



BASICSPLAINER – CAMPAIGN FINANCE

U.S. candidates for office fund their campaigns almost entirely with private contributions. This contrasts with systems in which political parties raise and spend most campaign funds, or systems in which the government finances campaigns.

Direct corporate donations to federal candidates were prohibited by law in 1907,¹ and labor union contributions were banned in 1947.² But many corporations and unions are involved in politics via **Political Action Committees (PACs)**, organizations that engage in political activity and are separate from, but may be connected to, companies, unions, and other entities.

Individual donors – not PACs – make up roughly 70 percent of federal candidate funding.³ Each person can donate no more than \$2,800 to a candidate in each election,⁴ so House and Senate candidates, who must often raise millions of dollars to be competitive, solicit many hundreds or even thousands of contributions. PACs may give up to \$5,000 to a candidate per election, but individual contribution limits are periodically adjusted for inflation whereas PAC contribution limits are not. The relative advantage of collecting donations from PACs has therefore diminished.

Campaigns spend most of their money on staff, consulting services, media buys, and more fundraising.⁵ But spending by the candidates themselves is far from the only spending that takes place in campaigns. In 1976 the Supreme Court ruled that laws could not limit **independent expenditures** designed to influence elections, so long as this spending was uncoordinated with any candidate.⁶ In the 2010

case of **Citizens United**,⁷ the Court extended this reasoning, ruling that corporations and labor unions could engage in independent expenditures even though they are prohibited from contributing to campaigns. Finally, a later lower court decision concluded that if a PAC pledges not to contribute to campaigns, but only engages in independent expenditures, it can collect unlimited amounts in individual contributions.⁸

As a result of these rulings, **SuperPACs**, PACs that can collect and spend unlimited amounts of money to influence elections, have proliferated. SuperPACs must not coordinate with campaigns directly, but campaigns often send public signals that skirt the line. For example, late in 2019, former Vice President Joe Biden's campaign sent signals that he would welcome SuperPAC support, after having long resisted doing so.⁹ A pro-Biden SuperPAC soon formed.

The six-member **Federal Election Commission (FEC)** is responsible for enforcing campaign finance laws. Although the FEC has done well in reporting candidates' fundraising and spending figures, its structure, which requires an equal number of Democrats and Republicans to serve on the Commission, has led to frequent deadlock and inaction when it comes to enforcement measures.

Critics claim that campaign contributions amount to "legalized bribery", and sometimes propose **public financing**, the partial or full funding of campaigns with government funds. But there is conflicting evidence about the effect of contributions on the actions of politicians.¹⁰

¹ In the Tillman Act of 1907.

² In the Taft-Hartley Act of 1947.

³ 2016 presidential candidates raised 74 percent of their funds from individuals; 2018 congressional candidates raised 66 percent from individuals. See data available at <https://www.opensecrets.org/overview/index.php>.

⁴ Primary and general elections count as separate elections, so the total donation allowed per election cycle is \$5,600.

⁵ See the data available at <https://www.opensecrets.org/campaign-expenditures/>.

⁶ *Buckley v. Valeo* 424 U.S. 1 (1976).

⁷ *Citizens United v. FEC* 558 U.S. 310 (2010).

⁸ *SpeechNOW.org v. FEC* 599 F.3d (D.C. Cir. 2010).

⁹ Shane Goldmacher, "With Less Cash than Rivals, Biden Campaign Drops Its Opposition to SuperPACs," *New York Times*, October 24, 2019, p. A20.

¹⁰ For a review, see Yasmin Dawood, "Campaign Finance and American Democracy," *Annual Review of Political Science* 18 (2015), pp. 329-348.