

**POLITICAL ADVERTISING
VOUCHERS FOR CONGRESSIONAL
CANDIDATES:**

WHAT DIFFERENCE COULD THEY MAKE?

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A CFI Report by
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EXECUTIVE SUMMARY

For at least a decade, campaign finance reformers and scholars have suspected it would be helpful to give vouchers to candidates for radio and TV time. The thinking is that voters are shortchanged if no candidates in a race, other than the incumbent or frontrunner, can afford to buy time to be heard by the public. Fostering political dialogue may not change election results, but it is bound — the advocates say — to improve public engagement, and with it the quality of representation.

Unfortunately, much of the discussion so far has been based on hunches without solid information about likely costs and benefits. To begin to develop more precise information this report presents a detailed analysis of the most complete voucher proposal to date, the bill known as the “Our Democracy, Our Airwaves Act,” as it was introduced in 2003 by Senators John McCain (R-AZ), Russell Feingold (D-WI) and Richard Durbin (D-IL). The bill would provide congressional and presidential candidates with vouchers to be exchanged with television and radio stations for advertising time. Money for the vouchers would come from a fee, geared to income, that radio and television broadcasters would pay in return for their exclusive use of part of the spectrum.

This report is not an attempt to analyze all of the arguments that might be raised for and against a vouchers proposal. Rather, using campaign finance data and analysis, we simulate the effects this one bill would have had on candidates’ fundraising and electoral performance in the 2000, 2002 and 2004 congressional elections. Our results show that the proposed voucher program would likely increase challengers’ proportion of receipts and competitiveness. But the vouchers themselves would rarely alter election outcomes. Vouchers could, however, be parlayed into a “snowball effect,” in which candidates use their advertising to attract additional contributions. We find that, even without any such effects, the proposal would have several major consequences:

- Challengers who received less than 45 percent of the vote in 2000, 2002 and 2004 would have received, on average, between one and two additional percentage points of the vote with vouchers. Challengers who received more than 45 percent of the vote and open seat candidates would not, on average, receive a significant boost in vote share from vouchers. Individual candidates of course might exceed or fall below the average.
- Almost all candidates who are even slightly competitive would have qualified for vouchers in the House, although some competitive Senate candidates would not have raised enough to qualify. All highly competitive House candidates, and almost all highly competitive Senate candidates, would have received the maximum amount available in vouchers. In our judgement, this indicates that both the eligibility thresholds and caps for the vouchers are reasonable.

- Approximately one-third of candidates who spent too much of their own money to qualify for vouchers would have been better off with vouchers.
- The program would have come in well under its \$750 million budget.

Two aspects of the proposal - the formula for providing vouchers to Senate candidates and the provisions for exchanging vouchers with the parties - may have negative effects on competitiveness and expanded political discourse and should be rethought.

The report concludes that while we do not think the proposed bill would be a source of radical change to the system, it would be likely to take steps toward improving democratic debate and accountability.

I. THE ISSUE

In the past decade, it has become evident that American voters are almost evenly divided in their partisan choices. This divide has produced two of the closest presidential elections in American history. During this period, the margins of control in both the House and the Senate have been far narrower than at any time in the past century. Yet the partisan divide among American voters has not produced particularly close elections in the vast majority of House and Senate races. Over 98 percent of House incumbents and 88 percent of Senate incumbents who chose to run were re-elected over the past three election cycles.

This lack of competition in congressional races has many potential sources, both long-term and short-term. Possible explanations include the following: incumbents may simply be better at currying favor among voters (Coates 1995; Cain, Ferejohn, and Fiorina 1987); gerrymandering of districts may have reduced the number of potentially competitive races (Cox and Katz 1996, Abramowitz and Alexander 2004); and political parties need only to pick up or defend a small number of seats to hold majority status, so they have chosen to focus their attentions more narrowly on a relatively small number of seats (Dwyre and Kolodny 2002). Another explanation, however, is that challengers simply have less money than incumbents and that this disparity has been increasing. Between 1992 and 2000, the ratio of incumbent spending to challenger spending doubled, from a 6.2 to 1 ratio to a 12.8 to 1 ratio (Campbell 2003, 147). If we are concerned about the relationship between money and competitiveness, one simple way to increase competition therefore might be to find a way to provide challengers with more money. Of course, no plausible policy could give money only to challengers or underdogs, but that is not the end of the story. Because most studies have found that competition depends on challenger more than incumbent spending – whether they look at challenger spending on its own or the *ratio* of challenger-to-incumbent spending (Campbell 2003; Jacobson 1997) – it may be possible to increase competition by providing money to both candidates.

Any number of proposals have been offered in the past to provide matching funds, flat grants, or in-kind assistance to qualified candidates (see Malbin and Gais 1998, 133-159). In recent years, the form most commonly on the federal agenda has been a proposal to give candidates vouchers for broadcast advertising. One influential version of this proposal was advanced by the League of Women Voters in July 1997, as part of an integrated package of campaign finance reforms (Ornstein, Mann, Taylor, Malbin, and Corrado 1997). Voucher supporters have focused on television (and, to a lesser extent, radio) for several reasons. First, in many election settings, television is still the best way to reach many people fairly inexpensively (see Ansolabehere, Behr, and Iyengar 1993, 89-94). Second, the cost of buying those minutes on television has been going up dramatically, partly because of the increased demand for pre-election advertising time by interest groups and parties (Taylor 2002, 7-8). Many see the cost of television advertising as a major reason for the escalation of campaign costs. Providing candidates with a broadcast advertising voucher therefore might help them cope with the most expensive part of election communications (Taylor 2002). Third, vouchers are attractive

to many of its supporters because they can be supported off-budget. Most public subsidy ideas involve direct funding by the US Treasury – that is, by taxpayers. Broadcast voucher programs, in contrast, can be funded directly or indirectly by the television and radio stations as a condition of their profitable government license to use the airwaves.

The most recent broadcast voucher proposal to have received significant public attention is the “Our Democracy, Our Airwaves” Act, developed by the Alliance for Better Campaigns in 2002, with the support of interest groups such as the AFL-CIO, the NAACP, the Sierra Club, Public Citizen, and Common Cause. This proposal was subsequently modified and introduced as legislation by Senators McCain, Durbin, and Feingold (S.1497 in the 108th Congress). This paper analyzes the financial impact of this bill on candidates and explores whether and under what conditions it might affect electoral competition. It also discusses the possible impact of broader competition on voters’ knowledge of the candidates and issues. While we recognize that the bill could well change if reintroduced, the current bill is a good vehicle for significant quantitative testing of the underlying idea and its potential effects.

II. THE VOUCHER PROPOSAL

According to the Alliance for Better Campaigns, the “Our Democracy, Our Airwaves” Act is intended to improve the ability of broadcasters to serve the public interest, to foster increased competitiveness in American federal elections, and to increase public awareness of and involvement in federal campaigns (Taylor 2002). The program would do this by levying a fee of 0.5 percent on television and radio broadcasters’ gross annual incomes.¹ The proceeds from this fee, an estimated \$750 million in 2004, would be used to fund a political advertising voucher program for congressional candidates, presidential candidates, and political parties. In the congressional and related parties program, which we shall discuss in this paper,

- Primary and general election congressional candidates would be compensated with vouchers monthly, at a three-to-one rate for every eligible dollar raised in individual contributions, once they have reached a minimum threshold, up to a maximum level tied to the population of their jurisdiction.
- Receipt of vouchers would be contingent on agreement by the candidates to limit their own personal spending on their campaigns and the presence of at least one opposing candidate who has also raised above a threshold amount.

¹ The proposal also covers several topics which we shall not consider here. Among them are a requirement that networks air at least two hours per week of candidate-centered programming during each of the six weeks preceding a federal election; restrictions on the amounts charged for candidate and party advertising; disbursement of vouchers to presidential primary and general election candidates, at rates of 100% of public matching funds and 50% of public grants respectively; and an inflation adjustment for the various thresholds and caps for candidate eligibility and funding.

- Because broadcast advertising is not an efficient use of funds in all districts, candidates would be permitted to exchange their vouchers with their party's campaign committee for the face value of the vouchers (they would *not* be permitted to barter over the price of the vouchers). Party committees could then use these vouchers to support other candidates.
- Vouchers would expire on the date of the general election.

The mechanics of the voucher program have changed somewhat since the program was first proposed.² In the current version, House candidates would receive a three-to-one reimbursement in vouchers, or a minimum of \$75,000, after having reached a \$25,000 threshold in fundraising. Counting toward the threshold would be all contributions from donors who gave up to a cumulative amount of \$250 to a candidate, and the first \$250 of contributions from donors who gave more than that amount. Thus only the first \$250 from each donor would be reimbursed. Voucher reimbursement would be capped at \$375,000 for House candidates, and voucher recipients could spend no more than \$125,000 of their own personal funds. In races where both candidates receive vouchers, one candidate could therefore receive at most five times as much in vouchers as his or her opponent. To receive vouchers, each candidate would also have to face an opponent who had raised at least a total of \$25,000 – regardless of whether those funds came in amounts that would enable that candidate to receive vouchers.

For Senate races, the thresholds, caps, and opponent fundraising triggers are multiplied by the number of House seats in that state; for instance, vouchers in a Senate race in a state with one Representative would follow the same rules as a House race, while a Senate candidate in a state with two representatives would be required to raise \$50,000 in eligible contributions to qualify, and could receive as much as \$750,000. Qualifying Senate candidates could spend no more than \$500,000 of their personal funds, regardless of state size.

In this analysis, we treat the vouchers as if they were lump sum contributions to candidates. Using data from previous elections, we estimate:

- How much voucher money would have been spent in these elections;
- How many House and Senate candidates would have received vouchers;

² In the initial Alliance for Better Campaigns proposal, House candidates would be eligible if they raised at least \$50,000 in donations of \$100 or less, spent no more than \$125,000 of their own money, and had at least one opponent who raised more than an unspecified threshold amount. Once candidates reached the \$50,000 threshold, they would receive a two-to-one match in vouchers for every contribution under \$100 up to \$125,000, for a maximum public subsidy of \$250,000 (for this, and all information on the proposal, see Taylor 2002). The difference in how eligible contributions are measured is of the most importance in distinguishing these two plans. In the first, large contributions are not rewarded at all, whereas in the McCain bill, large contributions do matter because the first portion of these donations is also matched. At a \$200 level for eligible contributions, we estimate that the percentage of general election challengers eligible for vouchers would, on average, be five percentage points lower if only small donations were matched. See Appendix Two for further details.

- What effect vouchers would have had on competition in congressional elections, holding all other things equal; and
- How many vouchers might have been turned over to the parties, assuming that the parties wanted them.

It is extremely important to keep in mind that vouchers could well trigger other effects supporting competition that cannot be measured in advance. For instance, a candidate who can advertise on television or radio probably would inspire more contributions because of his or her increased visibility, but we cannot be sure how many. A challenger or open seat candidate who qualifies for vouchers might be able to sway enough voters to persuade her party that she is a viable candidate – and, again, to receive more money from her party or more attention from contributors closely tied to her party’s campaign committees. If parties are free to spend their own vouchers, or those traded in by candidates, in high-priority races, a candidate whose vouchers establish that she is competitive may receive still more money (indirectly) in the form of party voucher use. On the other hand, if an incumbent is seriously threatened by a challenger who has parlayed voucher money into a stronger campaign, we might expect the incumbent’s party to increase its spending in support of the incumbent’s campaign. The estimates we provide, then, are minimal, baseline estimates rooted in a retrospective, static model. They should be treated as a conservative assessment of the direct effects of the voucher program that does not take account of a possible dynamic that could produce additional, indirect effects. We discuss such effects below.

III. THE POTENTIAL EFFECT OF VOUCHERS IN HOUSE ELECTIONS

WHO WOULD BE ELIGIBLE AND HOW MUCH WOULD CANDIDATES RECEIVE?

First, let us look back at the previous three elections to see who would have received vouchers and how much candidates would have received. Looking at prior elections allows us to see what candidates actually raised *without* the incentives provided by the voucher program and to then estimate what they would have raised with vouchers. (Of course, under the voucher program many candidates who did not meet the threshold for eligible contributions – \$25,000 in the House and \$25,000 multiplied by the state’s number of House seats for Senate candidates – might have made greater efforts to raise eligible contributions in order to reach the threshold. Also, candidates whose personal spending was in excess of the bill’s caps of \$125,000 in the House and \$500,000 in the Senate are excluded from our analysis although it is possible that some candidates might have eschewed spending above the cap in exchange for vouchers). To make these estimates, we draw upon a list of congressional contributors provided by the Center for Responsive Politics (CRP). For each candidate, we sum all contributions from donors of \$250 or less to each candidate, and we then add to this amount the first \$250 of contributions by donors who gave more than \$250. Detailed breakdowns of the number and types of candidates who would have qualified for vouchers in the 2000, 2002, and 2004 House elections are shown in Table 1.

Table 1: Simulated Provision of Vouchers to Candidates – 2000, 2002 and 2004 House Races

	2000 House Candidates			2002 House Candidates			2004 House Candidates		
	N	% Receiving Vouchers	Mean Voucher Amount	N	% Receiving Vouchers	Mean Voucher Amount	N	% Receiving Vouchers	Mean Voucher Amount
In General Election									
Incumbent	408	57.8 (236)	\$350,751	390	47.2 (184)	\$354,749	403	58.3 (235)	\$360,362
Challenger	423	36.9 (156)	\$275,074	262	35.1 (99)	\$225,500	344	40.1 (138)	\$267,685
Open Seat	123	49.6 (61)	\$338,556	113	53.1 (60)	\$334,583	106	54.7 (58)	\$309,517
Lost Primary Election									
Incumbent	3	100.0 (3)	\$219,846	8	100.0 (8)	\$339,703	2	100.0 (2)	\$366,183
Challenger	152	23.0 (35)	\$231,739	133	20.3 (27)	\$221,888	138	26.1 (36)	\$225,881
Open Seat	108	37.0 (40)	\$259,547	175	36.6 (64)	\$248,353	101	36.6 (37)	\$287,767
Total	1217	43.6 (531)	\$311,663	1101	40.1 (442)	\$305,987	1094	46.3 (506)	\$314,405
Incumbents who won with > 60%	291	44.3 (129)	\$344,293	334	40.1 (134)	\$350,948	347	52.4 (182)	\$356,165

Note: N = Number of candidates; also in parenthesis.

Virtually all House incumbents in each of these elections appear to have had the ability to qualify for the maximum amount in vouchers, yet only 57.8 percent would have received them for the general election in 2000, 47.2 percent would have received them in 2002, and 58.3 would have received them in 2004. This is because many incumbents faced challengers who did not raise enough to trigger voucher provision. In each year, slightly over one-third (36.9 percent in 2000, 35.1 percent in 2002, and 40.1 percent in 2004) of challengers would have received vouchers. In each year, approximately half of all general election open seat candidates would have received vouchers. Incumbents would have received vouchers averaging approximately \$355,000, or 95 percent of the cap, while general election challengers would have averaged about \$256,000 (68 percent of the cap) and open seat general election candidates would have averaged over \$328,000, or 87 percent of the cap.

In all three elections, approximately half of the House voucher money would have gone to incumbents, thirty percent would have gone to open seat candidates, and twenty percent would have gone to challengers. In each year, Republicans would have slightly outraised Democrats (Republicans receiving 50.6 percent of voucher money in 2000, 50.4 percent in 2002, and 51.8 percent in 2004, and Democrats receiving 48.8, 49.5, and 47.9 percent respectively). This is a consequence of the slightly higher number of Republican incumbents in these years.

The thresholds and caps help make the proposal fit within the plan's overall budget. Our calculation of the total cost for the voucher program in House races is \$165 million for 2000, \$135 million for 2002, and \$159 million for 2004, figures that would enable the program to stay within the overall amount budgeted in the proposal (see the text below for details on these estimates).

The thresholds and caps also reflect an effort to achieve cost-effectiveness. The threshold for receiving vouchers (\$25,000 in contributions of less than \$250, including the first \$250 of any larger contribution) appears to be high enough to effectively separate relatively serious from unserious candidates. Fewer than two percent of primary and general election candidates came in less than \$5,000 below the threshold, so those who did not qualify tended to miss raising this rather modest minimum by a large margin.

The cap for voucher provision (\$375,000 in vouchers provided at \$125,000 in eligible fundraising) appears to be low enough that unnecessary money is not wasted on candidates – particularly incumbents, who would already be “safe” without vouchers – yet high enough to be helpful to the most competitive challengers. Nearly all challengers and open seat candidates, as well as incumbents, in general election races decided by ten percentage points or less would have received the maximum amount of vouchers.

One feature of the system of thresholds and caps in House races is a potential source of concern, however. In our discussion below of Senate races, we note that it is possible for a candidate to “trigger” voucher provision for his opponent without raising enough in eligible contributions to receive vouchers himself. This is because the amount triggering opponents’ vouchers is stated as a flat amount (\$25,000), whatever the size of the opponents’ contributions while the amount to qualify for one’s own vouchers requires \$25,000 raised in amounts of \$250 or less. While it is unlikely that a House candidate who barely raises a total of \$25,000, triggering opposition vouchers, is a competitive candidate, this candidate can actually make himself *less* competitive by raising money. This would have happened in 57 contests in 2000, 37 races in 2002, and 74 races in 2004. This situation could be remedied by changing the trigger to \$25,000 in *eligible* contributions or to a larger number in *total* contributions -- for instance, to \$100,000.

Two wrinkles to the House proposal are worth noting. First, as noted above, vouchers are not provided to candidates who spend more than \$125,000 of their own money. Our data indicate that the vouchers would have some effect in deterring self-financing; in 2000, 42.6 percent of self-financers would have been better off receiving vouchers; in 2002, 32.5 percent would have fared better with vouchers; and in 2004, 57.7 percent would have been better off with vouchers. Second, the bill does not appear to discriminate against third party candidates, seven of whom would have qualified for vouchers in 2000, four of whom would have qualified in 2002, and three of whom would have qualified in 2004.

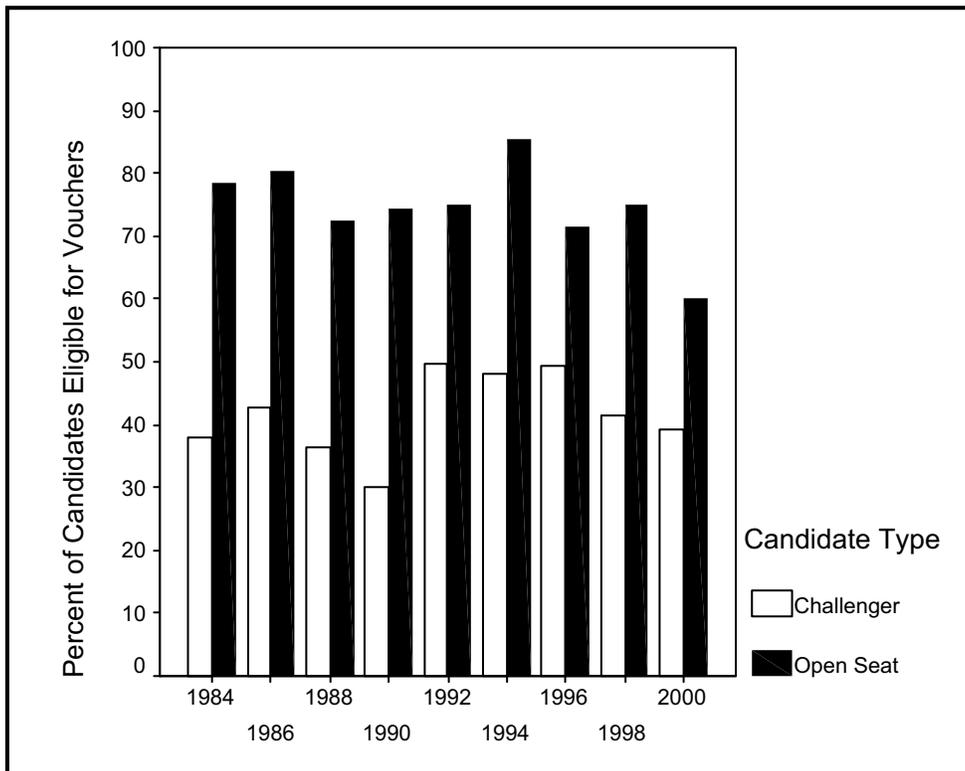
The impact of candidates exchanging vouchers with their party is impossible to analyze using past election data alone. We can, though, determine which candidates would not appear to need the vouchers because of their lack of strong competition, and how much voucher money they would have received. \$44.4 million in vouchers would have been provided in 2000 to “safe” incumbents – incumbents who received more than sixty percent of the vote³ – while \$47.0 million would have been provided to such incumbents in 2002 and \$64.8 million would have gone to these candidates in 2004. These are

³ Sixty percent is a conventional breaking point used in political science – see Jacobson 1997, 168; Canon 1993.

candidates who would have little need for vouchers, and might be willing to exchange them with their party partly as a favor to the party. These figures are only a minimum estimate for the potential amount of voucher money available in trade to parties, as we discuss later.

Although FEC candidate summary data are not as accurate for our purposes here as the CRP data discussed above (because FEC figures measure contributions, not contributors)⁴ we can use FEC data to approximate trends in voucher eligibility over time. Figure 1 shows the estimated eligibility of challengers, and open seat candidates over the period from 1984 to 2000. Eligibility for vouchers for general election challengers roughly follows overall patterns in the competitiveness of House races. The number of eligible candidates declines through the late 1980s, increases with the 1992 redistricting, stays high during the landslide Republican year of 1994 and the equally competitive 1996 elections, and then declines. Figure 1 shows that the 2000, 2002, and 2004 elections were not atypical in terms of voucher eligibility, and also suggests that vouchers would have more of an impact in years where there is higher turnover in Congress⁵

Figure 1: House Challengers' & Open Seat Candidates' Eligibility for Vouchers 1984-2000
(Major Party General Election Candidates Only)



⁴ See Appendix 1 for further discussion.

⁵ Further details on the elections from 1984 to 2000 are presented in Appendix 1.

In sum, the vouchers would be distributed fairly widely among incumbents, challengers and open seat candidates, and in a non-partisan manner. The thresholds and caps of the voucher program appear able to work reasonably well in House races; they remain within budget, they appear to reward serious candidates who can use the money effectively without accruing in too large amounts to candidates who do not have a use for them. But would they make a difference?

IV. COMPETITIVENESS IN HOUSE ELECTIONS

Money, of course, is not the only determinant of congressional election outcomes, but it is important. Surely there are some candidates who could not win a House seat no matter how much money they had, while there are others who perform surprisingly well given limited resources. A fully representative model predicting overall congressional election outcomes would include not only candidate spending but such other major variables as district partisanship, the incumbent's seniority, whether there is a presidential election that year (and how popular the sitting president is), the challenger's previous political experience, party and interest group spending in the election, and perhaps one or two of the incumbent's recent high-profile votes (see Jacobson 1997, 158). Nevertheless, there is a fairly consistent research record that shows a relationship between raising money - which after all is the precondition for much campaigning - and electoral support.

Political scientists who use models to estimate this relationship differ somewhat in their approach. Some models emphasize challenger spending. They argue that it is difficult to infer causal relationships between incumbents' funds and their electoral support because the most vulnerable incumbents tend to raise the most money, while comfortable incumbents often raise less (Jacobson 1997).⁶ Other models (Campbell 2004) emphasize the *ratio* of challenger spending to incumbent spending. However, the two approaches produce similar results for recent elections, and the following example shows why. Jacobson's estimates of the effects of challenger spending indicate that an additional \$300,000 yields an extra four percent of the vote for a challenger who otherwise would have raised only \$100,000 (because it quadruples the candidate's total funds), but the same \$300,000 yields only an extra one percent of the vote for a challenger who otherwise would have raised \$700,000. Using Campbell's method of looking at the incumbent-to-challenger financing ratio, and assuming an incumbent with \$1 million, we find that the disadvantage faced by the first challenger (whose \$100,000 became \$400,000) declines substantially from 10-to-1 to 2.5-to-1, while that of the second challenger (whose \$700,000 became \$1 million) is reduced less, from 1.4-to-1 to 1-to-1.

We will put both Jacobson's and Campbell's approaches to use by applying them to the changes in challenger funds that vouchers would have produced in the 2000 and 2002 elections. Before we do this, however, let us first look at the change in challenger money that would have resulted from vouchers - both absolutely and in relation to that of the incumbent - at different levels of competitiveness.

⁶ Jacobson does insert incumbent spending variables into his models, but the coefficients are insignificant.

Table 2: Candidate Funds in Voucher Program by Vote Share
(2000 Major Party Challengers)

	Vote Percentage				
	0-25%	25-35%	35-45%	45+%	Total
All Challengers					
Number of Candidates	34	108	105	23	270
Mean Receipts	\$37,765	\$96,544	\$545,097	\$1,523,089	\$364,615
Challengers' % of Incumbent + Challenger Receipts	6.5	9.6	25.7	48.4	18.8
Only Challengers Eligible for Vouchers					
Number of Candidates	5	34	78	17	134
Mean Receipts	\$109,975	\$239,090	\$503,642	\$1,482,182	\$545,971
Challengers' % of Incumbent + Challenger Receipts	20.9	20.7	27.0	45.6	27.6
Mean Receipts w/ vouchers	\$270,123	\$446,498	\$808,326	\$1,857,182	\$829,500
Challengers' % of Incumbent + Challenger Receipts w/ vouchers	26.2	26.4	32.3	46.3	32.4
<u>Mean Change</u> in Receipts	+\$160,148	+\$207,408	+\$304,684	+\$375,000	+\$283,529
in Challengers' % of Incumbent + Challenger Receipts	5.3	5.7	5.3	0.7	4.8

In Table 2, we consider four different categories of challengers, according to their vote share in the 2000 elections. The top three rows of this table show the actual average spending by all challengers of different vote percentages, as well as these challengers' percentage of the total spending (that is, incumbent and challenger spending combined) in the race. The bottom six rows show the effect vouchers would have had on those challengers who would have received them.

Very few of the least competitive candidates (those who received less than 25 percent of the vote) would have received vouchers. These candidates raised, on average, only \$37,765, or 6.5 percent of the total funds raised by both candidates in the same race in the general election. Only five of the 34 candidates in this category would have received

vouchers, and these five raised an average of \$109,975 (nearly three times as much as the average candidate in this category). This is equivalent to 20 percent of the total funds raised by both candidates in their districts in the general election. Although these candidates would clearly fall far short of receiving the maximum voucher amount – and would likely receive less money in vouchers than their incumbent opponents – the additional \$160,148 in vouchers that the average qualifying candidate here would have received would boost their percentage of total receipts by 5.3 percentage points, to 26.2 percent of total receipts.

Looking at the last two rows of the table, it is evident that the average dollar amount increase in receipts would be greater for more competitive candidates. For instance, candidates who received 35 to 45 percent of the vote would receive, on average, \$304,684 in vouchers, and candidates who received 45 or more percent of the vote would receive an average of \$375,000 in vouchers. That is, the most competitive candidates all would have received the maximum amount. However, if one looks at the change in the challenger's *percentage* of total receipts, it is evident that the most competitive challengers (those who received at least forty-five percent of the vote) hardly benefit at all, gaining a scant 0.7 percentage points. In contrast, the candidates receiving vouchers in each of the three less competitive of the total two-candidate categories improve at roughly the same rate of slightly over five percentage points of the two-candidate receipts.⁷

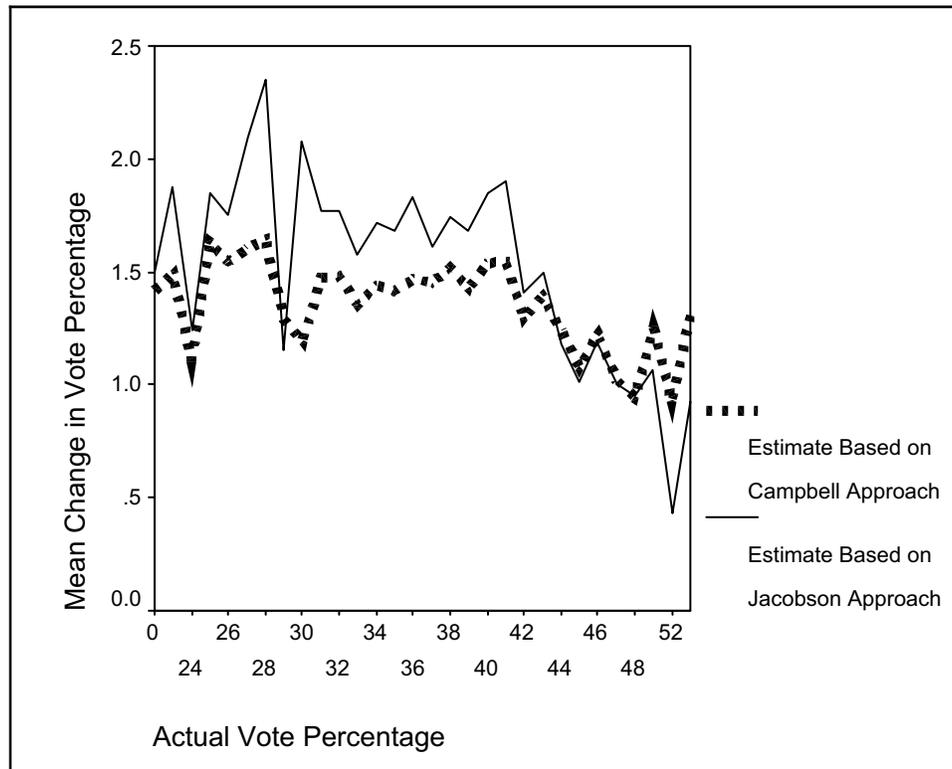
What would the voucher program mean for the future vote share of challengers? As noted earlier, political scientists would tend to estimate the effects in one of two ways. Gary Jacobson would look at the effects of challenger spending, controlling for such other variables as the challenger's party's vote in the previous election, challenger quality, and national partisan trends.⁸ He finds that the best fit for elections from 1992 through 2002 is a formula which yields a curve with diminishing returns per extra dollar as the challenger's receipts are increased.⁹ That is: the first dollars are the most important; it takes more dollars to have a comparably significant impact once the first campaign hurdles have been cleared. James Campbell would look at challenger-incumbent ratios, also controlling for the candidate's party's prior vote in the district, prior or current presidential vote in the district, and challenger quality. He estimates that the effect of an added percentage point of two-candidate receipts is a yield, on average, of an extra .22 percent of the vote in 2000; the figure fluctuates between .20 and .23 of the vote for each election between 1994 and 2000.

⁷ Uncompetitive and moderately competitive challengers would have increased their share of receipts by approximately five percentage points, while the most competitive challengers would, again, have increased their share of receipts by 1.9 percent.

⁸ These estimates were provided to us by Jacobson, they are not derived from published work.

⁹ Jacobson estimates separate equations for each year in this period. In both the 2000 and 2002 elections, the incremental vote share per extra dollar added is slightly lower than the mean over the course of the decade. For the 2000 elections, the quantity (challenger receipts to the .3 power) is multiplied by the coefficient for the challenger spending variable in the regression, .177.

Figure 2: The Effect of Vouchers on Challenger Vote Percentage
(2000 General Election, Major Party Candidates; Voucher Recipients Only)



Charting these two estimates produces the two lines shown in Figure 2, in which we display the *average* vote percentage that would be gained by voucher recipients according to their actual vote share in the 2000 election. As is evident in the figure, both sets of estimates yield similar results; estimates based on Jacobson’s method vary slightly more than those based on Campbell’s method, but they follow a similar pattern. According to both estimates, vouchers would slightly increase the competitiveness of most House challengers, but the effect would not be dramatic. The effect would consistently yield slightly less than an extra two percent of the vote *on average* for less competitive candidates and less than one percent on average for the most competitive candidates (those receiving at least 45 percent of the vote). (It is impossible on the basis of these analyses to forecast individual elections, which may diverge from the average results). Thus, it appears that vouchers by themselves would be unlikely to change the results of many elections. Results for 2002 and 2004 challengers are similar, although the overall increases are lower.

As the tables and figures above indicate, open seat races tend to be more competitive than incumbent/challenger races, and the candidates tend to be more evenly matched financially. So we would expect little change in the competitiveness of these races. The formula we borrowed from Jacobson does not apply to open seats. However, the Campbell formula does and the net results bear out our claim that there would not be substantial changes in election outcomes. It does seem likely that in some less competitive

open seat races – elections in seats where one party has a strong partisan advantage – vouchers could enable a less competitive challenger to become more visible, and perhaps to improve his or her vote share somewhat. Beyond this, however, it seems that the effects of vouchers would mainly be felt in incumbent/challenger races.

How should we characterize these results? They appear at first to contain some reassuring news for incumbents. Moreover, as both Jacobson and Campbell would acknowledge, these results may in fact overstate the direct causal impact of money in campaigns. Money generally flows to candidates who are perceived by others to be good candidates, so the fact that a candidate has a substantial amount of money is in part an indication that a broad base of individual donors and interest groups judge someone to be a potential winner. So merely adding vouchers or public funds may have less of an impact than hoped because it does not in itself change the perception that the challenger is not a potential winner. Also, as we argue later in this paper, vouchers are not necessarily efficient for all candidates; it is worth analyzing vouchers as if they were cash subsidies to candidates, but if candidates do not or cannot use them in this manner, their ultimate effect will be lower than in the estimates in our figure.

Despite these caveats, because incumbents tend to substantially outraise challengers, we do not believe it is likely that vouchers would help incumbents in their fundraising nearly as much as they would help challengers. To the extent that vouchers would create any sort of snowball effect through increasing candidates' visibility and fundraising potential, we would expect that this effect would help challengers build on the average 1 to 2 percentage point boost we see here. As we shall see, the portion of the program that involves parties, and other effects triggered by vouchers may provide further, if hard to measure, assistance to challengers. And in addition to the direct effect on competition, vouchers may help advance voter knowledge of the candidates and their issue positions, which is another major objective of the "Our Democracy, Our Airwaves" coalition.

Were it deemed desirable to level the playing field a little more for challengers, adjustments could be made in the funding formula, such as limiting incumbents to no more in vouchers than challengers.

Finally, a word on primaries. As we noted in Table 1, a smaller but substantial number of candidates who were unsuccessful in primaries would have received vouchers. In almost all of these cases, the candidates who defeated them would also have received vouchers. The effects of primary vouchers however may well be even less predictable than those of general election ones. First, in competitive open seat primaries the absence of an incumbent means candidates may begin the race on a more even footing, so the introduction of vouchers may have a substantial impact on the campaign. Second, because of the low visibility of many primaries, early advertising may have a larger impact than it would have in a general election. Third, since a candidate running in a competitive primary may use up all of her voucher money (the \$375,000 cap applies to combined primary-general election spending), she may be at a disadvantage if her general election opponent did not have a primary challenger.

V. VOUCHERS IN SENATE ELECTIONS

WHO WOULD BE ELIGIBLE, AND HOW MUCH WOULD CANDIDATES RECEIVE?

The formula for Senate candidates sets the threshold for vouchers at \$25,000 in eligible contributions multiplied by the number of House seats in the state. Thus, in 2004 a Wyoming candidate would need to raise only \$25,000 in eligible contributions while a California candidate would have had to raise \$1.325 million to trigger vouchers. The threshold or trigger for having one's opponent qualify is the same as the threshold amount, but again in total fundraising as opposed to fundraising in small amounts. The consequences could be significant in large states, as we shall see. The Senate self-financing limit is also higher than that of the House, and it is the only feature of the Senate formula not indexed to state size – a candidate may self-finance up to \$500,000 and still receive vouchers.

First, as we did for House elections, let us summarize pertinent facts on candidate eligibility and on the amounts provided in vouchers. Table 3 shows these results. Because the voucher threshold and cap vary from one state to the next, and because not all states have Senate elections every year, we should expect much greater variation in the voucher amounts provided to candidates from one year to the next than in the House. In 2000, for instance, incumbents would have received on average far more money than the incumbents who ran in 2002 (\$3.2 million in 2000 versus \$2.3 million in 2002). The same would have been true of open seat candidates (\$5.6 million in 2000 versus \$3.1 million in 2002). This is largely because of the size of the states with elections in these years. In particular, the competitive New York and Florida open seats in 2000 skew results. Of more relevance than overall funds in a particular year then, is the average candidate voucher money as a percentage of state maximum voucher amounts, or caps, shown in the right-hand columns of Table 3 for 2000, 2002, and 2004. Here, as in the House, incumbents fare somewhat better than challengers (receiving 90.3 percent of the voucher cap in 2000, compared to 70.7 percent for challengers, 92.7 percent to 78.5 percent in 2002, and 96.0 percent to 82.9 percent in 2004).

Because of the competitiveness of several Senate primaries in these election years, there are several races with multiple candidates who would have received vouchers in the primary. This is particularly true in 2000, when high-profile primaries in several states without clear front-runners (including Minnesota, Rhode Island, and Pennsylvania) featured several candidates who would have qualified. In 2000, the five challengers defeated in primaries who would have qualified would have received 61.8 percent of the cap, while unsuccessful primary candidates for open seats would have received approximately forty percent of the cap in both years. In 2004, there were four states (Florida, Georgia, Illinois, and South Carolina) where four candidates would have qualified.

In each year, approximately 40 to 45 percent of all Senate voucher money would have gone to incumbents, slightly over 20 percent would have gone to challengers, and 30 to 35 percent would have gone to open seat candidates. Republicans would have received

Table 3: Simulated Provision of Vouchers- 2000, 2002 and 2004 Senate Races

	2000 Candidates				2002 Candidates				2004 Candidates			
	N	% Receiving Vouchers	Mean Voucher Amount	Mean Voucher Amount as % of Cap	N	% Receiving Vouchers	Mean Voucher Amount	Mean Voucher Amount as % of Cap	N	% Receiving Vouchers	Mean Voucher Amount	Mean Voucher Amount as % of Cap
In General Election												
Incumbent	29	79.3 (23)	\$3,191,974	90.3	28	78.6 (22)	\$2,246,404	92.7	26	84.6 (22)	\$3,148,277	96.0
Challenger	55	32.7 (18)	\$1,863,755	70.7	37	48.6 (18)	\$2,066,346	78.5	24	54.2 (13)	\$2,464,699	82.9
Open Seat	27	29.6 (8)	\$5,610,393	94.9	18	50.0 (9)	\$3,057,154	92.2	17	82.4 (13)	\$4,263,904	93.4
Lost Primary Election												
Incumbent	0	--	--	--	1	100.0 (1)	\$750,000	100.0	0	--	--	--
Challenger	35	14.3 (5)	\$1,591,486	61.8	22	4.5 (1)	\$508,473	27.1	28	21.4 (6)	\$,1971,029	55.2
Open Seat	14	28.6 (4)	\$1,528,970	39.7	19	15.8 (3)	\$1,633,993	40.5	49	26.5 (13)	\$2,666,089	50.1
Total	160	39.4 (58)	\$2,860,680	79.8	125	43.2 (54)	\$2,227,592	84.8	144	47.2 (68)	\$3,051,223	80.4
Incumbents who won with > 60%	16	68.8 (11)	\$1,754,896	93.6	16	62.5 (10)	\$2,354,590	92.4	18	77.8 (14)	\$3,420,507	93.7

Note: N = Number of candidates; also in parenthesis.

57.2 percent of this money in 2000, with Democrats receiving the remaining 42.8 percent; in 2002 Democrats would have received 52.2 percent and Republicans would have received 47.8 percent; and in 2004, Republicans would have received 52.0 percent as compared with the Democrats' 48.0 percent. This is because of the number of incumbents running in seriously contested races: more Republican incumbents were running in 2000 than in 2002, and more Republican incumbents had strong opponents in 2000 than in 2002. In 2004, the large number of competitive open seats evened matters out somewhat between the parties.

Most self-financed candidates – more common and often more free-spending in Senate than House races – would have been unlikely to rein in their own spending. Only one of the ten 2000 candidates who self-financed too much to qualify for vouchers would have had cause to reconsider because of the vouchers, and four of the nine self-financers in 2002 would have been better off with vouchers. In 2004, six of the fifteen self-financing candidates would have been better off with vouchers; of the nine who would not have been better off with vouchers, only one made it to the general election and only one (a different candidate) raised more than a token amount of money from contributors other than himself.

Only one third-party candidate would have qualified for vouchers in the general election, but seven states featured primaries in which at least one (and as many as three) unsuccessful primary candidates would have qualified. Despite the variations in competitiveness across years, the pool of voucher money going to safe incumbents would have been relatively constant in the first two elections we consider here; in 2000, \$19.3 million would have been available, while \$23.5 million would have been available in 2002. In 2004, however, this amount increases to \$47.9 million. Because these safe candidates do not need the additional advertising for reelection, they are the ones most likely to consider swapping vouchers with their parties.

In budgetary terms, the Senate formula performs admirably in relation to its funding base when we apply it to 2000, 2002, and 2004 data. As we note above, the overall figures for voucher provision in Senate races fluctuate according to the particular states in the mix in any given year, but for each year, the totals fall well below the amounts the bill would allocate (see page 27); in 2000, \$166 million would have been spent, while in 2002 \$120 million would have been spent and in 2004 \$207 million would have been spent.

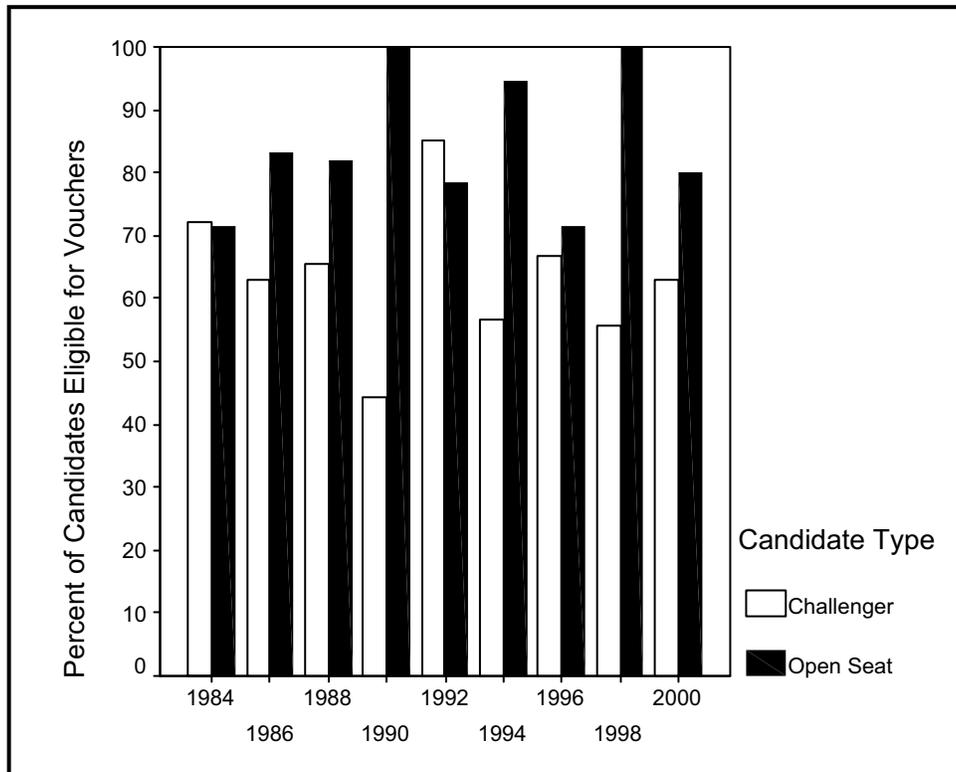
As in the House, the threshold for voucher qualification seems defensible in terms of cost effectiveness; for instance, of the 209 candidates who did not qualify for vouchers on their own in 2000, only one came within ten percent of their state's threshold; in both years, only five nonqualifying candidates raised at least half the amount necessary to qualify. In 2004, three candidates were within ten percent of their state's threshold and seven candidates raised at least half of the threshold amount. Most of these candidates lost in the primaries in large states.

The maximum voucher amount, or cap, likewise seems reasonable in small states, where competitive candidates tend to raise enough to reach the cap. But the results in larger states fluctuate. In 2000, both open seat New York candidates (Clinton and Lazio)

would have reached the cap but only one of the two open seat candidates in Florida (McCollum, the losing candidate) would have done so. In 2002, challengers did somewhat better in terms of reaching the cap and the only incumbents who did not reach the cap were those in uncompetitive races. However, despite the competitive nature of the open seat race in Texas, neither candidate reached the state's cap, and none of Mary Landrieu's opponents in the competitive Louisiana race reached the cap. In 2004, both candidates reached the cap in the competitive Kentucky, Missouri, and Florida races, while in less competitive races in larger states such as Ohio and New York neither candidate reached the cap.

Figure 3 shows the patterns in candidate eligibility over the period from 1984 to 2000, again using FEC data. Generally speaking, a higher percentage of Senate challengers would have qualified for vouchers than in the House, presumably because states as a whole are more competitive than districts. The number of qualifying challengers fluctuates more from year to year.

**Figure 3: Senate Candidate Eligibility for Vouchers by Year
(Majority Party General Election Candidates Only)**



STATE SIZE, VOUCHER CAPS, AND COMPETITIVENESS IN SENATE ELECTIONS

Unfortunately, with only 33 or 34 Senate races in any given year, there simply are too few races to estimate the relationship between money and competitiveness in the way we have done for House elections. The smaller number of Senate candidates does, however, permit a greater level of attention to the details of individual campaigns than is the case with House data. This enables us to focus on another problem with the caps that relates to competitiveness. Under the current formula the caps tend to give far too much money to candidates in large states. This is not only wasteful, but in certain cases, and contrary to the bill's stated purpose, the vouchers apparently would have helped a well-funded incumbent or open seat candidate overwhelm his or her opponent.

Consider two particularly contentious Senate races from 2002, one from a small and one from a mid-sized state. In South Dakota, a state with one House seat, both candidates (Democrat Tim Johnson and Republican John Thune) would have received the maximum of \$375,000. Each South Dakota candidate raised approximately \$6 million. Missouri's Senate race was perhaps equally competitive. Missouri has nine House seats, so each candidate would have received \$3.375 million in vouchers or nine times \$375,000. Without vouchers, the incumbent in Missouri (Democrat Jean Carnahan) raised \$12.3 million, while the successful challenger (Republican Jim Talent) raised \$8.3 million – about twice the amount spent by the candidates in South Dakota. Missouri's 2000 Senate race was more costly, but not nine times more so.

Or consider a more extreme pair of examples, Florida and Delaware. The competitive Florida Senate race in 2000 featured a total of \$15 million in spending by the major party candidates in the general election (Democrat Bill Nelson and Republican Bill McCollum). The equally competitive Delaware race featured a total of \$7 million spent by the two leading candidates (Democrat Tom Carper and Republican William Roth). Florida candidates would each have received a maximum of \$9.375 million in vouchers (\$375,000 times 25 congressional districts) while Delaware candidates would have received a total of \$375,000 apiece to run in that one-district state. The problem is not that too little voucher money would have been allocated for the one-district Delaware and South Dakota races – the candidates were already competitive – but that too much may have been allocated in the larger states. Size does matter and campaigns in large states do cost more than campaigns in small ones, but the increase in campaign costs is not proportionate to population or House seats.

Or consider California. With 53 congressional districts, California candidates would be eligible for a maximum of \$19.875 million in subsidies. By way of comparison, Sen. Feinstein spent \$10.3 million to be reelected in 2000 after spending \$14 million in 1994 (against the self-financed Michael Huffington's \$29 million.) Sen. Boxer spent \$13.7 million in 1998 (versus Secretary of State Fong's \$10.8 million) and \$14.0 million in 2004 as compared to opponent Bill Jones' \$7.6 million. California is more expensive than South Dakota, but not 53 times as expensive. It is not even ten times as expensive.

These issues are important not only for fiscal reasons. They can produce problematic results if the goal is to advance competition. Even if a challenger raises enough to be eligible for vouchers in a large state, he may still trigger a level of increased spending by

the incumbent that would be perceived as damaging. In the 2000 Senate race in California between Sen. Feinstein, the Democratic incumbent, and Republican challenger Tom Campbell, Feinstein raised \$10.3 million while Campbell raised \$4.4 million. However, if the voucher program were in effect in that state, Feinstein would have received an additional \$16.3 million for a total of \$26.6 million while Campbell would have gotten an additional \$6.5 million for a total of \$10.9 million. The incumbent/challenger funding ratio would have stayed about the same, but it is hard to believe that going from a \$5.7 million disparity to a \$15.7 million disparity would not have hurt Campbell.

Furthermore, in a Senate race in a large state, a challenger who is only mildly successful at fundraising could, under this proposal, trigger an avalanche of incumbent voucher money. Ironically, some challengers who have been competitive without vouchers might have been *less* competitive with them! Take, for instance, the 1996 Senate campaign in Texas, a state with 30 House seats. Victor Morales, a virtual unknown, narrowly won the Democratic primary and ran a spirited grassroots campaign, holding incumbent Phil Gramm to 55 percent of the vote. Gramm outspent Morales, \$6.3 million to \$979,000. Using FEC numbers (which, as we note above, may overestimate voucher money slightly), it appears that Morales raised \$732,345 in *eligible* contributions – a large amount, but slightly less than Texas’s \$750,000 threshold. Morales therefore would not have received vouchers, despite the fact that three-quarters of his campaign budget came in small contributions. Because Morales’s *total* fundraising topped \$750,000, however, he would have triggered the voucher provision for Gramm, and in Texas a Senate candidate can receive up to \$11.25 million in vouchers. Based on his actual receipts, Gramm would have received approximately \$3.2 million in vouchers, increasing his campaign budget by fifty percent and giving him a nine-to-one advantage over Morales instead of the six-to-one advantage he had without vouchers. Were vouchers in place, of course, Morales probably would have been able to attract the extra \$18,000 needed to qualify. Nonetheless, this example illustrates the possibility that, particularly in large states, some challengers could be hurt rather than helped by the voucher program.

There may be some Senate races where challengers benefit in the ways we have argued that House challengers can benefit – particularly those in small states. Take, for instance, the 2000 North Dakota Senate race. Republican challenger Duane Sand raised slightly less than \$400,000, and received 38 percent of the vote in a relatively Republican state. Vouchers would have nearly doubled Sand’s budget, and although he still would have been outspent by a three-to-one margin, he might have been able to make the race closer. Other small state races may show similar results. The effects in large states, though, seem wildly unpredictable. It is not difficult to think of other cases such as the Morales/Gramm case, in which many who would otherwise favor assistance to candidates would certainly cry foul.

As we noted above in our discussion of House candidates, problems like those we have identified in the Campbell/Feinstein race and the Morales/Gramm race can happen in House races, too. In House races, however, the resulting disparity is probably not strong enough to have an impact on a challenger’s chance of victory, because these challengers are not particularly competitive, with or without the vouchers. In all House and Senate races in which both candidates qualify for vouchers, one candidate can receive at most

five times as much as her opponent. The logic behind the Senate formula is appealingly simple – take the House amounts and multiply by the number of House seats in each state. Yet a five-to-one ratio that seems defensible when the largest gap in voucher money to candidates would be \$300,000 (say in South Dakota), seems less defensible when the differences can be as great as (to again take the California case) \$15.7 million.

It seems to us a matter of fairness to lower the thresholds, caps, and trigger amounts for Senate candidates. One way to do this would be to start with the House formula – with the trigger modified as described above on page 6 – but only raise the thresholds, caps, and trigger amounts by half for each House seat. This would make it less likely that even minimally competitive challengers would trigger vouchers for the incumbent without receiving them themselves, and it would also make it less likely that candidates could continue to receive vouchers long after they had served their purpose in helping to make candidates competitive. In addition, one could consider a formula that would not increase funds quite so much for a large state. Consider for example the formula that an early McCain-Feingold campaign finance bill used for spending limits (S. 1219 in the 104th Congress). This bill conditioned eligibility for broadcast discounts and free broadcast time on spending limits (which the later McCain-Feingold-Durbin bill does not do). For Senate candidates, the lowest limit was \$950,000, for states with fewer than 3.16 million voting age citizens. After this, the limit rose by 30 cents for each citizen up to 4.0 million, and by 25 cents after that, up to a maximum of \$5.5 million. A similar formula for vouchers, in which the thresholds and caps increase with state size, but in which the rate of increase declines in larger states, could be practical here. Another alternative would be to prevent incumbents from receiving more money in vouchers than their opponents.

In sum, the Senate data present a more mixed picture of vouchers' potential effectiveness than do the House data. On the positive side, vouchers would, again, be broadly distributed and affordable within the proposal's budget. They would deter some self-financing candidates. The fact that competitive candidates reach the caps and even marginally competitive candidates reach the thresholds in most states leads us to conclude that most of the time, the Senate formula would not have adverse consequences. On the negative side, however, the formula for calculating the caps has the potential to create costly and anti-competitive dynamics in large states. Again, the rationale for scaling the thresholds and caps to the number of House seats seems reasonable to us on its face, but campaign costs do not go up at the same rate as a state's population increases.

VI. SNOWBALL EFFECTS, CANDIDATE QUALITY, AND OTHER POTENTIAL CONSEQUENCES OF VOUCHERS

So far we have only analyzed some of the quantifiable, direct effects of vouchers. Additional effects are harder to quantify but potentially valuable. First, and probably most important, vouchers could create a “snowball effect” in which a candidate leverages just enough fundraising success to receive vouchers into an overall impression of potential strength and an advertising campaign that leads more donors to flock to his or

her campaign. We cannot measure this possibility using our data, but it is enticing. The 2004 presidential campaign demonstrated how useful the Internet can be in generating additional fundraising. Those who have studied the presidential public financing system have argued that public matching funds for primary candidates have in the past performed such a function for candidates such as Jimmy Carter, George H. W. Bush (in 1980), and Bill Clinton (Alexander 1984, 118; Corrado 1993, 43-44). This could also take place in congressional races. However we do wonder whether, in general, congressional races are visible enough to the public so that television or radio would have the same direct spillover effect as it does in a presidential primary.

If such a snowball effect occurs, it may well accrue to candidates who can raise money and qualify for vouchers relatively quickly. We have noted the unpredictable effects vouchers could have in primaries. In addition to the mere introduction of additional money and visibility, however, vouchers may enable candidates to make more complete advertising purchases. Professional media consultants often recommend a sequence of ads that introduce the candidate, establish campaign themes, and attack the opponent. Frequently underfunded candidates do not have the money to use this entire series. In particular, candidates may lack funds early in the campaign to advertise, and receive adequate money so late that all they can do is attack their opponent. Facilitating early advertising may allow candidates to do more to shape the campaign and improve campaign discourse as well.

A second potential indirect effect is that the incentive of vouchers could encourage candidates to concentrate more on raising small contributions. Decreasing the influence of large donors is one of the stated intentions of the proposal's authors. For some candidates, it is a point of pride to list large numbers of small donors, but it is certainly easier to raise money in large contributions. The three-to-one reimbursement of vouchers would make a contribution of up to \$250 far more important than it is today. For example, two \$250 contributions would be worth the same, when vouchers are factored in, as one \$1,250 contribution. (Each \$250 contribution would generate \$750 in vouchers, for a total of \$2,000, \$1500 of which would be in the form of vouchers; a \$1,250 contribution would also yield \$2,000, \$750 of which would be vouchers).

Third, the incentive of the voucher program might encourage different types of candidates to run, increasing the competitiveness of races. Several researchers have noted a decline in the number of "quality" challengers to incumbent members of Congress over the past decade (see, e.g., Jacobson 1997; Maisel, Stone, and Maestas 2001) and have identified the need to raise large sums of money as one reason why quality challengers often do not emerge. Current media accounts of the recruiting failures for both parties in potentially winnable House and Senate races support this perception, as does literature on potential candidates for office (see Fowler and McClure 1989; Moncrief, Squire, and Jewell 2001; Gaddie and Bullock 2000; Kazee 1994). The boost provided by the voucher program may encourage candidates who would otherwise sit the race out. Such questions have been studied at the state level, in regards to public financing of state elections, but the voucher proposal provides a chance to think about this issue at the national level.

And fourth, the potential for reaching the threshold for voucher eligibility could influence candidate, party, and interest group support. We note above that there are relatively few candidates who are barely under the threshold for eligibility, but how far below the threshold a candidate must be before we can conclude that a little bit more of an effort to raise money would push the candidate over the threshold is not clear. It is possible to imagine a number of scenarios regarding efforts to reach this threshold. We can imagine candidates making a far greater effort to reach this threshold, and we can also imagine that at least some self-financing candidates would spend less of their own money if they felt they could reach the threshold for vouchers. We can also imagine that the parties would seek to channel small contributions towards even relatively uncompetitive candidates in order to put them over the threshold. Finally, it is plausible that interest groups might seek to bundle small contributions for candidates for the purpose of helping them get over the threshold. While these candidates might not be able to prevail, given their relatively weak funding, they could introduce an element of competition and accountability that is not currently present.

VII. RETHINKING THE PROVISIONS FOR PARTIES

The above analysis considers vouchers as if they were lump sum payments to candidates. This oversimplifies what would occur. Candidates could only use the vouchers to purchase television or radio advertising, not to fund other campaign activities. Some candidates might have no need for the extra air time, because they already have adequate budgets and do not believe their competition is serious enough to justify advertising at all. Others, considering their total resources, cannot use television or radio ads efficiently in their districts. House candidates in large cities, for example, may well prefer to spend their money for non-broadcast communications targeted to their own constituents, rather than “waste” precious funds on ads reaching voters in other districts. This is certainly a problem with television advertising; it may be less so for radio advertising, although little research has been done on congressional candidates’ expenditures on radio advertisements.

The bill specifies that candidates can exchange their vouchers with their party committees only for an amount equal to the voucher itself. As such, the vouchers supposedly should be as good as campaign cash to the candidates, as long as the parties will trade for them. These “party swap” provisions are meant to serve multiple purposes. First, the goal is to provide some of the benefits of vouchers to candidates who live in districts where television or radio spending is not efficient. Second, the provision is meant to strengthen the role of parties in elections. Finally, for the public, the purpose of the swap ostensibly would be to enhance competition or public discourse beyond districts that would be helped directly through vouchers. However, our review of the way such a system would be likely to work in practice leaves us with questions about whether the “party swap” would serve these goals.

The party swap involves a trade with two partners: a candidate who wants to give vouchers to the party, and a party choosing to purchase the vouchers from the candidate. Let us look at the candidates first, dividing them into safe winners and everyone else. Very safe candidates probably would not need the money they would receive from

trading in their vouchers. They might even be willing to *donate* their vouchers to the party, without compensation, but that is prohibited by the proposal. However, there would appear to be no way to prevent candidates who trade their vouchers to the parties for cash from later donating an equivalent amount of money (or more) to their party or to other campaigns.

Generally less competitive candidates in less-than-perfect media districts might also wish to trade in at least some of their vouchers, although it is difficult to provide exact numbers. Data compiled by Dwight Morris of the Campaign Finance Analysis Project, and provided to us by the Alliance for Better Campaigns, show that in all 2000 Senate races, the average amount spent on television and radio advertising combined (which includes production and consulting costs) was slightly over half (51.9 percent) of the average campaign budget. In competitive races (the ten races that were decided by fewer than ten percentage points), 57.4 percent of candidates' spending was on advertising. House candidates were slightly less reliant on broadcast advertising; candidates in the 41 races decided by fewer than ten percentage points in 2002 spent an average of 49.2 percent of their budgets on broadcast advertising. But these were fewer than 10% of all House races. We can assume that the percentage spent was far lower for candidates in less competitive races. These data do not allow us to discern how much of this money was spent to purchase the advertising time alone, however. In a recent survey, Senate candidates reported spending about one-third of their budgets on television advertising alone, but House candidates reported spending an average of only one-fifth of their budgets on television advertising (Herrnson 2004, 85). It is unclear however whether production and consultant costs were included in these respondents' estimates.

Although we do not have data on spending for individual House races, the data on less competitive Senate candidates are illustrative. Among candidates who received between thirty and forty percent of the vote – candidates who fared respectably but were not highly competitive – there is far more fluctuation in spending on broadcast advertising. This variation is partially a consequence of total fundraising – those in this group who raise more money spend a greater percentage of it on television. Yet there is more to the matter than this. Among the twelve Senate challengers in this group who would have qualified for vouchers, spending ranges from 4.5 percent of the total budget (Bill Redmond, Republican challenger in New Mexico) to 65 percent (Mack Mattingly, Republican challenger in Georgia). Judging by these differences, it would seem likely that there are characteristics of the media markets in these states that would make advertising more effective in Georgia with a single, large media market, but less effective in New Mexico, which has several.¹⁰

One would expect the variation in House races to be more dramatic, given the fact that House districts are less likely to follow the boundaries of media markets than are individual states. If one refers back to Table 2 (page 10), it seems apparent that for

¹⁰ An alternate explanation might be differences in total spending, but these two candidates raised similar amounts, proportionate to state size – Redmond spent \$655,000 while Mattingly spent \$1 million. Given that New Mexico had three house seats and Georgia had eleven house seats in 2000, these amounts seem proportionately similar. The candidates received similar vote totals – Redmond received 37 percent and Mattingly received 39 percent. Most notably, their opponents also differed substantially in the proportion of their budgets spent on broadcast advertising – in New Mexico, incumbent Jeff Bingamon spent 33.4 percent of his budget on advertising while Georgia incumbent Zell Miller spent 75.9 percent of his budget on advertising, the largest percentage of any Senate candidate.

candidates who are not already competitive or who are not fortunate enough to run in media markets that correspond neatly with their electorate, using all of the vouchers on television would not necessarily be an efficient use of resources. That is, if we look at challengers who received less than 35 percent and would have received vouchers, the vouchers by themselves would have comprised over half of the campaign budget, a percentage much larger than most candidates spend on broadcast advertising according to the Morris and Herrnson data. Many candidates, then, might wish to trade some or all of their vouchers for money.

How would we expect the parties to respond to a voucher program? From their perspective, this program contains two parts: a direct grant of vouchers (worth \$100 million for all of the national party committees combined) and the swap provision just described. Regarding the direct grant, we can infer from past behavior of the party campaign committees that unless the \$100 million they received in vouchers encouraged them to aid a broader class of potentially competitive challengers, they would likely use their vouchers only in the most closely contested races. (See Herrnson 2004, 101; Magleby and Squires 2004, 44-52 for the concentration of party money in past elections.) Because these races already are competitive, with significant public discourse on both sides, it is worth asking what public purpose is served by using public funds (or, in this case, broadcasters' funds obtained through public regulation) to underwrite more advertising in these kinds of races.

The swap provision raises similar questions. The Supreme Court's decisions in the *Colorado I* case, and in *McConnell v. FEC* (which came after this proposal was introduced), underscored the right of political parties to make unlimited independent expenditures in House and Senate campaigns. In upholding the Bipartisan Campaign Reform Act (BCRA) of 2002's ban on party soft money, the Supreme Court overturned a provision designed to make parties choose between limited, but coordinated, expenditures and unlimited, independent ones. The parties are now free to raise and spend additional hard money that they will be inclined to spend independently on close races (Malbin 2004). Even if they could afford to buy the vouchers at full cost¹¹, we do not see why parties would prefer to give cash to a candidate who is in a non-competitive or less competitive race, in return for a voucher that the party can use in a close race, when the party can now simply spend the same cash more efficiently in the close race directly. As presently constituted however, the swap program seems geared to a legal environment in which party spending in behalf of candidates would have been more limited. *Colorado-I* and *McConnell v. FEC* make this obsolete.

Of course if the party were permitted to pay less than full price for the vouchers – or if the candidates could later return the voucher purchase money to the party in the form of a

¹¹ At full price, the parties may not even have the resources to trade for all the vouchers made available to them under the current proposal; the DCCC, for instance, raised \$92 million in hard money 2000, and a substantial percentage of this money undoubtedly had to cover administrative overhead, fundraising, and general service. Yet our estimates (see above, pp. 6-8) show that over \$30 million in vouchers could have gone just to safe Democratic incumbents who did not need them. It would have taken almost half of the DCCC's money just to trade with incumbents who did not need their vouchers. During the same election, the NRCC raised \$175 million, and would have had \$34.8 million in vouchers available from safe candidates. These safe candidate vouchers would have composed a substantially larger percentage of the party campaign committee budgets prior to 2004. Still it is doubtful the congressional party committees would feel flush enough to make all the trades possible under the proposal.

contribution – the party might find the bargain attractive. In that situation, the question would shift from being technical to one about basic policy justifications. To focus the policy issues, one should distinguish two kinds of candidates who might make the swap. One would be an underdog in a less-than-fully-competitive district whose media market structure reduces the voucher’s value. We do not know whether there would be a large number of such candidates in any given year, but competition and public dialogue would be enhanced if these candidates could trade vouchers for cash, and if the parties had some incentive to make the trade. The larger number of candidates who might be willing to give their vouchers to the party (or sell them at a discount) would be the favored candidates in less competitive races. If the party could take these safe candidates’ vouchers as contributions and then concentrate all of the vouchers in a few of the closest races – as we predict would occur if the TV and radio ads could be used for unlimited independent expenditures – then the voucher system, and underlying fee levied on broadcasters, in effect would become subsidies (with an estimated value of perhaps \$44-\$47 million¹²) for party advertising in districts that were already competitive. Such a subsidy would not serve the basic goals of the proposed legislation, which are to promote competition and discourse in elections where competition and discourse are now weak. To help the system achieve its intended goals in a post-*Colorado* and post-*McConnell* world it might require limiting the amount of voucher money parties could spend to promote, attack, support or oppose candidates in any one district. Such a limit would force the parties to spread the vouchers beyond the top tier of competitive races.

VIII. ENHANCING DISCOURSE

In the language of supporter Walter Cronkite, the “Our Democracy, Our Airwaves” proposal aims to bring about “campaigns that offer citizens a range of choices, and elections that produce a robust turnout and a meaningful mandate” (Taylor 2002). So far we have looked primarily at the effects of a voucher system on competition. The most promising aspect, however, may not be its effect upon competitiveness, but its effect on political discourse. The proposal would certainly bring about *more* campaign advertising. Some may disagree about whether more advertising would be a good thing, but the candidates who would get the greatest boost tend to be challengers who receive less than 45 percent of the vote, and these candidates rarely do anywhere near as much advertising as do candidates in close races. Giving more money to these candidates would certainly bring more political argument to the forefront. Candidates who would lose by large margins are not likely to win because of vouchers, but the public at least would be able to make more informed choices. That is, even if underdog *candidates* are not brought much closer to victory, the competing *issues* would be better framed for voters.

Several recent books and articles by political scientists have demonstrated that citizens benefit from discourse between candidates. Adam Simon (2002), for instance, has shown in his analysis of Senate campaigns that voters learn more about policy issues when

¹² As in the previous footnote, we arrive at this number by assuming that the incumbents who were identified in Table 1 as having won with 60% of the vote or more in 2000, 2002 and 2004, and who would be eligible for vouchers, all would be good prospects for donating their vouchers to the parties at no cost. While party leaders presumably would work hard to persuade their colleagues to make such a contribution, not all of these incumbents may have felt safe enough to contribute the full amount.

candidates are compelled to engage in dialogue with each other about these issues. Such dialogue generally occurs only in close races, since incumbents have an incentive to avoid such discussions. Even if the “Our Democracy, Our Airwaves” Act does not substantially increase competition, however, the increased advertising of candidates would ensure that at least some of these candidates do present substantive issue discussions. Boatright (2004) found that in a sample of House challengers, it was in fact the less competitive challengers who spent the most time discussing policy issues, and that there are circumstances in which even uncompetitive challengers can compel the incumbent to take action on policy issues. Giving challengers more of a platform to talk about issues, then, would seem beneficial.

Coleman (2001; also Coleman and Manna 2000) has taken these arguments a step further, showing that increases in campaign spending also yield increases in voters’ knowledge of policy issues and in the accuracy of voters’ information about incumbent members of Congress. Furthermore, Coleman argues, increases in campaign spending neither increase nor reduce public confidence in their elected leaders. This argument indicates that even if we consider political advertising vouchers as financial subsidies to candidates, rather than limiting our consideration to the effects of the advertisements, we may see positive consequences. (For a parallel argument for Senate elections, see Kahn and Kenny, 1999.)

One potential objection to these claims comes from those who have sought to limit negative advertising. If there is more advertising in congressional elections, some might argue, there may well be more negative advertising. And negative advertising, according to some researchers, can reduce voters’ confidence in government, polarize the electorate, and demobilize moderate voters (Ansolabehere and Iyengar 1995). Others, however, have argued that negative advertisements stimulate turnout (see Freedman and Goldstein, 1999) or that they are no more effective than positive ads (Lau and Sigelman 2000). There is also surprisingly little agreement among researchers about how to distinguish between a negative ad and an ad that presents strongly-worded comparisons of the candidates on issues. There is also no way to know whether political advertising vouchers would yield an increase in negative advertising. Giving a stronger voice to more candidates may increase the bitterness involved in some races, but given that the alternative is no discussion at all, this may be a risk worth bearing.

Finally, there are strong normative arguments to be made that more voices can be helpful even if these voices do not bring about change in who serves in Congress. Stronger competition can force incumbents to campaign more vigorously, can introduce new policy proposals into the process, and can stimulate greater citizen involvement in politics. Numerous recent works of political philosophy (see, for instance Shklar 1991 and Fishkin 1997, 44) have emphasized that increasing the sheer number of voices and ideas presented in political campaigns is a benefit for democracy; in fact, this perspective can be traced back to Thomas Jefferson and the *Federalist Papers*. Given the abysmal level of voter knowledge about congressional candidates (Jacobson 1997, 97, for instance, finds that fewer than 20 percent of voters can even name both House candidates in their district), it seems that any improvement in voter knowledge about legislative issues and politics would be beneficial to democracy.

IX. CONCLUSIONS

As we show above, it is possible to provide a minimal, baseline estimate of how the money from political advertising voucher program would have been distributed had it existed in past elections (and had it not altered fundraising patterns in these elections). This serves as a useful baseline for looking at the positive and negative aspects of the voucher proposal as they influence competition.

In our simulation of the 2000, 2002 and 2004 congressional elections, we show that the mechanics of the bill – the thresholds, the caps, the total amounts provided – seem workable within the framework of contemporary elections. We show that the bill would be unlikely to deter self-financing or to dramatically affect competitiveness absent unpredictable changes in candidate and party behavior. Such changes would likely occur, but it is important to provide a baseline to which such effects would add. And we show that the candidates who would benefit the most from the bill are those challengers who are somewhat competitive but are not necessarily the most competitive. These candidates might not win election simply because of the vouchers, but their campaigns would have a stronger voice, and a skilled candidate might leverage his or her air time into a serious discussion of political issues or a strong insurgent campaign.

Our estimate of the financial cost of a voucher program is in line with that of the sponsors. The bill calls for a total of \$650 million to be made available to candidates in the 2004 elections. The Alliance for Better Campaigns' analysis of presidential campaign finance in 2000 estimates that a total of \$134 million would have been provided to candidates; the total voucher amount for congressional elections in 2000 would have been \$311 million. An additional \$100 million was set aside under the bill for the parties. The estimated total for 2000, therefore, would have been about \$545 million. Even if candidates were to increase their fundraising because of the voucher legislation, the \$100 million cushion built into the bill would seem sufficient to cover the amount needed for a presidential election year. Midterm election years would cost significantly less than this.

We have noted two problems here with the voucher proposal. First, the formula for Senate races should be reconsidered. Under the current formula there is a potential for exorbitant sums to flow to already secure candidates. The potential imbalance, especially in larger states, could stifle, rather than promote, competition. This could happen in the House as well, but the consequences of this seem more harmful for competition in the Senate. If one is looking to remedy the problem in the Senate, one solution might be to adjust the reimbursement formula. Another, broader solution might be to prevent incumbents from receiving more voucher money than their challengers.

Second, the proposals for party vouchers should be reconsidered in light of BCRA, *Colorado I*, and *McConnell v. FEC*. Given the potential for the parties to make unlimited independent expenditures with their hard money, the bill's provisions for parties do not seem to accomplish their goals. If there is to be a party swap, we see no reason for the current mandate that vouchers must be swapped for their full face value, although it should not be permissible to swap them for more than their face value. This modification would help ensure that vouchers are used more efficiently and that candidates and parties

do not seek to evade the rules on voucher exchanges. However, in view of the evidence presented that parties concentrate their spending on a relatively small number of highly competitive races, additional consideration should be given to providing incentives to parties to expend their vouchers on a broader group of contests.

Finally, we believe the debate surrounding the political advertising voucher proposal would be served through an increased focus on giving candidates a stronger voice in elections, rather than through an emphasis on establishing many more competitive races or greater turnover. These are related concepts, but the proposal seems more likely to promote a competition of ideas than a broadscale competition of candidates. Of course, it is difficult to precisely estimate the effect vouchers would have on campaign discourse or voter knowledge. But even though we do not see the “Our Democracy, Our Airwaves” Act as a harbinger of radical change, it would likely contribute towards the worthy goal of improving democratic debate and accountability.

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