Transparency and Disclosure in Political Finance: Lessons from the United States

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In the U.S. today, there are wide-ranging and often angry debates about almost every issue of campaign finance regulation. Some call for stricter limits on contributions and for bans on some kinds of large contributions to parties, while others would eliminate all limits on contributions. Some advocate public subsidies for candidates – free or cheap media, or a direct public grant – while others favor abandoning the current limited system of public funding of presidential elections. Some would ban certain types of advertising made before elections, others argue that no spending can be limited because it is free speech.

Yet one element of the campaign finance system is not a subject of active debate – the requirement that candidates, interest groups, and parties disclose the sources of their money, and the way they spend those funds. All sides of the campaign finance debate accept the disclosure requirement, and it is almost an article of faith in the U.S. that disclosure leads to a less corrupt campaign system. Indeed, even those who advocate an end to all limits and regulations on fundraising and spending publicly support disclosure, and in some cases even urge a more rigorous enforcement of disclosure requirements.

This almost universal rhetorical support for disclosure does not mean that there is consensus in the U.S. about what should be disclosed, or that all political groups favor providing sufficient resources for the appropriate federal and state agencies to collect and audit all campaign finance information. But clearly disclosure is a cornerstone of US campaign finance regulation at the national and state levels. A task force of scholars who recently evaluated the campaign finance system in the U.S. concluded that disclosure was the greatest success story (Alexander, et al., 1997, p9).
At the national level, the U.S. has more than 25 years experience with campaign finance disclosure, and although it overall has been a success, loopholes have emerged in the disclosure system (Wilcox, 2001). Because the U.S. is a federal system, individual states have their own campaign finance laws, and their own disclosure systems, with varying levels of effectiveness (Malbin and Gais, 1998, p. 33-51). Clearly the US experience with disclosure is clearly not applicable to all emerging democracies. The U.S. electoral system is unique, and some of the features of our system are specially adapted to that uniqueness. Yet all nations seeking to design a system of campaign finance disclosure must grapple with a common questions, and there are lessons to be learned from the US experience – mistakes to be avoided, successes that might bear emulation (Wilcox, 1989; 1993).

Disclosure is not an unmitigated good –there are benefits and costs to requiring that parties and groups make public their contributors and their spending. This paper will begin with a general discussion of the benefits and costs of disclosure. All societies must balance the advantages and disadvantages, and that balance may differ from country to country. The section will conclude with a discussion of the conditions that might increase the importance of the advantages or disadvantages of disclosure for particular societies.

The second section will focus on the some lessons from the U.S. experience of campaign finance disclosure. It will begin with a brief description of the unique characteristics of the US electoral system that may make our experience less applicable to other countries. Next, it will consider four questions which any country must consider as
it designs a new system of campaign finance disclosure or revises an existing system, how those issues were resolved in the US, and with what consequences.

**The Case for Disclosure**

Proponents make many arguments in favor of disclosure. Here we consider four: that disclosure facilitates the enforcement of campaign regulations and helps to control corruption, that disclosure increases accountability, that a transparent system engenders more trust in government, and that disclosure permits a polity to better understand its politics, and to thereby more effectively remedy problems.

Disclosure is often touted as a way to control violations of campaign laws, and to control corruption. These are two related but distinct advantages, for not all violations of campaign laws would constitute corruption, and not all corruption involves campaign finance laws. Yet both are important goals for any democracy. When campaign-funding laws are flouted, electoral outcomes may be altered, and more importantly public trust in and support for the regime may erode (Burnell, 1998, p.2). Corruption can destroy public trust even more rapidly, and creates economic inefficiencies and unfairness in the distribution of public goods (Williams, 1999, p3; Rose-Ackerman, 1999, p. 127-141). Corruption is corrosive in any democracy, but it is especially dangerous in emerging democracy that may lack the legitimacy and routines to survive scandals. In many new democracies, there is a widespread belief that the campaign finance system is corrupt (Gel’Man, 1998, p157), which can undermine public confidence in democracy.

Rose-Ackerman (1999, p133) notes, “Democratic political systems must find a way to finance political campaigns without encouraging the sale of politicians to
contributors.” Potential donors seek access to and policy from government, and policymakers seek money from donors to fund their parties and campaigns. This exchange creates a great temptation for corruption. Most political systems develop a set of rules of acceptable and unacceptable contributions in an effort to limit corruption, and to define the boundaries of acceptable behavior. Private contributions to parties and candidates, and spending on their behalf, may be limited in size, or even banned outright.

A system of disclosure is thought to be essential to the enforcement of any system of campaign finance limits. Without disclosure, the task of determining violations of the law would be impossible. Even with disclosure, enforcement of limits is not easy. As Smith (2001, p215-227) notes, those who seek to avoid contribution limits are unlikely to disclose that fact on government forms. Yet although disclosure does not automatically lead to detection of campaign finance violations, it does make the process of detection much easier. In the 1990s, investigations of illegal corporate contributions by a Buddhist temple to the Clinton-Gore campaign, of potentially illegal fundraising on government property by Vice President Gore, and of illegal network of foreign contributors were all uncovered by careful inspection of campaign disclosure forms. Disclosure also enhances compliance by reminding candidates and parties of regulations, and regular audits of reports can uncover inadvertent violations of the law.

Whether campaign finance disclosure helps control corruption is a more complicated question. It is complicated because in many societies corruption takes the form of direct gifts of cash, of goods, or of services to policymakers outside of the campaign finance system, and would not be affected by disclosure of campaign money. Over time the U.S. has come to limit but not eliminate this form of simple bribery. Yet
as these sorts of direct payoffs are controlled, the likelihood that the campaign finance system will be the location of rent-seeking behavior increases.

The question is further complicated because of the more fundamental question of what constitutes corruption, and of the difficulty in proving when it has occurred. In the U.S., the public’s conception of corruption is far more expansive than any legal definition, but to establish corruption legally requires explicit proof that policy was made in exchange for contributions. This is of course exceedingly difficult to prove, for politicians can plausibly list many other reasons why they supported a policy other than to pay off campaign donors.

Yet disclosure can help with the control of corruption in two important ways. First, the existence of reports that can be audited by the government and scrutinized by media and by opposition parties can allow the identification of irregularities that are a signal of corruption. In the U.S. in the “roaring 20s” in Chicago, gangster Al Capone was never convicted of murder or bootlegging, but the government was able to prove that his spending exceeded the income that he documented on his income tax forms, and thus sent Capone to prison for tax evasion. Similarly, if parties or candidates spend sums that are significantly larger than those that they report or than they can justify by their reported contributions, this can lead to investigation and even legal action.¹ This type of scrutiny depends on disclosure not only of receipts but also of spending.

Second, in the U.S., campaign finance disclosure has allowed a more vital and hearty debate over the meaning of corruption, and over the role of money in influencing policymaking. Disclosure of large contributions to the political parties led to a debate over the propriety of donors staying in the Lincoln bedroom of the White House, of large
donors seeking special meetings with the president, and over special funding events by congressional leaders in posh resorts where donors met intimately with those who would write policy that affected their businesses. Non-governmental organizations (NGOs) regularly total campaign contributions from various industries to particular candidates, and then monitor their voting records and support for the industry. Reports of large donors who are appointed as ambassadors (Weiss, 2001), or of large contributions by the tobacco companies that might have been rewarded by a dropped lawsuit, all facilitate the debate over the meaning of corruption. The academic discussion of the meaning of corruption in campaign finance is informed by transparency in contributions (e.g. Thompson, 1993).

In addition to its value in controlling violations of campaign law and corruption, disclosure is often touted for its contribution to government accountability. U.S. Supreme Court Justice Brandeis wrote: "Publicity is justly commended as a remedy for social and industrial diseases. Sunlight is said to be the best of disinfectants; electric light the most efficient policeman." Voters can only hold policymakers responsible for any special policies or favors they provide for donors if they have access to information about who has given to whom. Thus disclosure is clearly a necessary condition for accountability in campaign financing (Alexander, et al., 1997, p9).

Some argue that disclosure is also sufficient to ensure accountability. John Doolittle, a Republican congressman who proposes to scrap all limits and require only disclosure, argues that “Full disclosure will enable voters to identify and understand the interests that may affect a certain candidate, and it will then allow voters to vote accordingly.” (2001, p1). Yet in the U.S., a majority of voters cannot recall the names of challengers in House elections, nor describe major votes cast in the legislature by their
incumbent representative. Clearly few voters go to the trouble to track down the sources of campaign money, and alter their vote accordingly.

For disclosure to provide accountability, some set of actors must digest the complex campaign finance information and present it to voters in comprehensible form. Those who drafted the U.S. law clearly intended for political parties to serve this function, and they often do. Parties and candidates frequently attack their opponents by identifying the sources of their funding and linking that to unpopular policy positions. (For an example, see http://www.100daysofbush.com/tv/index.html -- which replays Democratic advertisements that end with “George Bush’s first 100 days, brought to you by the oil industry, the meat industry, the chemical industry.)

There is little empirical evidence to help us decide whether such charges move public opinion, but there is reason to think that they might. There is considerable research in social psychology that suggests that voters might accept or reject policies that adversely affect them based on whether they perceive that the process by which the decision was made was fair (Tyler, Degoey, and Smith, 1996). When a policymaker takes an unpopular stand or casts an unpopular vote, they will arouse more voter anger if it is perceived that the decision was influenced by political money. If the policymaker can claim that they acted on the merits of the issue, seriously considered all competing opinions, and were unbiased, voters are likely to be more accepting. Thus environmental groups frequently attack politicians by linking their anti-environmental votes to contributions from polluting industries (Wilcox, 2001).

Whether or not citizens actually do hold their elected officials accountable, it is arguably important that they have the information to do so if they so choose. Electoral
accountability is a blunt instrument (Ferejohn, 1999, p140), and is unlikely to routinely result in the dismissal of incumbent politicians. But the possibility that it can occur may well act as a deterrent to abuse. At least some policymakers may avoid certain payoffs to donors because of the risk that an opposing candidate or group will expose them in campaign ads. Indeed, there are instances in the U.S. of Senators stopping legislation by making speeches on the floor of the chamber that link the proposal to campaign contributions by its sponsor (Fritsch, 1996).

The deterrent effect of disclosure is also evident in the conduct of some campaigns. Some candidates have campaigned for office by refusing to take contributions from PACs, and others have returned contributions from groups that they thought might prove embarrassing later. The most amusing such incident was Bob Dole’s first accepting, then returning, then claiming that he would accept if offered again, a contribution by a group of gay and lesbian Republicans. Clearly at least some candidates believe that there are electoral costs to being linked to certain financial interests.

Some proponents of transparency argue that disclosure enhances public trust in government. The relationship is certainly not that simple. Warren (2000) argues that the relationship between the public and government elites is complex. Democracy institutionalizes distrust by providing mechanisms for the public to monitor and discipline elites if they do not act in the public interest. Disclosure provides information that enables that monitoring, but since most citizens do not actively monitor political money and government policymaking, some element of trust is required. Transparency procedures reduce the risks of trust, and this may increase public trust in government.
Yet disclosure systems also expose citizens to the gory details of politics, and this is not always a pleasant experience. Indeed, in the short or even medium run, a newly implemented disclosure regime may decrease trust as citizens come to see the financial constituencies of their political heroes, and as the magnitude of political money becomes apparent. Much as a hungry man may lose his appetite as he tours a sausage factory, so those who inspect the details of policymaking may come out with greater distaste for politics. Hibbing (2001) argues that increased transparency of Congressional policymaking in the U.S. has led to decreased trust in the legislature, for citizens inherently dislike the tradeoffs and deals that are at the heart of politics. Thus disclosure will not automatically enhance trust, but it does make it possible for political elites to earn the trust of its citizens.

Finally, one benefit of disclosure that is not commonly mentioned in policy debates is that it permits the study of the influence of money on policymaking, and may thereby lead to a greater understanding of the workings of a political system. In the U.S., disclosure laws at the national (and to a lesser extent state) levels have permitted political scientists and sociologists to study the impact of money on access to policymakers, to legislative activity such as committee action and roll-call votes, and to policy outcomes. These questions are complex and are not yet fully answered, but the interchange of ideas and evidence permitted by these data have clearly enhanced our ability to understand the workings of American democracy. Disclosure might possibly alert political elites to significant shifts in the flow of political influence and money in time to adapt regulatory regimes to avoid any significant damage to the polity. By allowing monitoring of change
over time, a good disclosure system might permit the government to react to emerging
problems before they undermine the system.

The Case Against Disclosure

Although disclosure is widely accepted as part of US campaign finance
regulation, it is not an unmitigated good. Indeed, the Supreme Court consciously
weighed the advantages of disclosure against potential disadvantages, and concluded that
in the U.S. the balance tipped toward the benefits of disclosure. This may not be true
under all circumstances the U.S., and it might never be true on some other countries.

In the U.S. rights-based culture, the principle disadvantage to disclosure that was
recognized by the Supreme Court was an invasion of the privacy of the donor.
Contributions are disclosed on the internet in the U.S., and both the Federal Election
Commission and various NGOs such as Center for Responsive Politics allow anyone to
look up famous and less famous individuals and learn to which candidates, parties, and
PACs they have given. The records include the city and zip code for the donor, and the
paper records at the Federal Election Commission also include the full street address.
Although the law forbids the use of these records to solicit for contributions to candidates
or causes, that provision is increasingly difficult to enforce.5

Although the American emphasis on individual rights is not shared in all cultures,
there are other reasons for being suspicious of disclosure. The secret ballot is widely
regarded as a critical element in most democracies because it frees citizen’s vote
decisions from scrutiny by employers, social elites, or family members. When balloting
is not secret, pressure can easily be brought to bear on voters, and votes may not reflect
autonomous decisions of individuals but rather the aggregated power of groups and
interests. Similarly, when contributions are public, pressure can be brought to bear to give or not to give to particular candidates, parties, and groups.

There is anecdotal evidence that this has occurred in the U.S. Both Democratic and Republican party officials have identified individual and institutional donors and reportedly pressured them to change their patterns of giving, with the threat that they would lose access to policymakers unless they complied (see, for example, Jackson, 1990, p67-81). One corporate executive told me that his company’s PAC director learned of the candidates to whom he had given as a private citizen, and had excoriated him for giving to the wrong candidates.

In all societies, those who give to the “wrong” party or candidate face the possibility of some kind of sanction, but in some countries those threats are more likely and the sanctions more severe. In many societies, giving to the wrong party or candidate could lead to a social cost from family, ethnic group, or religious leaders, and to economic pressure of a variety of sources. In some countries, citizens might rightly fear that if their name is on the list of donors to the wrong party or candidate, they risk physical harm.

These costs may deter individuals and groups from supporting non-governing parties, and thus serve as a “chilling effect” on speech. Parties may have difficulty raising money when their donor lists will be made public for opposition leaders to peruse. In the U.S., this has been explicitly recognized in the case Buckley v Valeo (1974), where the court ruled that the First Amendment prohibits the government from compelling disclosures by a minor political party that can show a reasonable probability that the
compelled disclosures will subject those identified to threats, harassment, or reprisals. The majority opinion stated:

We are not unmindful that the damage done by disclosure to the associational interests of the minor parties and their members and to supporters of independents could be significant. These movements are less likely to have a sound financial base and thus are more vulnerable to falloffs in contributions. In some instances fears of reprisal may deter contributions to the point where the movement cannot survive. The public interest also suffers if that result comes to pass, for there is a consequent reduction in the free circulation of ideas both within and without the political arena. (Buckley v. Valeo, 424 U.S. 1 1976, p71).

In this case, the Court balanced the rights of freedom of association and freedom of speech with concerns about corruption. This balance is critically affected by the size of the political party. The Court ruled that because minor party candidates are unlikely to win elections, the government's general interest in deterring the “buying' of elections is reduced in the case of minor parties. In the case of major parties, the balance in the U.S. tilts toward the control of corruption.

In 1982, the Court made this exemption concrete in the case of the Socialist Worker’s party, which sued in federal court for an exemption to disclosure because they feared that donors might face harassment. In Brown v. Socialist Worker’s ’74 Campaign Committee, 450 US 87 (1982), the Supreme Court ruled that the threat of reprisals against donors would mean that forced disclosure would limit’s the party’s ability to raise funds. The district court in this case found substantial evidence of harassment. This included threatening phone calls and hate mail, the burning of SWP literature, the destruction of
SWP members' property, police harassment of a party candidate, and the firing of shots at an SWP office. There was also evidence that in the 12-month period before trial 22 SWP members, including four in Ohio, were fired because of their party membership. In addition, the Court found evidence of government harassment, including an FBI program of surveillance and other activities designed to impair the ability of the party to function. (*Brown v. Socialist Workers' 74 Committee*).

The 2nd Circuit used this precedent to exempt a Communist party campaign committee from filing disclosure documents later in 1982. The court exempted the party not only from disclosing the sources of its funds, but also from disclosing the recipients of its contributions. (*Federal Election Commission v. Hall-Tyner Election Campaign Committee, 678F.2d 416 (2d Cir. 1982)*) In both of these cases, the Court cited the standard from *Buckley* that “the party must demonstrate a ‘reasonable probability’ that compelled disclosure of the names of contributors would "subject them to threats, harassment, or reprisals from either Government officials or private parties.”

This issue must be taken quite seriously in emerging democracies, where the balance of political power and the rules of political engagement are not yet institutionalized. Democracy can flourish only if parties and political movements have sufficient money to build an infrastructure and to advertise. Money enables parties to introduce their program and candidates, and to mobilize their potential members. If disclosing contributions would expose citizens to threats of reprisals from government, the ruling party, or from private groups or individuals, then the disadvantages of disclosure are likely to outweigh the benefits. Even if such reprisals are unlikely, if significant numbers of donors are likely to *fear* such reprisals, and would therefore be
less likely to contribute to parties and candidates, the disadvantages of disclosure would be serious.

Disclosure also permits policymakers to determine precisely who has contributed to their campaigns, thereby rewarding their supporters and punishing those who have not given. In the U.S., candidates carefully scrutinize donor lists, and tailor their solicitations to fit the timing of legislative activity. Although reform advocates often characterize giving as a form of bribery, donors themselves often speak of extortion. Interest groups may be invited to attend a fundraising event held on the weekend before a legislative committee considers the details of regulations or taxes that might affect the group or company. Indeed, one fundraising professional described to me how to build a network of donors by “starting with the people who cannot say ‘no’ to you.” (Brown, Powell, and Wilcox, 1996, p.60).

Because disclosure permits policymakers to collect their rents, Ayres (2000) has proposed to replace the U.S. disclosure regime with a system of anonymity. In this plan, donors would contribute their money through an intermediary institution – either a government agency or a bonded financial institution – which would put the money into blind accounts and pass the money to candidates at regular intervals. Policymakers would receive all contributions but would not be able to trace them to particular individuals or interests, and thereby would prevent politicians from extorting contributions (because any individual or interest could claim that they have already given), and deter groups and individuals from rentseeking.

It is not clear that this proposal would be feasible in the U.S., and it might be even less practical in emerging democracies where no intermediary institutions would be
immune from the threat of corruption. Moreover, it is easy to imagine potential ways to circumvent the anonymity of the system (Brennan and Hamlin, 2000). Finally, in the U.S. at least, such a disclosure would prevent the noisy and boisterous fundraising events that are part of the life and vitality of politics. Still, the proposal is a useful tonic for notions that disclosure is a panacea for campaign finance regulation, and invites us to think creatively about alternatives.

**Balancing the Costs and the Benefits of Disclosure**

In the U.S., the Supreme Court made the reasonable decision that the benefits of disclosure outweighed its costs. These benefits and costs will vary across countries, however, and the balance may well tip against disclosure elsewhere. Let us consider first the factors that might affect that balance.

Malbin and Gais (1998, p33-37) list five conditions that are required for disclosure to enhance political accountability. Three of these are things that will vary across countries regardless of the design of the disclosure program, although good design may affect them somewhat.

1.) Most candidates and political organizations report what they do accurately
2.) Interested, knowledgeable people read and interpret the reports and then make useful information available in a timely way to voters, and
3.) Voters are able and willing to use the information as a basis for making an election decision.

Malbin and Gais report that these conditions are not met equally across the U.S. states, and they are certainly not met equally across countries.
Consider, for example, the accuracy of reporting. Parties, candidates, and groups all have an incentive to avoid disclosing activity. If compliance with disclosure requirements is low, then few of the benefits of disclosure will ensue. High levels of compliance are possible where there is consensus on the importance of disclosure or the value of political openness, where there is a strong norm of obeying regulations, where there is significant levels of trust between political parties and other elements of politics, or where there is a strong political will to enforce the law and sanction violators. In the absence of these characteristics, disclosure is less likely to succeed.

The existence of interested and knowledgeable intermediaries to interpret and publicize the information has been critical to the success of disclosure in the U.S. It is not enough for a government agency to provide a long list of donors to parties or candidates, since most voters find such lists impenetrable and numbingly dull. Someone has to weigh through that information, culling instances where a party or candidate has taken significant money from a set of interests, and where policy payoffs may have occurred.

A free press that is willing and able to investigate questions of campaign money, and that can publish such stories even if they embarrass the current regime, is an extremely valuable complement to a government disclosure system. In the U.S. many major newspapers and magazines assign investigative reporters to cover campaign finance, and many become experts in the area. Some papers such as the Los Angeles Times have undertaken major efforts to systematically analyze data from the FEC, and from various state agencies. The Federal Election Commission has a special office to facilitate media inquiries, and regularly releases reports to the press.
A strong NGO sector that monitors government action is also useful in making campaign finance information understandable to the public. In the U.S. a number of citizens groups such as Common Cause and Citizen’s Action have major campaign finance projects, other NGOs such as Citizen’s for Responsive Politics do basic research on campaign finance. Foundations such as the Pew Charitable Trust and the Joyce Foundation fund research, NGO efforts, and even local government initiatives. Research institutes such as the Campaign Finance Institute and the Citizens Research Foundation sponsor research into campaign finance practices, which are subsequently released to the media and to the academic community.

A competitive party system where opposition parties are able to freely criticize the ruling party for responding to financial interests has been the single most important factor in translating disclosure information to voters in the U.S. Both major parties regularly run advertisements linking policies of their opponents to their sources of funding, while minor parties such as the Green party charge that both major parties are in the pockets of corporate interests and offer evidence from the disclosure database. Often these charges are overblown and even misleading, but the parties do systematically scrutinize each other’s records, providing an important check in the system.

Government agencies themselves can make data accessible and intelligible. The Federal Election’s capable staff issue press releases and create databases that are invaluable to scholars, journalists, and even to citizens. But the primary role of government agencies must be to maintain the integrity of the data, and interpretative efforts are best left to outside sources. In the absence of a free and investigative press, a
strong NGO sector, or a competitive party system, disclosure can still be valuable, but it is unlikely to yield its full benefits.

The final condition for valuable disclosure is for voters to be able and willing to cast ballots based on information. In the absence of at least a credible threat of electoral consequences, parties and candidates may find disclosure only an administrative annoyance. In the U.S., many candidates are risk averse and often respond to a mere hint of electoral consequences, but in some locations incumbents are almost guaranteed reelection. In those latter areas, disclosure is less valuable since policymakers do not fear electoral sanction. In societies where voting is strongly linked to ethnic, religious, or regional cleavages, then disclosure may be less able to deter abuse. Yet even if current voting habits might limit the ability of the public to hold elected officials accountable for campaign finance abuse or corruption, the volatility of electorates worldwide suggest that maintaining a disclosure database that would make possible such voting might prove useful in the future.

The disadvantages of disclosure are more likely to be salient in societies where the rule of law is less strongly established, where there are strong ethnic, economic, religious, or other elites who might seek to discipline those who give to the “wrong” party, and especially where there has been a history of political violence. In countries with these characteristics, disclosure should be adopted only after serious consideration of all consequences. Any country seeking to implement a disclosure system should enact strong and enforceable safeguards for contributors, and perhaps provide public subsidies to parties to help overcome any chilling effect on fundraising.
Designing a Disclosure System: Lessons from the U.S.

All countries can learn from the successes and failures of others, but political structures and norms and cultural differences may make comparisons difficult. There are several aspects of the U.S. electoral system that are unique, and affect the way disclosure works in the U.S. Most important is candidate-centered nature of American elections. In the U.S., candidates raise their own money, and articulate their own issues, and are free to promote policies and work for special benefits for individuals and groups even when party leaders disapprove. This makes the disclosure process more complicated, for every candidate for federal office forms her own campaign committee, and builds her own financial constituency from individuals and interest groups. During the internal party elections (primary elections, caucuses, and conventions), parties are typical neutral, which means that candidates rely on the support of organized interests and a circle of supportive individuals to fund their campaigns. Thus unlike most systems, money does not flow primarily through political parties.

Parties do collect funds, through contributions from individuals and interest groups. All contributions to parties are disclosed, but some contributions are not limited in size. The federal system in the U.S. applies to campaign finance as well, so that state parties and candidates are not covered by the federal law, and state requirements and programs for disclosure vary widely. Parties do not have mass membership bases, and therefore do not collect significant sums through dues. There is very limited public funding in the presidential campaign only.

Interest groups can give money directly to candidates only through Political Action Committees, which may gather contributions of limited amount from members
(corporate executives, labor union members, etc.) and give that money to candidates. This requirement makes it easier to keep track of the various corporate, union, and civil society groups that finance campaigns. Recent developments in campaign law and practice have opened up other paths for groups to spend money that is not disclosed, however, as will be seen below. The U.S. is also unique in the diversity of its interest group population, and especially in the large numbers of non-economic, ideological groups.

American elections are very expensive, and the magnitude of financial activity poses a daunting challenge to disclosure management. In 2000, fully $3.7 billion dollars of activity was reported to the Federal Election Commission. There more than 4000 political action committees, and more than 400,000 individual contributors to House and Senate candidates alone. It requires a very extensive effort to computerize and maintain records. Because state disclosure laws vary, it is difficult to estimate total spending and activity in state and local elections, but these sums are also large.

Because of the huge volume of financial activity in US elections, disclosure efforts are very expensive. For fiscal year 2000, the FEC spent nearly $8 million on public disclosure efforts, including the press office, and another $10 million on efforts to obtain compliance with disclosure and contribution limits. State spending varies widely, but some large states such as California spend millions on disclosure efforts. In some states, there are only a handful of employees dealing with disclosure, in other states disclosure is a large effort with dozens of employees. Yet these costs need not be nearly so high in countries where most financial activity is channeled through political parties,
for costs in the U.S. are multiplied greatly by the large number of candidates who must file reports.

Finally, the U.S. regulatory regime is full of baroque exceptions and alternatives, some from legislative action, decisions by the Federal Election Commission, and most importantly from decisions by the Courts. This regulatory maze has created many subtle distinctions that only a lawyer could love, and this creates many complications for disclosure formats.

Although disclosure is the greatest success story of campaign finance regulation in the U.S., there is significant activity that is not disclosed, and this may systematically distort the picture that emerges on the sources and use of money. Some of these exclusions are more important than others, but it is clear that not all of financial activity is disclosed, and that important activity occurs outside the system.

For all of these reasons, the U.S. political and electoral system is unique, and many elements of its campaign finance disclosure system will not be relevant to many countries. Yet all countries must make four basic decisions in designing and implementing a disclosure system, and the American experience in answering these questions may prove instructive. First, what types of activity will be disclosed, and what information should be made available? Second, who will disclose that activity? Third, how will they make the information available? Finally, what will be the penalties for non-compliance?

*What Kind of Activity to Disclose?*

Malbin and Gais (1998, p36) argue that for disclosure to be a valuable tool for promoting government accountability, campaign finance reports must cover most of the activities
and relationships of importance to voters. Robert Biersack, who has long managed the disclosure database for the Federal Election Commission, concurs. Biersack argues that any country beginning a system of disclosure would be well advised to define electoral activity broadly. The U.S. experience is that there are ample incentives for creative political entrepreneurs to create new channels for money, and to use existing institutions in new ways to finance campaigns. If campaign activity is defined narrowly in disclosure law, increasing amounts of money are likely to be channeled into activity that is not covered by disclosure requirements. Much as national tax codes can channel investments into non-productive resources, so too can narrow disclosure provisions channel money into campaign activities that are undesirable.9

By defining campaign activity broadly there is less opportunity to channel money outside the transparency system. Even with a broad definition written into campaign law, however, it is important to reassess the definition of campaign activity at regular intervals to include new routes for money into politics. The U.S. is not a model to emulate on this score, but rather a cautionary tale, for it is difficult in the U.S. to pass new regulations or to extend the scope of disclosure and this has led to significant gaps in the disclosure database.

The question of which activity to disclose is more difficult than it might initially seem, however. There are two issues here – the level of activity that must be disclosed, and the nature of the activity that is disclosed. In the US, policymakers decided to require disclosure only of gifts above a certain size, and chose to exempt some kinds of activity altogether. Table 1 summarizes current disclosure requirements in the U.S. for
candidates for national office. Total disclosed financial activity (minus transfers) in the 2000 election cycle totaled more than $3 billion in national elections.

There are two general types of activity that are not disclosed in the U.S. First, the details of small contributions and a good deal of grassroots campaigning is not disclosed so as not to deter this activity. Second, over time larger, more important gaps have emerged in the disclosure database as campaign finance practices have changed or as courts have opened up new avenues of activity.

Contributing in the U.S. is conceived as a form of political participation, and measures that would deter less affluent citizens from giving to candidates and parties are therefore regarded with some suspicion. Small contributions are thought to pose little danger of corruption, and the costs of an effort to collect information on the donors of small contributions might exceed the value of the funds received. When disclosure limits are set too low, therefore, it might act as a deterrent to campaign efforts to involve less affluent individuals in campaigns, thereby weakening the connection between parties and candidates and ordinary citizens. The FECA requires that candidates report the aggregate sum of all contributions received in amounts of $200 or less, but that they report each specific contribution of more than $200 separately, along with information about the donor.

This creates the possibility of abuse – an individual can make multiple contributions of $150, for example, and avoid disclosure, although he would still be legally subject to the contribute limit of $1000 per candidate per election. The aggregate totals of small individual contributions serve as a warning light to investigators to check for that kind of abuse. But the risk of circumvention was thought to be less important in
the U.S. than the potential chilling effect on fundraising for candidates and parties of requiring bookkeeping of small contributions. There is another argument for exempting the smallest contributions from disclosure: including them would exponentially increase the size of the database, and significantly increase the costs of maintaining and auditing the system.

In addition, candidates who raise and spend less than $5000 are not required to file reports with the FEC detailing their receipts or spending. This provision was adopted to prevent reporting requirements from deterring individuals from seeking office. Serious candidates for national office raise and spend large sums and can hire staff to handle disclosure, but the many candidates who start a campaign but quickly discontinue their efforts need not grapple with the complexities of financial disclosure. In one extremely unusual case, an incumbent Senator won reelection without raising or spending $5000 in the 1980s, and thus was exempt from disclosure requirements. That experience is unlikely to ever be repeated.

Certain types of grassroots political activity are also exempt from disclosure in the U.S. These exemptions reflect elements of American political culture, conscious decisions by policymakers in 1974 when the regulations were drafted, or decisions by courts interpreting Constitutional law. Other societies will make different decisions, and there are costs and benefits associated with any decision.

Most campaigns in the U.S. receive considerable benefit from volunteers, who provide their time and services to work at headquarters, go door to door to persuade and mobilize voters, or who call potential voters to encourage their participation. U.S. lawmakers did not require disclosure of volunteer activity, because to do so would
impose a burden on campaigns and perhaps deter citizens from participating. This may be especially important in the candidate-centered campaigns in the U.S., where candidates generally do not receive party resources until after the intra-party contest is settled. Certain types of candidates – especially women and racial and ethnic minorities – may rely disproportionately on volunteer labor, so any legislation that would limit volunteer activity might especially affect their campaigns. Yet exempting volunteers from disclosure does create a bias in the disclosure system, for some types of groups such as labor unions, environmental groups, Christian conservative groups, and gun enthusiasts provide significant pools of free labor for campaigns. By exempting this activity the disclosure system underestimates the resources provided by member-rich groups, relative to those of cash-rich groups. In a party-centered campaign environment, it should be possible to require disclosure of aggregated volunteer hours, or perhaps of group efforts to marshal volunteers. Yet such disclosure requirements should be crafted carefully, so as to not chill volunteer activity.

The U.S. also exempts from disclosure the funds spent by certain groups to communicate to their members, even if these communications include an explicit endorsement of a candidate. The exclusion of these communications from disclosure once again underestimates the resources provided by member-rich groups, especially those with a cohesive membership that might respond well to endorsements. The National Rifle Association, for example, communicates regularly with its nearly 4 million members, and these communications are generally thought to be very valuable in close campaigns. Such communications are probably more valuable than any cash contribution, for they create a credible communication from a trusted source, and provide
a ready communication channel with an identifiable set of voters. Group communications are protected first amendment speech in the U.S., but a complete disclosure system should include some reporting of this activity.

Moreover, organizations that seek to inform voters of the positions of candidates in an ostensibly non-partisan manner may distribute voter guides in churches or shopping malls, or mail them to their members, without disclosing this activity to the Federal Election Commission. This has led to a boom industry in guides that are technically non-partisan but that make it very clear which candidate is preferred. The Christian Coalition voter guides, for example, have been notorious for presenting unflattering pictures of Democratic candidates and distorting their policy positions, and similarly presenting Republicans in a flattering light (Rozell and Wilcox, 1996, p.178). Such activity is almost certainly electioneering, and any comprehensive system of disclosure should include voter guides. However, some small community groups in the U.S. do publish voter guides that are genuinely non-partisan, and the value of these guides may be considerable. If disclosure requirements are burdensome, it might well deter such activity.

In addition to the small contributions and grassroots activity that escapes disclosure by design, there are other types of activity that have emerged since the FECA was adopted, and are therefore not covered by disclosure. For some time, contributions from individuals or interest groups to the parties for party building or voter mobilization, or for state and local campaigns (called “soft money”, were not disclosed. Contributions to state and local candidates and party organizations are still only disclosed to state governments, and the requirements for that disclosure vary by state. Today disclosure of
soft money contributions to the national political parties is required, and is a major source of scrutiny by the media and by NGOs.

Many presidential candidates in the U.S. have formed “non-partisan” foundations that seek to educate the public about particular issues – not coincidentally the issues that form the basis of the candidate’s campaigns. These foundations are not covered under the disclosure provisions of the FECA, although they must file some limited forms with the Internal Revenue service. In addition, there are a number of quasi-party organizations such as think tanks, research institutes, and even NGOs that do not disclose the identity of their donors, although they do engage in activity that aids the parties. In most cases these organizations have emerged or grown significantly since the last systematic campaign finance regulations were adopted. Any comprehensive reform of disclosure law would include these organizations in the disclosure system, although crafting legal distinctions between various affiliated and non-affiliated groups would be difficult.

Probably the biggest hole in the U.S. campaign finance disclosure system is issue advocacy -- spending that technically advocates an issue, not the election or of a federal candidate. In the U.S. groups often try to persuade the public of the virtues of their position on a policy issue – e.g. abortion, tax deductibility of mortgage interest, regulating cable companies to allow more internet competition – and sometimes this persuasion takes the forms of advertisements on television or mailed to homes. Many of these ads have no link to elections, and only advocate a policy idea. During the health care debate in 1994, insurance companies ran a series of ads featuring fictitious characters “Harry and Louise” who worried aloud about the impact of the Clinton proposal on their ability to choose their doctor or have certain services covered. There is
considerable debate as to whether the ads actually changed public opinion (Berry, 2000, p98-99), but they may have intimidated some lawmakers, and thus played a role in the failure of Congress to move quickly on the proposal (West and Loomis, 1998, p97-105).

Yet much of this advertising is more explicitly linked to election campaigns. The U.S. Supreme Court has ruled that issue advocacy spending need not be disclosed to the Federal Election Commission unless it expressly advocates the defeat or election of a federal candidate, using any one of a series of “magic words” such as “vote for” or “defeat.” As a consequence, many groups have crafted issue ads that feature pictures of incumbent policymakers, strong attacks on their record or character, and the tag line to “send him a message and be sure to vote in November.” Most voters perceive these to be campaign ads, many groups design them for that purpose, and indeed some groups form solely for the purpose of collecting large contributions from interests and individuals and mounting issue advocacy campaigns (Magleby, 2001; Rozell and Wilcox, 1998, p136-143). In the 1999-2000 election cycle, the Annenberg Public Policy Center has estimated that issue advocacy spending in 1999 and 2000 topped $500 million. (http://www.appcpenn.org/issueads/) It is important to note that some of this spending was pure issue advocacy, unrelated to elections.

The McCain-Feingold Bill currently under consideration by Congress seeks to force disclosure of both the sources of funding these campaigns, and of the actual spending, and would ban their airing for a certain period before the campaign. A recent report of a special Task Force on Disclosure for the Campaign Finance Institute made disclosure of issue advertising a top priority. This report made a number of suggestions
for changes to the law that would require more complete disclosure of issue advocacy (http://www.cfinst.org/disclosure/report1/section5.htm#table1).

The U.S. does require the disclosure of contributions of goods and services, at their market value. Determining market value is complicated, and this allows groups and candidates to demonstrate their creativity in stretching the meaning of the legislation. A common example is groups that commission polls for candidates, then hold the poll for 2 weeks to allow the information to grow “stale.” Early in a campaign, a 2-week-old poll is quite valuable, especially for cash-strapped challengers. Groups can loan cars or computers, provide pizzas or petroleum, or donate lightbulbs or lasagna. All must be reported.

Countries developing a new disclosure program would probably be better off requiring some kind of aggregate disclosure of small contributions, and perhaps of communication costs and even volunteer activity, but not requiring detailed and laborious reporting of this activity. The lessons to learn from the weaknesses of US disclosure is to broadly define the activity to be disclosed, and to maintain flexibility to add additional activity to the disclosure system as new money streams develop. The U.S. regulatory apparatus is slow to adapt to new pathways of money, because the regulations must be written by the legislature. A regulatory body with respect from all parties might be able to more quickly adapt to changing campaign finance realities. New issues arise constantly – how to value Internet sites sponsored by groups, how to disclose money raised by such sites – and it is important that regulatory regimes adapt. In the U.S., the current regime is leaking badly, but this would be true of any system of regulations that was drafted nearly a quarter-century ago.
In designing a disclosure database, it is important for policymakers to think carefully about different categories of activity, and to clearly design disclosure forms so that the activity is reported in the correct manner. This is not always an easy task. The Federal Election Commission in the U.S. makes available publications and forms, and offers advice to filing entities. Despite all of this effort, campaigns still occasionally report activity on the wrong places on forms, or in the wrong category. Electoral systems that are focused on parties and not candidates might minimize this problem, but diligence is required to assure proper reporting, especially early in the administration of a law.

The U.S. has made little effort to require candidates or parties to disclose their spending in categories, and this has made the data much less valuable. Such distinctions are difficult, for some candidates purchase polls from one company and advertisements from another, while other candidates obtain both services from a single vendor. Disclosing spending by categories would make the task of auditors, journalists, and academics easier.

Who Files?

Once the decision has been made over what activity to disclose, any country must decide who must file reports. The U.S. does not require individuals to disclose their contributions: to do so would likely deter donors, the quality of the information would likely be poor, and there might well be substantial non-compliance in the U.S. Information on individual donors is compiled from the reports filed by candidates, parties, and interest groups (PACs). For each individual contribution of more than $200, the recipient is required to report the name, address, and principle place of business of the donor. Although this information is reported in a high percentage of cases, the data on
principle place of business is of uneven quality. One wealthy media magnate in Columbus Ohio reported his occupation as farmer, because he raised race horses as a hobby. In other cases, members of the same legal-lobbying firm may report their business variously as the name of the company, or more generally as lawyer or lobbyist. Even the name of the donor is sometimes less useful, because there is no requirement for a particular reporting format. If I were an active donor, I could use various checking accounts or credit cards to give as Clyde Wilcox, William Clyde Wilcox, W. Clyde Wilcox, William C. Wilcox, or William Wilcox.

Identifying individuals is important, because in the U.S. some groups consciously use the giving power of their individual members to supplement the contributions by their PACs. EMILY’s List, a pro-choice PAC that helps Democratic women candidates, asks their members to give to two or more candidates endorsed by the PAC in every election cycle. Corporations may “bundle” together contributions by executives and their spouses, or buy tables at fundraising events. The contributions show up as individual contributions, but are given as a coordinated effort by a group or business. The Center for Responsive Politics spends considerable resources to identify the contributions made by the single individuals, regardless of the different versions and spellings of their names. The requirement that all contributions be made under the full legal name of the donor and his permanent mailing address would go a long way toward facilitating disclosure efforts.

Intermediary institutions such as parties and PACs must report the sources of their funds and also their spending, including contributions to candidates. Thus contributions to candidates are reported both by the candidate who receives them and by the institution
that provides them. In theory this provides an easy check on the integrity of the data, but matching these contributions is not always easy. A PAC may make a contribution on one day to a candidate, but the campaign may cash the check a week later and record the transaction then. In 1974, computer technology was more primitive, and the FEC decided to enter only the contribution records from PACs, not the receipt records from campaigns. With modern computer and database technology, it would be much easier to enter both receipts and contributions, and to match them. But even with computers, this would not be an easy task. It should be possible to craft reporting regulations to enable an easy checking of transactions reported by both parties.

The reporting of other types of activity – especially the provision of goods and services – might require some groups to report that are not normally considered to be part of a campaign finance system. The U.S. first tried to channel all interest group activity through PACs, and this made the design of the disclosure program much easier. By now, however, there are many other routes for groups to be active, and many do not file reports with the FEC. Once again, the best advice from the U.S. experience is to think broadly about defining actors, and to allow for periodic review and expansion of the list of groups required to disclose. However, it is important to balance the importance of a complete disclosure system against the danger that a requirement to fill out long and complex forms might deter some small community groups from forming or being active in politics.

By requiring that all groups contributing to federal candidates and parties form Political Action Committees, the U.S. avoided the difficulty of tracking down all companies and interest groups that give to campaigns. This is an innovation worth
considering in any new campaign finance system, for it facilitates efforts to enforce compliance. Whether or not contributions are channeled through official committees, however, it is important that all actors involved in giving, aggregating, or spending campaign money disclose that activity fully.

_How to Make Information Available_

Campaign finance information can do little to facilitate disclosure if it is difficult to obtain, or difficult for the public to understand. Disclosure forms should be as simple and as straightforward as possible, and disclosure reports should be easily accessible and also easy to understand. Ideally, such information should be available through the Internet, even in countries where Internet access remains somewhat limited. Political parties, NGOs, the media, and academics can use Internet sites to obtain information, and as noted above these actors serve as important mediators in any disclosure system.

The Federal Election Commission issues regular press releases that guide reporters toward the most important trends in money, and also maintains a press office to answer queries and help guide reporters to explore the data. There is also an Office of Public Records that allows citizens to peruse documents or query the database. Individuals may request reports from the public relations office by phone or by mail. The Agency’s online web page allows citizens to see who has given to a particular candidate, or which candidates have received support from a particular company or group. Scholars can download databases from any election cycle, and analyze them in various ways.

It is important that disclosure be made in a timely manner, so that intermediary institutions have time to interpret the results before an election. After some hesitation, the FEC has encouraged candidates, parties, and PACs to file their disclosure reports
electronically, and the law now requires that candidates, parties, and PACs that raise or
spend more than $50,000 to file electronically. Electronic disclosure greatly enhances the
ability of agencies to make data available quickly. This was a difficult decision in the
U.S. because many potential candidates may lack the technical expertise to file
electronically, but by the time they have raised $50,000 they should be able to hire a high
school student to do it for them. In party-centered systems, electronic filing is highly
advisable, for it makes information available immediately to the public.

In the U.S., the FEC has spent $1 million per year on electronic filing, and that
figure is expected to rise in the future. Some states, however, have implemented
electronic filing less expensively. Candidates, parties, and PACs use special software
which they can obtain from the FEC or from private vendors, and transmit comma-
delimited files to the FEC. For disclosure close to the election, the FEC uses web-
enabled entry with an SSL server. The technical requirements of electronic disclosure are
not complicated, and it seems likely that most countries could achieve electronic filing.
Electronic filing requires secure servers, software that allows filing, and programs that
does internal audits of reports. It is important that such efforts do not deter small parties
or movements who may lack ready access to the computer skills necessary to prepare
electronic filings.

In their study of disclosure efforts by the American states, Malbin and Gais (1998,
pp 161-173) concluded that it was vitally important that disclosure efforts receive
sufficient funds to make data easily available and readily understandable. Most
commonly, the authors reported, state agencies lacked the resources for effective
disclosure. The reason for this is clear: incumbent policymakers have little incentive to
vote more money to agencies that might disclose information that might hurt their
prospects for reelection. The Federal Election Commission has also been under-funded
over the years, but has managed to gain efficiencies through the hard work of its staff.

Any country beginning a disclosure regime must commit sufficient resources to
do the job right. The startup costs of any system will be large, for the design of the
program and of the computer database will be large, complicated, and critical tasks. An
under-funded disclosure system might serve to reduce public trust, and would also make
it much less likely that disclosure will reap its potential benefits. A disclosure agency
needs top administrators who can develop new regulations, auditors to go over reports,
lawyers to work in the courts, computer specialists to design and maintain the database,
and political scientists to help assure that the disclosure program continues to capture
critical financial activity. And in the absence of electronic filing, there must be staff to
enter the data from paper reports into electronic computer files.

In the U.S., there are more than 100 full-time staff at the FEC who work on
disclosure, and others whose jobs occasionally involve disclosure efforts. Yet the
peculiarities of American elections require many types of complex and overlapping
disclosure forms. A more reasonable comparison for many countries would be to some
of the American state agencies, which might handle a similar volume of reports as in
many countries. Michael Malbin, who has studied state disclosure efforts carefully,
reports that New Jersey managed quite well with 30 employees to handle state and local
disclosure. Other states also do a good job with relatively small numbers of employees,
suggesting that countries need not emulate the staffing levels of the FEC to manage
disclosure. Moreover, Malbin noted that since electoral activity is cyclical, many states assign disclosure staff to other tasks in the interval between elections.15

**Enforcement**

Any disclosure system without real sanctions invites abuse, and this is especially true in societies where one or more of the political parties opposes disclosure, where political trust is low, or where there is not a strong tradition of the rule of law. Setting the level of sanctions is a fine art, for too mild a sanction invites parties to ignore the law, but too severe a sanction might pose a real barrier to campaigns that may inadvertently violate the law. As important as the degree of sanctions is their fair application. It is vitally important that violators from all parties face the same sanctions, and know with certainty that a ruling party cannot avoid sanctions.

Once again, the US case is more of a cautionary tale than example. The Federal Election Commission is composed of three commissioners from each party, and neither party is especially anxious to propose aggressive regulators. FEC sanctions are often imposed long after an election has been settled, and may involve small fines. The Commission does release lists of campaigns that are negligent in their filing, and candidates and parties can use this information in their advertisements.

**Conclusion**

Disclosure can be an important component of any system of campaign finance regulation. Disclosure can aid in the enforcement of contribution and spending limits, and help control corruption. It can enhance accountability by allowing citizens to hold elites accountable for any policies that they exchange for rents. It can enable
governments to earn the trust of their citizens, and allow policymakers and academics to monitor the relationship between money and politics and to adapt to changing conditions.

Yet disclosure has costs. It invades the privacy of donors, and exposes them to potential sanctions from elites. It may chill fundraising efforts by minority parties, or those that oppose the current government. It allows governments to more efficiently exact rents, and to determine when groups have paid their “assessment.”

All countries must balance the advantages and disadvantages of disclosure. The advantages are more likely to accrue in systems where compliance is likely, where political parties, NGOs, or the media are able and willing to interpret campaign finance information for voters, and to use that information in efforts to root out corruption, and where voters are at least somewhat willing to replace elites who exchange policies for contributions. The disadvantages are more likely to accrue in countries with strong traditions of individual rights, where political or economic elites are able and willing to punish those who give to the wrong party, and where cleavages are inflamed or the rule of law is weak.

Any country that decides to implement a system of disclosure must decide what types of activities should be reported, who should file reports, how to make that information available, and what sanctions to evoke for those who violate the law. The U.S. experience suggests that it is best to initially define campaign activity broadly and attempt to include a wide range of activity, and to structure policymaking authority to permit adaptation to changing practices. Yet it is also important to balance the need for a complete disclosure system against the costs that such disclosure might impose on citizen
groups or minor parties. Finally, any disclosure effort must be fully funded, and carefully planned in order to be effective.
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Table 1: Disclosure in the United States

<table>
<thead>
<tr>
<th>Activity</th>
<th>Disclosed/Source</th>
<th>To Whom</th>
<th>Limits/Caveats</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Candidates</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Candidate receipts</td>
<td>Disclosed</td>
<td>By Candidate</td>
<td>FEC</td>
</tr>
<tr>
<td></td>
<td>By PACs and parties</td>
<td>disclose their contributions to candidates as disbursements</td>
<td>Only candidates who raise or spend more than $5000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Candidate spending</td>
<td>Disclosed</td>
<td>By Candidate</td>
<td>FEC</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Only candidates who raise or spend more than $5000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Spending disclosure not in preset categories</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Full disclosure for expenditures of $200 or more</td>
</tr>
<tr>
<td>State/Local Candidate Receipts</td>
<td>Usually disclosed</td>
<td>By candidate</td>
<td>State agencies</td>
</tr>
<tr>
<td></td>
<td>By PAC or party</td>
<td></td>
<td>Varies by state</td>
</tr>
<tr>
<td>State/Local Candidate Spending</td>
<td>Usually disclosed</td>
<td>By candidate</td>
<td>State Agencies</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Varies by state</td>
</tr>
<tr>
<td><strong>Parties</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Party Receipts</td>
<td>Disclosed, by parties. PACs disclose their contributions to parties as disbursements.</td>
<td>FEC</td>
<td>Some minor parties exempt</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Full disclosure of individual contributions of more than $200</td>
</tr>
<tr>
<td>National Party Spending</td>
<td>Disclosed by parties</td>
<td>FEC</td>
<td>Some minor parties exempt</td>
</tr>
<tr>
<td>------------------------</td>
<td>----------------------</td>
<td>-----</td>
<td>---------------------------</td>
</tr>
<tr>
<td>Contributions to candidates disclosed by candidates as receipts</td>
<td></td>
<td></td>
<td>Ordinary spending not required to fit categories</td>
</tr>
<tr>
<td>Contribution to PACs disclosed by PACs as receipts</td>
<td></td>
<td></td>
<td>Full disclosure for expenditures of $200 or more</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Soft money Contributions to National Parties</th>
<th>Disclosed by parties</th>
<th>FEC</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Usually disclosed by parties</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Interest Groups

<table>
<thead>
<tr>
<th>National PAC receipts</th>
<th>Disclosed By PAC</th>
<th>FEC</th>
<th>Full disclosure of individual contributions of more than $200</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions from Parties, other PACs, or candidates disclosed as disbursements from those committees</td>
<td></td>
<td></td>
<td>Disclosure required for ideological groups with at least $1000 of national electoral activity, but for all corporate and union PACs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>National PAC Spending</th>
<th>Disclosed by PAC</th>
<th>FEC</th>
<th>Ordinary spending not required to fit categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions to candidates, other PACs, and Parties also disclosed by those committees as receipts</td>
<td></td>
<td></td>
<td>PAC operating expenses not disclosed for PACs with sponsoring organizations</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Soft Money contributions to State and Local Parties</th>
<th>Usually disclosed by parties</th>
<th>State agencies</th>
<th>Varies by state</th>
</tr>
</thead>
</table>

43
<table>
<thead>
<tr>
<th>Issue</th>
<th>Disclosure Status</th>
<th>Discloser</th>
<th>Varies by</th>
</tr>
</thead>
<tbody>
<tr>
<td>State and Local PAC receipts (in state and local elections)</td>
<td>Usually disclosed by PACs. Contributions from national PACs, parties, or candidates disclosed by those committees as disbursements</td>
<td>State agencies</td>
<td>Varies by state</td>
</tr>
<tr>
<td>State and Local PAC Spending (in state and local elections)</td>
<td>Usually disclosed by PACs</td>
<td>State agencies</td>
<td>Varies by State</td>
</tr>
<tr>
<td>Issue Advocacy Spending</td>
<td>Sometimes Disclosed</td>
<td>IRS</td>
<td>Only some kinds of committees must disclose Limited information disclosed Disclosure not timely</td>
</tr>
<tr>
<td>Group Contacting of members</td>
<td>Sometimes disclosed</td>
<td>FEC</td>
<td>For corporations, unions, and membership organizations only</td>
</tr>
<tr>
<td>Volunteer activity</td>
<td>Not disclosed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voter Guides/Voter education</td>
<td>Limited Disclosure</td>
<td>IRS</td>
<td></td>
</tr>
</tbody>
</table>

1 In the U.S., campaigns can get rough estimates of spending by their opponents by monitoring the number of commercials and estimating their costs, and through other means. Private vendors collect data on “media buys” and make this available to political middlemen who publish newsletters or who otherwise report on campaign activity. Without such access to information, estimating spending by parties would be much more difficult.

2 Such accounts can be very useful, but they can also be oversimplified. Often money comes from industries with strong representation among voters in a district, or money may be used to help reelect a group’s champion, not to buy her vote on future policy.
Here academics and NGOs often party company, for academics generally maintain that a mere correlation between contributions and votes does not prove or even indicate corruption, but many NGO’s strongly disagree.

In most cases, the candidates accepted coordinated contributions made by the members and leaders of interest groups, however.

Lists are “salted” with fake names and addresses, so that if anyone were to mail to the donors of a candidate, party or PAC, they would inevitably mail to this imaginary individual and thus be caught. But today many vendors provide other lists – of magazine subscribers, Volvo owners, and credit card holders, for example – and computer technology makes it easy to “bounce” a list of donors against these other lists, discarding the “salted” names because they do not show up on lists of likely matches.

In some U.S. states, voting is now permitted by mail-in ballot, which creates the possibility of just this pressure.

Interestingly, although Americans do not pay party dues and carry traditional membership cards, some party committees sponsor credit cards, in which banks return to the party a small percentage of charges made by cardholders.

Michael Malbin, private communication.

In the U.S. in recent years, money has been channeled to issue advocacy campaigns outside of the disclosure system. In some cases, issue spending overshadows the messages of candidates and parties.

Communications by unions or corporations that aggregate in value to more than $2000 are disclosed, although this disclosure does not occur until just before election day.

Currently issue ads run by one type of organization are disclosed to the IRS, although the reporting is infrequent. Other types of committees do not disclose at all.

http://www.cfinst.org/disclosure/report1/toc.htm

Although committees are required to request this information when they solicit the contribution and to ask for it again if it is not provided initially, they are allowed eventually to cash the check even without the information. One element of current reform proposals would force them to obtain the information or return the money.

This is another example of where an NGO supplements governmental disclosure efforts. The CRP effort is very useful to journalists and scholars (Biersack, Herrnson, Joe, and Wilcox, 1998), but it does underestimate coordinated giving by liberal feminist families, where the husband and wife do not share the same last name.

Private communication.