SERIOUS MONEY

FUNDRAISING AND CONTRIBUTING IN PRESIDENTIAL NOMINATION CAMPAIGNS

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1. Introduction

Robert Farmer, a major fundraiser for both Michael Dukakis and Bill Clinton, offered this blunt assessment of Paul Tsongas's decision to quit the 1992 presidential race: "People don't lose campaigns. They run out of money and can't get their planes in the air. That's the reality" *(Congressional Quarterly Weekly Report*, 1992). Although Tsongas himself may have had several reasons for dropping out, he highlighted finance as one of them: "If you have no resources to fight back with, you are defenseless in this business. . . . Michael Dukakis had the most money and could take out Dick Gephardt and everybody else, and Bill Clinton basically did the same thing" ("MacNeil/Lehrer Newshour" 1992).

There can be little doubt that money is important: in seven of the eight major-party presidential nomination contests that took place since the current financial rules of engagement went into effect in 1980, the eventual winner had the largest amount of cash in the bank on January 1 when the process started in earnest. Caution, of course, is warranted in assuming a causal connection here. Those who have the most cash reserves at the start of the process (or who eventually raise the most money) do so for a reason, and the political resources that enable candidates to win the nomination may also be those resources that enable them to raise large amounts of money and raise them early. Attractive, viable candidates tend to receive more money as well as more votes.

It is also wrong to assume that just because a candidate raises a lot of money he or she will do well. In 1988, Pat Robertson raised more than George Bush, and in 1980 John Connolly's single "twelve million dollar" delegate earned a permanent place in presidential nomination lore. Still, it is difficult to deny the importance of large and early cash reserves in the nomination process: the strong evidence is that they are a necessary, though certainly not sufficient, condition for victory.

The role of money in determining political success is a controversial one, and the relatively small number of candidates competing in any given presidential nomination campaign makes formal estimation of the effects of campaign money very difficult. Furthermore, studies have shown that losers often outspend winners in given contests, including presidential primaries. For example, on Super Tuesday in 1988, Robertson and Dole outspent a victorious Bush in several states, and Gore outspent a victorious Jackson in several others.[1] Bush's winning margin in southern Super Tuesday states was not associated with either his spending or that of his opponents (Norrander 1989). Later in the year, Jackson lost to Dukakis (while outspending him) in Ohio, Pennsylvania, and California.[2] To focus narrowly on whether money is decisive in helping a candidate surmount the hurdle of a given primary, however, is to ignore the larger role of money in a presidential nomination contest, which has many events spread over time, and where the ability to sustain an effort in the long run may be just as important as prevailing in any given single event. Hurdle power is very important, but so is staying power. Money arguably underwrites both.

The advantages of early money

The advantages of money, and especially *early* money, are widely recognized. First, the press uses fiscal solvency as an indicator of a candidate's chances of success (Paolino 1994), publicizes the financial assets of each candidate, and often uses early money to determine who is the "front-runner" before what John Kessel (1980) calls the "Initial Contests" give a clearer indication of who is really ahead. This was certainly the case in 1988 and 1992.

Money raised and spent early can itself enhance perceptions of viability before the real tests occur, and the image of viability, in turn, helps a candidate attract volunteers and additional contributions from those anxious to back a winner. Early money also begets more money through the federal match, and those who raise the most money can almost always expect to receive the most from the initial match, thereby widening the financial gap between themselves and those who raise less.

In addition, money buys access to the media, which enables less-well-known candidates to gain name recognition and deliver a message, especially in the early days of the process. Among relatively unknown candidates, money is essential to establishing an identity (Wilcox 1991). Money may not always be fully effective in overcoming the free media exposure of opposition candidates or in undercutting their support, but it does help relatively unknown candidates gain a wider audience.

In this respect, money is a crucial ingredient in "defining" a candidate for the voters. Candidates who have money can define themselves – and negatively define others as well. Those who lack money will be defined by those who have it. Tsongas put it well on the day he quit the race, even though this was not a comprehensive explanation of his decision to withdraw:

> What happened to us in the big states [with expensive media costs] was that we did not have the financial reserves that Bill Clinton did, so he could define me in his TV ads. . . . And since we had no capacity to respond to that, I was defined by someone else's ads.

Finally, early money is important in meeting early cash flow demands. Not only does it allow candidates to fund the initial contests in Iowa and New Hampshire adequately, it also gives them the luxury of starting early to build effective campaign organizations in states whose primaries and caucuses come shortly thereafter. For example, Walter Mondale in 1984 had organizations in place in most states long before Gary Hart came to national attention in the New Hampshire primary, and these helped Mondale to withstand Hart's challenge.

The need for sustained money

Although early money is especially important, maintaining a flow of sufficient funds throughout the season is equally crucial. Adequate resources have been important in meeting the enormous cash flow demands imposed by Super Tuesday and the primaries immediately following it, demands magnified by the intensity of the contest itself, with its premium on early wins and its widely acknowledged strategic imperative of knocking out the opposition quickly. The increased frontloading of the 1996 electoral calendar accentuates these demands.

The cash demands of February through April are so great that competitive candidates generally cannot raise money as fast as they need to spend it during this period, even if they are carefully selective in choosing events to contest. Gone are the days (if ever there were such) when a financially insecure candidate could parlay the momentum of early political successes into funds adequate to meet the cash flow requirements of midseason. This is especially true for less-well-known candidates. Electoral "bumps" from early victories are usually not fully matched by financial bumps, and perhaps less so now than ever.[3] This is all the more important because, according to Michael Malbin (looking at 1976–84), "Candidates spent their money much more quickly, proportionately, than delegates were chosen."[4]

A classic example was Gephardt in 1988, who failed to turn political momentum into cash, and, lacking cash, failed to sustain his political momentum. Although there is some dispute over whether the failure was in fundraising itself or in money management,[5] the bottom line was that he had a grossly inadequate cash position when he needed it. According to his campaign manager, William Carrick, "There wasn't enough time to collect the money bump" (Runkel 1989, p. 174). This was a crucial factor in the view of commentator Larry Eichel, who suggested that even though Gephardt had a budding populist constituency and momentum from his victory in Iowa, "What he did not have was money. Without it, he could not get his television commercials on the air in sufficient numbers to make an impact. And so, as the pace of the fight quickened, Gephardt became all but invisible. . . .With money, he could have been a contender; without it, he became a footnote" (Runkel 1989, p. 170).

Put simply: those candidates who can build large cash reserves, and who therefore have money available at those peak times when the demands for cash are greatest, have an enormous advantage over those whose financial base is less secure and less predictable. Furthermore, since candidate-attended events are an important source of money for many campaigns, staging them during the peak primary season puts serious burdens not only on scarce staff resources, but especially on the candidate's own time – the campaign's scarcest resource of all.

As shown by the examples of Bush and Dukakis in 1988, and Clinton in 1992, it is not necessary to have every penny in the bank by January 1. A campaign need only have a large cushion, so that it can proceed with confidence throughout the opening phases, raising money as it goes along to keep part of that cushion there. One obvious key is the ability to conserve the money raised early. Robertson, for example, lacked this key. He raised large sums of money before the season began, but much of this was plowed back into direct mail fund raising costs, and he was left with no reserve cushion when the season opened.

Money is crucial not only for the contests on the event calendar, but also for the ongoing national expenses of a campaign, including the costs of a national headquarters staff, the creative costs of advertising, and the candidate-support operation associated with the campaign on the road. Early money, followed by an adequate cash flow during the first few caucus and primary months, enables a campaign organization to perform its functions creatively and effectively. Medium-term planning becomes possible, and the various segments of the campaign organization can function with less debilitating zero-sum financial rivalry. As Anthony Corrado puts it, "Early money creates the opportunity to be pro-active."[6]

Moreover, the *appearance* of being able to maintain a first-class national campaign operation translates into media assessments of the campaign's chances. One of the surest signs a campaign is beginning to fail is when it begins to lay off staff: the press notices this instantly and trumpets it widely to the immediate disadvantage of the candidacy. Maintaining a steady cash flow to the national staff, therefore, can be almost as important as meeting peak demands from the states.

In addition, adequate cash reserves from early money can help candidates to survive serious setbacks and still continue their campaign. Candidacies frequently encounter reverses – an embarrassing revelation, a less-than-expected showing in a closely watched caucus or primary, a damaging misstatement, or a telling attack by an opponent. Such reverses can snowball politically, and can also lead to financial catastrophe, proving fatal to those candidates who lack the cash reserves to weather the storm (or lack strong sustaining political constituencies that are willing to ignore the lapse).

Virtually every candidacy will face some setback, and the ability to sustain, or even *regain*, momentum may be nearly as important strategically as the ability to create momentum in the first place. Political science has justifiably paid a good deal of attention to the concept of momentum (Bartels 1988; Aldrich 1980), but "staying power" is also important. Cash reserves can buy this staying power for a candidacy, enabling the candidate to endure periods of misfortune in a protracted and complex contest that strongly rewards the mere ability to outlast. As Corrado put it, "In 1984 with Mondale, we knew that as long as we could raise money and stay in the race we could wear Hart down. Because we had a strong financial base, we knew we had the resources to stay in the race."[7] And as Abramson, Aldrich, and Rhode observed, the winners in 1988 had the "best organized and best financed campaign organizations in their respective parties. . . . They had the resources to withstand defeats" (1990, p. 25). Clinton's financial base and his cash reserves certainly helped him survive the Gennifer Flowers scandal in 1992.

Finally, superior financial resources, often based on early money, bring with them enormous psychological advantages. When the candidate has to waste time begging for money instead of putting out a message; when the staff worries about layoffs, pay cuts, and missed paychecks; when excellent political opportunities have to be missed for lack of resources; when serious attacks cannot be countered for the same reason; and when there is a debilitating atmosphere of financial uncertainty hanging over the whole campaign – then morale suffers, and with it the entire effort. A financial cushion brings with it a fruitful sense of efficacy, mastery, and advantage: the campaign will go on; the message will get out. Money, especially early money, shortens the odds, and its sources therefore become a legitimate ground for political inquiry.

The little-studied role of the individual contributor

Where does this money come from? In presidential nomination finance, the generating source of almost all money is the individual contributor. Not only do individual contributions constitute the largest single portion of campaign receipts, but both federal matching funds and bank loans guaranteed by those funds are a direct function of individual contributions. Political Action Committees (PACs) do not play a central role in presidential nomination finance – in sharp contrast to the case of congressional campaign finance.

Since federal law limits the size of contributions to presidential nomination candidates to no more than $1,000, their campaigns, to be competitive, must receive contributions from tens of thousands of individuals. Massive fundraising efforts therefore characterize every major nomination campaign.

It is difficult to determine exactly how many individuals make contributions to presidential campaigns, since records are kept by contribution not by contributor, since many individuals make more than one contribution to a single candidate, and since many make contributions to more than one candidate. It is safe to say, however, that over a half million individuals made contributions totaling $143 million to presidential candidates during the 1988 nomination process, and more than a quarter million made contributions totaling $82 million during the 1992 process.[8]

Even though individuals dominate nomination finance, far more attention has been paid to the intermediaries (such as PACs and parties) that collect monies from individuals and distribute them to candidates (especially candidates for Congress) than to the individual contributors themselves. A voluminous literature has arisen on PACs, detailing their structure, decision making, and contribution behavior (Biersack, Herrnson, and Wilcox 1994; Clawson, Neustadtl, and Bearden 1986; Eismeier and Pollock 1986, 1988; Evans 1988; Gopoian 1984; Latus 1984; Sabato 1984; Sorauf 1984, 1988; Wilcox 1988a, 1988b, 1989a; Wright 1985).

Another large literature explores the role of political parties in collecting and distributing funds (Cotter, Gibson, Bibby, and Huckshorn 1984; Herrnson 1988, 1989; Jacobson 1980, 1986). Even a fair amount of attention has been paid to the candidates themselves, both as a source of funds to their own campaign (Wilcox 1988c) and as contributors to other candidates via their campaign committees or personal PACs (Corrado 1992; Wilcox 1989b; Wilcox and Genest 1991).

Despite this important literature on PACs and parties, little has been published about individual contributors based on systematic behavioral and attitudinal investigation. There are very important aggregate studies of individual contributors, most notably Alexander's quadrennial series (Alexander 1971, 1976, 1979, 1983; Alexander and Bauer 1991; Alexander and Corrado 1994). There are also good journalistic accounts of the role of contributors in campaign finance (e.g., Babcock and Morin 1992a, 1992b; Jackson 1988; Werth 1988), but surprisingly little research has been done on the methods of soliciting individual contributors, on contributor motivations, and especially on the interrelated decisions of contributors and campaigns.

Some scholars (Dunn 1965; Jones and Miller 1985; Sorauf 1988, 1992) have used data from the National Election Studies conducted by the Center for Political Studies at the University of Michigan to describe those who give money to political causes, and these studies have been fruitful. For example, Sorauf (1992) reported that political contributors in 1990 had higher levels of education, occupational prestige, and income than other Americans (and indeed than other party activists), and were more interested in politics than nonactivists. Jones and Miller (1985) found differences among those who gave to candidates, PACs, and party committees.

Others have indeed surveyed individuals who contributed to candidates, but most of the early studies focused on contributors to candidates in specific states (Berg, Eastland, and Jaffe 1981; Constantini and King 1982). In a later series of interesting studies, James Guth and John Green examined the political views of those who contributed to party committees and PACs, including PACs associated with presidential candidates (Guth and Green 1986, 1987, 1990, 1991; Green and Guth 1988; Green 1989). These authors explored the ideological and religious divisions among contributors, but they did not focus their research on the decision to contribute per se. Their work is therefore part of the larger literature on elite attitudes and behavior, but does not address directly questions of campaign finance.

Previous studies conducted in part by two of us (Brown, Hedges, and Powell 1980a, 1980b) examined the modes of participation, motivations, and ideological structure of contributors to presidential candidates in 1972, but these studies also focused on questions in the elite and political behavior literatures. Individual contributors remain the least studied element of the campaign finance system.

Serious money

This book is an attempt to fill the gap – at least partially. Our focus is on the individual contributor of what we call "serious money" – people whose contributions to a single candidate aggregate to at least $201 and are capped at $1,000. These individuals are considered by Congress to be sufficiently important to mandate publishing their names.

Contributors of serious money are an important group to study: well over half the money contributed in both 1988 and 1992 came from such individuals. In 1988, by our estimate, donors of serious money contributed more than 70% of the funds received from individuals by Bush, Dole, du Pont, Babbitt, Dukakis, Gephardt, and Gore. Since individual contributions are the generating source of almost all campaign funds, such contributors therefore played a sovereign role in the financial calculations of these seven candidates. In the case of Simon, contributors of serious money accounted for an estimated 58% of his total (from individuals), and in the case of Kemp, about 50% – still very important percentages.

Given the way Robertson compiled his Federal Election Commission (FEC) reports, it is more difficult to estimate the percentage of his money that was "serious." Richard Weinhold, who managed the Robertson direct mail effort in 1988, did indicate that a majority of contributors from Robertson's "1988 Team" eventually reached the $200 threshold.

Contributors of serious money played less of a role in the finances of Jackson, whose populist campaign was successful in raising large sums from numerous small contributors through churches as well as direct mail. We estimate that 21% of his total funds raised from individuals was serious money.

The same pattern held for 1992. More than 90% of Bush's funds, more than 80% of Clinton's, and more than 70% of Kerrey's were generated by donors of serious money. The percentages were less for Tsongas and Harkin, but still over half of their contributions came from this kind of donor. Only Buchanan (who raised about a third of his money from this source) and Brown (who refused to accept contributions over $100) based their campaigns primarily on successful efforts to mobilize small contributors.

Thus, although one of the main purposes of campaign finance reform legislation was to encourage candidates to concentrate more on small contributors in their fundraising activities, most candidates in 1988 and in 1992 based their campaigns primarily on serious money. Therefore, even though small contributors in the aggregate have a disproportionate impact on the bottom line through the federal match, contributors of serious money clearly play an essential and often dominant role in most nomination campaigns.

In this book, we examine these contributors of serious money, and especially the interrelated decisions by campaigns concerning whom to solicit, and by individuals concerning whether and to whom to give. Campaigns assess their resources and anticipate the decisions of potential contributors in deciding whom to solicit for contributions. Contributors then choose how to respond to each solicitation, and their decisions are influenced by their social and economic characteristics, their attitudes toward public questions, and their motivations for being involved in politics. To examine these decisions, we gathered information from several sources.

First, we conducted two surveys of presidential nomination contributors. Most of the data used in our analysis are based on a survey of 1,246 contributors of more than $200 to the 11 major 1988 presidential nomination candidates (Babbitt, Bush, Dole, du Pont, Dukakis, Gephardt, Gore, Jackson, Kemp, Robertson, and Simon).[9] The data were weighted to compensate for the increased likelihood of sampling a multiple contributor from the FEC list and also to reflect our estimate of the total distribution of contributors of serious money across the 11 candidates sampled.

The 1988 election was one of the best to study individual contributors to presidential candidates because it was the first in twenty years (and the first since the passage of the Federal Election Campaign Act) to be open in both parties, with each party fielding candidates who represented a wide range of ideological and constituency interests within that party.

We resurveyed our 1988 respondents after the end of the primary season in 1992.[10] Appendix I provides a description of each survey and the weighting schemes. Appendix II contains the survey items. Our purpose in this second survey was not to gather a representative sample of 1992 contributors, but rather to gather data that enable us to examine the decisions by campaigns in 1992 concerning whom to target, and the decisions by the contributors from 1988 concerning whether to give in 1992, and to whom. The 1988 data alone do not permit us to examine these decisions directly, for everyone in our survey was solicited and gave in 1988.

We make limited comparisons to an earlier survey of individual contributors of $100 or more to presidential candidates in 1972, the first year financial disclosure became law, and the last year before the current finance rules began to go into effect.[11] Given the rate of inflation, a $100 contribution in 1972 is roughly equivalent to a $200 contribution in 1988 or 1992.[12] Since the 1972 election predated federal financing of general election campaigns, the survey included contributors to both the nomination candidates and the general election candidates. For purposes of comparison, we therefore use for our analysis in this book a subsample of those who contributed during the preconvention season.

One important aspect of campaign finance is the decision by campaigns to target certain individuals for solicitation. The 1988 survey allowed us to profile the pool of individuals who regularly give to campaigns, a key factor in the targeting decisions made by campaign finance directors. The 1992 survey allowed us to examine the way the members of the 1988 pool were targeted by campaigns four years later. In order to gain a better understanding of targeting, we also conducted lengthy personal interviews with more than a dozen key campaign finance professionals from both parties who participated in the campaigns of 1988 and 1992. These interviews provided an in-depth, interpretative account of the decisions made by campaigns.

Finally, we rely upon aggregate data supplied by the FEC. These data are used primarily in the next chapter, where we trace the main contours of campaign finance activity from 1978 through 1992. This information provides one view of the ways campaigns respond to the rules that structure how contributions may be collected.

The structure of the argument

Since the decisions of potential individual campaign contributors have not been studied systematically before, there is not a well-established body of theory on which to build or a set of existing hypotheses to test. Although there is much excellent work on political participation, voting choice, public opinion, interest groups, and elites generally, theories in most cognate areas of study have been developed to answer questions other than those we wish to address.

Many authors in a wide variety of areas of political science have focused on the decisions of political actors (Arnold 1990; Clausen 1973; Fenno 1973, 1978; Kingdon 1981). Jacobson and Kernell (1981) serve as an exemplar, and others have built upon their work to study the decisions of campaign finance actors. In the rational actor framework, candidates and contributors are seen as responding to the political environment in order to achieve their goals.

We begin with the assumption that the dynamics of campaign finance center around two sets of decisions: the strategic decisions of campaigns to target potential contributors, and the personal decisions by those targeted to give or not to give.

Needless to say, these decisions are logically interrelated, since candidates will base their approach to potential donors on general assessments of why people give and on specific assessments of which people will actually give to their own campaigns. Furthermore, people's decisions to give will depend in part on which campaigns approach them and how the approaches are made. It is therefore important to examine the dynamics of campaign finance from both sides of the equation, and we attempt to do so in this book.

The starting point of our analysis, however, must be the campaign, since that is where the initiative lies. Very few people contribute without being asked; they give in response to a specific solicitation by a campaign (Sorauf 1992). How campaigns decide to raise money, therefore, is where our analysis must logically begin.

Campaign finance decisions, first of all, are shaped by two important constraints that each campaign must take as givens: the existing regulatory environment, and the existing pool of potential contributors. We therefore begin our analysis with a discussion of these two elements of the strategic environment.

The following chapter presents the regulatory environment within which campaign decisions are made – the rules of campaign finance and the apparent consequences of those rules as illustrated by aggregate FEC data for the years following their adoption. Since these rules were developed with reform objectives in mind, a discussion of the rules and their apparent implications cannot ignore reform objectives and the reform consequences of the rules. Our emphasis in Chapter 2, however, is on the strategic consequences of the rules in terms of how they shape campaign decisions.

Our data show that the vast majority of those who give to presidential nomination candidates in any particular election cycle have given at least occasionally in the past and are therefore part of an existing pool of potential contributors. Thus, the second constraint faced by a campaign is this pool of potential contributors – which constitutes the principal playing field upon which the finance game unfolds. Chapter 3 examines this pool. It begins by establishing the pool's existence and its stability over time, despite the changing constellations of candidates. We also discuss the dynamics of recruitment of members to the pool. Finally, to define the nature of this strategic playing field in more precise terms, we describe the demographic features, political activities, and motives of those who make it up, and how little these factors have changed over the last twenty years.

With the regulatory environment and the pool of contributors as constraints, campaigns must then decide how to approach potential donors, mostly in the existing pool, sometimes outside of it, to ask them for a contribution. There are several options available, but over time campaigns have decided to raise the bulk of their money through two basic methods of solicitation: direct mail and personal networking. In Chapter 4 we discuss in qualitative terms these two very important tools and the two very different fundraising cultures built around them. Then, using the results of our surveys, we explicate them quantitatively.

We also demonstrate in Chapter 4 that the two fundraising cultures do not exist merely as a result of technical developments in fundraising, but rather are grounded in the different underlying motives that contributors give for participating in politics. In showing this, we explore the very strong and interesting relationships between the way in which contributors were successfully approached in 1988, and their political motivations.

Given the rules, the pool of contributors, and the instruments for reaching them, campaigns must then decide whom to target and by what method of approach. In making such decisions, each campaign rationally must assess the political resources of its candidate and build a strategy to take maximum advantage of them. These resources are explored in Chapter 5. Although every candidate will have his or her own unique set of resources, we identify several types that were important in 1988 and probably will remain so in the future.

The first candidate resource analyzed is the ability to create or activate the financial networks within that candidate's home state. Sitting governors and some senators have this resource readily available to them; many representatives to a lesser extent do also. The larger the state and the more politically powerful the candidate, the more important this resource is.

In addition, some candidates have the resources to tap national networks of contributors who typically are best approached through personal contact. Although there are many kinds of such resources, we analyze three historically important ones that have been used successfully by recent candidates: traditional ties to national party activists, positions of congressional leadership, and social identity. These resources are mobilized largely by using the method of personal solicitation to activate parts of the contributing pool or to attract new members to the pool. This list is not exhaustive, but it does include the principal types of national networks mobilized in 1988 and 1992.

Finally, a very important resource is a candidate's ideological position, which enables a campaign to tap like-minded members of the existing pool or to recruit new members to the pool. This is a given resource in any campaign, although a candidate over time may have some limited flexibility in terms of positioning on the ideological spectrum. Candidates who are ideo-