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The Puzzle of Individual Giving

“A political movement and a change in the direction of government doesn’t happen overnight.” Thus did Ron Paul in 1988 explain his quixotic Libertarian campaign for president. Speaking at Faneuil Hall in Boston, Paul, an obstetrician and sometime member of Congress, told a crowd of hundreds that “We live in an age in which the ruthlessness of the tax collector is much worse than when Sam Adams came here to complain about the taxes of Mother England.” The assembled crowd loved it, but the rest of the electorate proved to be skeptical: Paul garnered little more than 430,000 votes nationwide – less than half of one percent of the total votes cast that year.

Two decades later, Paul ran for president again, this time in the Republican primary race. Paul’s views had changed little in the intervening years. He still advocated a return to the gold standard, a dramatic reduction in the size of government, drug legalization, and a withdrawal from foreign entanglements. This time, however, his support spread in a way that was spontaneous and only partly within the candidate’s control. In early fall 2007, Paul fans in internet chat rooms began buzzing about coordinating their contributions on November 5 to mark Guy Fawkes Day, the British holiday commemorating the famous Gunpowder Plot of 1605. A music promoter named Trevor Lyman – sympathetic to, but unaffiliated with, the campaign – became this idea’s chief advocate. Lyman bought the domain name “ThisNovember5th.com” and launched a website. Other Paul supporters spread word of the event through internet forums and conventional media outlets. When the big day came, the campaign’s website provided a real-time ticker indicating how much money had been raised. The result was over $4 million in contributions from over 37,000 different people over the course of a single day. A journalist at Politico.com gave the new phenomenon the clunky name “viral e-
Paul’s grassroots donors had a more colorful term: “money bomb.”

The next month, Lyman organized another money bomb, this time to mark the anniversary of the Boston Tea Party. As a result, the campaign set a one-day fundraising record, tallying up over $6 million. Paul, at first written off by the media as a fringe candidate who was not to be taken seriously, looked like a force to be reckoned with almost literally overnight. By the end of the primary campaign, his supporters had contributed over $34 million – more than twice as much as was raised by the more “mainstream” candidate Mike Huckabee. Although he lost to John McCain in the Republican primary race, Paul far exceeded the number of votes he received in the lonely days of 1988. After he returned to Congress he garnered more attention than ever, and was sometimes credited with inspiring the Tea Party Movement that emerged in 2009.

To mark the December 2007 money bomb, crowds of supporters tramped through the Boston snow to Faneuil Hall, where Ron Paul had spoken during the 1988 campaign, this time to hear a speech by his son, Rand Paul, who later won a Kentucky Senate seat. The cold weather did little to mute the crowd’s excitement. As one enthusiastic participant put it, “People are so engaged in this campaign because it’s coming from the grassroots.”

Paul’s campaign finance record proved it.

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In spring 2008, the Barack Obama campaign faced a choice. The Illinois senator had campaigned against his Democratic Party rival as an insurgent and a reformer. Hillary Clinton represented the old way of doing things in Washington, Obama had said in speeches and at debates, whereas Obama would set aside the stale battles of the 1990s and would move the country forward. Obama’s new ideas took many forms, from his promises to prioritize environmental protection and health care, to his commitment to invest in infrastructure and technology, to his determination to “close the revolving door between government and lobbying firms” (Obama for America 2008, p. 148).

One policy statement, made in response to a November 2007 questionnaire by the reformist Midwest Democracy Network (MDN), received little attention at the time, perhaps because it seemed so in keeping with the standard repertoire of a candidate running at the head of a reform coalition within the Democratic Party. “If you are nominated for President in 2008,” the MDN asked, “and your major opponents
agree to forgo private funding in the general election campaign, will you participate in the presidential public financing system? 

The presidential public funding system, which dates back to reforms enacted in the 1970s, seeks to keep most private money out of modern presidential campaigns by offering qualifying candidates government matching funds in primary races and (separately) a lump-sum payment to fund the general election. The subsidies are optional, however – candidates who accept the money must also agree to abide by strict spending limits. In the early years of the system’s existence, candidates saw little downside to accepting this bargain. But after several decades, a growing number of presidential hopefuls concluded that the costs of modern campaigning had outstripped the resources available from public funding. By the 2008 cycle, most serious candidates declined to accept matching funds in the primaries because of the onerous state-by-state spending limits with which they would have to comply. But no nominee of a major party had ever refused the lump sum payment for the fall campaign.

It was therefore probably a simple decision for the Obama campaign to answer the MDN in the affirmative back in 2007, promising to accept the lump sum payment if Obama won the nomination. After all, it fit with the campaign’s reformist self-image. “Yes,” replied Obama to the public financing question. “I have been a long-time advocate for public financing of campaigns combined with free television and radio time as a way to reduce the influence of moneyed special interests.” Furthermore, “If I am the Democratic nominee, I will aggressively pursue an agreement with the Republican nominee to preserve a publicly financed general election.”

That was in November 2007. But then something unexpected happened: the Obama campaign turned out to be good at raising money on its own. Exceptionally good. Month after month, the Obama fundraising effort bested Hillary Clinton in dollar amounts – Hillary Clinton, who had at her disposal a network of elite fundraisers that she and her husband had cultivated for nearly two decades. Wealthy fundraisers played a significant role in the Obama effort as well, which was no surprise. No major presidential campaign effort can survive without them. What was startling, however, was the extent to which small individual contributions poured into the campaign. Each new milestone – positive and negative alike – seemed to stoke the fires further. After Obama won the Iowa Caucuses, $6 million flowed into the campaign website by the next morning, (Plouffe 2010, p. 140). After Obama lost the New Hampshire primary to Clinton, undaunted online contributors handed him his best 24 hours of fundraising yet (Plouffe
By June 2008 (as FEC data show), the Obama campaign had raised far more than any previous presidential campaign: $366 million. To put that amount in perspective, the highest spending previous primary campaign was that of George W. Bush in 2004. Bush had fallen short of Obama’s total by nearly $100 million.\textsuperscript{13}

Now, with the primary season behind them, Obama and his staff had to decide whether to abide by the previous year’s idealistic pledge. The lump sum public funding payment for the fall campaign would be $85 million. Obama’s fundraisers were confident that if the campaign opted out, they could raise two or three times that much. Furthermore, if the campaign accepted public funding, many private donors would give instead to the Democratic Party, a separate organization that might not spend these funds in a way that harmonized well with the campaign (Plouffe 2010).

A cynic would say that self interest beat out principle: On June 19, the campaign announced that it would forego the matching funds and raise money privately for the general election. The Republican presumptive nominee, John McCain (a reformer himself), announced that he would take the funds, and proceeded to lambast Obama for breaking his word.

Obama argued, however, that he had not abandoned his reformist orientation. Focusing on the smallest contributions, the candidate argued that his campaign itself represented a reform of sorts. Addressing his supporters, he said, “Instead of forcing us to rely on millions from Washington lobbyists and special interest PACs, you’ve fueled this campaign with donations of $5, $10, $20, whatever you can afford. And because you did, we’ve built a grassroots movement of over 1.5 million Americans. …You’ve already changed the way campaigns are funded because you know that’s the only way we can truly change how Washington works.”\textsuperscript{14} In another statement, Obama even likened his small contributor base to a “parallel public financing system.”\textsuperscript{15} Chief strategist David Axelrod explained: “The campaign finance system was constructed in order to reduce the influence of large donations…Here it’s happening naturally; people are sending $5, $10, $25, $100 contributions.”\textsuperscript{16} The reform goal had not changed, the campaign argued – it was the nature of the reform that had evolved in an unexpected way.

Why did so many people contribute to the Ron Paul and Barack Obama presidential campaigns? More broadly, what motivates those who give money to campaigns and causes? Has the number of small contributors
increased over time, as Obama implied in his explanation for rejecting public funds? How does the campaign finance environment affect – and reflect – the political environment in the United States? In this book, I explore these questions using historical documents, interviews with fundraising professionals, campaign finance data, and public opinion surveys.

Previous works of scholarship and public policy have not answered these important questions. If the Ron Paul and Barack Obama examples are any indication, something new may be happening in the campaign finance world that has not been addressed by those who studied the system in the 1980s or 1990s. Most mass-market books on the campaign finance system focus on the relationship between special interests and elected officials (usually members of Congress), arguing that a corrupt collusion has given Americans “The Best Congress Money Can Buy” or a “Hostile Takeover” by special interests (Stern 1988, Sirota 2006). Scholarship in political science and economics, while reaching less alarming conclusions, has focused on similar questions regarding the relationships between contributors and elected officials. What effects do contributions from special interests have on the policy-making process? What do interested parties receive in exchange for their contributions? How likely is a politician to shift his or her policy stance in response to a hefty contribution?

Although the issues raised by these questions are important, I focus here on equally important, but more often neglected questions. My focus stems from two key points. First, contributions from special interests are by no means the only source of campaign funds in the United States. Individual contributions – not contributions from corporate Political Action Committees (PACs) – are the main source of funds for congressional candidates, parties, and presidential candidates alike. Some of these individuals may represent special interests. But many may not. We would probably not call the millions of Ron Paul and Barack Obama contributors “special interests,” yet these contributors – and others like them – were vitally important in shaping the 2008 and 2012 presidential races.

Second, raising money for political campaigns and causes is hard work. Contributors do not simply come knocking on the candidate’s door (in most cases). As any finance director on a congressional campaign understands, it takes a tremendous amount of effort to generate the funds necessary to run for office – whether it be for a state legislative seat or the presidency. Contrary to some popular misconceptions, money does not simply show up at the doorstep. Decades ago, when campaigns were nowhere near as expensive as they
are today, Hubert Humphrey famously called fundraising a “disgusting, degrading, demeaning experience” (Adamany & Agree 1975, p. 8). If politicians simply had to hold court and wait for the money to roll in, it would not be so bad.

In the remainder of this chapter, I lay the foundation for the rest of the book by developing these two points. Individual contributions are important in U.S. political campaigns, and they are growing more numerous. This phenomenon is an especially puzzling one because many individuals appear to have no obvious incentives to donate. This lack of clear reasons to give explains why campaigns often have to work so hard to raise money. Next, I introduce a theoretical framework first suggested by the political scientists Peter Clark and James Q. Wilson to offer a useful preliminary understanding of why people may contribute to political campaigns and causes. Finally, I provide a brief outline of the rest of the book.

How Many Contributors?

In 2008 candidates for federal office (president, Senate, and House of Representatives) raised about $3.2 billion, according to data available at the Federal Election Commission, and more than two-thirds of this amount came from individuals. In the 2010 congressional races, held during a time of high unemployment and economic stagnation, candidates raised fully $2.1 billion – $1.2 billion (or about 60 percent) from individuals. When the final numbers for the 2012 cycle are tallied, the amounts raised will undoubtedly top $4 billion, again mostly donated by individual contributors – even in a time of economic hardship and slow GDP growth. Despite all the attention given to contributions from corporate, labor, and interest group PACs, it is difficult to escape the conclusion that, as one group of political scientists put it, “individuals, rather than organizations, are by far the most important source of campaign funds” (Ansolabehere, de Figuerido & Snyder 2003, p. 109).

Not only do individuals make up the majority of contributors to political campaigns, but their number has been increasing in recent years. To be sure, nowhere near a majority of Americans gives money to candidates for office. But while as little as seven percent told pollsters they donated money to politics in the early 1990s, by 2008 this figure had nearly doubled, to almost 13 percent, as Figure 1.1 shows. By comparison, only nine percent said they had attended a political meeting, and only four percent claimed to have worked to support a candidate or cause. Aside from voting, therefore, contributing money is
one of the primary ways in which Americans participate in politics. If we extrapolate from these survey-based figures, nearly 28 million Americans were campaign contributors in 2008. Even if there is an over-reporting rate of around 20 percent, as there tends to be for voter turnout, for example, this works out to more than 22 million contributors. This is a number larger than the entire population of Florida. For decades, political scientists have examined the question of why people vote; the question of why people contribute is important enough to deserve similar scrutiny.

The Nature of the Puzzle

Many readers might be skeptical that there is any mystery to the question of why people give money to politics. People give to candidates and groups because they believe in the causes with which
candidates and groups associate themselves. Contributors simply want to improve the chances that their preferred candidates or causes will succeed. Indeed, if you approached a typical “person on the street” and asked her why people contribute, this is very likely to be the answer that you would receive.

As with many first attempts at a scholarly understanding of a common phenomenon, the first political scientists to study the question of why individuals engage in political activity came to conclusions quite similar to this conventional wisdom. David Truman, a political scientist at Columbia University (and later the president of Mount Holyoke College), developed such a point of view in his classic 1951 book, *The Governmental Process*. Although Truman’s work concerns the question of why people join and contribute to political groups, his analysis is instructive for the question of campaign contributions, since this, too, can represent a form of group affiliation. My contribution to a campaign makes me a member of the overall campaign effort. Modern campaigns recognize this by congratulating contributors for joining the “team.”

Drawing in part on previous work by Arthur Bentley, Truman reasoned that groups (or, as we might put it today, “interest groups”) were centrally important to politics because they were the main way in which people made an impact on the policy-making process. Groups were characterized by people who had common interests – in lower taxes, greater spending on social services, the opening up of more public lands to rock climbing, or whatever. Many groups – perhaps even most groups – were “latent” – they were inactive because their interests were not directly at stake in current political debates. When issues arose in politics that concerned group interests, however, groups became “manifest” – they leaped into action to defend their goals. The overall governmental process, therefore, was one in which groups with competing interests fought their battles in the arena of public policy-making institutions. The result was that policy outcomes were basically fair – they took into account the interests of all relevant groups.

This simple and compelling argument about group organization has obvious implications for our understanding of campaign finance. Truman’s answer to the question of why people contribute to candidates would be that a political contribution represents an individual’s decision to change a latent group affiliation into a manifest one. When people see their interests as being threatened, or when they see an opportunity to advance their interests, they take action to support the group’s political goals. This action could include joining a membership association, but very often in our modern society, political action takes the form of monetary contributions. A group that advocates a particular policy is an
obvious potential beneficiary of such contributions, but candidates and parties that promise to promote the same policy might be equally likely to win the support of interested contributors.

This account makes intuitive sense – our person on the street would no doubt agree with it wholeheartedly. It also seems to explain some of the phenomena we see in the world of contributions. The most obvious examples concern cases in which apparent threats to group interests suddenly appear. In 2011, for example, when Indiana Governor Mitch Daniels signed a bill ending state funding of Planned Parenthood because of the organization’s abortion services, donations to Planned Parenthood surged.19 After Florida Governor Charlie Crist embraced the Obama Administration’s economic stimulus package funds, his more conservative opponent in the Republican Senate primary, Marco Rubio, amassed a quick $3.6 million in individual gifts.20 And after the Supreme Court ruled the Obama health care bill constitutional in 2012, contributions to Republican presidential candidate Mitt Romney and to the Democratic Congressional Campaign Committee skyrocketed.21

These kinds of giving patterns might indeed be interpreted in terms of contributors who wish to improve the chances that their views will prevail in the public sphere. But if one thinks a bit more carefully about what it would take to affect the outcome of a policy making process, as a generation of political scientists beginning with Mancur Olson did, this view of the world seems incomplete. Olson pointed out that public policy preferences concern collective goods – goods that apply to all members of a relevant group, and that cannot be denied to anyone if the good is provided at all. In most such cases, Olson reasoned, individuals would see that their own contributions would have little effect on the outcome, and would rationally decline to contribute to a collective good’s provision.

Consider the following thought experiment. Would you prefer that the sides of roads and the parks near where you live be free of litter? Of course you would – like most people, you probably place value on the aesthetics of your surroundings, and you also may object in principle to the pollution of the natural environment. Now, think of the last time you have cleaned up some litter on the side of the road or in a public park. When was that? Perhaps, like many people, you have no time to spend on such tasks due to work, family, school, or other obligations. In that case, when was the last time you paid $25 into a fund designated for cleanup?

Olson would not fault you if you sheepishly answered “never” to both of those questions. In fact, he would see it as a rational response to a situation involving a collective good (outdoor green space). Note that
Truman would have expected you to leap into action: if your interests are at stake, you get involved. Olson, on the other hand, would expect you to give only under very rare circumstances. If your contribution makes the difference between provision and non-provision of the good – between whether litter is cleaned up or whether it is left to accumulate – then Olson expects a rational individual to chip in. Absent such unique circumstances, you’ll keep your money.

Herein lies the crux of the puzzle: the election of one’s preferred candidate or the enactment of one’s preferred policy is a collective good, just like green space in the example above. So, considering the fact that an individual contribution to a political campaign is unlikely to be the deciding factor in an election, why should anyone donate money to a candidate or cause? To be sure, we could imagine a circumstance in which an individual contribution would be decisive – insurance magnate W. Clement Stone contributed over $2 million to Richard Nixon’s 1972 reelection effort, for example – the equivalent of over $11 million in today’s dollars (Alexander 1976, 73). This amount might very well have had the potential to affect the outcome of the race, although the 1972 campaign could have been decided by any number of factors. But modern campaign finance rules would appear to preclude instances of such decisiveness. Current law limits individual contributors to (as of 2012) a $2,500 contribution to a primary campaign and a $2,500 contribution to a general election campaign. A typical victorious House race costs $1 million; a winning Senate race $5 million; and presidential races cost hundreds of millions of dollars. In light of such costly campaigns, $5,000 seems like a paltry sum – hardly enough to make or break a candidate’s chances.22

Furthermore, the vast majority of individual contributions never approach this maximum amount. The Federal Election Commission does not require candidates to itemize contributions below $200, so the average contribution level is impossible to know with precision. Still, candidates for Congress report raising nearly a quarter of their funds from individuals in amounts less than $200. Fully 43 percent of money raised from individuals comes from donations of less than $750.23 The 2008 Obama presidential campaign estimated its average contribution as being under $100 (Plouffe 2010, 261). No single one of these small contributions could realistically be said to have a chance at affecting the outcome of an election. It does not make sense for people to contribute if changing the outcome of the election is their goal.

It is important to stress that this logic applies even if (potential) contributors are strong supporters of a candidate or cause. No matter how strongly you feel about something, your estimate of the probability
that your contribution will be decisive will be tiny. Just as a proponent
of clean parks and litter-free streets might rationally presume his or her
contribution will have no impact on the overall condition of parks and
streets, a candidate’s supporters should rationally make a similar
estimation regarding a campaign contribution. Candidates, parties, and
interest groups all face a collective action problem: their supporters have
little incentive to contribute to their ‘victory funds.’ So how is it possible
to mobilize people into politics when they have no obvious incentive to
get involved?

Much of the political science literature on interest groups has
focused on strategies that interest group leaders have used to goad
people into participation (e.g. Moe 1980). Candidates for office also
often employ similar techniques. One common practice, for example, is
for leaders and candidates to exaggerate the ‘decisiveness’ of each
contribution. The micro-lending website Kiva has done extraordinarily
well at linking each contribution to a “decisive” effect on an individual
or small group in a developing country. Here is an account of one
prospective loan recipient featured on Kiva’s website:

María is 26 years old; she is married and has a child. She works selling
products, in a food stall…. She buys the products she needs in a city in
the eastern side of the country that is about fifteen minutes away from
her house, by car. [She is requesting a loan to] buy another food stall,
and she wants to supply it with candy, beverages, fast food, etc. to
generate more income since the first food stall produced good profits.
… This will allow her to earn a higher income, to provide her child
with an education and for the new member of the family who will be
born soon.”

After reading this account, a potential contributor is likely to believe
that his or her contribution will make a real difference in this person’s
life. Campaigns have a tougher job of making each contribution seem
decisive, but that does not stop them from trying. As each election cycle
develops, voters receive emails, letters, and flyers implying that the race
hangs by a thread and that just one more contribution could help win the
day. A July 2012 email from the Romney campaign to his supporters
declares:

There are 100 days left until Election Day. To defeat Barack Obama,
his liberal allies and their reelection machine in November, every day
and every donation will count. Donate $100 today - one dollar for each
day remaining - and together we can take back the White House in
November, make Barack Obama a one-term president, and defeat his liberal allies.25

An Obama campaign email sent at about the same time delivers an urgent message as well:

Don’t let anyone persuade you that this is a sure thing: our opponents have almost unlimited resources at their disposal, and we already know they’ll outspend us by a good amount. What we do now decides the headlines on November 7th. We’re facing a huge fundraising deadline. Please donate now, and have a hand in the outcome of this election.26

The scholarly work focused on the efforts of campaigns and interest groups to attract supporters has generated many valuable insights, some of which I explore in later sections of this book. But to focus the question on what successful interest group leaders do elides the key question of why individuals decide to do what they do. To credit the ‘exaggerated decisiveness’ leadership strategy, for instance, is to suggest that contributors give to campaigns and causes because they are being systematically deceived. This may be so, but it is a claim that needs to be tested empirically. Successful and unsuccessful leadership strategies provide some important clues as to why individuals donate, but they are no substitute for a direct answer to this question.

Another possible way of spurring potential contributors’ participation is to appeal to their self-interest by coercing them or bribing them. There is no shortage of examples of such tactics in U.S. history and in other electoral systems around the world. In “union shop” states, employees who wish to work in certain industries must join unions. In machine politics systems of the past, political campaigns provided so-called “walking around money” to campaign activists who in turn paid voters for their trouble. But most of these avenues are closed to political actors these days, at least in the United States. Although outright bribery and hard-nosed coercion may sometimes be present, their perpetrators usually risk prosecution, so the incidence of such behavior is likely to be too low to explain the large number of individual campaign contributions that we observe in modern campaigns.

Political scientists Peter Clark and James Q. Wilson, in a classic article (Clark and Wilson 1961), proposed a framework for understanding why individuals might see it as being in their self interest to join or support groups, despite the lack of apparent incentives to do so. Wilson expanded on this theory later in a well-known book (Wilson 1995 [1974]). I will delve more deeply into Wilson’s ideas in the next
chapter, but Wilson’s main point was that potential contributors needed so-called “selective incentives” in order to make it worth their while. Such incentives operated with a softer touch than traditional bribery or coercion, but did make it worthwhile for donors to take action, or punished them for non-action. To be effective, these incentives should apply to contributors, but not to non contributors, ensuring that a collective good is in some sense linked to a private good. People have clear incentives to pursue private goods – they do so every time they go to the grocery store. So if campaigns and causes can offer private goods of some kind in connection with their campaigns, they may be able to rationalize the irrational.

Wilson’s insight was that these incentives might not be as obvious as casual observers would think. There are three general types of selective incentives, Wilson argued. First, material incentives could include bribes, but might also include more minor tangible rewards to participation. Members of the American Automobile Association get a magazine and hotel discounts, for example. Membership in the AARP provides access to cheap insurance. Material incentives such as these can tip the balance in a potential donor’s calculations, and make it much more likely for him or her to contribute.

Even more subtle are two other types of selective incentives. A second type, “solidary” incentives (a term reminiscent of the ‘solidarity’ one feels with other like-minded people) are the benefits conferred from associating with people with whom one wants to associate. For some, this might mean the ability to hang out with dignitaries or other notables. No doubt this rationale is behind the common practice of the “dinner fundraiser,” at which contributors gather to eat and mingle with the candidate and his or her associates. Solidary incentives can also be powerful motivators for members of a group that sees itself as outnumbered or besieged in some way. When Howard Dean supporters began organizing “MeetUps” (using the newly-founded website of the same name) in 2003 near the height of the George W. Bush administration’s popularity, liberal participants were exhilarated to meet others who swam against the tide. When conservative organizers staged Tea Party rallies in 2009, foes of the Obama administration felt the same way. “Sometimes you don’t know how many people you know until you come down here,” one activist at a national Tea Party event told a reporter. “We have friends now across the country. It’s amazing” (Zernike 2010, p. 122). Social benefits, while difficult to quantify, are nonetheless real, and may provide a partial explanation of why some people contribute to candidates or causes, despite Olson’s free rider problem.
Third, Wilson outlined a type of incentive he called “purposive.” By this, he meant that some people contribute to a cause because they would feel worse about themselves if they did nothing. Note that this is not the same thing as supporting a candidate or cause because one wants to affect the outcome. For a purposive incentive to work, a person must feel bad about him or herself if he or she does not make a contribution. It is the difference between “I prefer clean parks” and “I’m a bad person if I don’t help the parks.” Another way to think about it would be to see a purposive incentive wherever it is possible for a person to say “no matter what the outcome of this election (or of this policy debate), I will feel happier having contributed than not having contributed.” National Public Radio’s fundraising drives frequently target this type of incentive.27 Martin Luther King, Jr. also did so when he argued that “We will have to repent in this generation not merely for the vitriolic words and actions of the bad people, but for the appalling silence of the good people.”28 What self-identified “good person” could hear such a call and fail to feel guilty at his or her own inaction?

While solidary incentives are difficult to quantify, purposive incentives would seem nearly impossible to identify clearly for any large number of people. Furthermore, can it be possible that this category could lead to millions of Americans not just joining groups, voting, or taking part in other minimally-demanding forms of participation, but spending money on something that promises no tangible return?

Olson’s puzzle and Wilson’s framework of incentives shows us that the job of the campaign fundraiser is more difficult and complex than it would appear at first glance. Contrary to what David Truman argued, and to what most people would assume at first blush, it is a surprise that anyone contributes money to political campaigns. That enough people do so to sustain the current campaign finance system is nothing short of astonishing.

As Wilson suggested, part of the reason that campaigns are able to collect funds is that they do their best to make such contributions attractive to potential donors. In other words, they offer selective incentives. Just as interest group strategies differ from group to group, different campaigns are likely to offer different combinations of selective incentives. Similarly, different prospective contributors may respond to different selective incentives. The combination of the “demand side” strategies of political campaigns and the “supply side” characteristics of prospective contributors produces the complex campaign finance system that we have today, and guides the inquiry in the rest of this book.
Preview of the Book

The remainder of this book examines the puzzle of individual political giving in more detail. It is a particularly important puzzle to be dealing with at the current moment in American politics for several reasons. First, the number of individual contributors has been rising, as I pointed out at the beginning of this introduction. This suggests that for some reason, campaign contributions have become a more attractive option for an increasing number of Americans. We would be wise to pay attention to this growing form of political engagement.

Second, this increase may also have something to tell us about the way in which politics can interact with – and be changed by – the surrounding context. It is difficult to observe the rising trend in contributing in the early 21st century and not connect it to the rise of the internet. Indeed, the Ron Paul and Barack Obama campaigns would have found it much more difficult to achieve what they did in the absence of online contributing. Further innovations such as the Federal Election Commission’s 2012 decision to allow political contributions via text message seem likely to make contributions easier still. Has new technology fundamentally changed Americans’ relationship with politics? Or does the new technology simply represent the natural extension of previously-existing trends?

Third, it is important to examine the role of individual contributions in the particularly polarized political environment in modern U.S. politics. Political scientists have thoroughly documented the current polarization among politicians and political activists, and many have also puzzled over whether this polarization is reflected in the mass electorate (Fiorina 2011; Levendusky 2009; McCarty, Poole & Rosenthal 2006). If voters remain moderate while politicians polarize, as some have claimed, there are serious implications for the quality of representation in the U.S. Like those who study polarization, scholars who study campaign finance are often fundamentally concerned with issues of representation. At the extreme, if a politician ignores his or her constituents in favor of doing the bidding of a wealthy donor, representation would appear to have failed. Political scientists have studied the representation question as concerns special interest groups such as Political Action Committees. But what are the implications of the large and growing number of individual contributions for representation?

Some analysts – echoing the 2008 Obama campaign – argue that increasing the number of small individual contributions will improve representation by making the typical contributor more similar to the
typical voter. As *American Prospect* author Mark Schmitt put it, “Such a broad and diverse base of donors and the astonishing percentage of small donors [in the 2008 campaigns]… have to significantly alleviate concerns about corruption resulting from the leverage that any individual donor, group of donors, or major fundraiser would hold.” Accordingly, writes Schmitt, campaign finance reforms should “create every incentive for small donors to participate and for candidates and parties to seek small donors.”

Others argue, however, that a system that favors small contributions would exacerbate problems of representation. Former FEC Chairman Bradley Smith observes that “In many cases, those candidates who are best able to raise campaign dollars in small contributions are those who are most emphatically out of the mainstream of their time.” After all, Ron Paul seemed far from the mainstream during his first campaign in 1988, but won the support of thousands of small contributors two decades later, when technology made it easier to reach out to small contributors. Smith argues that fringe candidates can succeed with small contributors because “collective action problems may be overcome in some instances by a radical campaign in which donors are motivated by strong ideologies” (Smith 2001, 46-47). Purposive incentives, in other words, encourage candidates to appeal to a radical minority. If Smith is right, a rising tide of small contributions could make the system less representative rather than more so.

The remainder of this book will shed light on these important issues in the context of the modern campaign finance environment. In Chapter 2 I delve more deeply into academic theories about why people might contribute to candidates or causes. The simple framework that James Q. Wilson proposed has been developed, modified and altered in different ways by political scientists, economists, psychologists, and sociologists. Each tradition has valuable insights to add to the puzzle, and a review of this literature leads to a concrete series of expectations about what we should find in data on individual contributions. Crucially, not all of these expectations are compatible with one another, but their specificity allows scholars to test them with existing data.

In Chapters 3 and 4, I review the modern campaign finance landscape, beginning with a brief history of fundraising in the United States, and discussing 30 years’ worth of data on campaign finance with an eye towards the role played by individual contributions. A discussion of how campaign fundraising has changed and developed over time will better help us to understand how fundraisers view their task as well as why individuals contribute to politics. Much of the modern campaign finance system can be traced to the lessons learned by fundraisers from
historical campaigns, as well as from the parallel worlds of marketing and philanthropic giving. In these chapters I rely on historical documents, more recent aggregate data from the Federal Election Commission, and interviews with experienced fundraisers. The context provided by this discussion sets the stage for a more detailed quantitative analysis of how fundraising works today.

In Chapters 5 and 6, I examine this data. Chapter 5 focuses on campaign finance data for congressional campaigns available from the Federal Election Commission (FEC). These data allow us to determine which types of candidates are more successful in raising money from individuals. Chapter 6 focuses on survey data from the American National Election Studies to test our expectations about which Americans are more likely to contribute and which are less likely to do so.

Finally, in Chapters 7 and 8, I draw conclusions about individual contributions and about the campaign finance system as a whole. In Chapter 7, I sum up findings from the previous chapters and piece them together to paint a coherent picture of individual giving in the context of a changing campaign finance environment. In Chapter 8, I discuss the implications of this picture for the future of the campaign finance system. Should reformers seek to elevate the importance of individual contributions? Should they seek a balance between small individual contributions, large individual contributions, and contributions from interest groups? Or should they seek to eliminate private money from the campaign finance system altogether? The answers to these questions are not as clear as they seem.

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2 Ibid.
6 Vogel, “The Man…”.
11 Public funds are indexed to inflation, but campaign spending tends to increase at rates that exceed the inflation rate.
12 Midwest Democracy Network.
16 Zeleny & Luo.
17 More people – about 20 percent – wear a button or put a bumper sticker on their car. But this activity is relatively costless compared with contributing money.
18 Based on 13 percent of a voting eligible population of 213.2 million. VEP figure available at The United States Elections Project, George Mason University, http://elections.gmu.edu/index.html.
22 The 2012 race, in which a few wealthy individuals donated millions to so-called “Super PACs” might also seem to provide cases in which an individual could be decisive. Even in 2012, however, most political money came in far smaller amounts. Furthermore, even large contributions are no guarantee of decisiveness. Casino magnate Sheldon Adelson’s preferred candidate in the Republican primary race, Newt Gingrich, lost despite Adelson’s contributions of over $20 million to a pro-Gingrich Super PAC.
23 These calculations are the author’s, based on the FEC’s 2006 Candidate Financial Summaries (End of Cycle), available at http://fec.gov/finance/disclosure/ftpsum.shtml.
27 For an analysis of how social norms may condition ‘tastes’ for contributing to NPR, see Martha Kropf and Stephen Knack, “Viewers Like You: Community Norms and Contributions to Public Broadcasting,” Political Research Quarterly 56:2 (June 2003), pp. 187-197.