

**How the Campaign Finance System Affected
Party Organizations in the 2008 Elections**

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Introduction

This paper explores changes and continuities in how parties organized themselves in the 2008 elections through the lens of party financing. Two questions motivate this analysis. First, how do changes in campaign finance laws affect political parties? In this study I observe changes wrought by the Bipartisan Campaign Reform Act of 2002, which was implemented in the 2004 elections. With respect to political parties, the law banned their use of soft money in federal elections. After two presidential elections it is possible to observe patterns in party financing as a result of this law. The second question is closely related to the first. How does the presidential public financing system, started in 1972, interact with the new campaign finance law to shape party activity? In the past decade, the public financing program has become increasingly obsolete because it does not provide sufficient resources or flexibility to run contemporary presidential campaigns. Party nominees have shunned the program in either the presidential primaries and/or general election. Such decisions to stick with the privately financed method of raising and spending campaign funds have important implications for party organizations and how they finance elections.

To address these questions, this study uses campaign data between 1992 and 2008 to observe changes in the financial activity of parties. One analytical perspective is to observe *trends in national party finances over time*, and assess whether BCRA created any post-reform effects on party activity. I show that party organizations maintained previous levels of spending in the first year after BCRA, and even increased the amount they spent on television ads in the aftermath of the reform. But the unraveling of the

public financing system – especially evident in 2008 – has dampened party activity as candidates assume a greater role in financing their elections. A second analytical perspective considers how parties have fared *relative to other major institutional actors*, specifically with respect to candidates and interest groups. Here, the results here are relatively clear. The party organizations have fallen behind as these other institutional actors take advantage of the new campaign finance rules that are less constraining on relative to parties.

Overall, the BCRA appears to have reinforced the candidate-centered nature of political campaigns, a system in which candidates are chiefly responsible for raising and spending money. This shift is abetted by a collapse of the presidential public funding system. When presidential candidates decline public funding – and the constraints that go along with it – they attract private political funds that might have gone to the parties. As a result, the parties experience a significant drop in funds. This trend is likely to continue as candidates forego public funds, enabling them to raise enough money to concentrate the campaign within their own organization, much like Barack Obama in 2008. Without access to soft money, parties will have more competition for hard money, especially as candidates choose to avoid the constraints of public financing.

The theoretical starting point for this analysis is the proposition that campaign finance laws affect political behavior. Such laws affect the campaign organization being regulated directly, as well as those who fall beyond the reach of the law or statute. Constraints on raising and spending election funds stimulate participants within a partisan network to innovate and develop alternative ways of financing politics. Both before and after the implementation of BCRA, we observe this dynamic clearly. Prior to this reform,

political parties exploited soft money in response to regulations that limited candidate fundraising. The relative ease with which they could raise and spend soft money – and the simultaneous constraints on candidates – enabled them to carve a major position in the financing US campaigns.

After the passage of BCRA in 2002, however, parties have been pressed back to many previous constraints of the Federal Election Campaign Act (FECA), making candidates and interest groups more prominent in the financing of political activity. In short, the financing of politics has shifted toward non-party groups. Given the avowed goals of BCRA supporters, this is hardly surprising. Reformers had argued that BCRA was intended to restore the campaign finance system to how it operated under the FECA (Mann 2008). The FECA, of course, was a strong candidate-centered regulatory system, and one that institutionalized the role of interest groups in financing politics (Herrnson 2008). The findings in this paper suggest that the BCRA did, in fact, succeed at restoring some dynamics inaugurated by the FECA, though not exactly as intended. New groups have been institutionalized by BCRA outside the interest group PAC system, namely 527 and 501(c) organizations. These political groups are a crossbreed of issue activists and party professionals who share partisan electoral goals. By law, most of these groups must pursue their campaign work outside the channels of formal party organizations, a dynamic with important implications I discuss later in the paper.

For present purposes, it is important to be clear how political parties are conceptualized for this analysis. Recent research has encouraged scholars to consider political parties more broadly as a network of partisan activists who may, or may not

work for party organizations.¹ The argument is that activists from issue groups as well as political consultants share the party's electoral goals, if not a core ideology that gives them common cause. In contemporary politics, the party is constituted by a web of relationships among partisan individuals rather than a formal party organization. Indeed, the relationships are so tight that political organizations are porous as partisans change jobs fluidly from party committees to interest groups and back to the party in the course of their career.

This re-conceptualization of the political party is important because it allows scholars to analyze inter-organizational dynamics that often get ignored in studies of formal party organizations. And yet, the extended view of what constitutes the party also blurs important distinctions. Partisan activity outside the formal party organization is qualitatively different from that which goes on within. However much interest groups may ally themselves with political parties to pursue mutual electoral goals, it must be kept in mind that party and interest organizations do not share other goals. If parties are predominantly concerned with winning elections, interest groups seek elections as a means to influence policy in their special domain. These different goals can easily come into conflict depending on the electoral context.

What makes the party network metaphor so appealing today is that the conflict within party coalitions has been dampened because the two major parties are so polarized. Differences over policy issues within the party coalitions lead to fewer quarrels when it is obvious to everyone in the coalition that the greater threat to *all* their interests comes from having the opposing party in power. An added incentive to stick

¹ See, for example, Cohen et al 2008; Heberlig and Larson 2007; Herrson, forthcoming; Kolodny and Logan 1998; Masket 2009; Skinner 2007.

together is that party competition is so tight, small gains in votes could mean the difference for one party taking power. Today, interest groups are closely aligned with their ideologically like-minded parties precisely because the outcome of who controls government remains so uncertain (Franz 2008). With elite opinion so divided between the two parties, it matters a great deal which party is in power. For this reason, there are powerful incentives for interest groups to align dutifully with a party rather than take an antagonistic stance against party leaders who might be unreliable on policy.

Thus, the party network metaphor may obscure as much as it clarifies, depending on the political context. In this analysis, I choose to employ a traditional conception of the party organization, knowing its limitations but also aware that formal distinctions among organizations matter. It is the party committee that has the authority to nominate candidates for the ballot. Moreover, the formal party organization remains the one organization with the dominant goal of seeing the party take control of government. All else is subordinate to this goal. In pursuit of this goal, political parties generate socially desirable outcomes such as increasing political competition and holding political elites accountable. An incumbent, by contrast, might want the party to capture the majority, but certainly not if it means putting his or her own seat at risk. Similarly, an advocacy group will be reluctant to support party candidates when that candidate disagrees with policy stance of the advocacy group. (Indeed, they may support a challenger in the primary when control of the legislature does not hang in the balance.)

It follows that, to the extent that the party loses resources to other institutional actors, the goal of winning becomes less salient than the concerns of individual incumbents or advocacy groups. The distinction becomes even more important in

congressional races, where narrow interests have greater opportunities to influence an election – even with limited resources.

Using traditional distinctions between parties, interest group and candidates I demonstrate that parties have been affected negatively by the current configuration of campaign finance laws. With data from Federal Election Commission and other organizations, I compare different institutional actors over time. The results show a rise in the party's financial position during the 1990s through 2002 – a period in which they were less constrained by campaign finance laws – and then a decline after implementation of the BCRA relative to other institutional actors. But it is not BCRA alone that prevents parties from having a more dominant position, but how BCRA interacts with laws governing the presidential public funding system. When the presidential candidates remain constrained under the public financing provisions, the party has a more significant role in financing elections. However, when candidates forego the public financing system, the parties are relegated to a much smaller role, particularly since they lack soft money under BCRA. The 2008 elections provided an excellent natural experiment because one candidate accepted public funding in the general election while the other did not.

While this article is primarily about the national committees, it will also give some attention to the congressional party committees. The changes wrought by BCRA affect strongly the advantages of being in majority party. With majority status, political leaders and incumbents can extract hard money contributions from interest groups that they can give to the party. However, the minority party suffers because they cannot rely on large contributions of major contributors to make up for the lack of support from

interest groups and activists at the grassroots level. Before moving to the analysis, I begin with a description of the strategic context of the 2008, which influenced subsequent patterns of financial activity.

Strategic Context of the 2008 elections

By any measure, the political environment leading up to the 2008 elections looked promising for Democrats. The Republicans were tied to a president with record-low approval ratings, an economy on the brink of depression, and a public turned strongly against the war in Iraq. In the spring of 2008, the Republicans proceeded to lose three special House elections in districts that typically favored them, including the Illinois seat of the former Speaker, Dennis Hastert. These contests were like canaries in the coal mine, portending disaster in the November elections. Having won back both chambers in Congress in the 2006 midterm, the Democrats used their majority status to challenge the president at every turn, and raise record amounts of money. With abundant resources and a national tide cresting in their favor, Democrats were poised to increase their majorities in both houses. It seemed clear that the only realistic strategy for Republicans was to defend vulnerable incumbents and limit losses in Congress.

In the presidential elections, the enthusiasm of party activists and the flow of resources would favor the Democratic nominee, regardless of who was chosen. To be sure, the dynamics of the Electoral College would ensure that the Republican nominee had a chance of winning. Furthermore, a long, hard-fought primary for the Democratic nomination opened the possibility that the party might remain divided going into the

General Election. In the end, the Democrats nominated a young, charismatic candidate in Barack Obama who, to the surprise of most insiders, beat Hillary Clinton. The Obama campaign displayed remarkable organizational discipline, and benefited from an astounding surge of political contributions over the Internet, as well as old-fashioned fundraising among major donors. But the fact that Obama was a liberal, black politician from Chicago raised the possibility that he would not win sufficient support in the general election from older, white constituencies that supported Hillary Clinton, as well as independents looking for centrist candidates.

On the GOP side, the nomination went to John McCain early in March 2008. The war hero, McCain, was popular with the national press and earned a public reputation as a maverick who stood up to party leaders. While this image helped him with independents, it did not endear him to many party activists who disagreed with him on several key issues, including immigration policy and campaign finance reform. McCain's difficult task was to show the party base he was 'one of them', without tying himself too closely to a president who was very unpopular with independents. Despite differences with the party activists, McCain raised money surprisingly well after a faltering start before the primaries. He amassed a total of \$220 million for his campaign committee before the Republican convention.

But McCain's treasury paled in comparison to that of Obama. The enthusiasm of party activists and liberal voters helped the Obama campaign committee raise half a billion dollars from 6.5 million individual donations. Obama also was well-placed, with his Chicago network of fundraisers, including Penny Pritzler and Oprah Winfrey, to

attract major donors who could give the maximum of \$4,600 to his campaign and additional funds for the national and state parties (Vargas 2009).

Given the disparate situation with regard to campaign resources for the presidential nominees, the stage was set for a critical decision about whether to participate in the presidential public funding program. Starting with the 1972 elections, presidential candidates could accept public “matching funds” in the primaries (which both Obama and McCain rejected), and a grant of \$85 million in the general election, awarded after the party conventions. To receive the grant, however, candidates had to promise to forego private cash for their campaigns. The consequences of taking public money have become more acute since the cost of presidential campaigns has outstripped the value of the inflation-adjusted grant. For the past several election cycles, the grant -- \$84 million in 2008 -- has been inadequate for running a full-throated presidential campaign during the final three months between the party convention and Election Day.

As the gap between the grant’s value and campaign cost widened, the role of political parties became increasingly important. From the mid-1990s until the passage of BCRA, the configuration of campaign finance laws had limited presidential candidates, but gave parties wide latitude to finance elections. In 1996, parties used a mix of hard and soft money to fund “issue ads” and contact voters in swing states of the Electoral College. The more that candidates were hemmed by regulations, the greater the incentive to build the capacity of party organizations to help candidates. As the public funding program became increasingly obsolete (particularly with frontloaded primaries), the

parties had a huge incentive to exploit soft money to help their candidates.² Starting in 1996, the financing system shifted along the spectrum from a dominant candidate-centered system toward a party-centered system (albeit still mostly controlled by candidates).

Fortuitously, for this study, the candidates made decisions in 2008 that provide an interesting natural experiment to understand the relationship between campaign finance laws and party activity. The major party nominees chose alternative financing strategies for the general election campaigns, which had important effects on the political parties. McCain accepted public grant, while Barack Obama did not, making him the first major party candidate in history to do so. This decision enabled him to raise and spend money, constrained only by the regulation that no donor could contribute more than \$4,600 to his campaign. What makes the experiment even better is that the parties raised the same amounts in the 2004 elections when both their nominees rejected public financing in the primaries but accepted the public grant in the general election. Thus, the major parties shared a baseline going into the 2008 election.

All else being equal, candidates prefer to control their own destinies rather than rely on other organizations for support. Given restrictive regulations on coordinating with parties and outside groups, Obama understood that accepting public funds would make it difficult for his campaign to control political communications. In looking back at the 2004 campaign, John Kerry lamented that his biggest mistake was to accept public funds because, given his limited resources, he hesitated to challenge the negative (and

² It should also be noted that the congressional parties felt hemmed in by limits on their ability to help candidates with relatively low limits on contribution and coordinated expenditures. The intense competition

devastatingly effective) ads sponsored by an independent organization called “Swift Boat Veterans’ for Truth”³ The Obama campaign learned from this experience. Rather than put their faith in the DNC, or a coalition of liberal interest groups organized into a 527 organization, they chose to exploit their resource advantage by continuing to raise money from private contributors. This decision would have an important effect on the strategic choices of other groups, both parties and interest groups. The Obama team was so confident about raising enough money for the campaign that they even discouraged donors from contributing to liberal 527 organizations that were prepared to place attack ads on the McCain (Murray and Bacon 2008).

For the Republican nominee, the calculation was entirely different. McCain could not excite a demoralized party base to compete dollar-for-dollar with the Obama campaign. And among the donors simply looking to support a winner – the “smart money” crowd – the odds appeared very much against McCain winning. As one Tony Republican consultant put it: "If you're an access giver, you're thinking twice about going out on a limb for McCain now because Obama's leading in the polls."⁴

Given their financial disadvantage, the McCain team chose to accept public funds, knowing it could exploit loopholes to raise private money for the party through a “joint” candidate-party committee (The DNC would do the same, but with less success). A donor, for example, could write a single check of \$61,600, with roughly \$57,000 going the party and \$4,600 to the candidate for both the primary and general. The McCain campaign site sent potential donors to a separate page at the RNC to give money to “McCain-Palin Victory 2008.” The McCain campaign could also transfer

to control the chambers encouraged them to exploit the use of soft money to help party candidates as well.

³ See my citation in POP.

unused funds from the primary to the party. In this manner, the RNC stockpiled resources that would supplement the \$84 million grant to the McCain campaign.

The McCain strategy was fraught with risks. Essentially, McCain was bargaining that the RNC would be able to run a parallel campaign that would achieve parity with the Obama efforts. The RNC had a strong record of raising money and organizing campaigns – much better than the DNC historically. But the logistics of doing so were incredibly complex under the campaign finance rules, since party operatives could not communicate with the McCain campaign when airing independent ads. The innovative use of “hybrid” ads allows coordination with the candidate but such ads had to mention congressional candidates or refer to broad party themes – a requirement that limited their impact. In the previous cycle, these kinds of party expenditures exploded, with the DNC spending \$120 million on independent expenditures (mostly negative advertising aimed at President Bush) and \$24 million on hybrid ads. The RNC spent \$18.2 million on independent expenditures and \$45.8 million on hybrids.⁵ The parties could also spend money in coordination with the candidate – no strings attached – except that they were limited to just \$19 million.

McCain’s dependence on the RNC also posed problems for the congressional party. The RNC typically plays a role in helping congressional candidates. With congressional Republicans facing difficulties raising money (given the loss of majority status, scandals, etc.), the RNC would be needed to help close the gap with congressional Democrats. Over the years, the RNC had built up loyal base of donors who gave in good or bad years for Republicans. McCain’s choice meant that funds

⁴ The quote is from Tony Fabrizio, a Republican pollster (Mooney 2008).

⁵ Data mentioned in Mooney 2008 “Cash-strapped GOP devoting funds.”

might drain resources from congressional candidates to support a presidential race that many party insiders viewed as lost cause. McCain had to worry that party leaders might choose to “throw him overboard” in an effort to retain more congressional seats. In 1996, in a similar situation, the RNC altered its presidential strategy to move more funds into congressional races rather focus so heavily on the Electoral College strategy (La Raja 2008).

In sum, for both candidates the decision to participate in the public funding program was a purely strategic rather than principled choice. Though Obama avowed early in the presidential elections that he supported public financing of elections, he did not hesitate to stick with private financing when it gave him so many advantages. McCain could argue that, as the champion of campaign finance reform, he stayed true to his principles by taking public funds. But in reality, he continued to raise large, private contributions for the party through joint committees, and this money would be used to help his campaign. McCain hoped public opinion would force Obama to take public funds when called on the Democrat “to keep his word to the American people.” (Cooper 2008). In the end Obama wisely ignored everyone who urged him to take public funds, and voters did not seem to care.

Thus, the stage was set. One party, the Democrats, had strong expectations of taking back the White House and expanding their majorities in Congress. These expectations helped motivate supporters to give generously to Democratic candidates in the presidential and congressional elections. The Republicans, in contrast, understood that the 2008 elections would call for a defensive strategy. They would rely heavily on a party-centered strategy to win the presidency and limit losses in Congress. The following

analysis illustrates how the campaign finance laws affected the contours of party activity in 2008.

Change and Continuity in Party Financing of Elections

Two basic questions are explored in this analysis. First, I examine whether changes in the campaign finance law have altered party finances. My hypothesis is that the BCRA reinforced the candidate-centered character of campaigns by making it relatively easier for candidates and interest groups to finance campaigns. Second, I observe how the faltering presidential public financing system interacts with BCRA to shape party activity. My hypothesis is that a candidate's decision to forego public financing makes the political party less important in financing campaigns.

This analysis focuses on three institutional actors in presidential elections: parties, candidates and interest groups. The data collected for this paper compares spending in 1996, 2000, 2004 and 2008. With only two presidential election cycles after the BCRA, the full impact of these reforms remains unclear, but the contours are highly suggestive. I show that reforms affect party organizations negatively, and that, in combination with the deteriorating public financing system, presidential elections will return to the kind of candidate-centered campaigns we observed in the 1970s and 1980s.⁶

Fundraising: Presidential candidates and party organizations

The first set of data show differences in fundraising between major party candidates for president compared with national committees (RNC and DNC). For the candidates, these sums include amounts they raise in the primaries, matching public funds, as well as grants for the general election and funds for legal costs. For parties, the funds include both hard and soft money until the latter was banned, starting with the 2004 elections. Figure 1 shows that parties did extraordinarily well during the 1990s, benefitting from soft money while candidate fundraising was constrained by the presidential public financing system. In 1992, for example, parties and candidates had equal receipts of roughly \$300 million. In the subsequent presidential election, when parties exploited soft money more audaciously in the Dole-Clinton campaigns, party coffers swelled to more than \$700 million, while the presidential candidate committees inched up to \$340 million in receipts. Candidates had some control over party funds since the candidate committee could coordinate production and airing of issue ads with staff at the national committees. And yet, using party soft money was not a perfect solution for candidates. Soft money “issue ads” could not make brazen electioneering statements, such as “Vote Clinton” and the party funds could also be siphoned off for party administration and voter mobilization to support candidates lower on the ticket (La Raja 2008).

In 2004, candidate finances still lagged party fundraising, even though Bush and Kerry declined to accept matching funds in the primaries, which allowed them to raise

⁶ To be sure, other factors contribute to party organizational behavior such as individual level effects, e.g., influence of key party leaders and candidates, or social/environmental effects, e.g., state of the economy, or

more money. In that election, the parties appeared to adapt well to the soft money ban by advancing their fundraising totals. But much of this success can be attributed to the fact that both major party candidates chose to campaign under the public financing system in 2004. Thus, political contributors were routed to the party organizations once the nominees were picked. In these circumstances, the campaign finance system remained party “friendly” if only because candidates had tight constraints on their finances. This changed in 2008, when neither candidate accepted public financing in the primaries and one of them – Obama – chose to avoid the public financing system altogether. The consequences of candidates sticking with private funds became clear. Total party fundraising declined significantly to \$688 million from the previous high point in 2004 when it was \$908 million. Furthermore, major party candidates outpaced parties by accumulating a total of \$1.1 billion (most of it by Obama). Overall, the combination of BCRA’s constraints on parties and minimal incentives for candidates to use public funds caused a shift in the campaign finance system away from political parties and toward candidates.

[Insert Figure 1]

As Figure 2 shows, the problem of fundraising was especially acute for the DNC. The DNC raised just \$260 million compared to \$428 million for the RNC. The party was unable to take advantage of an extremely favorable fundraising environment because the party’s presidential candidates during the primaries vacuumed cash from potential donors. More critically, the extended nature of the primary contest between Obama and

changes in the social bases of the parties. But these levels of analysis are beyond the scope of this analysis.

Clinton made it difficult for party fundraisers to tap donors before midsummer. For the DNC, attracting donors in the off-election years has never been easy since Democratic contributors typically focus on the candidates (Kuhn 2008; Finney 2008).⁷ For this reason, among others, the DNC valued soft money because it was easier to raise early in the electoral cycle for building campaign infrastructure.

The financial problems appeared less acute for RNC (see Figure 3), which has more institutional-oriented donors than the DNC. Keep in mind, however, that the RNC needed to stretch their dollars further because congressional party fundraising was doing poorly. Overall, Figures 2 and 3 illustrate how party fortunes rise and fall depending on how their candidates participate in the presidential public funding system. When the candidates participate fully in the presidential system (both primaries and general) as the Democratic candidates did in 1992-2000, the political parties are the primary collectors of campaign money. When the Democratic nominee in 2004 (Kerry) chose not to accept matching funds, the party advantage was greatly diminished. When the party candidate opted out of public financing for both the primary and general election, the parties fell behind in raising money. A similar relationship occurs on the Republican side, except that in 2000 the RNC outpaced its nominee, George W. Bush, even though he was the first major party candidate to refuse public funds in the primaries.

[Insert Figures 2 and 3]

⁷ According to Karen Finney, Communications Director at the DNC, “We found ourselves in a cycle where our big donors would give closer to the cycle and not sort of throughout the years when certainly some – on some of the off years for some of the building. And I think part of the argument we made to people was

Expenditures: Party organizations and interest groups

The other institutional actors that rival party activity are interest groups. The data in Figure 4 include both party and interest group spending from 1992 through 2008, in constant 2008 dollars, for national, congressional and state organizations. Political spending has grown in real terms since 1992 for both parties and interest groups (the party trend is a zig-zag reflecting differences in spending in presidential and midterm elections). The gains for parties were most dramatic during pre-reform era. They increased spending by 83 % from 1992 to 1996 and 33% from 1996 to 2000. The rate of increase slowed considerably after BCRA (19% between 2000 and 2004, and 7% between 2004 and 2008), but the gains are still impressive given that parties could not raise soft money starting in 2004. Significantly, party spending dropped by about \$100 million between the 2004 and 2008 elections. Also, parties experienced a decline in spending of \$217 million between the 2002 and 2006 midterms.

In contrast, we observe steady growth of interest group expenditures, with large increases in both the 2000 and 2004 elections. In the post-reform 2004 elections, interest groups spent almost \$1.6 billion, which was approximately \$450 million more than they spent in 2000. Spending rose by \$118 million in 2008 (while party spending declined in real terms). Similarly, during the 2002 midterms, interest groups' spending jumped from \$1 billion in 2002 to almost \$1.5 billion in the 2006 elections. In the 2006 midterms, interest group spending surpassed party spending for the first time during the entire period since 1992. It is quite possible that interest groups had been spending more than

you've got to give in the off years because we've got to – we can't wait until the election is here. We've got to build a voter file, we've got to build ground troops, and we need resources to do that.” (Finney 2008)

party organizations prior to this election because the data include only media expenditures by 527s and 501(c) and not money such groups spend on overhead or voter contacts. (The PAC data, however, include *all* expenditures).

Overall, a financial comparison of party organizations and interest groups suggests a post-reform shift toward interest group spending at the expense of party organizational spending. To be sure, most interest groups that engage in campaign efforts – and not simply giving political contributions – are allied strongly with a party. Thus, it is plausible to argue, as many scholars do, that a significant portion of interest group spending is really “party” spending, because it reflects a coordinated (if parallel) effort to help the party and its candidates. On the other hand, citizens do not know who these non-party groups represent, particularly since these groups are likely to have a short shelf-life. Major groups from the 2004 elections, such as America Coming Together, have already melted away. The loss for the party system is that the party organizations are constantly making short-term strategic decisions based, in part, on changes to the campaign finance laws, and the strategic decisions made by partisans outside the formal party structure. Under these circumstances, it becomes more difficult for the party to consider long-term planning and institutionalize relationships with non-party groups. Moreover, it is not clear if such non-party groups will choose to ally themselves closely with the party when it is a foregone conclusion that one party will retain control over Congress, or when policy positions of the parties become less polarized.

[Insert Figure 4 here]

Party Media Spending

Have the campaign finance laws altered how the parties spend their funds? Data from the Federal Election Commission for itemized expenditures have not yet been released. However, data on political advertising can be collected from various sources. Table 2 shows that an increasing percentage of party budgets (national, congressional and state) is going to television media in the post-reform period.⁸ In the 2008 elections, media spending was 22% of total party spending, slightly down from 26% in 2004. But in 2000, the percentage of party spending was half -- just 13%. In midterms, the shift is dramatic as well. Party spending went from just 9% of total spending in 2002 to more 21% in 2006. The additional expenditures have taken the form of independent expenditures and hybrid advertising.

The underlying reasons for this shift are not entirely clear. A few explanations might be considered. First, it is possible that, without soft money, parties feel the best use of hard money is to invest in advertising through independent expenditures. Another possibility is that party fundraising for hard money occurs relatively late in the cycle, making advertising the most efficient use of spending at this point. But the increase in media spending leaves the question of what the parties' have chosen to trim back on. Have the national made their operations leaner with fewer staff? Or allowed allied interest groups to do more of the voter contacts? These questions should be explored when the data become available.

⁸ These data need to be verified and double-checked.

The strategic context of the 2008 presidential elections suggests that the RNC would spend more on media than the DNC. With McCain participating in public funding program, he needed additional television ad spending to compete with the Obama campaign. This is, in fact, what happened. The RNC spent about \$103.5 million in independent ads and hybrid ads in 2008 compared to less only 2 million television ads for the DNC. The Obama campaign indicated to the DNC that that the party should not run TV ads, because the candidate campaign wanted to control advertising.⁹ The Obama campaign also discouraged interest groups from advertising because the campaign had such an overpowering advantage over the McCain/RNC campaigns. The Republicans were completely swamped. As one RNC staff member put it,

We brought a knife to a gun fight and we had to do everything that we could do to maximize the resources we had. So the hybrid ads were one effective way. We had coordinated spending, we had independent expenditure spending and then we had the McCain campaign. So we had all of those, we tried to maximize them as effectively as possible. At the end of the day, we were overwhelmed by the number – just pure number of spots (Beeson 2008)

Even if the RNC could have matched the number Obama ads, the Republicans remained at a disadvantage because the RNC could not coordinate its ads with the McCain committee. Moreover, hybrid ads had to be crafted to include a broader party message that weakened its effect on voter impressions of the presidential race.

⁹ See the comments of Finney 2008

[Insert Table 1 here]

State Party Activity

What about the activities of state parties in federal elections? In previous elections, the national committees had become a source of financing for the state parties to engage in federal elections. Republicans had spent decades building up their state parties and traditionally outperformed their Democratic counterparts in financing elections. In 2008, in an historic turnaround, Democratic state parties actually did much better than Republican state parties. The 50 Democratic parties spent a total of \$272 million dollars compared to Republican parties which spent \$208 million combined.¹⁰ Howard Dean, chair of the DNC, apparently kept his promise to support the state parties. The national committees (mostly the DNC) sent \$116 million to state parties, or 43% of their total receipts. The amount and percentage reflects the same figures given to state parties before the BCRA.¹¹

Dean had luxury of not having to run advertisements for his presidential candidate, so he focused on state party efforts. In contrast, the RNC had to preserve as much money as possible to help the cash-strapped McCain campaign and congressional candidates. For this reason, the RNC could not support its state parties. And when it did give money to state parties, it concentrated funds in a few presidential battleground states. The median transfer from the RNC to the state parties was only \$50,000 – a significant decline from previous years. This figure suggests how much the Republican

¹⁰ The use of soft money through “Levin fund” was quite limited (need data here)

¹¹ None of these figures includes funds that transferred or used for issue ads prior to BCRA.

Party was engaged in a defensive strategy and practicing triage with its limited funds. In contrast, the DNC did, in fact, pursue Howard Dean's 50-state strategy. Its median contribution to state parties was \$415,000.

[Insert Table 2 here]

The DNC, with its state affiliates, attempted to build and implement an online mobilization tool called "Neighbor-to-Neighbor," or N2N, that would rival the Republican micro-targeting database built by the RNC in previous elections. (As with all campaigns, parties mimic the successes of their rivals.) The DNC technology – at a cost of almost \$12 million – allowed them to mobilize volunteers who would contact neighbors and citizens with shared experiences. The Democrats learned from Republicans that messages from trustworthy sources – friends, fellow union members, veterans – made a bigger impact on the prospective voter. The volunteers were provided with a script and were encouraged to tailor to the message was personal. Simultaneously, volunteers collected data about potential voters to be included in an updated database. The DNC claimed that more than 125,000 volunteers used N2N to make more than 6 million phone calls or personal visits to neighbors (Finney 2008). The Obama team was also contacting voters using their own lists.¹² The Republicans, of course, exploited their 183 million voter file as well. According to RNC staff, in the last 19 weeks of the campaign volunteers made 30 million contacts by door or phone (Beeson 2008). (Other

¹² Feeney (2008) claimed that the DNC database was merged with the Obama campaign database, but it is unclear how this came about.

papers delivered at this conference may hopefully tell the story of how successful these efforts were).

Conclusion

The data demonstrate that campaign finance rules matter. Institutional actors adapt to changes in the rules to pursue campaign goals. The national parties adapted after campaign reforms in 2002 by raising additional hard money and outsourcing activities to non-party groups.¹³ They have, simultaneously, been affected significantly by the demise of the public financing system. The ability of some presidential candidates to raise private funds that greatly exceeds the payout of public subsidies makes the party role in financing campaigns less imperative than during the 1990s. On the Democratic side, the Obama campaign proved so adept at fundraising and organization that one might wonder whether the DNC played any significant role at all in 2008. On the Republican side, the nominee John McCain accepted public funding, which made him very dependent on the RNC to run a parallel campaign. This analysis focused on the national committees, but additional work should focus on trends among the congressional parties to see whether campaign finance laws have affected the congressional party's ability to recruit candidates and support them.

¹³ The soft money ban has had implications beyond the immediate federal election, forcing the Republican Party to organize its redistricting efforts outside the party structure. Traditionally, the RNC centralized these efforts, relying on soft money to pay for lawyers, data and consultants. Democrats, however, have typically relied on nonparty 527 organizations, funded with their constellation of interest groups, to pursue their redistricting goals (Gonzalez 2009).

The framework applied in this study distinguishes between formal party organization and other institutional actors. To be sure, there is great merit in conceiving of parties as an extended network of interest groups, consultants and activists. But this analysis was guided by the premise that organizational boundaries matter, even if an ‘open systems’ approach can be helpful in specific political contexts. The configuration of campaign finance laws and the highly competitive electoral system have encouraged partisans to work outside the formal party structure toward mutual electoral goals. But this dynamic may be unique to the present era of electoral politics. An open systems approach should not obscure the fact that political motives and goals vary across organizational boundaries, even if institutional actors share a desire to help one particular party. To argue that one organizational form is as good as another is suggestive of a functionalism that can be analytically weak and fail to recognize mal-adaptive behaviors or those that produce socially undesirable outcomes. For this reason, party scholars should continue to assess the dynamics of campaign finance by isolating different aspects of political parties using both formal/closed and extended/open models of organizational behavior.

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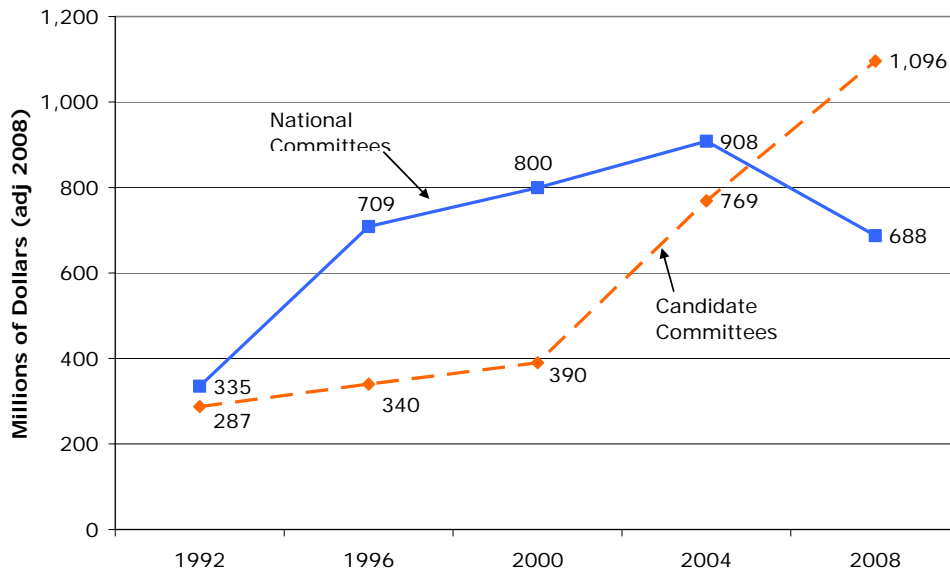
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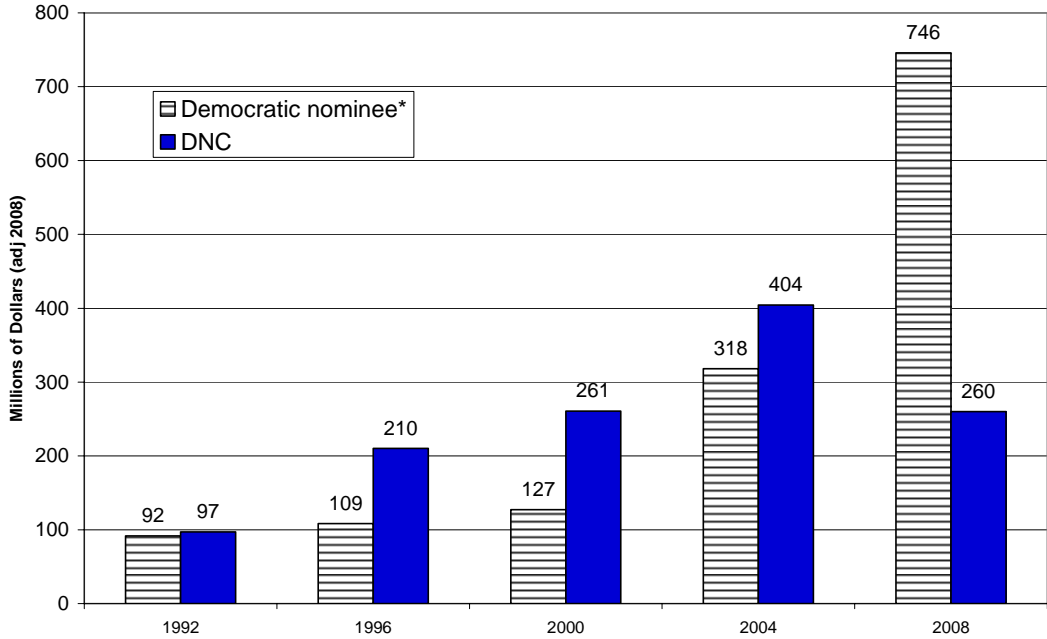
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**Figure 1. Presidential Campaign Receipts
Candidates and National Parties (RNC, DNC)
1992-2008**



**Figure 2. Democrats' Fundraising:
Presidential Nominee vs Party (DNC)**



**Figure 3. Republican Fundraising:
Presidential Nominee v. Party (RNC)**

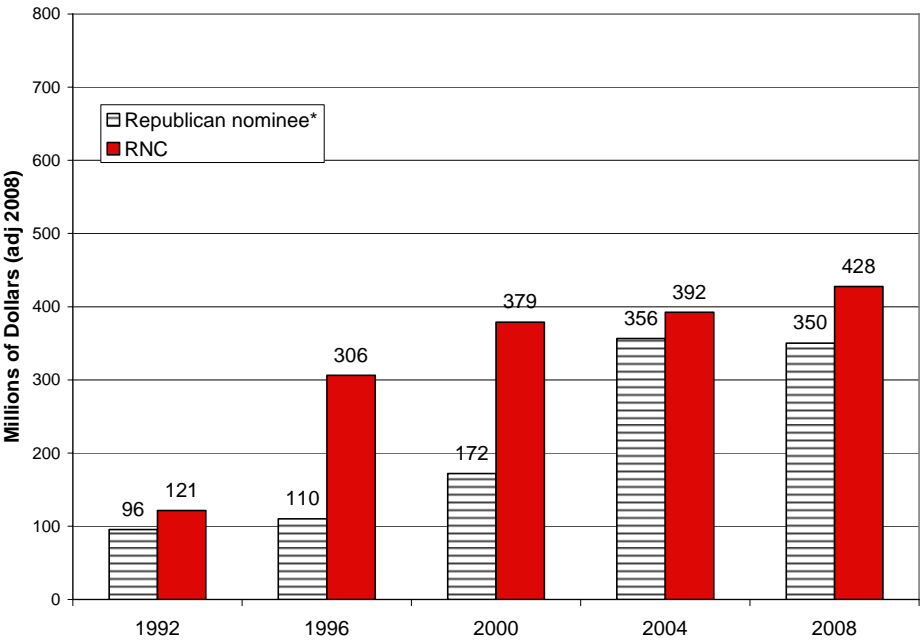


Figure 4. Political Spending: Parties & Interest Groups, 1992-2008

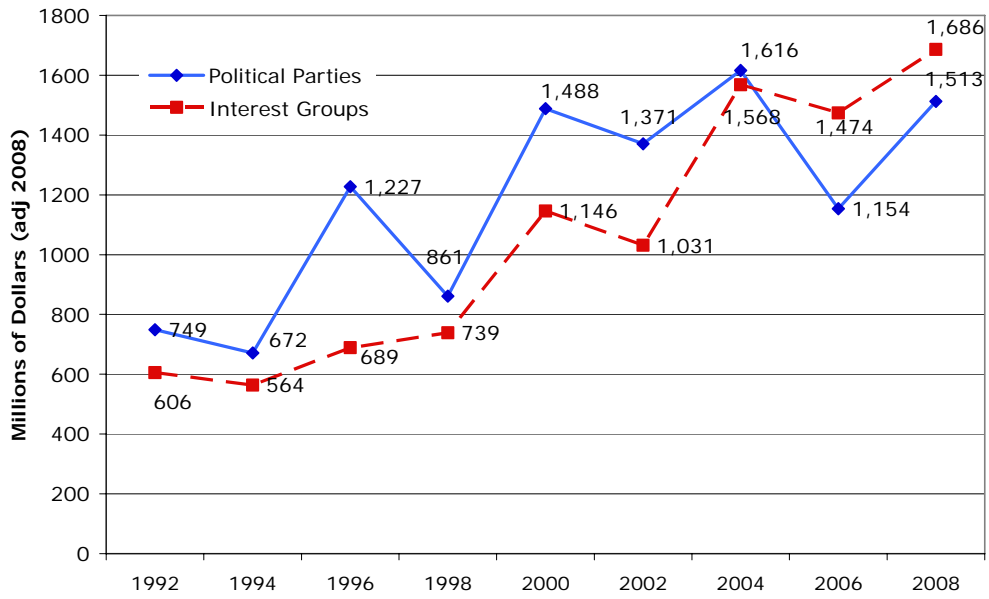


Table 1. Party Spending on TV Ads, 1992-2008

	1992	1994	1996	1998	2000	2002	2004	2006	2008
Party Spending on Ads	3	5	104	45	190	118	370	237	378
Other Spending	746	666	1,123	816	1,298	1,253	1,247	917	1,134
Total	749	672	1,227	861	1,488	1,371	1,616	1,154	1,513
% Ads	0%	1%	9%	5%	13%	9%	23%	21%	25%

Source:

Table 2. State Parties and National Party Support (adjusted 2008)

	1992	1996	2000	2004	2008
Republicans					
State Party Expenditures	63	101	184	224	208
Transfers from national	12	59	112	56	46
Median transfer	NA	0.878	1.383	0.511	0.050
% from national	20%	58%	61%	25%	22%
Democrats					
State Party Expenditures	78	109	238	200	272
Transfers from national	11	26	111	72	116
Median transfer	NA	0.784	0.509	0.174	0.415
% from national	14%	24%	47%	36%	43%

Note: does not include funds or transfers spent on issue ads