

**Reinforcing the Rich:
The Consequences of Proposals to
Raise the \$1,000 Limit on Individual
Contributions to Federal Candidates**



Congress Watch
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Reinforcing the Rich: The Consequences of Proposals to Raise the \$1,000 Limit on Individual Contributions to Federal Candidates

Some senators say that when the McCain-Feingold-Cochran campaign finance reform bill (S. 27) comes to the floor of the Senate in March, they will offer an amendment to raise the amount of “hard money” an individual can contribute to candidates from \$1,000 per election to \$3,000 per election. Since donors can contribute to both a primary and a general election, the maximum they might give to one candidate in an election cycle would rise from \$2,000 to \$6,000 (if a spouse also contributed, which often occurs, the maximum would double again to \$12,000 for a couple). Even some senators who endorse the McCain bill’s ban on unlimited corporate, union and individual “soft money” contributions to political parties say they also favor tripling the current limit on individual hard money contributions to candidates.

These days, giving at least \$1,000 to a candidate during an election cycle is one passport to becoming a political player, someone whose opinion counts more to a current or potential federal officeholder. The thousand dollar a pop dinner or fundraiser is a staple of political campaigns. Raising the \$1,000 limit to \$3,000 would send a strong message to all large contributors that the price of access and influence had tripled and that they should consider raising their donations accordingly to maintain their relative status. Those currently “maxing out” at \$2,000 for two elections (primary and general) or \$1,000 for the major 2000 presidential candidates who accepted public funding for the general election would be most likely to increase their giving. But \$1,000-\$1,999 donors who have already maxed out for one election would also be under pressure to raise their donations as the price of the \$1,000 fundraising dinner moved up.

Supporters of increasing individual contribution limits argue that the three-fold rise in the cost of living since the adoption of the federal campaign finance law in 1974, and escalating campaign costs, are sufficient to justify the proposed hikes. However the purpose of the limits was to prevent corruption or the appearance of corruption, and last year the Supreme Court upheld a \$1,075 contribution limit for state-wide races in Missouri on the grounds that the state legislature could reasonably have determined that such limits were reasonable to combat corruption. To those who argued that the contribution limit deprived candidates of the ability to “speak” because of the effects of inflation, the Court replied, “The dictates of the First Amendment are not mere functions of the Consumer Price Index.”

Surprisingly little information is available to help people judge whether the consequences of an increase in federal contribution limits would significantly increase what the Court in the Missouri case called “the broader threat from politicians too compliant with the wishes of large contributors.” This innovative Public Citizen analysis -- using the latest Federal Election Commission contribution data analyzed by the Center for Responsive Politics -- explores the potential impact of raising the hard money limit. It shows how much federal candidates received from contributors who gave at least \$1,000 during the 1999-2000 election cycle. And it presents an estimate of how much new money would flow to candidates if the hard money limit were raised from \$1,000 to \$2,000 or \$3,000. This projection is based on the assumption that half of current large donors would double or triple their contributions and the other half would give at

their current level. Obviously all such projections are speculative, but after consultation with campaign finance experts, we believe this one is not unreasonable. Even if different assumptions are used, this analysis underlines the fact that large amounts of big donor money could enter the system if the individual-to-candidate hard money limits were raised. And if this led to increases in individual to Political Action Committee (PAC) and political party limits, and the annual individual aggregate limit, the consequences would be even greater.

Among the report's startling conclusions:

- Almost 232,000 individuals gave contributions of \$1,000 or more to federal candidates in 1999-2000. But this was just 0.11%, or one-ninth of one percent, of the voting age population.
- In 1999-2000, 47% of total individual contributions raised by Senate candidates came from donors who gave at least \$1,000. If the contribution limit were raised to \$3,000, the percentage would have risen to 64% -- based on the assumption that half of the large donors triple their giving and half remain the same (See Figure 1 and Table 1).
- In 1999-2000, 38% of total individual contributions raised by House candidates came from donors who gave at least \$1,000. If the contribution limit were raised to \$3,000, the percentage could have risen to 55% (See Figure 2 and Table 1).
- In 1999-2000, 55% of total individual contributions raised by all Presidential candidates came from donors who gave at least \$1,000. If the contribution limit were raised to \$3,000, this percentage could have risen to 71% (See Table 1).
- The proposal to raise limits does not clearly favor either of the two major political parties. For example, regarding the Senate during 1999-2000, 51% of contributions to Democratic candidates came from \$1,000+ donors, compared to 45% for Republicans. However, among Senate winners (by definition the most viable candidates) the Republicans and Democrats both drew 47% of their contributions from large donors. Concerning the House, both parties' candidates received 38% of their contributions from \$1,000+ donors. In the presidential race, Republican George W. Bush got 67% of his money from these large donors while Democrat Al Gore got 57%.
- If the individual limit were increased to \$3,000, the proportion of individual contributions to federal candidates from \$1,000+ donors could have risen from 47% to 63%. As a result, the amount of hard money received by all House, Senate and Presidential candidates from \$1000+ donors in the 1999-2000 election could have doubled from \$391 million to \$782 million (See Table 1). The McCain bill would have banned an estimated \$500 million in national party soft money received in the 1999-2000 election cycle. Therefore, if an amendment tripling the hard money limit were added to the bill, it could put back \$391 million of this \$500 million taken out of political campaigns. Other hard money increases for PACs and parties and the aggregate annual limit would raise this figure even more.

- Indeed, while an amendment tripling hard money limits could bring in an estimated \$391 million in large individual contributions, the McCain bill would ban only about \$170 million in individual “soft money” contributions (the rest comes almost entirely from corporations and unions) based on the latest 2000 election data.

Finally, some people assert that it is not necessary to worry about individual “hard money” increases because it is soft money -- delivered to political parties in big chunks of tens and hundreds of thousands of dollars by corporations and unions as well as individuals -- that is really corrupting. While this argument correctly identifies the special importance and nefarious effects of soft money, it also understates the current and potential influence of hard money on candidates and officeholders.

In the first place, as previously mentioned, individuals could enhance the influence of contributions under the proposed \$3,000 limit by giving \$6,000 for both the primary and general election, and by having their spouses and even other family members contribute as well. So they could give \$12,000 or more to a candidate in an election cycle.

Second, fundraisers could bundle many \$3,000 contributions from individuals with similar political interests, e.g. employees of a company or lobbying firm. This could mean that tens of thousands of dollars would be provided by associates to a candidate. For example, the Center for Responsive Politics reported in November 1999 that the executives and their families of the Wall Street investment firm of Goldman, Sachs and Co. gave \$209,500 to Democrat Bill Bradley, \$84,500 to George W. Bush, \$63,250 to Al Gore, and \$41,383 to Sen. John McCain in the presidential primaries during the first nine months of 1999. The maximum individual contribution for a candidate was \$1,000. Clearly the candidates would have received much more from this firm if the maximum were tripled.

Third, even if giving is not coordinated, the fact that a candidate is more dependent on large contributions will make them more attentive to the interests of the wealthy. For example, it could very well have an impact on a candidate or elected official’s consideration of issues relevant to wealthy people such as the elimination of the estate tax, tax rate cuts, and the privatization of Social Security. If this occurred, it would make our democracy even less representative than now.

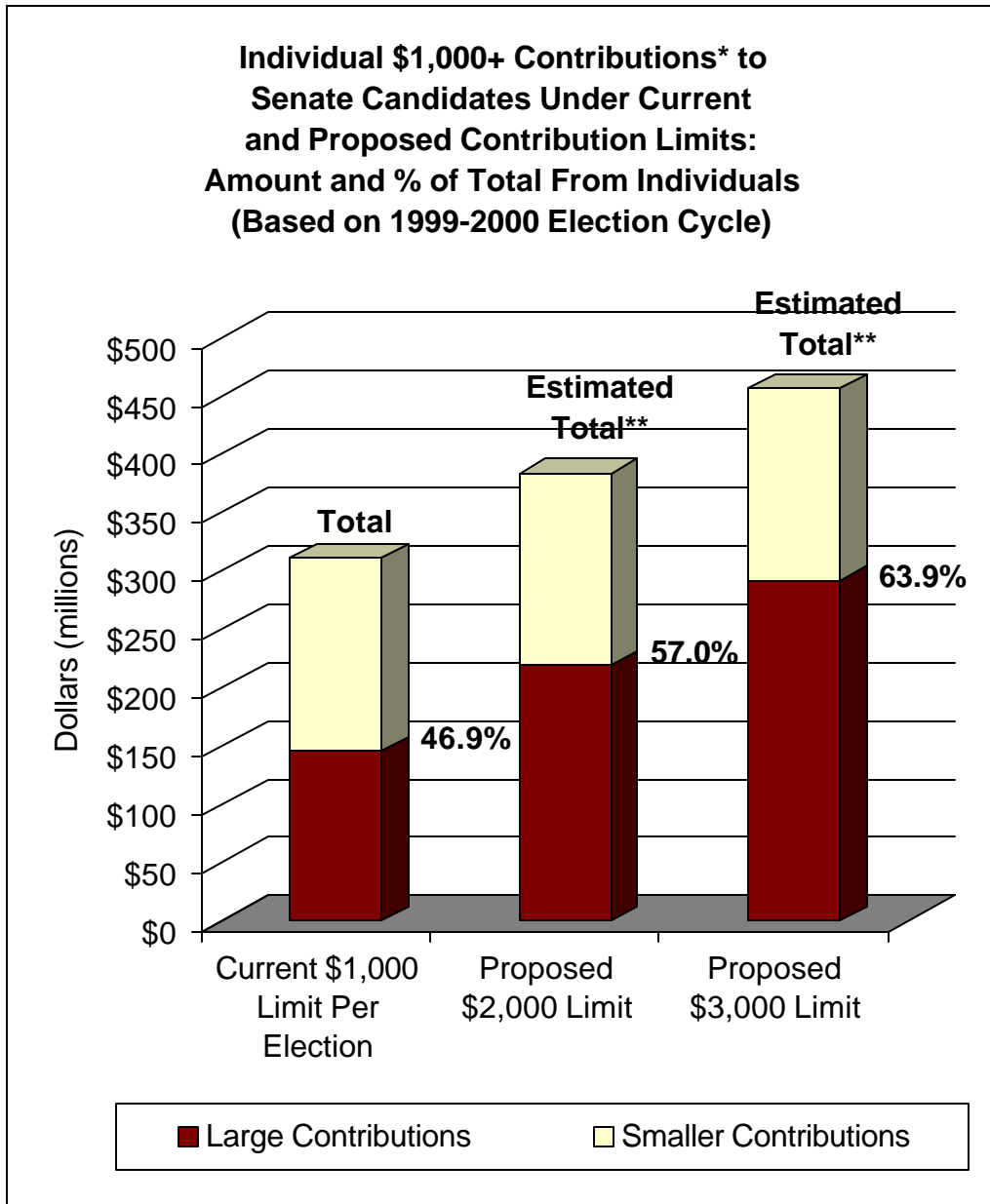
Key Characteristics of Large (\$1,000+) Donors to Federal Candidates: 1999 – 2000 Election Cycle*

- 231,994 individuals gave contributions of \$1,000 or more to federal candidates in the 1999-2000 election cycle (0.08% of U.S. population and 0.11% or 1/9 of 1% of voting age population)
- 187,691 donors gave to only one candidate
- 38,693 donors gave to 2-4 candidates
- 5,610 donors gave to 5 or more candidates
- 1,128 donors gave the \$25,000 annual maximum to individuals, Political Action Committees (PACs), and political parties during at least one of the two years in the 1999-2000 election cycle
 - 520 donors gave the \$25,000 maximum in 1999
 - 538 donors gave the maximum in 2000
 - 70 donors gave the maximum in 1999 and 2000

* All figures on \$1,000 and above donors to federal candidates in this report are based on Federal Election Commission data through November 28, 2000, which were released in January 2001.

Source: Center for Responsive Politics (www.opensecrets.org) data provided to Public Citizen.

Figure 1

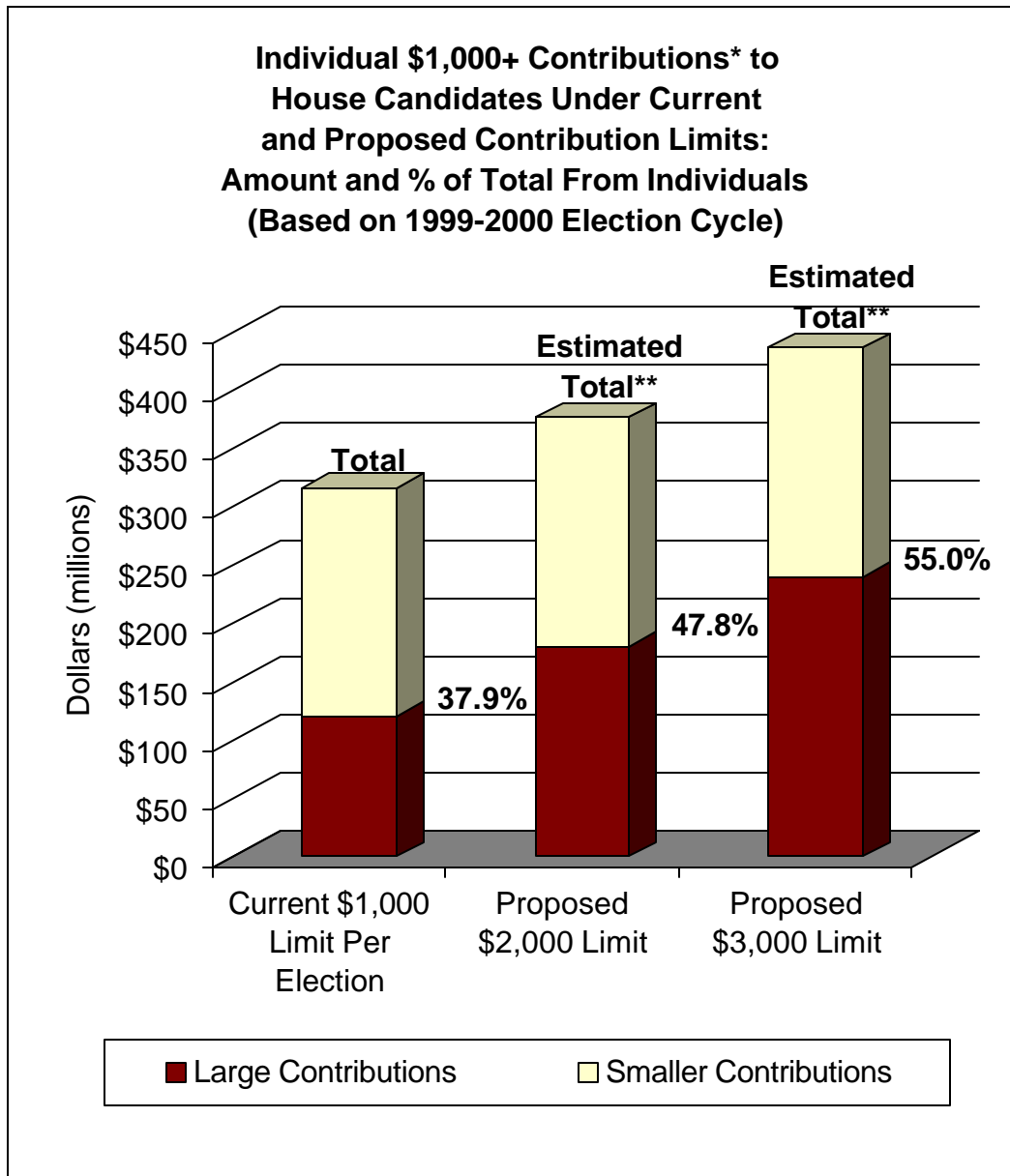


* Federal law permits contributions of \$1,000 per candidate per election or up to \$2,000 per candidate per cycle.

** Estimates of large donor responses to proposed \$2,000 or \$3,000 contribution limits assume half of large contributors will double or triple their contributions and the rest will remain the same. This is a plausible estimate based on consultations with campaign finance experts.

Source: Contributions data provided by Center for Responsive Politics (www.opensecrets.org) to Public Citizen. Projections calculated by Public Citizen.

Figure 2



* Federal law permits contributions of \$1,000 per candidate per election or up to \$2,000 per candidate per cycle.

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**Individual \$1,000+ Contributions* to Federal Candidates Under Current
and Proposed Contribution Limits: Amount and % of Total From Individuals
(Based on 1999-2000 Election Cycle)**

Candidates	Current \$1,000 Limit Per Election		Proposed \$2,000 Limit		Proposed \$3,000 Limit	
	Large Contributions	Large as % of Total Contributions	Estimated** Large Contributions	Large as % of Total Contributions	Estimated** Large Contributions	Large as % of Total Contributions
All House candidates	\$120,089,801	37.9%	\$180,134,702	47.8%	\$240,179,602	55.0%
All Senate candidates	\$145,790,474	46.9%	\$218,685,711	57.0%	\$291,580,948	63.9%
All Presidential candidates	\$125,043,863	54.7%	\$187,565,795	64.4%	\$250,087,726	70.7%
Total	\$390,924,138	45.7%	\$586,386,207	55.8%	\$781,848,276	62.7%

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