1910</td>
<td>Publicity Act</td>
<td>Political committees had to disclose financial activity. Amendments introduced contribution limits.</td>
</tr>
<tr>
<td>1921</td>
<td>Newberry v. United States</td>
<td>Congress could not regulate party primaries.</td>
</tr>
<tr>
<td>1925</td>
<td>Publicity Act Amendments</td>
<td>Expenditure limits applied only to general elections.</td>
</tr>
<tr>
<td>1943</td>
<td>Smith-Connally Act</td>
<td>Banned labor union contribution from treasury. In response to this change they established the first PAC.</td>
</tr>
<tr>
<td>1972</td>
<td>Federal Election Campaign Act (FECA)</td>
<td>Contribution and media spending limits introduced.</td>
</tr>
<tr>
<td>1974</td>
<td>FECA Amendments</td>
<td>Introduced spending limits for primary and general election campaigns, placed contribution limits on candidate donations and limited independent expenditure. Established the Federal Election Committee (FEC).</td>
</tr>
<tr>
<td>1976</td>
<td>Buckley v. Valeo</td>
<td>Unlimited independent expenditure by PACs, individuals and interest groups ruled a free speech right. Contribution limits directly to candidates though, were upheld.</td>
</tr>
<tr>
<td>Year</td>
<td>Event</td>
<td>Description</td>
</tr>
<tr>
<td>------</td>
<td>-------</td>
<td>-------------</td>
</tr>
<tr>
<td>1976</td>
<td>FECA Amendments</td>
<td>Contribution limits on individual contributions to PACs and national party committees introduced. Strengthened disclosure provisions for individual contributions.</td>
</tr>
<tr>
<td>1979</td>
<td>FECA Amendments</td>
<td>Exempted party building efforts such as grassroots activities, voter registration and get-out-the-vote campaigns from the expenditure limits.</td>
</tr>
<tr>
<td>1980s</td>
<td>Soft money</td>
<td>FEC advisory opinions enabled party committees to raise unlimited funds by exploiting FECAA 1979.</td>
</tr>
<tr>
<td>1990</td>
<td>Austin v. Michigan Chamber of Commerce (MCC)</td>
<td>Upheld the Government’s right to bar non-ideological corporations from making independent expenditures.</td>
</tr>
<tr>
<td>1992</td>
<td>Issue Advocacy</td>
<td>Advertisements that did not expressively advocate for or against a candidate funded partly through unregulated contributions started to take effect.</td>
</tr>
<tr>
<td>1996</td>
<td>FEC v. Colorado Republican Federal Campaign Cm (Colorado I)</td>
<td>Gave parties the right to make unlimited uncoordinated expenditure enabling them to use the issue advocacy.</td>
</tr>
<tr>
<td>2000</td>
<td>527 groups</td>
<td>Able to receive unlimited contributions, and spend unlimited. At first also exempt from disclosing donors.</td>
</tr>
<tr>
<td>2002</td>
<td>Bipartisan Campaign Reform Act (BCRA)</td>
<td>Ban on soft money on the national level. Increased contribution limits. Closed the issue advocacy loophole FECAA 1979 party building exemptions banned 120 days before election, and needed to be funded with hard money. Electioneering communications became illegal 30 days before primaries, and 60 days before general elections.</td>
</tr>
<tr>
<td>2003</td>
<td>McConnell v. FEC</td>
<td>The Supreme Court upheld important provisions of BCRA.</td>
</tr>
<tr>
<td>2007</td>
<td>FEC v. Wisconsin Right to Life</td>
<td>Revived issue advocacy by narrowing express advocacy definition of the electioneering communication ban.</td>
</tr>
<tr>
<td>2010</td>
<td>Citizens United v. FEC</td>
<td>Ruled that restrictions on independent-expenditure-only PACs’ contributions from unions and corporations in federal elections were unconstitutional.</td>
</tr>
<tr>
<td>2010</td>
<td>SpeechNow.org v. FEC</td>
<td>Contribution limits on individuals donating to only independent expenditure PACs were ruled unconstitutional.</td>
</tr>
</tbody>
</table>

### 4.1 1907-1972: A Rising Tide of Political Spending and Inadequate Levees

In the twentieth century, the first real attempts of campaign finance reform began under Theodore Roosevelt and the passing of the Tillman Act in 1907. This legislation prohibited corporate contributions to national party committees. The law, however, had several
loopholes that the donors and parties quickly learned to exploit, reducing its efficiency. Additionally, there existed no, oversight making disregarding the law the norm (La Raja 2008: 51). Congress soon moved to address this problem in 1910 through the passing of the Publicity Act. This legislation required political committees, that operated in more than one state, to file their receipts and expenditures within 30 days after an election. Later provision amended to the law in 1911 obligated the same committees to also disclose financial activity ten days prior to the election. More significantly though, the amendments placed limited campaign expenditure in congressional elections to $5,000 per election cycle (La Raja 2008: 52). In *Newberry v. United States (1921)* though, the Supreme Court struck down parts of the legislation concluding that Congress could not regulate primaries arguing that “Primaries are in no sense elections for office (…)” (Newberry v. United States 1921: 233). To accommodate the Court’s objections a revised version of the Publicity Act was passed in 1925. Applying the expenditure limits to general elections only, it took into account *Newberry* making the law constitutional (La Raja 2008: 54). This law, although weakly enforced, was the basis of campaign finance regulations in the coming decades.

### 4.1.1 Stalemate and Legislative Slow-dance

During the Second World War, the first major attempt to regulate the campaign finance system was signed into law. The Smith-Connally Act of 1943 was an effort to limit the ability of unions to contribute money to parties and candidates. The bill equalized labor unions with corporations, at least when it came to financial contributions, limiting their ability to influence elections. Unable to change the current legislation, the Congress of Industrial Organizations (CIO) sought to avoid being restricted by these new regulations by forming the first Political Action Committee (PAC) (Corrado 2005: 16). Incapable of striking down the legislation through court, they circumvented the restrictions, forming a PAC that relied on voluntary contributions of union members. Therefore, these new entities, unlike the labor unions, were not restricted by the Smith-Connally Act, enabling them to spend as before the passing of the reform bill (La Raja 2008: 64). These events laid the ground work for the campaign system to come, where the PACs would be an important outlet for money contributions, a tool that business interest would soon learn to utilize as well (La Raja 2008: 65).

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3 About $100,000 in 2004 when adjusted for inflation.
Taking advantage of the opportunities that PACs gave to raise funds unrestrictedly, labor unions established several new ones, strengthening their influence through the 1950s and 1960s (Corrado 2005: 16). Republicans worked to strengthen the current political finance reform, but the changing majority, and shifting coalitions within Congress made the passing of permanent reform difficult. In 1966 for example, Republicans, fueled by political contribution scandals within the Democratic Party, pushed reforms through Congress aimed at the Democratic fund-raising abilities. But before the new reforms could take effect in the 1968-election, the Democrats, with majority in both houses, rescinded the amendments. This tug of war between the two major parties over campaign finance reform was symptomatic for the following years (La Raja 2008: 69-70). Despite successful in their goal of choking any Republican attempts on reform, the status quo and the increasing costs of running for office hurt the Democrats. The change in style of campaigning, which became increasingly candidate-centered, and the addition of expensive television advertisements to the campaign tool box required an ever growing heap of cash (Corrado 2005: 18). Unable to match the Republican fund-raising, the financial gap between the two parties grew, weakening Democratic candidates, especially with regards to presidential elections. This became especially apparent in the 1968-election where the victorious Republican presidential nominee Richard Nixon reached record breaking fund-raising numbers. The Democratic campaign on the other hand, in an attempt to bridge the fund-raising gap, accumulated a record breaking campaign debt (La Raja 2008: 72).

4.2 The 1970s: Stemming the Cash Flood

4.2.1 Federal Election Campaign Act (FECA) of 1972

The new realities of campaign finance left the newly elected Democratic-controlled Congress of 1970 determined to reform the current system. And such a reform-push successfully passed through both Houses of Congress. With the reluctant support of some Republicans, FECA was signed into law February 7. 1972 (La Raja 2008: 73). The main objective of the legislation was to cut the soaring campaign costs and level the playing field between candidates. To achieve this goal, the act established limits on political contributions, and placed ceilings on media expenditures based on the premise that costs of media advertising was the primary cause of the rising costs. For example, a federal candidate in a general election could not spend more than $50,000 or $0.10 x voting age population, and had to
restrict the candidate’s overall media spending on radio and television advertising to 60 percent of the total media budget (Corrado 2005: 21). Though placing upon political campaigns the strictest limitation on spending and contributions to date, it was unable to rein in the campaign costs, which seemed to rise unaffected. Both general elections and the presidential campaigns saw additional significant increases, suggesting that the FECA-bill in reality had no impact. It became apparent that additional and more extensive legislation was required if the spending was to be brought under control (Corrado 2005: 22).

4.2.2 FECA Amendments of 1974

Though unable to pass amendments to FECA in the aftermath of the 1972 elections, historical events granted proponents of extensive campaign finance regulations with the opportunity to pass comprehensive reform in June 1972. With the break-in of the Watergate-building, and the scandal that followed traced to the very top of the Republican Party, opposing Republicans could in reality do little to stop the passing of an extensive revamp of the existing regulations. When President Nixon resigned, the House overwhelmingly approved the new reform bill, and the new President, Gerald Ford, signed the FECA amendments into law on October 15, 1974 (La Raja 2008: 76). FECAA of 1974 sought to fix the problems with FECA, and regulate the campaign finance system to such an extent that the current trend would be reversed. To accomplish this, the law strengthened disclosure requirements, introduced strict contribution limits, set spending limits for federal campaigns and minimized party committee contributions. Individuals could spend a maximum of $1,000 on one candidate, and could not exceed $25,000 in total, while PACs could not contribute more than $5,000 to a candidate per election cycle, but were not limited on total spending (Corrado 2005: 22).

In addition, the amount that a candidate could spend during primary and general election were capped. In primaries a Senate candidate could not spend more than $100,000 or 0.08 times voters in state, and were limited to $150,000 or 0.12 times voter-aged state citizens for the general election. House candidates were limited to $70,000 for both primary and general election respectively, while presidential candidates could spend $10 million during their primary fight, and $20 million in the general election. Alternatively could the candidates receive public funding based upon party or candidate vote share in the last election, if the candidate refrained from taking private money (Corrado 2005: 23-25, La Raja 2008: 76-77). Last of the major provisions of FECAA of 1974 was the establishment of the Federal Election
Committee (FEC). This six-member bipartisan agency was created to oversee the implementation of the law, and that the campaigns abode by the new rules. The campaigns were required to disclose campaign contributions and expenditures to FEC quarterly, ten days previous to the election, and 30 days after (Corrado 2005: 24). These numbers were made public to secure transparency, something that consequently would root out political corruption seeing that “sunlight is said to be the best disinfectant” (Buckley v. Valeo 1976: 67).

As soon as FECAA of 1974 was signed into law it was challenged through a lawsuit. In 1976 the Supreme Court ruled in the case Buckley v. Valeo (1976) striking down one of bill’s central provision. The limitation of expenditures by political committees, individuals or other entities on the candidate’s behalf, and by a candidate on his or her own campaign, was ruled unconstitutional. The argument that limiting expenditures would level the playing field between the different candidates and equal their influence, was met by criticism by the Supreme Court. It held that “the concept that government may restrict the speech of some elements of our society in order to enhance the relative voice of others is wholly foreign to the First Amendment (…)” (Buckley v. Valeo 1976: 49-50). Independent expenditures could not lead to corruption since someone spent the money on the candidate’s behalf, which, in the Supreme Court’s view, would not give the candidate a debt of gratitude to the contributor. At the same time the Court upheld the limits on contribution to candidates since direct contributions to a campaign/candidate could lead to political corruptions because a candidate could become beholden to the contributor(s) (Ortiz 2005: 92). Contributions, unlike independent expenditures, were not protected by the First Amendment, seeing that they were signals of a symbolic bond, and therefore: “(…) the quantity of communication by the contributor does not increase perceptibility with the size of his contribution (…)” (Buckley v. Valeo 1976: 21). With the Supreme Court’s ruling one of the major provisions of the new amendments unconstitutional, it became clear that new amendments of FECA was needed to address the newly created loopholes in the legislation.

4.2.3 FECA Amendments of 1976 and 1979

To close the loopholes created by Buckley, FECAA 1976 introduced a new scheme of contribution limits so that individuals could no longer circumvent the restrictions by donating directly to the respective parties. In addition to the limits already placed upon contributions to candidates, new restrictions were placed on how much an individual could give to a candidate
($1,000 for general and primary election respectively), PAC ($5,000 per year), and national party committee ($20,000 per year). Funds donated to these entities were also included in the $25,000 limit of total contribution previously enacted. Along with the new contribution limits for individuals new restrictions on the amounts that PACs could transfer to a national party committee ($15,000 a year) and a Senate candidate committee ($17,500 per year) were introduced. Interestingly though, none of these limits were set to be adjusted by inflation, making them very sensitive to growth and changes in the economy. These amendments also contained a new set of disclosure provision to ensure that, although independent expenditures could not be limited, it would be reported and made public (Corrado 2005: 27-28).

To accommodate critics complaining about the increased amount of paperwork affiliated with FECAA 1976, new amendments in 1979 (FECAA 1979) sought to streamline the disclosure and reporting process. In addition party activities such as grassroots volunteer activities, voter registration and get-out-the-vote campaigns were exempt from the expenditure ceilings, given that they were done on behalf of the party’s presidential nominee. Party committees could also spend unlimited funds on materials related to grassroots and voter turnout such as buttons, brochures etc. as long as the money was not drawn from contributions designated to a candidate (Corrado 2005: 28-29).


In the decades following FECA and its amendments, Congress only produced small adjustments to the legislation already in place, and no major changes or adaptations were implemented. This inability to amend the current laws and restrictions happened despite mounting dismay, and increasing public pressure to close the loopholes created by new campaign finance ingenuity. The increased transparency, created by FECA and following amendments, also revealed a concerning pattern where PACs enabled incumbent candidates to outspend challengers by a substantial margin. PACs were now increasingly becoming a very important source of campaign finance for candidates. In the decade following the reform attempts of the 1970s, from 1974 to 1986, the number of committees increased from 1,146 to 4,157, and the amounts raised through these PACs saw a major increase from $12.5 million to $105 million (Corrado 2005: 31). A consequence of the FECA regulation, and more importantly, the FEC advisory opinions issued in the late 1970s, was the emergence of soft money as an important source of party finance. Unlike hard money, which is raised within the
regulations, soft money is raised unrestricted outside the current restrictions. Exploiting the clause created to allow such monies to be spent on grassroots activities, get-out-the-vote drives, and voter registration, the contribution limits were mitigated (Corrado 2005: 32). Congress was loosening restriction on party spending, while FEC was loosening their restriction on party fundraising, enabling party committees to raise ever-increasing funds.

Challenging the current regulations through the legal system on First Amendment rights, the case Austin v. Michigan Chamber of Commerce (MCC) (1990) was brought before the Supreme Court. The appellee, MCC, claimed that a non-ideological corporation should be able to make similar independent expenditures as an ideological one. A ruling in favor of such a claim would have extended the economic reach of corporations into political finance even further. The Court, however, ruled in favor of the appellant. It held that states in fact could bar economic non-ideological corporations from making independent expenditure. Such an extension of corporate spending would be problematic, the Court held, because “the corrosive and distorting effects of immense aggregation of wealth that are accumulated with the help of the corporate form and that have little or no correlation to the public’s support for the corporation’s political ideas” (Austin v. MCC 1990: 660). Although this ruling did not extend the corporate spending ability in federal election, money continued to find ways to influence the voter at an ever-increasing pace.

As the 1980s ended, soft money had become a major and important factor in elections. Party committees could spend funds raised through unlimited contributions to finance staff salaries, overhead and costs associated with get-out-the-vote drives, and other political efforts to influence the result of federal elections. This enabled traditional big donors like corporations and unions to again impact the elections (Corrado 2005: 32). The amount of soft money raised by the national parties continued to increase of the next decade with it more than quintupling from $86 million in 1992 to the access of $495 million in 2000 (Corrado 2005: 33). In addition to being able to raise unlimited funds through soft money contributions, the invention of issue advocacy advertising weakened the old FECA regulations even further. As long as an advertisement did not expressively advocate for or against a candidate, committees could run advertisement not funded by hard money. Although these types of advertisements initially had the only purpose of promoting an issue, party committees and other entities soon learned to tailor them in such a way that it promoted their preferred candidate. Since these advertisements were not regulated, soft money, which had no contribution limits, could be used to pay for them (Corrado 2005: 33). Combined with the Supreme Court ruling in Colorado Republican Federal Campaign Committee v. FEC (1996)
(Colorado I), which upheld the right for parties to make unlimited uncoordinated expenditure, the financial possibilities of the parties had increased significantly (Ortiz 2005: 101-104). This enabled the channeling of unlimited funds into media advertisements without having to worry about breaking FECA rules. In reality this meant that, through an old FECA legislation money was again flowing freely from big donors into the coffers of the party committees, to essentially whatever use.

The most significant change in political finance regulations adopted after FECA, and previous to the 2002 election, was an amendment to the tax code that required so-called 527 committees to disclose their political activities. Established previous to the popularity of issue advocacy and intended for party and candidate committees, 527s were not required to release contribution or expenditure numbers. Gaining national attention during the Republican primaries in 2000 where 527s paid for broadcasted advertisements against presidential candidate John McCain, Congress passed laws that forced 527s with annual gross receipts in excess of $25,000 to report contributors and expenditures (Corrado 2005: 35).

4.4 Bipartisan Campaign Reform Act (BCRA) of 2002: A Rebuilding Effort

Following investigations by both the FEC and the Department of Justice during the spring of 1997, it was revealed that the Democratic National Commission (DNC) and President Clinton had been operating in grey areas of the political finance regulations, courting donors and receiving donations that were highly questionable. These events, alongside the jump in soft money contributions and the issue advocacy loophole, demonstrated to Congress that the existing regulations had become obsolete. Campaign finance reform had again become an important issue on the Congress’ agenda. Surges in soft money contribution and issue advocacy in the 2000 election cycle affirmed Congress’ resolve to reform the campaign finance laws (Corrado 2005: 36-37). BCRA was signed into law on March 27, 2002, and contained many provisions that were designed to halt the galloping campaign costs. One central part of this was the ban on soft money at the national level. National committees, candidates and office holders, and entities acting on their behalf, could no longer solicit, receive, spend, transfer or direct to another person funds that were raised outside current prohibitions, contribution limits, and reporting requirements. In addition, party committees and candidates for office were now prohibited from fundraising for, or financially supporting, tax-exempt organization, such as 527s, or other interest groups that are engaged in voter
registration and voter mobilization in relations to federal elections. This was an attempt to prevent that party committees and candidates circumvented the soft money ban, which was a vital part of BCRA (Corrado 2005: 39). Politicians could, however, participate in state and local fundraising as speakers or guests, but could not themselves solicit money from events that were not restricted by contribution limits. To accommodate the revenue losses that national party committees would endure under the BCRA regulations, the legislation included increased contribution limits. The maximum total and individual could donate to candidates, parties and PACs increased to $95,000 per election cycle, nearly doubling the previous amount. Additionally, the amount that one could contribute to a national party committee was raised from $20,000 to $25,000, and to candidate committee from $1,000 to $2,000⁴ (Corrado 2005: 40-41).

Another important statute in BCRA was the closing of the issue advocacy loophole, requiring all advertising targeting the public, which featured a federal candidate, promotes, supports, attacks, or opposes a candidate for federal office, to be financed with hard money. Furthermore, activities such as voter registration and get-out-the-vote drives got redefined as federal action activity, and was therefore under the new law banned in the last 120 days before an election, and also needed to be funded by hard money (Corrado 2005: 40). Additionally, the legislation coined the term “electioneering communications”. This was defined as any broadcast clearly identifying a federal candidate, or were in favor or against a federal candidate, the last 30 days leading up to a primary election, and 60 days leading up to a general election. Any form of broadcast that could be identified as electioneering communication could not be funded with corporate or union funds (Corrado 2005: 42).

Like most of the previous campaign finance reform legislations, BCRA quickly got challenged in the Supreme Court with regards to the First Amendment. The bill was constitutionally challenged by different groups, and in total eleven separate complaints were compiled into one single case. In McConnell v. FEC (2003) it was argued that the regulations in BCRA were an unconstitutional infringement of people’s right to free speech. Surprising to many, the Supreme Court upheld the important provisions of the law, and concluded that a bar on certain contributions, like soft money, did not burden either speech or association writing that those regulations “(…) have only a marginal impact on the ability of contributors, candidates, officeholders, and parties to engage in effective political speech” (McConnell v.

⁴ The primary and general elections are considered two elections separate of each other something that enables a candidate to raise $4,000 each cycle.
Reviewing the evidence and record, the Court found that candidates and their donors had exploited the current regulation, contributing soft money to candidates and office holders in return for access and influence over federal officials. Expanding the definition of corruption to also encompass selling access, the record justified the extensive regulation of soft money in BCRA (Ortiz 2005: 108).

4.5 2007- Demolishing the Dam, Releasing the River

4.5.1 FEC v. Wisconsin Right to Life (WRTL) (2007): Setting the Charges

Previous to the 2008 election, the Supreme Court, in a split vote, again changed the interpretation of what express advocacy is. In the case *FEC v. WRTL* (2007), the majority changed the definition of express advocacy, originally upheld in *McConnell*, and wrote that there is “(...) no reasonable interpretation other than as an appeal to vote for or against a specific candidate,” (FEC v. WRTL 2007: 16). Additionally, the Court overruled another BCRA provision, allowing groups to run political advertisements in the period directly before the primary and general elections (Magleby 2011a: 15). Through these changes the Court eroded one of the major provisions of BCRA: the restrictions of independent political advertisements close to elections. In essence, if one could interpret an advertisement as not advocating defeat or election of a candidate, independent expenditures by corporations and labor unions could finance them, seeing that BCRA’s ban did not then apply. In reality *FEC v. WRTL* returned the regulations of political advertisement to the days before BCRA and thereby revived the candidate-centered issues ads (Corrado 2011a: 57). Additionally, this decision encouraged opponents of the BCRA legislation to mount new challenges through the legal system. Especially in light of what Chief Justice Roberts wrote in the Supreme Court’s majority opinion, arguing for the decision, writing that: “(...) the First Amendment requires us to err on the side of protecting political speech rather than suppressing it” (FEC v. WRTL 2007: 3).

4.5.2 Citizens United and SpeechNow.org (2010): Detonation

It did not take long before proponents of more relaxed political finance regulation heeded Chief Justice Roberts’ call. In December 2007 the current campaign reform legislation was challenged through a lawsuit from the conservative non-profit organization Citizens United.
The organization questioned the application of BCRA on their feature film (and ads promoting it), *Hillary: The Movie*, which painted a quite negative picture of the Democratic presidential candidate Hillary Clinton. Financed through Citizens United’s own funds, which stemmed partly from corporations, caused the FEC to determine their film to be subject to the BCRA regulations. Taking into consideration the Supreme Court’s recent ruling in *FEC v. WRTL*, Citizens United argued that their film was a documentary and a biographical story of Senator Clinton’s life and therefore not subject to the BCRA electioneering communications restrictions. In the suit, the application of use of corporation contribution limits and disclosure requirement on their feature film were challenged (Corrado 2011a: 58). In the first encounter with the judicial system, a district court denied the suit’s reasoning. The district court interpreted the movie’s essential argument to be the functional equivalent of express advocacy, and therefore subject to the regulations in BCRA (*Citizens United v. FEC 2007*: 8).

Losing their case in district court, Citizens United appealed their case to the Supreme Court, hoping that a broadened legal challenge would be accepted as a constitutional case. Adapting their case to the Supreme Court, the group expanded the scope of the law suit and instead argued that the current electioneering communication restrictions were unconstitutional. Alongside this assertion, they questioned *Austin v. MCC* which had affirmed that restrictions on corporate spending in federal elections were constitutional (Corrado 2011a: 59). Citizens United’s appeal to the Supreme Court was found worthy of review on the grounds of the constitutional questions that was raised in the suit. Through the case *Citizens United v. FEC (2010)* the Court saw an opportunity to address the broader free speech issue highlighted in the suit. The Court’s ruling in this case would have big consequences for campaign finance regulations no matter the outcome (Corrado 2011a: 60).

Delayed because of an unusually prolonged review period, due to the extended time for arguments from proponents and opponents of BCRA allowed, the Court did not hand down their opinion in *Citizens United* until late January 2010. The Court agreed with the original opinion written by the D. C. district court in that the movie was the equivalent of express advocacy concluding that it “(…) would be understood by most viewers as an extended criticism of Senator Clinton’s character and her fitness for office of the Presidency” (*Citizens United v. FEC 2010*: 8). Consequently would the movie and the advertisements promoting it indeed be subject to the regulations of electioneering communications, and hence, it could not be funded by corporate or union contributions. Although agreeing with the district court on this subject, the similarities between the two opinions fundamentally ended there.
In a 5-4 majority vote the Court ruled that the restrictions on corporate independent expenditures in federal elections were in conflict with First Amendment making it unconstitutional (Corrado 2011a: 61). The majority opinion concluded that corporations, like individuals, have the right to spend money independently to express their views on federal candidates, writing that: “(…) the Government may not suppress political speech on the basis of the speaker’s corporate identity. No sufficient governmental interest justifies limits on the political speech on nonprofit or for-profit corporations” (Citizens United v. FEC 2010: 50). Building their argument on the reasoning presented in Buckley, the Court stated that the only justification that government may have to limit political speech, here understood as independent expenditure, is in cases of corruption or perceived corruption. Extending the Buckley decision, and its rationale, to corporations the Court saw no possibility of corruption declaring: “(…) independent expenditures, including those made by corporations, do not give rise to corruption or the appearance of corruption” (Citizens United v. FEC 2010: 42). Removing the ban on corporate and labor union independent expenditure in federal elections returned the campaign finance regulations in many senses to the early 1970s. As a consequence, corporations and labor unions were able to contribute unlimitedly to PACs only making independent expenditures, enabling them to spend unlimited on political advertisements and other political activity, regardless of when the ads were broadcasted (Corrado 2011a: 79).

Following the ruling in Citizens United another case concerning First Amendment rights and campaign finance regulations came before the D.C. district court. In SpeechNow.org v. FEC (2010), the unincorporated nonprofit association SpeechNow.org, sued arguing that the contribution limits on the individual donations they were able to receive violated their right to free speech. Deciding the case in light of the recent analysis in Citizens United the district court concluded: “(…) the government has no anti-corruption interest in limiting contributions to an independent expenditure group such as SpeechNow” (SpeechNow.org v. FEC 2010: 14). Such restrictions on individual donations to groups making only independent expenditures were in conflict with the First Amendment, and therefore these provisions were ruled unconstitutional. Seeing that there was no justification to limit contributions because of issues regarding corruption, the district court struck down individual contribution limits on groups making only independent expenditures. The district court upheld the disclosure provisions in the current legislation though, requiring organizations receiving access of $1000 to form a PAC and report their financial activity to FEC (SpeechNow.org v. FEC 2010: 19-20). Summarizing FEC v. WRTL, Citizens United and
SpeechNow, and looking at their combined impact on campaign finance it seems substantial. Together these three rulings enable independent groups to make unlimited independent expenditure on political activities. That includes political advertisements targeting federal candidates, with no restrictions on airtime, which are funded by unlimited contributions made by individuals, labor unions and corporations. This new reality, and freedom to maneuver, gives a strong incentive for organized groups to conduct independent campaigning on their own behalf to maximize their influential power. Another possible consequence of strengthening the position of independent organized groups could be that the candidates’ and parties’ position weakens since they are still subject to strict contribution limits.

4.6 The History of U.S. Political Finance, Concluding Remarks

This chapter has reviewed the history of political finance from early 20th century up until today. The goal of most of the legislations that passed in this period has been to limit the amount of money in politics. From the outset, these attempts to impose stricter campaign finance regulations, to limit the involvement of money in politics, have clashed with the right to exercise free speech. Throughout the history of political finance in the U.S., from Newberry in 1925 to Citizens United in 2010, the Supreme Court has protected the First Amendment right of all speech, regardless of the its source. It has been an exchange between legislations from Congress, rulings from the Supreme Court and campaign finance ingenuity, adapting and reacting to each other. This chapter has mapped all these events, and briefly discussed their consequences. But, for these historical events to gain inferential strength, they need to be paired with additional empirical evidence, which will make the testing of the theories presented in Chapter 2, and the tracing of the cost from 1976 to 2012, possible. Building on the empirical basis for the analysis, the next two chapters will discuss the spending numbers for each of the presidential general election in more detail.
CHAPTER 5 - Financing the Presidential General Elections, 1976 - 2008

This chapter examines the presidential general elections from 1976 until the most recent election in 2012. For each election, how the total spending is divided between different subcategories is presented to help supplement the review of campaign finance history from the previous chapter, and create an empirical basis for the analysis that will follow later. A summary of the empirical findings of this chapter is presented in table 5-1. These numbers, like all the numbers of this chapter, are nominal, and hence, not adjusted for inflation.

5.1 Explaining the Numbers

The spending is divided into three categories; candidate, party and outside groups. These categories have been chosen to reflect which part of the political realm that controls the expenditures. Although the funds may have originated from a different category than where the spending actually occurred, the factor that decides the categorizing of spending is the actor controlling the funds when they are spent.

5.1.1 Candidate:

Public: Represents the public funding from the treasury to pay for general election expenses. By accepting the public grant, the candidate abandons private contributions to his or her campaign. Set to $20 million in 1974, it has been since recalculated for inflation (Alexander 1983:297).

Private: The contributions from limited individual donors. No candidate accepted private financing until the 2008 presidential general election.

GELAC: General Legal and Accounting Compliance funds are money that originally were raised to pay for legal and accounting expenses incurred in compliance with FECA and stems from private contributions subject to a $1,000 limit (Alexander 1979: 368). The definition was later expanded to also include up to 10 percent of payroll and overhead expenses, as well as expenses incurred for “winding down” a campaign (Corrado 2011b: 132).

5.1.2 Party:

Convention grant: Represents the money made available by the Government to pay for the national party convention for the parties.
**Convention, party committee:** Is the state and local government donations of services and facilities which are not subject to expenditure limits (Alexander 1979: 340).

**Coordinated:** Are the limited expenditures that the parties are allowed to spend in coordination with their candidate (Alexander 1976: 15).

**Independent:** Represents independent expenditure which arose after the Supreme Court ruling in *Colorado I* in 1996. This gave political parties the ability to spend independently of their candidate. **Hybrid:** Represents expenditures on so-called hybrid ads that enabled the parties to pay for parts of the ads featuring the party and the presidential candidate (Corrado 2006: 137-138).

**Soft money:** Funds raised outside the contribution limits (Corrado 2005: 32). As issue advocacy enabled the parties to spend soft money on advertisements, distinguishing them from independent expenditures is difficult to do accurately. Therefore is soft money included in the independent expenditure numbers for the 1996 and 2000 elections.

### 5.1.3 Outside Groups

**Convention, private contributions:** Corporate, labor and individual donations to the national conventions.

**Independent:** These are expenditures made independent from the candidates. After being made illegal through the passing of FECA, the Supreme Court upheld this right in *Buckley* (Alexander 1979: 363).

**Electioneering communications:** Any broadcast clearly identifying a federal candidate, or are in favor or against a federal candidate, the last 30 days leading up to a primary election, and 60 days leading up to a general election. This definition is applied on the 2004 general election, but does not apply to 527 groups. Since *FEC v. WRL* in 2007 overruled the electioneering communications ban the time constraints do not apply as rigorously to the 2008 and 2012 elections. For elections previous to 2004 (namely 2000 and 1996) issue advertisements have been defined as electioneering communications.

**Communication costs:** Costs incurred by corporations, labor and membership organizations, and trade associations when making partisan communications with their respective stockholders, members, or personnel and their families. It is treated separately from independent expenditure since these communications are paid directly from corporate or union treasuries. An example of such communications is pamphlets distributed advocating the election or defeat of a candidate (Alexander 1983: 416).
Table 5-1 Campaign Spending in Presidential General Elections, 1976-2008

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Source: Federal Election Committee, Campaign Finance Institute, and various other sources.
5.2 The 1976 Election

Candidate and Party Spending

The election in 1976 was the first election in which the federal treasury made public funding available for the presidential candidates. Though with initial hesitation from incumbent President Ford, both him and the Democratic nominee Jimmy Carter eventually opted to accept the public grant of $21.8 million (FEC 2009d, Alexander, 1979: 358). Additionally, the candidates were allowed to raise funds from private contributors to pay for the costs incurred in relation the compliance with the new regulatory statutes. Carter made the strongest showing raising $425,000 to Ford’s $63,559 (Alexander 1979: 369, 416). On top of this, the FECA regulations also allowed the presidential campaigns to coordinate their spending for a total of $3.2 million with their party. The Carter campaign utilized this opportunity and coordinated spending with the Democratic National Committee (DNC), and together they allocated $2.83 million of DNC funds to promote the Democratic presidential ticket. President Ford on the other hand did not gain equal support from the Republican National Committee (RNC) and fell short of their Democratic counterpart’s efforts only spending about $1.2 million (Alexander 1979: 361, 404). As for the general election, the conventions of the two major parties also received public funds to pay for expenses incurred in relations to the hosting of the conventions, totaling about $2.2 million (Alexander 1979: 339). In addition to this, the host cities offer substantial sums to cover other expenditure not covered by the public grant. For their convention in New York City, the Democrats accepted a package giving them a total of $3.63 million in funding and free use of facilities. The Republican convention in Kansas City did not receive a deal as lucrative with Kansas City, pledging approximately $500,000 in support of the execution of the convention (FEC 2009d; Alexander 1979: 342).

Outside Group Spending

With Buckley securing the right for outside groups, such as PACs, to make independent expenditure on the candidates’ behalf, many feared that this would lead to a major influx of money to this type of political spending. This did not seem to hold truth in relation to the 1976 general election. Here, Carter had $74,298 expended in favor of his candidacy, and President Ford, with staunch corporate support, only benefited from a total of $216,715 in independent expenditure (Alexander 1979: 363, 406). Although being outspent by groups supporting President Ford through independent expenditure, this ground was won back through the labor unions’ extensive use of internal communication promoting Carter’s
candidacy. The spending on such activity in favor of Ford of $44,249 paled in comparison to the $1.16 million spent in benefit of the Democratic nominee (Alexander 1979: 366, 406).

5.3 The 1980 Election

Candidate and Party Spending

In the presidential general election of 1980 the incumbent President Carter was running against the Republican nominee Ronald Reagan. For the general election both candidates opted for public funding, forgoing private contributions, and thereby gaining access to $29.4 million from the treasury fund (Alexander 1983: 297, FEC 2009d). To pay for costs associated with complying with the FECA regulations, the candidates also established GELAC-funds. Reagan had more success in raising private money for this purpose and received $2.1 million to Carter’s $1.5 million (Alexander 1983: 312, 326). For the general election both parties took advantage of the option to coordinate their spending with their candidate for up to $4.6 million. The DNC struggled with their fundraising and were only able to contribute with $4 million to such expenditure, while the RNC easily raised and spent the maximum amount (Alexander 1983: 309, 325). This disadvantage was furthered by the soft money expenditures where the RNC disbursed $15.1 million compared to the DNC’s $4 million (Alexander and Corrado 1995: 110). In relation to the party convention, both parties relied on state and local government to pay for expenses incurred beyond the public grant of $4.4 million. For this purpose, the Democratic Convention in New York City received an additional $8 million, while in Detroit the Republican Convention gained $5.2 million in support (CFI 2008: 3).

Outside Group Spending

For the conventions, private, corporate and labor union contributions also occurred, albeit at less substantial levels. From being virtually non-existent in the 1976 campaigns, private contributions to the conventions made a strong comeback in this election. In total $1.1 million was given to the conventions with the Republicans, receiving the larger share of $700,000 and the Democrats accepting $400,000 (CFI 2008: 3). Outside spending through internal communications with members in interest groups, corporations and labor unions constituted the majority of the spending by independent groups adding up to approximately $18 million. Of this, Reagan had $3 million disbursed on his behalf while President Carter enjoyed a
robust advantage, with an estimated expenditure on such activities of around $15 million (Alexander 1983: 313, 327). The Reagan campaign, however, made up for much of this disadvantage through favorable independent expenditure. In all $10.8 million was spent promoting the Republican candidate, making the mere $75,000 that was spent advancing President Carter’s re-election prospects seem insignificant (Alexander 1983: 299, 318, 328).

5.4 The 1984 Election

Candidate and Party Spending

For the 1984 presidential general election, both the Democratic candidate Walter Mondale, and President Reagan running for re-election, accepted public funding. Thereby they were limited to $40.4 million for the entire length of the general election (Alexander and Haggerty 1987: 329; FEC 2009d). The candidate campaigns did, however, also solicit private contributions for their respective compliance funds, an effort that Bush won, raising $2.4 million, doubling the $1.2 million collected by the Mondale campaign (Alexander and Haggerty 1987: 331). Maximizing the allowable amount of $6.9 million in coordinated expenditure with the RNC, Bush supplemented his spending capability even further, substantially outspending the $2.7 million made available to Mondale from the DNC (Alexander and Haggerty 1987: 331, 335). When it came to soft money, the RNC continued their fundraising advantage, beating the DNC $15.6 million to $6 million (Alexander and Corrado 1995: 110).

For the two conventions the two major parties received a public grant of $8.1 million to cover their expenses. This, however, was supplemented with money from state and local government, expanding the economic scope of the convention. For the Democratic convention in San Francisco an additional $7.6 million was accepted, while its Republican counterpart in Dallas received substantial smaller amount of $1.3 million in state and local government support (CFI 2008: 3).

Outside Group Spending

The largest commitment from political groups and committees for the presidential candidates came through independent expenditure, which heavily favored the incumbent President. Reagan received a total of $7.2 million in favorable independent expenditure, more than ten times the $657,000 disbursed promoting Mondale’s candidacy. Of the reported spending on
internal communication, $3.5 million was spent on President Reagan’s behalf and $1.4 million was spent advocating Mondale (Alexander and Haggerty 1987: 341, 367). Lastly, outside sources also contributed large sums to the conventions for a total of $6.7 million, divided between $2.4 million committed to the Democratic convention, and $4.3 million donated to the Republican convention (CFI 2008: 3).

5.5 The 1988 Election

Candidate and Party Spending

In addition to the amount of $46.1 million that the public funding provided, both parties supplemented this with the maximum amount of $8.3 million allowed in coordinated expenditure paid by their respective parties. Furthermore, each candidate raised funds to pay for their GELAC-expenses for a total of $6.5 million with the Democratic candidate Dukakis raising $2.5 million and the Republican candidate, Vice-President Bush, raising $4 million (Alexander and Bauer 1991: 41). In addition to this, both parties raised and spent soft money with the Democrats equalizing their previous disadvantage disbursing $23 million outpacing the Republican’s $22 million (Alexander and Corrado 1995: 110). This gave neither candidate a large edge in spending. For the 1988 election both the two major parties received $9.2 million in federal grants to pay for their respective conventions, but this compiled only a fraction of the total spending associated with the party conventions. The Democrats spent an additional $15.8 million received from state and local government, while the Republicans covered an additional $6.7 million (CFI 2008: 3).

Outside Group Spending

The Republicans had a substantially bigger commitment made through independent expenditure for their presidential candidate than the Democrats had. On independent expenditure in favor of their nominee, the Republicans received uncoordinated spending of $9.43 million and thereby dwarfing the commitment of $710,000 to the Democratic candidate (Alexander and Bauer 1991: 85). For the conventions, the private, labor and corporate contributions of $3.5 million were divided almost equal between the Republicans and Democrats and constituted a decrease from the last presidential general election, unadjusted for inflation, of 50 percent (CFI 2008: 3). With labor unions being the most frequent user of
internal communication to make independent political spending, this type of expenditure predominately promoted the Democratic nominee’s candidacy because of increasingly hostile relation between the President and the labor unions. Dukakis benefited from $1.93 million of internal communications overshadowing Bush’s entire favorable spending of a mere $9,174 (Alexander and Bauer 1991: 106).

5.6 The 1992 Election

Candidate and Party Spending

For the 1992 presidential general election both the major candidates, Democratic nominee Bill Clinton and Republican President Bush, who was running for re-election, accepted public campaign funding limiting them to $55.2 million for the general election (FEC 2009a). These were supplemented with compliance funds to a tune of $10.3 million, where the Clinton campaign raised $6 million, and the Bush campaign raising the remaining $4.3 million. Additionally, both campaigns maximized the amount of $10.3 million they were able to coordinate with the party (Alexander and Corrado 1995: 115). Supplementing these funds, both parties spent soft money, with the DNC outspending the RNC $22.1 million to $15.6 million (Alexander and Corrado 1995: 110). In addition to the public convention grant of $11 million, the Democratic and Republican conventions received $21.1 and $7.3 million respectively from the host city and state, to cover convention expenses. This combined expenditure was more than three times the amount disbursed for the 1992 conventions (CFI 2008: 3).

Outside Group Spending

The spending by political groups and committees in the 1992 presidential general election constituted less than ten percent of the total spending in the election cycle. Of this ten percent the largest share spent was on contributions to the two party conventions. The Democrats received a total of $6.2 million, while the Republicans received approximately a third of that with $2.2 million in private contributions (CFI 2008: 3). In addition to this, outside groups made uncoordinated independent expenditure just surpassing the $3 million mark, with the Bush candidacy having $2.5 million spent favorably, compared to Clinton’s $0.57 million (Alexander and Corrado 1995: 247). Lastly though, Clinton made up for that deficit by having
the internal communication in labor unions and corporations favoring him $2.78 million to Bush’s $0.76 million (Alexander and Corrado 1995: 249).

5.7 The 1996 Election

Candidate and Party Spending

For the general election both Republican candidate Bob Dole and President Clinton accepted the public grant of $61.8 million. To supplement this limited source, both candidates registered their GELAC funds more than a year prior to the general election, which enabled them to fund-raise over a longer period of time. Additionally, since the campaigns raised such funds for the primary contest as well, something that Clinton, with no credible challenger to defeat, were able to channel a portion of it into general election expenses. This gave GELAC funds an increased significance in 1996 well beyond its initial intention with $13.6 million in total raised, a 30 percent increase from the 1992 election (Corrado 1999: 75-79).

In the midst of the era of soft money and issue advocacy campaigning, the significance of the coordinated spending between the party and their presidential candidate seemed to decrease. Neither party spent the maximum amount of $12.1 million set by FEC, where the Republicans came closest with spending $11.7 million. The Democrats, on the other side, only spent about half of the legal amount, disbursing $6.7 million. The Supreme Court decision in Colorado I though, gave the parties additional firepower. Colorado I enabled the parties to make unlimited independent expenditure, enabling them to pay for issue advocacy advertisements with the soft money they raised. Conservative estimates set the Republicans’ spending to $12.7 million, and the Democrats dwarfing that by disbursing $46.1 million\(^5\) (FEC 1998ab summarized in Corrado 1999: 79-80). Lastly, the two major parties accepted the public convention grant of $12.4 million, and as were the case for previous conventions, they relied on support from local and state government. For this purpose the Democrats and Republicans respectively received $15 million and $12.8 million (CFI 2008: 3).

Outside Group Spending

Outside groups, who partly financed issue advocacy advertisements with soft money contributions, also made independent expenditure of their own, expending large sums in this

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\(^5\) These funds consisted of both hard and soft money, but the constellation of the spending total is difficult to address because these numbers are estimates.
election (Beck, Taylor, Stanger and Rivlin 1997: 3). Since this kind of political activity is funded with soft money, it does not need to be disclosed to FEC, and is therefore only estimates of the actual amount spent. For that reason, an accurate number on how much that was spent in direct relation to the 1996 presidential election is difficult to calculate. Only a small portion of the actual spending could therefore be identified, and hence the actual spending on electioneering communications is most likely significantly larger. The spending reported to FEC only constitutes a small margin of the actual spending by political groups and committees. PACs and other political committees spent just above $0.8 million in independent expenditure, largely pro-Dole, and a total of $2.68 million in internal communication with members which for the most part favored Clinton (Corrado 1999: 82). But, an area in which a big change could be identified, was the rise in private contributions to the convention host committees. Here, the amount received by both parties more than quadrupled to $38 million in 1996, up from $8.4 million in 1992 (CFI 2008: 3).

5.8 The 2000 Election

Candidate and Party Spending

With the presidential candidates, Vice-President Gore and his Republican challenger Governor George W. Bush, accepting the public funding of the general election of $67.6 million, their spending possibilities were limited. Compliance funds did help with these limits as its applicability to new types of expenses increased, enabling Bush to raise $7.5 million and Gore to raise a total of $11.1 million (Corrado 2001: 87, 89). But, the two parties also lent substantial aid to their candidates, and spent large amounts in support of their candidacy. As were the case in the 1996 election, the campaigns saw a large influx of soft money targeted through issue advocacy advertisements tailored to the candidates. Because these types of advertisements were exempt from the current regulations, expenditures could be coordinated between party and candidate committees. Additionally, these advertisements could be funded by both soft and hard money. This tactic, considered an audacious innovation in the 1996 election, was now considered a household term in the campaign finance playbook. The parties therefore freely engaged in soliciting unlimited contributions from individuals, corporations, labor unions and PACs. Operating outside the restrictions of FECA, party committees for the first time since the enactment of FECA outspent the candidates on television advertising in a presidential campaign (Corrado 2001: 79-80; Dwyre and Kolodny 2001: 150). The two parties
toted $79.8 million on advertising in favor of their presidential candidates during the general election, with the Democrats disbursing an estimated $35.1 million, and the Republicans spending estimated to more than $44.7 million (Corrado 2001: 94). As was the case in previous elections, the parties also made coordinated expenditure in partnership with their candidate. The DNC and Gore disbursed $12.6 million, while the RNC and Bush spent slightly, more totaling $13.5 million (FEC 2001). Additionally, the parties spent large sums on their respective convention beyond the public grant of $13.5 million with the Democratic convention receiving $15.8 million from state and local government, and the Republican convention accepting approximately $41.8 million (CFI 2008: 3).

Outside Group Spending

Outside groups and individuals spent in excess of $14.2 million on independent expenditure during the presidential general election divided almost equal between Gore ($7.0 million) and Bush ($7.2 million). This spending was funded by hard money to pay for everything from advertisements to telephone banks. The expenditure financed by hard dollars though, equals about the same as the amount that outside groups spent on issue advocacy during the presidential campaign, with a conservative estimate of a total of $16.1 million spent in the major media markets in favor of either candidates (Corrado 2001: 96-97). To supplement these expenditures, different groups, organizations, and labor unions, utilized the possibility to internally communicate with their members to promote their candidate. Of the total amount of $10.2 million spent on this, two thirds was spent in favor of Gore, while the remaining third was spent in favor of Bush (Magleby 2000: 39). The trend of increased outside presence on the national convention from the 1992 and 1996 continued with the combined convention spending covered by private contribution increasing to $56.1 million (CFI 2008: 3).

5.9 The 2004 Election

Candidate and Party Spending

Both main candidates, like all presidential candidates from major parties had done previously, accepted public funding for the general election, limiting them to $74.6 million each (FEC 2009d). They did however raise GELAC-funds to supplement the public grant. Combined, the two candidates raised $21.1 million to cover legal and accounting expenses with the
Republican candidate President Bush raising $12.2 million, and his Democratic opponent Kerry gathering a total of $8.9 million (Corrado 2006: 132).

The FEC drafted new regulations after the Supreme Court ruling in _McConnell_, which enabled parties to continue to spend unlimited funds independently in favor of their presidential candidate (Corrado 2006: 137). Though soft money was banned by BCRA, the parties managed to cover the gap it left with hard money, enabling them to outspend the candidates. Both parties also made coordinated expenditures, where the Democrats disbursed $16 million, and the Republican spent $16.1 million. This, however, only constituted a minor part of the party spending this election, as the parties made a total of $138.5 million in independent expenditures, with the Democrats outspending the Republicans $120.3 million to $18.2 million (FEC 2005). The RNC and the Bush campaign, in the wake of the BCRA regulations of issue advocacy, started to run jointly funded advertisements. These so-called hybrid expenditures enabled cost sharing of advertisement expenses, where the general message included support for both the Republican Party and their presidential candidate. By doing so, they stretched the spending limits, enabling them to spend more funds coordinated. Being the inventor of this type of spending the RNC outspent the DNC $22.9 million to $12 million (Corrado 2006: 137-138). For the conventions both parties spent substantial sums beyond the public grant of $14.9 million receiving a combined $40.5 million from state and local government (CFI 2008: 3).

**Outside Group Spending**

The 527s became especially prominent in the 2004 presidential general election when the Swift Boat Veterans for Truth launched a wave of advertisements in key swing states questioning Democratic candidate John Kerry’s military record. His campaign’s late response to the allegations in the ads strongly undermined his military career putting a big dent in his candidacy (Corrado 2006: 133). The major interest group spenders in this presidential election were these 527 organizations. Jointly though, all political groups and organizations spent an estimated $54.8 million in electioneering communication, where $36.8 million were spent in favor of Bush and $18 million supporting Kerry. The Democrats, however, closed this gap with independent expenditures through mostly PACs with $35.2 million spent in favor of Kerry, and a mere $7.6 million spent in favor of Bush (Corrado 2006: 140). Additionally, especially labor unions, supplementing the large amounts spent independently, also allocated large sums communicating with their members, something that strongly favored Kerry. Only $1.3 million was spent in favor of Bush, something that pales in comparison to the $23
million expended in favor of Kerry (Corrado 2006: 141). Lastly, contributions to the party conventions crushed all previous records totaling $100 million, where the Republican convention in New York City received the bulk of this for a total of $64 million, while the Democratic convention in Boston accepted $36 million (CFI 2008: 3)

5.10 The 2008 Election

Candidate and Party Spending

As the first major party candidate since the introduction of the public funding in the 1974 FECA Amendments, the Democratic presidential candidate Barack Obama chose to rely wholly on private donations to fill his campaign coffers. This enabled him to raise record amounts directly controlled by his campaign. The ability to solicit funds in the general election as well as the primaries enabled Obama, with the help of internet and social media ingenuity, to raise a total of $337 million. His opponent John McCain accepted public funding something that limited his spending to the $84.1 million transferred to him from the government treasury (Corrado 2011b: 127). This did not, however, mean that his spending ceiling was the public funding received. As for previous elections, private contributions could be received to pay for administrative costs and the Republican Party was able to channel vast amounts into the campaign for voter turnout programs and other related activity (Corrado 2011b: 128-129). The McCain campaign raised a total of $46.4 million to pay for GELAC expenses, but as the numbers suggest, he was only able to spend a small amount, about $16.9 million to cover such expenses (Corrado 2011b: 141).

To try to bridge the financial gap between the two campaigns, the Republican Party spent significant amounts compared to the Democratic Party. In coordinated expenditure they spent $18.9 million, three times more than the Democrats’ $6.4 million. Additionally, the RNC disbursed $53.5 million in independent expenditure, dwarfing the DNC’s independent expenditure of $1.1 million more than fifty times. In an attempt to utilize all their resources the RNC and McCain campaign continued the hybrid spending scheme introduced in 2004 enabling the campaign to receive an additional $28.9 million from the RNC to disburse on hybrid advertising (Corrado 2011b: 143-144). In spite of a valiant effort to level the playing field, the juggernaut fundraiser that was the Obama campaign, alone outspent the joint effort of the RNC and the McCain campaign by more than $40 million. If one deducts McCain’s unspent GELAC-funds, and add DNC’s expenditures, the spending advantage across the
board for Obama approximated $142 million (calculated from the numbers presented here: Corrado (2011b: 151)). For the conventions the parties received $17.9 million from the government. In addition, the parties accepted private contributions, where the Republican Party gathered $69.6 million and the Democratic Party received $67.5 million (FEC 2009bc).

**Outside Group Spending**

The largest share of money spent by interest groups and political committees in the general election was through independent expenditures. Obama received $38.5 million in favorable spending, outpacing McCain’s $30.8 million (Corrado 2011b: 147). Outside groups in addition paid for electioneering communications for a total of $17.8 million, with $9.2 million being spent in favor of Obama, and approximately $6 million disbursed in an effort to help McCain (Corrado 2011b: 148). Additionally, labor unions in particular, spent funds communication with their members mobilizing them to vote. Of the total costs of $30.8 million, the overwhelming majority, $29.8 million, was spent in favor of Obama (Corrado 2011b: 150). The direct involvement of interest groups in the general election campaigns lessened compared to its prominent role in 2004. A possible explanation for this was the good electoral prospects and the strong fundraising ability of Obama in concert with the Republican focus on congressional elections to hinder Democratic super majority, and the lack of enthusiasm for McCain (Corrado 2011b: 142). The outside groups, however, continued their involvement in the nomination convention, where Republican convention gathered $65.3 million and the Democratic convention received $63.4 million (Corrado 2011b: 151).

**5.11 Financing Presidential General Elections from 1976 to 2008**

Throughout this period, the nominal costs of the presidential general election have been growing more than tenfold, from $58.1 million in 1976, to $853.8 million in 2008. All the spenders (candidates, parties and outside groups) have increased their spending between each election, and have, although with unequal strength, contributed to presidential general elections becoming more expensive. Assessing these numbers though, it is important to remember that they are not adjusted for inflation, and hence is a skewed picture, which makes comparing each election with these numbers less fruitful. Therefore, these numbers needs to be adjusted for inflation and other influential factors (discussed in Chapter 2) if they are to become comparable. But, before this can be done, the empirical evidence from the 2012 presidential general election needs to be discussed. It is this election we now turn to.
CHAPTER 6 - Financing the 2012 Presidential General Election

This chapter assesses the spending in the 2012 presidential general election. It follows the same template as the previous chapter reviewing the expenditures in three different categories: candidate, party and outside group spending. Being one of the focal points of this thesis, the categories in the 2012 election will be studied at greater depth and length than has been done in the previous chapter. This has been done to highlight and identify the special properties of this election.

In regards to electoral aspect, the race became tighter than expected after a strong debate performance by the Republican challenger Mitt Romney, the Obama campaign could, despite a struggling economy, celebrate victory at the end of election night. Winning all the battleground states expect North Carolina, the Democrats secured a decisive victory. Obama captured 332 Electoral College votes compared to Romney’s 206 and garnered the support of 50.6 percent of the electorate easily topping his Republican challenger’s 47.8 percent (Washington Post 2012). In this aspect, an incumbent defeating his challenger, the 2012 presidential general election did not exhibit revolutionary traits. This, however, did not mean that the election set a new course. For the first time since 1976, neither candidates accepted public funding, enabling them to raise unlimited funds from limited contributions. In addition, had the Supreme Court rulings in Citizens United and SpeechNow.org raised expectations to the financial involvement that outside groups could have in the 2012 election. Would these developments influence the cost level in this presidential general election, or were their predicted influential strength exaggerated? This chapter will help create the empirical basis on which that analysis will be built on. The layout will follow that of table 5-1 in the previous chapter, and will hence start with the candidates spending before moving on to the party spending, and lastly the outside groups’ spending.

6.1 Candidate Spending in the Presidential General Election

As the first presidential general election since the adoption of the public finance system in the 1976, both candidates chose to forgo the public option and rely solely on their ability to raise funds from individual contributors. This meant that the general election season was greatly expanded, seeing that candidates did not have to wait for the nomination conventions to
receive their general election funding. The candidate spending for the 2012 presidential general election is summarized in table 6-1 below.

Table 6-1 Receipts and Spending by the Campaigns in the 2012 General Election

<table>
<thead>
<tr>
<th></th>
<th>OBAMA</th>
<th>ROMNEY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Contributions</td>
<td>Disbursed</td>
</tr>
<tr>
<td>Cash on hand 1. April</td>
<td>$104 096 193</td>
<td>$10 059 748</td>
</tr>
<tr>
<td>April</td>
<td>$25 705 858</td>
<td>$11 723 689</td>
</tr>
<tr>
<td>May</td>
<td>$39 142 855</td>
<td>$23 417 840</td>
</tr>
<tr>
<td>June</td>
<td>$45 912 739</td>
<td>$33 044 772</td>
</tr>
<tr>
<td>July</td>
<td>$49 167 908</td>
<td>$40 329 413</td>
</tr>
<tr>
<td>August</td>
<td>$84 758 860</td>
<td>$86 614 016</td>
</tr>
<tr>
<td>September</td>
<td>$126 060 870</td>
<td>$77 733 238</td>
</tr>
<tr>
<td>Pre-General (1. Oct - 17- Oct)</td>
<td>$77 254 082</td>
<td>$51,835,690</td>
</tr>
<tr>
<td></td>
<td>$640 227 406</td>
<td>$348 485 564</td>
</tr>
<tr>
<td>TOTAL CONTRIBUTIONS</td>
<td>$988 712 970</td>
<td>$1 027 627 032</td>
</tr>
</tbody>
</table>

Being the obvious Democratic candidate for president, Obama had the advantage of running unopposed through the primary season, which enabled him to delay the bulk of spending closer to the general election. This also meant that he could raise funds for a longer period without expending large portions of it right away. Additional advantages for Obama were that he was able supplement the money raised with funds left over from the 2008 presidential election, and enjoyed the full support of all the Democratic donors. Romney on the other hand, as mentioned above, had a tougher road to his party’s nomination. Forced to spend the money raised early to combat other Republican challengers in the primary contests, his campaign coffers saw most of the cash raised vanquish shortly after being obtained. As table 6-1 shows, this gave Obama a strong advantage as the primary season ended.

Up until the first of April, the Romney campaign raised $76.5 million in total, but was forced to spend the majority of this to secure the nomination. This left them with only about $10.1 million in cash on hand when he turned his focus fully on his Democratic opponent.
The Obama campaign finances, on the contrary held a much stronger position. Reaping the benefits of running unopposed, they hauled, in the same period of time, $196.6 million in contributions\(^6\). Although spending funds throughout the Republican primary contest, in fact more than Romney, the Obama campaign ended, as table 6-1 shows, March with $104.1 million available (monthly reports summarized from FEC 2012c). Another problematic aspect of a tough Republican primary was that a large portion of what was raised by the Romney campaign was unavailable before the nomination, since they were earmarked as general election funds. This forced the Romney-Ryan ticket to take out a loan of $20 million in order to maintain the cash flow in the interregnum between the primaries and the general election (Costa 2012). The Obama campaign seized on this advantage disbursing large amounts in the months May, June, July and August. In those months alone the Obama-Biden ticket expended almost double of what their Republican counterpart did, totaling $245 million to their $142 million (Parti and Levinthal 2012: 1).

As is evident from table 6-1, the Democratic spending advantage continued through September, and Election Day, as the Obama campaign in the closing days from October 16 and onwards, disbursed a whopping $176.4 million, handingly outspending his opponent’s $105.3 million. In the last two months alone, the Democratic President’s campaign disbursed $374.8 million, enabling him to outspend the Republican campaign with more than $140 million in the closing phase of the election. This Obama advantage continued through all the months of the general election. From April to the post-general period, not a single month passed without the Democratic President’s disbursements topping his challenger’s, and most of the time by tens of millions. Only for the month of August did the fundraising of the Romney campaign surpass that of Obama’s, and then only for less than $2 million. For the remaining general election campaign though, Obama’s fundraising operation reigned supreme. In September, for instance, his campaign received donations totaling $126 million giving him an advantage of $30 million for that month alone. Concluding from the numbers in table 6-1, it is clear that the strong ability to raise money that Obama demonstrated in 2008 had not faded. For the general election period his campaign raised a total of $640.2 million

\(^6\) Although both candidates established a joint fundraising committee (JFC) to help generate donations these numbers are not included here. Such a committee is set up by the national party and their presidential candidate to help collaborate on fundraising. Through major fundraisers they generate the maximum amount from individual donators and split these and expenses between the candidate, national party and local party committees. Because these funds are transferred from the JFC to affiliated committees and therefore appear in the candidate committee filings including them would lead to a duplication of donations.
and spent $634.8 million of that. Romney, on the other hand, had substantially weaker numbers receiving $348.5 million in donations and disbursing $387.4 million, partly financed through loans. That gave Obama a close to a quarter of a billion dollar advantage throughout the campaign and enabled him to expend over 60 percent more than Romney did. Together however, the spending of both candidates hit a huge milestone in this election, surpassing $1 billion dollar with the end count stopping at $1,022 million dollars, more than doubling the candidate spending from the previous election (FEC 2012c compared to numbers presented in Corrado 2011b: 151).

6.2 Party Spending

In the 2012 presidential general election cycle, both the candidate spending, and especially the outside spending, demanded most of the focus when it came to campaign finance, but that did not mean that the parties themselves did not play a part in this election. This role is admittedly much smaller than it has been in previous elections because the candidates themselves now also can accept donations. A consequence of this development was that many donors, especially those contributing small amounts, only donate to a candidate’s committee (Magleby 2011b: 221). Parties did, however, still participate and make independent expenditure and coordinated expenditure with their presidential candidate.

This section takes examines how the parties influenced the 2012 presidential general election and how their spending was divided between the different sub-categories to see how the developments previous and during this election affected their spending.

<table>
<thead>
<tr>
<th>Party</th>
<th>For</th>
<th>Against</th>
<th>For</th>
<th>Against</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democratic Party</td>
<td>$130,045</td>
<td>$36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Republican Party</td>
<td></td>
<td>$345,766</td>
<td>$208,547</td>
<td></td>
</tr>
<tr>
<td>RNC</td>
<td></td>
<td>$39,896,641</td>
<td>$2,517,703</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td>$130,045</td>
<td>$40,242,407</td>
<td>$2,726,250</td>
<td>$36</td>
</tr>
</tbody>
</table>


As it is evident from table 6-2, the Democratic Party made no big independent expenditures in this presidential general election, limiting their spending in this category to just $130,081,
with everything stemming from local party committees. For Republican Party, the investment in the election was a more substantial one. The RNC, and other party committees, made independent expenditures for a total of approximately $43 million, where $42.4 million was disbursed by the RNC, and the remaining $500,000 from other Republican Party committees. With the limited Democratic investment in independent expenditure, the total spending in this category stops at just $43.1 million. The Democratic Party did, however, disburse $18.6 million in cooperation with its candidate, some three million short of the $21.7 million limit set for this election. The Republican Party meanwhile expended $20.8 million, utilizing this possibility to a greater extent (FEC 2012e, CRP 2012h). This puts the combined spending by the parties in favor of their candidates at $82.5 million, with the Republican Party being responsible for the majority of this expenditure with $63.8 million spent, more than tripling the Democratic effort of $18.7 million. In addition to this, as for previous elections, the two major parties were granted public funding to pay for their national convention. Each party was allocated $18.25 million to cover convention expenses, though this did not, as has been the case for most elections of the past, constitute the full extent of the funds available to the host committees (FEC 2012a: 11). This will be discussed when reviewing the outside spending.

6.3 Spending by Outside Groups

Whilst the candidate finances and party expenditures were important sources of spending in this election, an expanding influence of outside groups had an ever increasing impact in the presidential races. Since the 1970s, the involvement of organized interests in American elections has expanded somewhat continuously through Supreme Court rulings, law changes and party nomination changes (Cigler 2002: 163). The 2012 saw the continuation of that trend. After the *Citizens United* and *SpeechNow.org* rulings, the 2012 election cycle was the first presidential election that interest groups and political committees could utilize the new opportunities granted by the new precedence set by the Supreme Court. A fresh phenomenon in the 2010 congressional elections, further enhanced in the 2012 Republican primaries, and at full strength by the time of the presidential general election, the interest groups spending under the new regulatory regime was a force to be reckoned with in the 2012 elections. Special focus was paid to the emergence of the Super PAC as a source of political spending for individuals, groups, corporations and labor unions wanting to make independent expenditure. Those PACs, however, were not the only entities through which organized
interests influenced the 2012 presidential general election. To break down the numbers under the banner of “outside group spending”, four different subcategories have to be identified. They will largely follow the model in which the spending in the elections from 1976 to 2008 has been organized. These categories are convention spending, electioneering communications (as defined in BCRA), communication costs and independent expenditure. To help identify the impact of Super PAC the independent expenditure category will be broken up into two sub-categories “Super PAC spending” and “other independent expenditure”.

We start our inquiry into outside group spending by examining how Super PACs affected the presidential general election, and the total spending level.

### 6.3.1 Super PAC Spending

From being a non-existent entity in the 2008 election, the 2012 election experienced a surge in the number of registered Super PACs. The new possibilities arisen through the Supreme Court rulings prior to the election, lured packs of big donors, and a flow of money, into the political arena. In all 90 different Super PACs made independent expenditures in the 2012 presidential general election for, as table 6-3 show, a total of $328.2 million.

**Table 6-3 Super PAC Spending in the 2012 Presidential General Election**

<table>
<thead>
<tr>
<th>Expenditor</th>
<th>OBAMA</th>
<th>ROMNEY</th>
<th>TOTAL:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For</td>
<td>Against</td>
<td>For</td>
</tr>
<tr>
<td>Restore Our Future</td>
<td>$88 572 354</td>
<td>$21 261 248</td>
<td>$109 833 602</td>
</tr>
<tr>
<td>American Crossroads</td>
<td>$84 599 498</td>
<td>$6 515 940</td>
<td>$91 115 438</td>
</tr>
<tr>
<td>Priorities USA Action</td>
<td></td>
<td>$66 182 126</td>
<td>$66 182 126</td>
</tr>
<tr>
<td>Service Employees International Union</td>
<td>$9 308 338</td>
<td>$4 914 136</td>
<td>$14 222 474</td>
</tr>
<tr>
<td>Ending Spending Fund</td>
<td>$6 456 384</td>
<td>$5 286 438</td>
<td>$11 742 822</td>
</tr>
<tr>
<td>Total others spending more the $1 million</td>
<td>$8 499 741</td>
<td>$7 146 318</td>
<td>$15 646 059</td>
</tr>
<tr>
<td>Total spending, &gt; $100,000 and &lt; $1 million</td>
<td>$2 786 859</td>
<td>$4 244 325</td>
<td>$6 031 184</td>
</tr>
<tr>
<td>Total spending less than $100,000</td>
<td>$191 859</td>
<td>$315 094</td>
<td>$506 953</td>
</tr>
<tr>
<td>TOTAL:</td>
<td>$20 786 797</td>
<td>$191 333 973</td>
<td>$34 958 992</td>
</tr>
</tbody>
</table>

*Source: CRP (2012ab), New York Times (2012) and FEC (2012c). A triangulation of these sources has been applied. Data gathered December 11, 2012.*
Despite the fact that several Super PACs made independent expenditures, three groups, as table 6.3 shows, funded by big donations, dominated the spending (CRP 2012c). The top spender was Restore Our Future, a Super PAC closely affiliated with the Republican candidate for President. From the start of April to the end of the general election the group expended $109.8 million in the effort to claim the White House, with the majority of $88.6 million being spent against Obama. Their spending alone constituted more than one third of all Super PAC spending in this presidential general election. Placing second was the conservative Super PAC American Crossroads run by George W. Bush’s old Deputy Chief of Staff, Karl Rove. In the attempt to hinder the re-election of Obama, the group spent a total of $91.1 million, going negative against him 93 percent of the time to the tune of $84.6 million (Martinelli 2012). Placing third in Super PAC spending was the pro-Obama Super PAC Priorities USA Action allocating $66.1 million, all of it spent against Romney, in the effort to help Obama to a second term. The remaining 18 Super PACs that spent more than $1 million in the 2012 presidential general election expended a total of $50.3 million, where about $23.1 million was used for either candidates and $27.3 million in expenditure was made against the candidates. The 22 groups spending in the range $100,000 to $1 million allocated $9.8 million to the presidential race, while the Super PACs with expenditures below $100,000 in total disbursed $918,899 (see table 6-3).

As is evident from table 6-3, a handful Super PACs, making large disbursements, dominated the spending. The top five groups’ disbursements alone amounted to a total of $267.1 million in independent expenditure something that constituted about 81 percent of the funds spent by Super PACs in this presidential general election. If one includes the remaining groups that spent more than $1 million during the general election, the percentage rises to 97. Considering this alongside the fact that the top one percent of the Super PAC donors made up 64 percent of the total raised by such entities, it is evident that large donors took advantage of the opportunities presented through the regulation relaxation in the wake of Citizens United and SpeechNow.org (CRP 2012c).

Another interesting aspect of the Super PAC spending was how the spending was divided between “for” and “against”. The brunt of the burden of the spending was borne by Obama who was on the receiving end of $191.3 million in unfavorable spending, and only gaining favorable spending for about a tenth of that for a total of $20.8 million. Romney, on the other hand, had $81.1 million spent against him or approximately one third of the unfavorable spending, and had independent expenditure spent favorably for a total $35 million. A review of these numbers shows that the spending by Super PACs heavily favored
Romney with $226.3 million of the spending promoting his candidacy (for Romney or against Obama). This put Obama in a disadvantageous position, being backed by the much smaller amount of $101.9 million, something that amounts to less than half of the support that his Republican counterpart enjoyed. Additionally, these numbers also show that Super PACs are prone to go negative when they engage in political activity. Of the Super PAC spending in the 2012 presidential general election, $272.5 million of their independent expenditure, or approximately 83 percent, were against either of the candidates.

6.3.2 Other Independent Expenditure

Although Super PACs were the entities making independent expenditure which received the most attention by the media and politicians in the 2012 election cycle, several other groups disbursed huge amounts as well. Once prominent for outside groups wanting to make big independent expenditure, the 527 organizations played a smaller role in the election due to the fact that the Super PAC and other entities made them somewhat obsolete (CRP 2012g). The dominant entity, besides Super PACs, in the 2012 election cycle was the social welfare organization or 501(c) (4)⁷, as they are more commonly referred to. This type of organization is tax exempt and can receive money through unlimited contributions and is not subject to any restriction on how much they are allowed to raise. What differentiates them from a Super PAC is that they are not required to disclose their donors, or the size of the donations, to the public. Reporting rules for this kind of entity also makes tracking the expenditures difficult, and therefore, tracing the expenditures to the relevant receiver difficult. Hence, the numbers gathered from their operations are conservative estimates of the actual spending. In addition to this, there exist other 501 groups with stricter disclosure and operation limit requirements for religious and charitable organizations, business leagues and labor unions (CRP 2012d).

As has been the case for elections going back more than half a century, regular PACs also played a, though admittedly smaller, role in the 2012 presidential general election as well. The tenth largest outside group that made independent expenditure, National Rifle Association, was for instance for a large part organized as a PAC. Lastly, one should mention that independent expenditure can be made by individuals as well, without going through other

⁷ They are named so because they are organized under Section 501 of the Internal Revenue Code.
entities. The summary that follows in table 6-4 does not to differentiate between all these kinds of groups, and consider these expenditures combined.

Table 6-4 Other Independent Expenditure in the 2012 Presidential General Election

<table>
<thead>
<tr>
<th>Entity</th>
<th>OBAMA</th>
<th>ROMNEY</th>
<th>TOTAL:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For</td>
<td>Against</td>
<td>For</td>
</tr>
<tr>
<td>Americans for Prosperity (501(c)4)</td>
<td>$33 542 051</td>
<td></td>
<td>$33 542 051</td>
</tr>
<tr>
<td>Crossroads GPS (501(c)4)</td>
<td>$15 344 481</td>
<td>$6 801 816</td>
<td>$22 146 297</td>
</tr>
<tr>
<td>American Future Fund (501(c)4)</td>
<td>$7 221 652</td>
<td>$11 316 569</td>
<td>$18 538 221</td>
</tr>
<tr>
<td>Americans for Job Security (501(c)6)</td>
<td>$15 223 066</td>
<td></td>
<td>$15 223 066</td>
</tr>
<tr>
<td>National Rifle Association (PAC and 501c)</td>
<td>$8 935 491</td>
<td>$2 735 339</td>
<td>$11 670 830</td>
</tr>
<tr>
<td>Total others spending more the $1 million</td>
<td>$8 164 599</td>
<td>$10 257 077</td>
<td>$15 506 054</td>
</tr>
<tr>
<td>Total spending, &gt; $100,000 and &lt; $1 million</td>
<td>$3 788 385</td>
<td>$3 121 485</td>
<td>$1 297 507</td>
</tr>
<tr>
<td>Total spending less than $100,000</td>
<td>$747 442</td>
<td>$330 809</td>
<td>$401 313</td>
</tr>
<tr>
<td>TOTAL:</td>
<td>$12 700 426</td>
<td>$34 563 095</td>
<td>$17 204 874</td>
</tr>
</tbody>
</table>


In the 2012 presidential general election these entities disbursed a total of $164 million in their effort to make their voice heard and influence the election (see table 6-4). The end tally shows that 165 groups, besides Super PACs, made independent expenditure in the election, and this goes to show that these kinds of entities still has an influential role.

As table 6-4 shows, the biggest spender in this category was Americans for Prosperity, a social welfare organization sponsored in large part by the billionaire businessman brothers David and Charles Koch. Going negative against Obama hundred percent of the time, the group made political investments to the tune of $33.5 million making them the fourth biggest entity making independent expenditure in the 2012 presidential general election (CRP 2012be). The second biggest spender in this category was the conservative 501(c)4 organization Crossroads GPS run by GOP political strategist Karl Rove. In total, this group disbursed $22.1 million, with $15.3 million expended against Obama and supporting Romney through $6.8 million in independent expenditure (CRP 2012f). The other three top 5 spenders in this category, American Future Fund, Americans for Job Security and NRA, also spent their funds in favor of the Republican candidate. In total these groups allocated $45.4 million in the effort to elect Romney, with $31.3 million paying for expenditure against Obama, and $14.1 million to promote the Republican candidate.
The tendency to go negative rather than positive continues through the spectrum. The remaining outside groups spending more than a million expended a total of close to $46 million. Liberal groups disbursed $8.1 million for Obama and $15.5 million against Romney, whilst conservative leaning groups supported the Republican candidate with $10.3 million in independent expenditure, and expended $12 million against the Obama-Biden ticket. For the groups that spent less than a million on the presidential race, the total spending amounted to just shy of $16.4 million, with $8.4 million being used against and $8 million spent for either candidate. As were the case for the Super PACs, the independent expenditure of all groups had a bias toward the Republican side. $99 million, or 60 percent of the total amount, was spent against Obama, and a mere $12.7 million was disbursed for his candidacy. Compared to this, Romney had a much more favorable experience, with only $17.2 million being spent against him, and $34.6 million expended for him. Concluding from the numbers in table 6.4, the independent expenditure in this category gave the Republican candidate a clear advantage.

Combined, the money spent by groups promoting the Romney-Ryan ticket, funds spent against Obama and for Romney, reaches $133.6 million in total. This constitutes 82 percent of the total amount of what was spent by all these groups. The Obama campaign on the other hand only received $29.9 million in favorable expenditure giving Romney a strong spending advantage – for each dollar that was spent promoting the Democratic candidate in this category more than four dollars was spent forwarding the Republican opponent’s presidential aspirations.

### 6.3.3 Electioneering Communications

Political spending on advertisements that qualified as electioneering communication continued the downward trend from the previous election. Two presidential general elections ago, 527 organizations disbursed large amounts to pay for such advertisements, this election, however, although total interest group spending has increased, only a fifth of that spent in the 2004 election was expended (Corrado 2006: 143). This is for a large part due to the ruling in *FEC v. WRTL*, which narrowed the definition of what was electioneering communications, thereby enabling outside groups to finance these kinds of advertisements through independent expenditures (Corrado 2011a: 57).

As table 6-5 shows, in all 16 different groups made electioneering communications, for a total of $9.3 million in the effort to influence the election. Only three groups made
electioneering communications for more than $1 million; US Chamber of Commerce, Americans for Prosperity and New American Energy Opportunity Agency.

Table 6-5 Electioneering Communication in the 2012 Presidential General Election

<table>
<thead>
<tr>
<th>Expenditor</th>
<th>OBAMA</th>
<th>Romney</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For</td>
<td>Against</td>
</tr>
<tr>
<td>US Chamber of Commerce</td>
<td>$3 301 590</td>
<td>$3 301 590</td>
</tr>
<tr>
<td>Americans for Prosperity</td>
<td>$1 193 028</td>
<td>$1 193 028</td>
</tr>
<tr>
<td>New American Energy Opportunity Agency</td>
<td>$1 016 625</td>
<td>$1 016 625</td>
</tr>
<tr>
<td>Remaining group spending</td>
<td>$295 132</td>
<td>$8 548 019</td>
</tr>
<tr>
<td>TOTAL (16 groups):</td>
<td>$295 132</td>
<td>$8 548 019</td>
</tr>
</tbody>
</table>

Source: CRP (2012b) and FEC (2012c). Electioneering communications do not need to identify for whom their spending is for or against to FEC. Known affiliations and CRP classifications has therefore been applied to determine who the beneficiary of the advertisements are. In the case of neutral electioneering communications featuring both candidates, half of the spending will be credited against each. Last visited; December 11, 2012.

The biggest spender, by a three to one margin, was the conservative leaning group US Chamber of Commerce who disbursed $3.3 million in an effort to hinder a second term for Obama. The two next groups on the list spent $1.2 million and $1 million each giving these three groups’ expenditure on electioneering communications three fifths of the total spending in this category. Combining the numbers from table 6-5 of all the groups that made electioneering communications it amounts to a clear advantage to Romney. Although only having spent $17,750 for his candidacy, the spending in this category heavily favors the Republican candidate, with a total of $8.5 million being spent against his opponent, or close to 92 percent of all electioneering spending. Obama on the other hand had only $735,739 spent favorably, giving him a big spending disadvantage in this category.

6.3.4 Communication Costs

As table 6-6 reports, in this presidential general election, only 20 groups incurred communication costs, for a total of $2.74 million. This sub-category is therefore the sub-category with the least spending – by a large margin.

For this election cycle, only two groups incurred more than $500,000 in communication costs. The top backer of Obama was the American Federation of Teachers, a staunch support of the Democratic Party. They invested a total of $777,731 in communication
costs, where $669,442 was spent for the Democratic President, and $108,289 was expended against his Republican challenger.

Table 6-6 Communication Costs in the 2012 Presidential General Election

<table>
<thead>
<tr>
<th>Expenditor</th>
<th>OBAMA</th>
<th>ROMNEY</th>
<th>TOTAL:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For</td>
<td>Against</td>
<td>For</td>
</tr>
<tr>
<td>American Federation of Teachers</td>
<td>$669 442</td>
<td>$108 289</td>
<td>$777 731</td>
</tr>
<tr>
<td>Right to Life</td>
<td>$564 522</td>
<td></td>
<td>$564 522</td>
</tr>
<tr>
<td>Remaining groups</td>
<td>$758 853</td>
<td>$143 236</td>
<td>$12 593</td>
</tr>
<tr>
<td>TOTAL (20 groups):</td>
<td>$1 569 990</td>
<td>$707 758</td>
<td>$291 018</td>
</tr>
</tbody>
</table>

*Source: Summarized from CRP (2012b) and FEC (2012c). Last visited: December 11, 2012.*

Placing second in communication costs was the Right to Life, a pro-Romney group who spent $564,522 against Obama. For the remaining 18 groups, the total expenditure edge goes to Obama with $822,538 expended favorably heavily outspending Romney’s $155,829. As table 6-5 shows, a Democratic advantage is also the case for total communication costs incurred in association with the presidential general election. Here, Obama holds an advantage of $1.74 million to Romney’s $1 million. An interesting aspect of this spending though, is that it is the only sub-category of outside spending where the expenditure on positive communications is higher than the amount spent on negative, with the margin $1.86 million to $0.9 million.

6.3.5 Convention Contributions

As were the case for previous conventions, big contributions poured in. The Republican Convention in Tampa Bay hauled a total of $55.9 million to their host committee, some millions short of what they managed to raise for the 2008 convention (FEC 2012b). In Charlotte, however, the Democrats, by imposing a $100,000 limit on individual contributions and banning corporate donation, struggled to raise funds, only able to gather $24.1 million in total (Dunn, Funk and Morrill 2012). This was less than half of what they raised in 2008 and the amount contributed to the Republican Convention in 2012. It was clear that Tampa Bay Convention benefited economically from not limiting contributions, especially in light of large donations like Casino mogul Sheldon Adelson’s $5 million gift (Parti 2012). The Democrats could be forced to reconsider their pledge, especially since this general election could mark the end of public funding of nomination conventions as the Senate approved, in a
95-4 vote, a measure that is likely to make the conventions in Tampa Bay and Charlotte the last ones to receive the public convention grant (Carney 2012).

6.3.6 Outside Group Spending Summarized

Combined, all the independent expenditure, convention spending, electioneering communications and communication costs constitutes the outside group spending in the 2012 presidential general election. The spending total from table 6-7 shows that the contributions of these outside groups were indeed substantial in the 2012 election cycle, adding up to the astonishing number of $583.7 million, or about one sixth of a billion dollars.

Table 6-7 Outside Group Spending in the 2012 Presidential General Election

<table>
<thead>
<tr>
<th></th>
<th>OBAMA</th>
<th>ROMNEY</th>
<th>TOTAL:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convention contributions</td>
<td>$24 100 000</td>
<td>$55 900 000</td>
<td>$80 000 000</td>
</tr>
<tr>
<td>Super PAC spending</td>
<td>$101 903 314</td>
<td>$226 292 965</td>
<td>$328 196 279</td>
</tr>
<tr>
<td>Other independent expenditure</td>
<td>$29 905 300</td>
<td>$133 579 804</td>
<td>$163 485 104</td>
</tr>
<tr>
<td>Independent expenditure total</td>
<td>$131 808 614</td>
<td>$359 872 769</td>
<td>$491 681 383</td>
</tr>
<tr>
<td>Electioneering Communication</td>
<td>$735 739</td>
<td>$8 565 769</td>
<td>$9 301 508</td>
</tr>
<tr>
<td>Communications Costs</td>
<td>$1 741 978</td>
<td>$998 776</td>
<td>$2 740 754</td>
</tr>
<tr>
<td>TOTAL OUTSIDE SPENDING:</td>
<td>$190 186 331</td>
<td>$393 537 314</td>
<td>$583 723 645</td>
</tr>
</tbody>
</table>


As the numbers presented in table 6-7 reports, the sub-category in which most of the spending by outside groups was made is independent expenditure. This kind of spending has seen a major increase in this presidential general election, and reached at total of $491.7 million, something which constitutes about 85 percent of the disbursements made by outside groups, making it the largest source of outside spending. If one separates the Super PAC spending from the pack and examines it individually, it shows the substantial role it has played in this election. The $328.2 million disbursed by these groups in independent expenditure comprise 56 percent the total outside spending in this presidential general election. This independent expenditure has dwarfed the other kinds of spending conducted by outside groups. The electioneering communications disbursements of $9.3 million, for instance, is unadjusted for inflation, the lowest it has been in the last three elections and only accounted for less than 2
percent of spending in this category. Communication costs did not even pass the $3 million mark, and hence made up an insignificant share of the spending. The only other significant outside spending source was the convention contributions to the host committees of $80 million which made up about 13 percent the total disbursements in this category.

Assessing the summary in table 6-7, the candidate that benefited the most from outside spending was Romney. In all he received $393.5 million in favorable expenditure compared to Obama’s $190.1 million giving him an edge of $203.3 million. This meant that for every dollar that got spent by outside groups to promote the re-election of the Democratic President, more than two dollars were spent in the effort of securing a Republican victory. In this aspect, the Obama campaign had a clear disadvantage, fighting their way upstream against a strong flow of unfavorable spending from conservative outside groups.

6.4 Spending in the 2012 Presidential General Election Summarized

In charge of a limping economy and an unemployment rate just dipping below the magical eight percent rate, Obama held on to the presidential office, despite dim re-election chances due to the poor performance of most economic indicators. How much of the incumbent’s ability to overcome these challenges to be ascribed to his fundraising operation is difficult to assess. But, what is clear from the summary in table 6-8 is that the flow of money from candidate and party contributions and outside groups into presidential general elections broke all previous records in 2012. Shredding the last remnant of the public finance system, both candidates abandoned the public option and chose to rely on their ability to fund their campaigns through contributions from individuals. The expansion of this kind of fundraising scheme enabled the combined spending by the incumbent President and his challenger to surpass $1 billion dollar, with Obama receiving $640.2 million in contributions and Romney expending $387.4 million\(^8\). As is evident from the spending summary in table 6-8, the candidate-controlled expenditure is the biggest spending category for the 2012 presidential general election representing close to 60 percent of the total spending.

Although previously constituting a large chunk of the spending in presidential general elections, the funds controlled by the parties continued its downward trend from the last election (see table 5-1 for comparison). In total the Democratic and Republican Party spent

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\(^8\) Romney’s numbers also includes loans taken out during the campaign to fund additional costs.
$118.8 million in the effort to elect their candidate, with the Republicans expending $81.8 million, more than doubling $37 million Democratic investment. The party spending, hence, constituted a small part of the total spending in the presidential general election, responsible for just shy of seven percent.

Table 6-8 Spending in the 2012 Presidential General Election, All Categories

<table>
<thead>
<tr>
<th></th>
<th>OBAMA</th>
<th>ROMNEY</th>
<th>TOTAL:</th>
<th>% OF SPENDING</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Candidate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Private</td>
<td>$640 227 406</td>
<td>$387 399 626</td>
<td>$1 027 627 032</td>
<td></td>
</tr>
<tr>
<td>GELAC</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Candidate subtotal</td>
<td>$640 227 406</td>
<td>$387 399 626</td>
<td>$1 027 627 032</td>
<td>59.40 %</td>
</tr>
<tr>
<td><strong>Party</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convention, grant</td>
<td>$18 250 000</td>
<td>$18 250 000</td>
<td>$36 500 000</td>
<td></td>
</tr>
<tr>
<td>Convention, party committee</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Coordinated</td>
<td>$18 600 000</td>
<td>$20 600 000</td>
<td>$39 200 000</td>
<td></td>
</tr>
<tr>
<td>Independent</td>
<td>$130 081</td>
<td>$42 968 657</td>
<td>$43 098 738</td>
<td></td>
</tr>
<tr>
<td>Hybrid</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Party subtotal</td>
<td>$36 980 081</td>
<td>$81 818 657</td>
<td>$118 798 738</td>
<td>6.87 %</td>
</tr>
<tr>
<td><strong>Outside Groups</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convention contributions</td>
<td>$24 100 000</td>
<td>$55 900 000</td>
<td>$80 000 000</td>
<td></td>
</tr>
<tr>
<td>Independent expenditure</td>
<td>$131 808 614</td>
<td>$359 872 769</td>
<td>$491 681 383</td>
<td></td>
</tr>
<tr>
<td>Electioneering Communication</td>
<td>$735 739</td>
<td>$8 565 769</td>
<td>$9 301 508</td>
<td></td>
</tr>
<tr>
<td>Communications Costs</td>
<td>$1 741 978</td>
<td>$998 776</td>
<td>$2 740 754</td>
<td></td>
</tr>
<tr>
<td>Outside spending subtotal</td>
<td>$158 386 331</td>
<td>$425 337 314</td>
<td>$583 723 645</td>
<td>33.74 %</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURE</strong></td>
<td>$835 593 818</td>
<td>$894 555 597</td>
<td>$1 730 149 415</td>
<td>100.00 %</td>
</tr>
</tbody>
</table>

Source: CRP (2012abhi) and FEC (2012c). Candidate spending under “private” is the reported receipt, but since the Romney campaign took out loans his spending is represented by his disbursements.
Although the outside spending by groups and political committees received the majority of the attention in the 2012 presidential general election, they did not represent the majority of the spending. This, however, did not mean that their spending contribution was not a substantial one. All groups combined disbursed $583.7 million in the 2012 presidential general election, something that constitutes approximately 34 percent of all expenditures made. Of this outside spending, the much watched Super PACs made up the majority of this category’s expenditure giving this type of spending a 19 percent share of the total disbursements in this general election.

The grand total, as it appears in table 6-8, of all the categories amounts to $1.73 billion, something that set a new nominal spending record for presidential general elections by a large margin. The spending was almost evenly split between the two candidates, with Obama being backed by $835.9 million and Romney with the slightly higher number of $894.6 million. The Democratic President enjoyed an edge in candidate fundraising through a strong fundraising machine, his Republican challenger, however, made up for this disadvantage with money spent on his behalf by the party and outside groups. The predictions that the special circumstances of the 2008 election, the historic candidacy of Barack Obama, his harnessing of new technologies, and the electorate’s dismay of the current administration, was what enabled him to forgo public funding, was but to shame (Corrado 2011b: 159). Both candidates were able to fund their campaigns through limited individual contributions, and were able to supplement their spending with vast amounts expended by their party and especially outside groups.

After discussing and reviewing the empirical evidence of presidential general elections from 1976 to 2012, we now turn back to the research question of this thesis:

*Has the cost of U.S. presidential elections increased over time?*

As discussed in Chapter 1 and 3, in order to address the research question two additional elements needs to be reviewed in greater detail to shed light on the cost level. First, seeing that the 2012 presidential general election is the most recent election, and has gained a lot of media attention (for reasons mentioned above), does it exhibit extraordinary traits? Secondly, assessing the costs of each election – how has the power balance between the three spenders; the candidates, the parties and the outside groups, affected the level of cost?

Highlighting similarities and differences of the ten data points, this chapter serves as both a summary and a conclusion on the research question. This will be achieved through a presentation of the empirical evidence in comparison with the theoretical claims presented in Chapter 2, utilizing the methodological tools discussed in Chapter 3.

We start off the research in this chapter descriptively analyzing the spending in regards to different types of measurement and giving thought to what has happened. To gain an overview, the political spending will be adjusted for inflation to create a basis for the descriptive analysis. The numbers here confirms previous studies’ conclusions of increased real spending (7.1). In the next section we go into greater detail on the campaign spending taken into account the social and economic trends (7.2). First, the empirical evidence gathered in Chapter 5 and 6 will be used to measure the cost associated with presidential general elections, as part of the economy (GDP) (7.2.1). Then, to account for another social and economic factor, the CPI adjusted political spending numbers will be divided by the population of voting age to see if measuring it this way gives us a different result than the ones previously used (7.2.2). All three measures show a development toward a higher level of cost, thereby questioning the claims of a constant level of cost. In the next section (7.3) we go more into detail on mechanisms and processes behind the disbursements in each election and.

By more closely examining the elections and the ratio between the three spending categories (candidate, party and outside groups), three periods of trends has been identified – 1980-1992, 1996-2004 and 2008-2012. The developments in each of these time spans show that several factors have contributed to the burst in cost.
7.1 Real Spending Growth

To examine if there has been a cost increase in presidential general elections we first turn to the real spending as a measurement. In order to compare elections all numbers here are recalculated into 2012-dollar. As figure 7-1 shows, the real spending in 2012-dollars over time have varied, though remained fairly constant around 400 million from 1980 to 1996 after experiencing a large shift from 1976 to 1980 in real spending. From 2000 and onwards this pattern in expenditure in real dollars changed. In 2000 the spending jumped from $454.3 million in the 1996 general election, to $608.7 million representing a 34 percent increase in expenditure. This trend continued to the next election where the disbursement of all the political players surpassed three quarters of a billion, ending at $804.1 million, constituting a spending growth of 32 percent from the previous election. The growth slowed down to twelve percent for the 2008 election with the spending ending at $908.2 million.

This trend, however, did not continue into the next presidential election in 2012. For this election the total expenditure broke the billion dollar mark in a big way. Achieving a growth of 90 percent from the 2008 to the 2012 presidential general election, the real spending ended at a whopping $1730 million.

Figure 7-1 Spending Adjusted for Inflation

For the period from 1976 to 2008 the average growth in spending between presidential elections was 21 percent. This has two major implications. Firstly, the spending has reached a
higher expenditure level and has had continued growth over three decades. Secondly, and more important perhaps, is that the spending in the 2012 election represents a strong deviance from all the previous elections. The growth is about 50 percent higher than the average, and has increased more than 90 percent from the 2008 election. The spending is seemingly out of control, like many previously have argued (Drew 1983; Dunn 1972; Sorauf 1992, 1999; Krasno 2003). Judging from these numbers, their prophecies of a spending increase caught in its own moment is supported. With a clear break from the average growth of the previous years, these numbers seem to strengthen Sorauf’s “arms race”-hypothesis, with a substantial divergence in total expenditure in comparison to previous elections. It is important to note though, that the 2012 election only represents one data point and to construct a rigid argument of a trend is hence a difficult endeavor. The numbers do, however, constitute an indicator of a development towards a higher level of cost. We will return to this point later.

As discussed above, many scholars would take issue with the findings above, especially with regards to the numbers and their representativeness of the phenomenon we want to research. Publications by authors like Pollock (1926), Overacker (1932), Heard (1960), and more recently Ansolabehere et al. (2001, 2003) and Nassmacher (2009), all argue that such empirical evidence ignores the social and economic trends in an economy. Taking their objections into account we now turn to calculations that accommodate the factors that the real spending numbers do not fully grasp.

7.2 Spending Adjusted for Social and Economic Trends

In their objections to the empirical evidence used by many proponents of political finance reform, the skeptics of the argument for increased spending name the lack of sensitivity to fluctuations of an economy as their main dispute. In this section I discuss the empirical evidence gathered in this thesis in relations to the baselines argued by the scholars that question the growth of campaign spending. The factors that will be discussed here are campaign spending as a fraction of GDP, and spending adjusted by the CPI and voting age population combined.
7.2.1 GDP

Taking into account the campaign expenditure as part of the economy as a whole, the spending numbers for each year have been deflated by GDP. As argued by Ansolabehere et al. (2003), measuring the campaign expenditures made in this way we create a better indicator of the possible political corruption present in a democracy.

As figure 7-2 shows, no clear pattern can be identified in the years from the start of the data set in 1976 to the election in 2000. In 1976, campaign expenditure in the presidential general election constituted 0.000032 (3.2 \times 10^{-5}) percent of GDP. In other words, a very small fraction of the goods and services produced in the United States that year. For the next election the numbers saw a strong increase reaching 5.1 \times 10^{-5} percent of GDP. The elections that followed did not surpass this fraction\(^9\) until 2004.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{spending_deflated_by_gdp.png}
\caption{Spending Deflated by GDP}
\end{figure}

\begin{quote}
Source: Federal Election Committee, Center for Responsible Politics, Campaign Finance Institute and various other sources. For details see previous chapters 5 and 6. GDP number have been
\end{quote}

In a study previous to the 2004 election, Ansolabehere et al. (2003) analyzed the spending in presidential elections, showing that campaign expenditures as part of GDP have remained fairly constant from 1976-2000. The findings in this thesis agree with their conclusion if it is

based on the spending totals in the elections previous to 2004. These numbers support their theory of constant level of cost, as they indicate that a pattern of political expenditure, increasing or decreasing, is not possible to identify. This conclusion, however, breaks down when the data points represented by the elections in 2004, 2008 and 2012 is added to the statistic. For the next two elections in 2004 and 2008 the spending surpassed the previous high point of 1980, but the 2012 election again stand out. From 2008 to 2012 the campaign spending as part of GDP saw a massive increase when it was almost doubled, growing 84 percent from the previous election to about $11 \cdot 10^5$ percent of GDP. This breaks with the predictions of the hypothesis advocated by Ansolabehere et al. (2003). With a somewhat stable fraction from 1980-2000, and just a slight increase in 2004 and 2008, the most recent election in 2012 constitutes a data point with a more significant divergence from the hypothesis of sustainable campaign spending. This makes questioning the claims of the skeptics in a more substantial way possible.

7.2.2 Population Growth

In his critique of the early claims of increased spending, Pollock (1926) named the lack of incorporating population growth in the current calculations as a major fault. It is only logic that if one wants to reach all the voters, and the population as a whole is growing, the costs associated with influencing them through the same means as previously will increase. Previous studies have considered the influential factors of inflation and population growth separately (Crotty 1977: 103-105; Sorauf 1988: 29), but here the cost measurement will incorporate both.

There is little doubt that one should consider the population growth when one wants to measure the costs of political campaigning, especially in the light of the increase of American citizens of voting age. From 1976 to 2012 the population grew from about 152.3 million to 242.1 million, an increase of 59 percent adding close to 90 million new possible voters that needed to courted (U.S. Census Bureau 2012).

In the calculations in this thesis the population of voting age, not the votes cast, is used as the baseline to measure the impact of population growth on the spending, heeding Nassmacher’s (2009: 157) warning. To measure the cumulative effect of both the size of the economy and the population growth the spending is adjusted for inflation and divided by voting age population. The findings are presented in figure 7-3 below.
Source: Federal Election Committee, Center for Responsible Politics, Campaign Finance Institute and various other sources. For details see previous chapters 5 and 6. Voter numbers are from US Census Bureau (2012)

In figure 7-3 these changes has been taken into account. As were the case for campaign spending as part of GDP, the years from 1976 to 2000 show no signs of a pattern, only fluctuating between two and three dollars per voter. This, however, changes in 2004 when the expenditures made per voter surpassed three dollars ending at about 3.7 dollars. In 2008 the trend continued with 3.9 dollar being expended in the effort to reach the voters. For the presidential general election in 2012, the expenditures made to reach each voter exploded, increasing 80 percent from the previous election to a total of 7.1 dollars spent per citizen of voting age. These numbers, presented in figure 7-3, indicate that the increased campaign costs is somewhat explained by the population growth from 1976 to 2000. For the more recent years, and especially the huge increase for the 2012 general election, however, the expenditures made per voter has grown with at such a great pace that arguing that this has happened because of the expansion of the American population becomes a difficult argument to maintain.

Proponents of the constant level of cost refer to the baseline of CPI-adjusted spending per voter when they conclude, with the empirical evidence at hand, that: “This result stands in stark contrast to all the overblown perceptions in the literature [about increased political spending]” (Nassmacher 2009: 159). As discussed above, that argument holds for the presidential elections up until 2000 where the spending, controlled for inflation and
population growth, did not grow. Coincidentally though, the recent studies making the argument for sustained spending has not included the elections after 2000 (Ansolabehere et al. 2001, Nassmacher 2009). For the three most recent elections this argument, at an increasing pace, loses its ability to rationale the increased spending as a problem of measurement, and not one of a real occurrence. No matter how you choose to measure the cost of campaigning, be it real spending, spending as part of the GDP, or real spending per voter, there is empirical evidence that the cost is increasing. The elections of 2004 and 2008, showed signs of the cost of campaigning increase. For 2012 though, the small signs of growth for the two previous elections are dwarfed, regardless of what baseline is applied to the calculations of cost.

7.3 How Has the Cost Increase Occurred?

As the empirical evidence above has shown, the spending for the three most recent presidential general elections has taken the political expenditure to a new high, regardless how you chose to measure it. The most recent election in 2012 however, stands out, taking the spending to a whole new level. Real spending increased 90 percent compared to 2008, political expenditures as part of GDP grew 84 percent and disbursements per voter expanded 80 percent. Such an increase between two elections is unprecedented in recent American political finance history (for numbers previous to 1976 see (Ansolabehere et al. 2003: 120; Nassmacher 2009: 185-188)). It is clear that the costs of campaigning when it comes to presidential general elections have increased, but it is much less clear through which processes and mechanisms. This is what this section goes more into detail on.

As a vantage point we will first assess the political finance history from 1976 to 2012 and the ratio between the three campaign spenders: the candidate, the parties and the outside groups. Figure 7-4 presents a summary of these developments and a big picture overview of the strength of each category. After this the empirical evidence is examined in search of important, or pivotal events, and their consequences. The main focus will be on the last four elections where the divergence from the hypothesis of sustainable spending, and its breakdown, started to occur.
Figure 7-4 Ratios between the Three Spending Categories

Source: Federal Election Committee, Center for Responsible Politics, Campaign Finance Institute and various other sources. For details see previous Chapter 5 and 6. Category spending is divided by total spending.

7.3.1 1980-1992: Inside Strength, Outside Weakness

In the first presidential election after the adaptation of the FECA regulation in 1976, the spending total was dominated by the candidates, accounting for 76 percent of the expenditure made in the general election that year. As figure 7-4 shows, this dominance ended with the election in 1980 when the other spenders utilized their opportunities of making expenditures themselves, closing the gap and reducing the candidate’s share to 43 percent. The soft money provision of the 1979 FECA amendments enabled the parties to spend more, and this, alongside the outside groups’ utilization of their independent expenditure and internal communication, possibilities created a shift. The development in spending from 1976 to 1980 can therefore be viewed as stabilization and adjustment after the first meet with the new regulatory regime. The preceding three presidential elections in 1984, 1988 and 1992 followed a pattern of converging spending share of the parties and candidates, and a weakening of the outside groups. The parties used their ability to raise unlimited soft money to a larger and larger extent, strengthening their position. At the same time the candidate committees expanded their use of the GELAC-funds to stretch their dollars beyond the public grant. The ingenuity of the parties and the candidates hence minimized the share of spending
that the outside groups accounted for. This meant that much of the money that could have been contributed to outside groups ended up in the candidates’ and especially the parties’ coffers. As a consequence the outside spending percentage plummeted, reaching a decade low of 7 percent in 1992.

The decade low of outside spending in 1992 also ended the trend of inside strength and outside weakening as issue advocacy started to become an important tool in the financing of political campaigns. This new trend that emerged from the adaptation of this tool, and other changes and their consequences, is what we now turn to.

7.3.2 1996-2004: Resurgent Outside Spending, Weakening Candidates

In the period from the 1996 re-election campaign of Clinton to the re-election of Bush Jr. in 2004, the outside groups’ percentage of spending in the presidential general elections saw a continuous climb. This can be attributed to two factors: the opportunities presented by issue advocacy\(^\text{10}\), and the increasing use of big donations to fund the nomination conventions of both parties. As figure 7-4 shows, the outside groups especially benefited from this, which hurt the candidate committees’ financial strength relative to the other spenders. From 1996 to 2004 the outside groups increased their share from seven to 21 percent, while the candidates, suffering under approximately the same restraints as in 1976, declined from 49 to 33 percent. The Parties meanwhile, saw no large changes, and remained at about the same level.

Outside Groups

The outside interests’ stake in the conventions saw a big bounce from the election in 1992 to 1996, increasing more than fourfold from $13.7 million to $55.6 million. Issue advocacy, however, did not have as big an impact in the 1996 election, though this can be attributed to difficulties tracking such advertisement (Dwyre 1999: 205; Corrado 2005: 35). In the 2000 election the trend of increased involvement by outside groups in the convention continued reaching $74.9 million. This, alongside issue advocacy, strengthened the outside groups even further, doubling the expenditures made by them from 1996, reaching $129 million in 2000. Although BCRA in 2002 banned the use of corporate and union funds on electioneering

\(^{10}\) Much of this kind of spending was later to be defined as «electioneering communications» in the BCRA legislation.
communications, political groups and organizations expended more than ever in the 2004 election. Many groups utilized the fact that the BCRA legislation did not explicitly limit individual contributions as a source for electioneering communications. This enabled many 527 groups expending large sums even in the wake of BCRA, further strengthening the position of outside groups (Corrado 2006: 40). All the other sub-categories of outside spending also saw a large increase from the previous election. Consequentially, this doubled the outside group disbursements, growing it to $269.6 million, and increasing the share of outside spending to 33 percent, an all-time high.

Party
One spending category that utilized the new possibilities of issue advocacy extensively was the parties. Together, the collective effect of the FECA amendments in 1979, the ruling in Colorado I, and issue advocacy created a thriving environment for their spending. Already able to raise large sums of soft money, they were now increasingly able to spend unlimited funds on advertisements targeting specific candidates. In the 1996 presidential general election this enabled the parties to expend $86 million in independent expenditure alone, helping to push their percentage to 42. This trend continued to the next election, in 2000, where the combined Democratic and Republican party independent expenditures ended at $106.7 million. Although soft money and issue advocacy often claims most of the attention, a large share of the disbursements made by the parties was in relation to the nomination conventions. In fact the parties expended $103.4 million from contributions made to their party committees, just a few millions shy of the total independent expenditures made. Together all the disbursements made by the parties reached a new high of $280.9 million, a close to $90 million increase from the previous election giving them a market share of 45 percent, and the role of the biggest financial player in the 2000 election. Even after the adaptation of BCRA, in the 2004 election, the parties held on to their throne, and at the time, silencing critiques that argued that BCRA was the end of the “strongly institutionalized party organization” (La Raja 2008: 10). To help the parties recover from the loss of soft money, the new legislation had raised contribution limits substantially after being unadjusted for several decades (Corrado 2005: 40). This enabled the parties to disburse even more than the previous election, reaching $335.1 million in total. But because, as figure 7-4 shows, the outside spending managed to continue at a higher pace, their share decreased to 42 percent.
Candidate

With two of three categories strengthening their position, the remaining category as a consequence, shrunk. The candidates’ committees, still restrained by the boundaries set by their acceptance of public funding, and only able to stretch their dollars through the GELAC-funds, lost out. Unable to match an increase in expenditures made by both outside groups and the parties beyond that of inflation, the candidates went from being the leading spenders since 1976 to becoming the smallest player in the 2004 presidential general election. Reduced to just 33 percent of the total expenditures made in relations to the general election, the candidates were less in control of the message as a whole. Although the party readily helped their candidates with large sums of independent, coordinated and hybrid spending, and thereby bolstered the spending, the candidates’ committees were not in direct control of the expenditures made. The limits of the public option, especially in the interim between the primary and general election, became more and more apparent as the primary contest calendar got frontloaded. From 45 percent being finished come March in 1992, the number rose rapidly to nearly 80 percent in March 2004 (Mayer and Busch 2004). Especially the Democratic candidate, John Kerry, suffered under the limits of public funding, because of an early nomination convention date, forced to dip into his general election fund 13 weeks earlier than his Republican opponent. This caused Kerry to state, in reflectance over the 2004 campaign, that his acceptance of the public funds was his campaign’s “biggest mistake” (Kerry 2006). The experiences made by Kerry with regards to the limits and restrictions of public funding was an important lesson for the Democrats, and it helped set the stage for an important shift in the financing of presidential elections in the U.S.

7.3.3 2008-2012: The Road to a New Reality

As figure 7-4 shows, the 2008 election marked the end of a decade long trend of weakening candidate influence when its market share grew from 25 to 55 percent compared to the previous election, pushing candidate spending to $498 million. For the 2012 election this trend continued with the expenditures more than doubling, reaching $1 billion and a share of 59 percent. At the same time the party strength evaporated at an almost equal pace, decreasing from 41 in 2004 to seven percent in 2012. The outside spending stayed remarkably constant just increasing one percentage point from 33 for the 2004 election to 34 percent in 2012,
although the total spending in this category in total increased from $260 million to $584 million in that same time span.

**Candidate**

For the 2008 election both candidates faced the choice of continuing the tradition of publically financed presidential general elections, or breaking the taboo, opting out of it, and thereby relying on private contributions to fund their campaign activities. The experiences made in previous elections regarding the limitations of public funding made both candidates skeptical of accepting the public option. McCain, more bound by his commitment to the current regulatory regime, accepted the public grant. Obama however, emboldened by his fundraising ability in the primaries, declined public funding, thereby choosing to court individual donations to fund his campaign (Corrado 2011b: 132-135). The primary fundraising, alongside the experiences made in the 2004 election, compelled him to abandon public funding. Message control was, as Obama’s campaign manager David Plouffe stated: “More important than the dollar discrepancy (…)” (Plouffe 2009: 259).

The 2008 election provides us with a good example of the consequences for the candidates of the choice of financial model in the modern political campaign. Because the two candidates relied on different models in the same election, it provides a good illustration of their implications (Magleby 2011b: 211). Obama, abandoning the public option, stood freely to raise as much money as he could from his donor base, making him less reliant on the other spending entities than what McCain was. Excluding the convention grant, the Democratic Party only expended $8 million to help elect their candidate. The Republican Party, on the other side, not competing with their candidate for funds, disbursed the substantially larger sum of $106.1 million. Relying on contributions, Obama was in control of a larger share of the favorable Democratic spending, overseeing 67 percent of the total expenditures made in favor of him through his campaign committee. McCain, limited to his public funds, was unable to capture the same percentage, being responsible for only 37 percent of the pro-Republican spending in the general election. Excluding the $30 million of the GELAC-funds that remained unspent after the end of the election it falls even lower, to about 31 percent (Corrado 2011b: 141). Together, however, Obama’s and McCain’s expenditures restored the candidates as the leading spender in presidential general elections, claiming responsibility of 55 percent of the total disbursements made in the 2008 presidential general election.
Reviewing history, Kerry’s struggles to stay competitive and on message in the 2004 election, and McCain’s marginalization in the 2008 election, the dilemma of how to fund the campaign was a no-brainer for both candidates in 2012. The abandonment of the public option in the general election was, after the 2008 election, no longer a taboo, and Romney followed suit as both candidates chose to fund their campaign through individual donations. Together, Obama and Romney amassed $1,028 million, breaking all previous records of candidate spending, more than doubling the amount expended in 2008, and thereby claiming a share of 59 percent of the expenditures made. This was the largest percentage that candidate spending had represented since 1976, topping a continuous trend since the historic low in 2004. The share could have been even larger, had it not been for the resurgence of outside spending in 2012. This phenomenon and the influential strength of outside groups in the elections in 2008 and 2012 is therefore the topic we now turn to.

*Outside Groups*

For the 2008 presidential general election the outside spending saw a slight decrease from the previous election claiming just shy of 29 percent of the expenditure made. The total amount remained fairly constant at $260 million, but the increase in spending by the candidates, a consequence of Obama’s privately funded campaign, reduced their share. An interesting shift in the 2008 election though, as table 5-1 showed, was the increase in independent expenditure and the decrease in electioneering communication. The ruling in *FEC v. WRTL* had essentially eroded the ban on issue advocacy, as the definition of what was electioneering communications was severely narrowed (Corrado 2011a: 57). This new freedom was something the political groups and committees quickly learned to exploit. The expenditure made was still dominated by convention disbursements, but independent expenditure, now less regulated by time constraints, grew to claim 28 percent of the outside groups’ spending, up from 19 percent in the previous election.

In the general election of 2012 a new phenomenon took to the stage in the wake of the Supreme Court rulings in *Citizens United* and *SpeechNow.org*: the Super PAC. Able to accept unlimited contributions and spend without restrictions, they attracted the attention of both donors and the media. This new innovation was the main propellant of the increase in spending made by outside groups. All in all outside groups disbursed $583.7 million, more than doubling the sum expended in 2008. Of this growth much can be attributed to the Super PACs as they constituted 56 percent of the outside groups’ spending, or $328.2 million. A
number, oddly enough, quite close to the total outside group disbursement increase of $323.7 million from the 2008 election. This impressive growth considered though, the share held by outside groups grew only five percent from the previous election, making them responsible for 34 percent of the spending in the 2012 presidential general election.

**Party**

With both the candidates and the outside groups attracting more of the contributors, the parties increasingly lost out in the battle for donors. In the 2008 election, the Republican candidate held on to public funding as a financing model, thereby cushioning the decline of the once so financially influential parties. Despite this fact, however, the parties suffered the steepest drop of any category since 1980 falling to just under 17 percent, something that constitutes less than half of what they possessed in 2004. As was the case for candidate spending, the 2008 general election made the impact of publicly funded candidates on the party strength very evident (Magleby 2011b: 211). The Republican Party, supporting a candidate limited by public funding, became an important supporter of their party’s presidential ticket, being responsible for 33 percent of the spending that was favorable to the Republican candidate. On the other side of the political divide, however, the direct influence of the Democratic Party through spending was fading fast. With their candidate declining the public option, the party’s financial role was severely reduced because many donors, especially small donors, chose to contribute directly to the Obama campaign (Magleby 2011b: 221). As a consequence of this, the share of spending favorable to Obama made by the Democratic party, was reduced to just five percent.

The election in 2008 marked a record low for the parties with their share of the spending halved. For the 2012 election the downward slide continued. In total the party expenditures decreased to $118.8 million – a $30 million drop from the previous election. At the same time the candidates and outside groups set new spending records. Two factors hit the parties hard. First, because both candidates now accepted individual donations, a direct contribution to their preferred candidate was more appealing than contributing through the party. Second, if a large donor wanted to influence the election, the Super PACs were more lucrative as they accepted unlimited contributions, and the direct influence of these funds
were higher\textsuperscript{11} (La Raja 2013: 101). Combined, these occurrences had severe consequences for the parties. The relation between party and candidate spending for the Democrats in the 2008 general election was symptomatic for 2012 as well. With both major candidates declining public funding, the party spending in the presidential general election took a hard hit. As were the case for the previous election, their share was sliced in half, leaving them with the category’s total spending only adding up to seven percent of the total expenditures made.

7.4 Tracing the Cost Increase

“Money, like water, will always find an outlet”
- Justice John Stevens (McConnell v. FEC 2003: 118)

The review of the political finance history of presidential elections above has shown in detail the changes that occurred as the conditions got altered. The consequences of all these developments, visual in figure 7-4, and discussed in section 7.3, are strong candidate finances, strengthened outside groups, and parties, spending-wise, in disarray. To find the answer to the cost increase one must therefore explain how it changed over time, and how the different events have influenced the strength between the candidates, parties and outside groups. As figure 7-4 shows, the majority of the spending in the 2012 election were made up by the candidates and outside groups. It is therefore important to trace the series of events to identify the source of the cost increase. Much of this can be rooted back to the original FECA regulation. Why and how that is will be discussed below.

The FECA legislation set a new standard of how to regulate political campaign finances in American context when it was signed into law. It did so through limiting contributions to PACs, party committees and candidate committees, limiting the independent expenditure that parties could make\textsuperscript{12}, and establishing public funding for the candidates. The regulations were shaped in the 1970s, in light of the current political system, where the process was particularly centered on the candidates, and the candidates were therefore the natural beneficiary of the legislation (La Raja 2013: 97). As a consequence, the first

\textsuperscript{11} One could for example establish a Super PAC funded only with the individual’s, corporations’ or labor union’s own money, and hide behind unpartisan names like “Americans for Prosperity” or “Patriot Prosperity PAC”

\textsuperscript{12} This did also initially apply to outside groups, but this was overturned in Buckley v. Valeo (1976).
presidential election after FECA, in 1976, gave the candidate committees a strong position. The parties, losing influential strength, pushed through FECA amendments in 1979 enabling the donations of soft money to the party committees to pay for party building efforts without contribution limits. Utilizing the opportunities presented through soft money to a larger and larger extent, the parties regained strength. Especially as the ideological divide between the Democratic and Republican Party grew in the 1990s, the parties sought new ways to solidify their standing as a financier of presidential elections (La Raja 2013: 97). The soft money raised enabled the parties to expand their fundraising in the 1980 election, and their influential strength grew onwards, peaking in 1988. With public funding supporting the candidates’ finances, and the parties bolstered by soft money, the outside groups were left in the dirt, searching for an opportunity to expand their role.

The outside groups found such a way in the issue advocacy loophole. Without “expressive” advocacy they could use independent expenditure to support their preferred candidate. As shown above in figure 7-4, this enabled outside groups to expand their role in the presidential elections, doubling their spending in three consecutive elections. Congress failed to address this change, and the role of this kind of advertising continued to play an important part in the following elections. The parties especially, used their soft money to influence the elections more directly through their new right, rooted in *Colorado I*, to make independent expenditure. Figure 7-2 and 7-3 shows that, although these developments allowed the parties and outside groups to spend more, these changes did not affect the overall cost level in a meaningful way. Alongside the growth of soft money in election, the real spending, as figure 7-1 shows, reached record highs. The flow of unregulated money into the party coffers, and the grey areas created by issue advocacy though, troubled many (Magleby and Quin 2004). These concerns, and the media attention it brought, pushed for new legislation to encompass the new state of the financing of political campaigns.

An important motivation for the adaption of BCRA was to ban the increasing use of soft money in federal elections. To help fill the void left in the party coffers by soft money, BCRA increased the contribution limits from $20,000 to $25,000, so that the parties could raise hard money to fill the gap (Corrado 2005: 40-41). What was problematic with this move was that it exposed one of the basic flaws of the original FECA regulations – its failure to adjust the contribution limits in accordance with inflation. Recent studies have shown that the value of the $20,000 limit in 1974 would be worth $93,841 in 2012 if it had been adjusted for inflation (La Raja 2013: 96). Calculating these numbers into percentages, adjusted for inflation, the new limits had a value of 34 percent of the original maximum intended in
FECA. For the elections following the FECA amendments in 1979, the parties had the possibility to bridge this gap by supplementing their hard money with soft, but after BCRA this was no longer an option. BCRA hence placed the parties in a much poorer position than it had previous to its passing, and much worse off than the FECA regulations originally had intended. As discussed above, the consequences of this were not evident in the first election following the passing of BCRA. In the 2004 election the parties actually managed to increase their fundraising. But as circumstances changed for the 2008 and 2012, the impact it had on the parties became more apparent. With the candidates attracting the small donors, and the Super PACs’ ability to raise and spend unlimited amounts attracted the large donors, the party organizations themselves, as a consequence, came to possess less financial strength (La Raja 2013: 101). This decline is very visible in figure 7-4, as the parties spending fell to $118.8 million, and to 7 percent of the total expenditures made.

The 2004 election became the last presidential election in which both major candidates accepted public funding for the general election. This was a consequence of several different factors. As both the parties and outside groups increased their spending, the candidates had less control, making it difficult to create a coherent message. This made them in charge of a less efficient political campaign than if the candidates could have attracted a majority of the funds into their own committee’s coffers. In addition, with the majority of the primaries being finished earlier, it became increasingly difficult to bridge a growing gap between the primary and the general election after a depleting campaign for the party nomination. The losing candidates in 2004 and 2008, John Kerry’s and John McCain’s, experiences with the public funding system in a changed campaign system put an irrevocable end to the public option. Obama had proved the viability of private funding in a presidential general election, and the 2012 election had solidified it. Accepting donations of $2,000 for the primary and general election respectively, the ability of contributing to the candidates directly attracted many small donors away from the parties because the funds could be spent more efficiently by the candidate’s committee and more in tune with their preferences (Corrado 2005: 40-41). Although suffering under the same problems as the party contributions, donations to the candidates that were allowable had only decreased 45 percent, compared to the parties 66 percent. Attracting most of the small donors, the spending increase of the candidate grew exponentially from 2004 to 2012 reaching $1,027 million and claiming responsibility for 59 percent of the expenditure made in the 2012 presidential general election.

Separate of this development, change was brought about through the legal system. In reaction to FECA, the Supreme Court set a precedence of strong protection of free speech in
Buckley. In its ruling in *Colorado I* the Supreme Court followed the *Buckley* logic enabling the parties as well to engage in independent expenditure in favor of their candidate. The rulings in the last decade, however, liberated independent expenditure even more, and the rationale can best be summarized in a quote by Chief Justice John G. Roberts: “(…) the First Amendment requires us to err on the side of protecting political speech rather than suppressing it” (FEC v. WRTL. 2007: 3). Through the rulings in *FEC v. WRTL* in 2007, and *Citizens United* and *SpeechNow.org* in 2010, the words of Roberts were echoed. Overturning previous rulings, *Austin v. MCC*, and *McConnell*, which upheld the Government’s right to limit corporate influence in federal elections, they changed the regulatory landscape. The soft money ban of BCRA still applied, but the main properties of it were resurrected in a new form. As discussed above, the parties were subject to strict contribution limits making them less attractive to big donors, and made maxed out donors look elsewhere.

The roles from 1980-1992 were reversed as the outside groups now were able to raise and spend unlimited soft money, and the parties, after BCRA, were now the ones halted by restrictive contribution limits. Instead of using the parties as vehicles, unlimited funds were now channeled through informal and more independent party-loyal Super PACs, organized outside the party structure (La Raja 2013: 98). This enabled these “independent expenditure only”-committees to spend large sums in the 2012 election, as evident from table 6-7, pushing the outside spending to $583.7 million. This made them responsible for, as figure 7-4 shows, 34 percent of the expenditure made in this election, making their spending an important component of the cost increase of the 2012 presidential general election.

What has the longitudinal case study of the financing of presidential general elections from 1976 to 2012 taught us about the current state of political finance in the U.S.? This chapter will answer this question by summarizing the findings of this thesis, and conclude on the research questions in light of the empirical evidence presented in the previous chapters. The research question of this thesis was:

Has the cost of U.S. presidential general elections increased over time?

The first part of this chapter (8.1) concerns the cost associated with presidential general elections, to summarize the findings in regards to if it has increased, or if it has remained at about the same level. After this, the second part addresses the two additional elements of this thesis (8.2). It focuses on the tracing of cost, and the processes and mechanisms behind the cost fluctuations from 1976 to 2012 will be presented. Does the 2012 presidential general election exhibit extraordinary traits? And, how has the power balance between the three spenders; the candidates, the parties and the outside groups, affected the level of cost?

8.1 Increasing Costs of Democracy – Fact or Fiction?

In the literature on political finance discussed in chapter two, two separate hypotheses can be identified. On the one hand there are the hypotheses that argue that the spending is growing for each election, and has become an increasing problem of political campaigning. The expanding role of money in politics is a recent phenomenon that is previously unseen in American politics (Drew 1983: 1). This view is shared by the majority of the mass media (Sorauf 1994: 1356), and several political finance scholars (Bloom 1956; Dunn 1972; Drew 1983; Alexander 1999; Krasno 2003). Adding to this sentiment, other publications have argued that the spending in elections has spun out of control, forcing the political campaigning into an eventual arms race where spending is being matched by both sides (Sorauf 1999: 55; Krasno 2003).

On the other side of the divide, several scholars argue that this increase is fiction due to the failure of their empirical evidence to incorporate the right measurement to gauge the costs of political campaigning. The baseline used to argue increased spending is wrong, they hold, because it fails to take into account social and economic trends (Nassmacher 2009: 157).
As a better baseline to measure cost one should look at campaign spending as part of GDP. By using this method to gauge the costs of political campaigning you also get a better understanding of how big impact money has in politics (Ansolabehere et al 2003; Overacker 1932). Additionally, the population growth should be incorporated, seeing that an increase in population leads to an increase in desirable voters (Pollock 1926; Pinto-Duschinsky 2002; Nassmacher 2009). Using measurements that are sensitive to the fluctuations of the economy they find that the campaign spending with regularity grows with the economy, and remains a constant small portion of the economy (Ansolabehere 2007: 181).

Reviewing the numbers and the developments of campaign spending over time, the first measurement of cost applied was real spending. Applying this baseline, the numbers showed an almost continuous growth from 1976 to 2012. From 1996 and onwards every election has be superseded, spending-wise, by the next election. This was also the case for the 2012 presidential general election where the expenditures made grew to $1730.1 million up from $908.2 million in 2008 – a 90 percent spending increase. Based on real spending, presented in figure 7-1, the presidential elections have become much more expensive, especially for the 2012 election, which represented the biggest percentage growth, by a large margin, since 1976.

This alone, however, cannot lead us to conclude that the costs of political campaigning have grown. As many scholars have pointed out, by using just inflation to measure cost increase one fails to take into account social and economic factors that may influence the cost level. To incorporate these changes the numbers were measured against different baselines. First, to measure campaign spending as a part the economy, the costs of campaigning is defined as spending divided by GDP. Using this measurement no pattern of increased cost could be identified, up to and including the 2000 election. But for the following three elections the level is raised each time, with the last election in 2012 again breaking sharply with the previous elections. In the most recent election, campaign spending as part of the economy almost doubled from around six hundred thousandth to eleven hundred thousandth of GDP. This constituted an 84 percent growth. So although GDP growth could help explain the campaign spending level previous to the 2004, it failed to be an explanatory variable for the unprecedented increase in 2004, 2008, and especially in 2012.

Lastly, the CPI-adjusted spending numbers was compared to the voting age population for each election year. As campaign spending has grown, so has the electorate. Real campaign spending per voter incorporates this change into the measurement. Taking into account the voting population as a baseline, the numbers from 1976 to 2000 does not exempt
extraordinary traits, fluctuating between two and three dollars per voter. This, however, changed in 2004 when it rose to 3.7 dollars per voter. In 2008 the growth continued increasing to 3.9 dollars per voter. For the 2012 election, as figure 7-3 shows, the expenditures made per voter reached an all-time high, with more than seven dollars per voter, an increase of 84 percent from the previous election.

8.1.1 Has the Costs of Presidential General Elections Increased Over Time?

Yes. Concluding on the empirical evidence, the different baselines, and discussion that followed, it is clear, no matter how you chose to measure cost, be it in real spending, campaign expenditure as part of the economy, or disbursements per voter, that the cost has grown. The 2012 election stands out with a huge increase from the previous election for all the three different measurements for the costs of campaigning. The 2004 and 2008 elections give clear evidence to, and the 2012 election solidifies, the conclusion that a presidential general election campaign costs increase is not fiction, but a fact.

8.2 The Road to 2012

As it became apparent that the costs of campaigning had increased, an interesting aspect was to uncover how this high level of spending was achieved. How had previous events throughout political finance history shaped it, and were there important events that were more influential than others? This section will summarize the findings of section 7.3 and 7.4 above.

Based on the findings in Chapter 7, the spending records reached in the 2012 election were caused by the disbursements of the candidates and outside groups, together being responsible for $1.6 billion, or 93 percent, of the expenditures made in that general election. To understand how the spending had reached a new high, how each of these two categories had been able to spend this kind of money in the election, is key in tracing the cost increase. Central to this is the event that shaped the Watergate Era regulatory system, FECA, and its amendments.

In the FECA regulations the legislators failed to include a provision that adjusted the contribution limits for inflation, causing them to lose real value as time passed. From 1980 to 2002 this did not present as big of a problem for the parties, as unlimited soft money contribution helped close the gap. But, by dealing with the difference between the nominal and real value of the donation allowed through soft money, which were not subject to strict
regulation, it garnered criticism because it circumvented the current limits. As soft money contributions grew of importance after issue advocacy and Colorado I, it received additional attention. The experiences of the 1996 and 2000 elections with soft money put it back on the legislative agenda. The new legislation, BCRA, which was born out of the dismay with the current state of the regulatory regime, consequently banned soft money. To supplement the parties, who lost an important source of income, the contribution limits were raised. When doing so, however, the increase was minimal, only $5,000. As discussed above in section 7.4, this was not nearly enough to fill the void left when soft money was banned. In the first election after BCRA in 2004 this did not have a huge impact. But, as other events transpired, candidates declining the public option, and the outside groups gaining more strength, the parties lost their competitive edge. In the general election, if a small donor wanted to contribute he/she was more inclined to choose a candidate committee rather than a party since a candidate contribution is a more direct exercise of preference than to a party (Magleby 2011b: 221). If you are a big donor, the soft money option that was resurrected through the Super PAC is a more attractive choice because they accept unlimited contribution, in addition to a more direct influence on messaging. The consequences of this was that the party’s share in the 2012 presidential general election shrunk to the lowest point of this longitudinal study, being responsible for a mere 7 percent of the expenditures made.

As the most influential financial player in the presidential elections for several decades, the candidates spending started to fall behind the party spending in the late 90s and early 00s. Experiencing an all-time low in the 2004 with 33 percent of the expenditures made, the candidates abandoned the public option to regain control over the message they wanted to portrait to the voter. With the public funding putting a cap on the candidate-controlled expenditure, and the parties and outside group increasing their spending, it became more and more difficult to accept public money and still stay competitive. For the candidates in the 2004 and the 2008 elections, the loss of the control of message became an increasingly compelling argument against the public option. As John Kerry experienced in the 2004, the consequences of being financially restricted by public funding could be pivotal in a presidential race, where message control is paramount if one want to compete for the highest elected office in the U.S. These experiences caused Obama to decline public funds in both 2008 and 2012, and his opponent in 2012, Mitt Romney, to do the same. With one candidate in the 2008 election, and both candidates in 2012, accepting limited contributions, the candidate expenditures grew at a high pace, doubling two elections in a row, and passing the 1 billion dollar mark in 2012. This growth was a major part of the huge cost increase in the
2012 election with the candidate spending being responsible for 59 percent of the spending in this election.

For the outside groups, the regulatory environment was thriving, as many favorable Supreme Court rulings enabled a strong spending growth. *FEC v. WRTL*, *Citizens United* and *SpeechNow.org* removed almost all regulatory restraints for outside group spending, which made their fundraising and disbursements easier. This made their expenditure level the highest it has been since the introduction of FECA in 1974, in both real spending and percentage of disbursements made in the presidential general election. The 2012 election more than doubled the spending compared to the 2008 election, pushing the total expenditures made to $583.7 million, and spending share to 34 percent.

No one could have predicted the path that the Supreme Court chose when it came to the relationship between free speech and campaign regulations. The most problematic aspect of this, however, is that the regulatory framework erected previous to these developments has not been amended or replaced to help the parties and the candidates to adjust. This has given them a disadvantage compared to the outside groups over the two recent elections. The candidates seemed to have coped with the changes well within the current regulations, utilizing their ability to attract donations limited to $5,200$¹³ per election cycle. With the 2008 and 2012 elections as a measure of their adaptability, their record spending is a clear indication that the presidential candidates have managed to hold their own against the surging outside group spending. The parties, however, as discussed above, do not possess the same competitive edge. Still suffering under artificially low contribution limits they are unable to match outside groups’ ability to attract larger donations. This has caused them to become the losing spender in the power struggle between the candidates, parties and outside groups in increasingly expensive presidential general elections.

### 8.2.1 Has the Developments of Political Finance changed Power Balance between the Candidates, Parties and Outside Groups?

Yes. The result of the changes in political finance over the last four decades is that the candidates have regained a commanding lead in spending, with close to 60 percent of the spending in the 2012 presidential general election. This has softened the impact of the Super

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¹³ $2,600 for the primary and general election, respectively.
PACs’ expenditure growth, but still enabling them to garner considerable strength being responsible for 34 percent of the expenditures made in the 2012 presidential general election. Together these developments created the large cost increase in the 2012, and in the process, the marginalization of the political party’s financial strength in presidential general elections to only seven percent. It would seem, be it through the candidates, the parties, or outside groups, that money, like water, will always find an outlet.

8.3 Future Research Suggestions

As discussed above, the findings of this thesis show that the recent developments in spending are represented by the three elections in 2004, 2008 and 2012. If I was to continue the research of this thesis, the presidential general election in 2016 would constitute a very interesting data point to measure the findings of this thesis against. Adding an additional data point to the longitudinal study will provide interesting empirical evidence. Was the cost increase in the recent elections, and the 2012 election especially, a onetime occurrence, will it stabilize at this level, decrease, or has in sparked the “arms race” that Sorauf (1999) theorized? In addition to this, the 2016 presidential general election would grant further insight into a possible pattern of spending between the candidates, parties and outside groups. In the recent elections, the parties have become increasingly marginalized, while the candidates and outside groups have strengthened their spending. Was the outside group spending in the 2012 presidential general election a sign of things to come, and has the outside groups reached their maximum and the parties their minimum? An additional data point would grant new insight into whether or not these trends are continuing, or if the 2012 presidential general election was an extreme instance.

Additionally, I would like to draw attention to the tone of the campaigns. The empirical evidence gathered from the 2012 presidential general election showed that the outside groups, and especially the Super PACs, chose to go negative with the majority of the spending. Investigating this closer through a longitudinal study to see how the environment in 2012 election, regarding the tendency to go negative, stands out from previous presidential general elections would be interesting. Also, assessing the spending in this election, the vast amount spent on advertisements, another interesting aspect would be to measure their effectiveness, and any differences in influential strength between the spenders in light of the recent regulatory changes.
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