

UPDATE

A CAMPAIGN FINANCE "REFORM" THAT PROTECTS INCUMBENTS

(Updating *Backgrounder* No. 747, "A Conservative Agenda for Comprehensive Campaign Reform," January 22, 1990.)

Before heading home for their summer recess, the House and Senate on August 3 and August 1, respectively, passed separate "campaign finance reform" bills. If enacted, these will exacerbate the most serious shortcoming of present campaign finance laws: by favoring, even more than is now the case, the reelection of incumbent congressmen. The high rate of incumbent victories will only grow if either bill becomes law.

The paramount goal of any campaign finance reform should be to make congressional reelections more competitive. Reforms are needed that will help candidates raise and spend the funds necessary to challenge congressional incumbents, who enjoy a five to two fundraising advantage over challengers. Yet Congress, apparently devoted to preserving the electoral security of incumbents, continues to resist reforms that would level the playing field.

Congress last enacted a comprehensive campaign finance reform law in 1974. That year, 87.7 percent of House members who sought reelection won reelection. By 1988 it had become almost impossible for a House member seeking reelection to lose; that year, 98.5 percent were reelected. Now under the guise of limiting political action committee (PAC) influence, Congress has avoided the most necessary reform of helping challengers raise money. Instead Congress in August voted to force taxpayers to help fund incumbent reelections while making it difficult for the challenger to become as well-known as the incumbent. Congress's latest action would provide public funds to candidates who voluntarily limit campaign spending. If a candidate abides by the congressionally prescribed spending limits, he or she qualifies for public financing in the form of broadcast discounts, reduced postal rates, and other subsidies. The Senate bill would give additional public funds to candidates abiding by the spending limits who are opposed by candidates who exceed them.

Huge Incumbent Advantage. Congress's allegiance to spending limits and public financing is hardly surprising. The reason: these "reforms" even further boost the reelection prospects of incumbent congressmen. The reforms fail to address two critical realities faced by every American who seeks to run against an incumbent congressman: 1) congressmen already receive public financing exceeding \$1.5 million per election cycle in the form of franked mail, staff support, and other resources that increase their reelection prospects, and 2) campaign spending limits diminish electoral competition even more by limiting challengers' ability to spend the funds necessary to achieve name recognition with voters. Spending limits, of course, do not so severely restrict incumbents, who start each election with a huge advantage over challengers with name recognition generated by free media and the self-promoting taxpayer-sponsored "newsletters" mailed under the franking privilege. Thus, cam-

paign spending limits that apply equally to challengers and incumbents benefit incumbents. Even if a challenger could raise as much money as the incumbent, he could not become as well-known.

Challengers Need Help. Instead of further insulating incumbents from electoral competition, real campaign finance reform would counteract the built-in incumbent advantage that resulted from the 1974 round of campaign finance “reform.” One key element of such reform would be to enhance nonincumbents’ ability to raise the “table stakes” necessary to finance a credible challenge to incumbents. Example: Challengers in House races should be allowed to raise up to \$400,000 in contributions of any size. Although this does not approach the \$1.5 million in perks that a congressman can spend over a two-year term, it at least allows a challenger to raise enough money to begin a discussion of the issues and the incumbent’s record.

Congress’s action on campaign finance reform has been fueled by public outrage over the \$200 billion savings and loan scandal and other ethical lapses by Congress. Yet the measures passed by Congress do little to alter the system of influence-peddling that now dominates Washington. Instead, Congress is asking the American taxpayer to dig even deeper into his or her pocket to pay for public financing of campaigns. Senator Mitch McConnell, the Kentucky Republican, estimates that this could cost the taxpayers \$150 million the first year, and perhaps much more in later years.

Another Congress-passed reform that fails to address the underlying causes of congressional influence-peddling is that limiting political action committee (PAC) contributions. The Senate-passed campaign finance bill would ban PACs while the House bill would limit aggregate PAC contributions a candidate can accept. Proponents of this “reform” claim that it will clean up Congress by limiting the influence of private money on elections. Far from it. The reform simply will induce individuals who wish to influence elections to spend their money differently. If individuals or organizations with money are prohibited from contributing to political campaigns through PACs, for example, they will spend their money either as an independent expenditure or to support particular issues. Example: Anheuser-Busch Companies, Inc. this summer produced a national advertising campaign against increasing the tax on beer. In a district where one candidate favors the tax and the other opposes it, this permissible (and legally unlimited) expenditure could influence the election.

Learning From Past Lessons. The lesson Congress should have learned from its last attempt at campaign finance reform is that limiting funds that can be contributed to campaigns by individuals or groups does not lessen the influence of money in congressional elections. The reason: as long as individuals’ interests – particularly economic interests – are affected by government, individuals will attempt to influence government. Thus, if Congress attempts to limit one route of influencing elections, individuals with money simply will create new methods to protect their interests. The corrupt favoritism at the heart of the savings and loan scandal will not be eradicated by limiting campaign contributions but by limiting representatives’ ability to use big government to grant favors for friends and punish enemies. Such a reform, however, is beyond the scope of campaign finance laws.

If the goal of campaign finance reform is to reduce congressional influence-peddling, full public reporting of all campaign contributions is the only applicable reform. If, however, the goal of the reform is – as it should be – to inject fairness and competition in congressional elections, the spending limits and public financing measures passed by Congress in August are the antithesis of reform. Neither the House nor Senate bill shows any promise of bringing genuine reform to the Washington political system. If the House and Senate agree on a final version, George Bush should veto it.

Prepared for the Heritage Foundation by
Andrew J. Cowin
Director of Research
Washington Policy Group, Inc.