#9

Who Gave Soft Money? The Effect of Interest Group Resources on Political Contributions

D. E. Apollonio
University of California, San Francisco
Raymond J. La Raja
University of Massachusetts, Amherst

We consider the effect of various organizational resources on political contributions. Using a unique data set of soft money contributors from 1997 to 1998, our resource-based model examines how capital, membership, and experience influence the decision to give money to political parties. By observing decision making in a relatively unconstrained regulatory environment typified by the soft money regime, we demonstrate the conventional wisdom that financial resources determine the size of political contributions. Financial wealth, however, does not predict whether an organization will make a contribution in the first place. Instead, we show that a lack of alternative resources makes it more likely that organizations will spend money on politics. These findings have important implications for determining who benefits under various campaign finance rules.

During the 1990s, soft money contributions emerged as a new strategy for interest groups to influence politics in the United States. In the decade spanning the 1992 and 2002 elections, soft money contributions to political parties surged from $86 to $496 million (Federal Election Commission 2003). These contributions were not subject to limits imposed by federal campaign finance rules in the 1970s.[1] Given evidence of public concern about the potential for large contributions to corrupt the political system, Congress responded by passing the Bipartisan Campaign Reform Act (BCRA) in 2001 soon after the collapse of Enron, an energy corporation that was widely perceived as using its soft money donations to avoid federal regulations.[2] While policy debates focused on the donations of the so-called "fat cats," there was little knowledge about the wider population

[1] Soft money was a name coined in the 1980s for the contributions to political parties that exceed the limits established by the Federal Election Campaign Act (FECA) of 1971 and its amendments. According to the FECA, political parties could use soft money for party building activities such as voter mobilization and organizational expenses, but not for direct support of federal candidates.

[2] Soft money contributions to national party committees were banned by the Bipartisan Campaign Reform Act of 2002, which was signed by President Bush on March 27. The new campaign finance legislation took effect November 6, 2002, after the close of the 2002 federal election cycle.

THE JOURNAL OF POLITICS, Vol. 66, No. 4, November 2004, Pp. 1134–1154

1986a, 1986b, 1988; Handler and Mulkern 1982), which party has majority status (Cox and Magar 1999; Rudolph 1999), the committee assignments of candidates (Grier and Munger 1991, 1993; Munger 1989), perceptions of member power (Grentzke 1989) and the direction of short-term party trends (Jacobson and Kernell 1981). Individual organizations also make decisions about participation based on their expectations about the behavior of other similarly situated organizations (Conybeare and Squire 1994; Gray and Lowery 1997; Hart 2001; Masters and Keim 1985).

A third and underutilized approach is to examine how group resources affect political contributions. Scholars acknowledge the importance of resources in organizational decision making (Baumgartner and Leech 1998; Berry 1997; Rozell and Wilcox 1998; Schlozman and Tierney 1986; Walker 1991; Wright 1996), yet few studies test explicitly the relationship between resources and political contributions. Those that study this relationship tend to confine themselves to the relationship between *financial* resources and contributions (Masters and Keim 1985; Wilcox 1989) and the employees or members of the organization who can be solicited for funds (Conybeare and Squire 1994; Delaney, Fiorito, and Masters 1988; Masters and Keim 1985). The conventional wisdom is that financial resources have a direct relationship to the level of a group's political activity. The more money available to a group, the more it spends on politics.

One limitation of previous studies of interest group behavior is that they rely almost entirely on hard money contributions by PACs, which are regulated by federal laws limiting the source and size of contributions.[3] Since hard money contributions are capped, they reflect an imperfect expression of interest group preference to make donations to political committees. No matter how intensely an interest organization favors a candidate or party, it cannot contribute more than the amounts set by law. No contribution caps, however, existed under the soft money regime. Under these unconstrained circumstances, it is possible to observe the effect of organizational wealth and other resources on the willingness to make political contributions.

Another limitation of previous studies is that they fail to consider the extent to which nonfinancial resources influence political contribution strategies. Organizations, for example, may have large memberships, special legal status, or useful knowledge. To some extent, these kinds of resources are substitutes for money. Rather than make political contributions, it may be more effective for an organization to use members for grassroots activity, or draw on specialized knowledge by testifying at congressional hearings and government panels. In short, organizations that possess a range of resources may not need to rely as much on cash for political influence.

[3] When we speak of PACs, we refer specifically to what the Federal Election Commission refers to as multicandidate committees.

political participation of owners or leaders of local businesses and organizations with less than 50 employees because this group constituted the vast majority of soft money contributors.[27]

Acknowledgment

The authors would like to acknowledge the helpful comments and advice of Henry Brady, Bruce Cain, Jon Cohen, David Kimball, Vin Moscardelli and the anonymous reviewers. They are also grateful to the Center for Responsive Politics for providing the data on soft money contributions.

Manuscript submitted March 18, 2003
Final manuscript received November 17, 2003

References

Baumgartner, Frank R., and Beth L. Leech. 1998. *Basic Interests: The Importance of Groups in Politics and Political Science*. Princeton: Princeton University Press.

Berry, Jeffrey M. 1997. *The Interest Group Society*, 3rd ed. New York: Longman.

Conybeare, John A., and Peverill Squire. 1994. "Political Action Committees and the Tragedy of the Commons." *American Politics Quarterly* 22(2): 154–74.

Cox, Gary W., and Eric Magar. 1999. "How Much is Majority Status in the U.S. Congress Worth?" *American Political Science Review* 93(2): 299–309.

Delaney, John Thomas, Jack Fiorito, and Marick F. Masters. 1988. "The Effects of Union Organizational and Environmental Characteristics on Union Political Action." *American Journal of Political Science* 32(2): 616–42.

Eismeier, Theodore J., and Philip H. Pollock, III. 1986a. "Politics and Markets: Corporate Money in American National Elections." *British Journal of Political Science* 16(3): 287–309.

Eismeier, Theodore J., and Philip H. Pollock, III. 1986b. "Strategy and Choice in Congressional Elections." *American Journal of Political Science* 30(1): 197–213.

Eismeier, Theodore J., and Philip H. Pollock, III. 1988. *Business, Money, and the Rise of Corporate PACs in American Elections*. Westport: Quorum Books.

Endersby, James, and Michael Munger. 1992. "The Impact of Legislator Attributes on Union PAC Contributions." *Journal of Labor Research* 12(1): 79–97.

Federal Election Commission. 1997. *Campaign Guide for Corporations and Labor Organizations*. Washington: Federal Election Commission.

Federal Election Commission. 2003. "Party Committees Raise More than $1 Billion in 2001–2002," News Release, March 20, 2003. Accessed July 2003. <http://www.fec.gov/press/20030320party/20030103party.html>

Gale Research. 2003. *Associations Unlimited, 1995–2003*. CD-ROM. Detroit: Gale.

Gierzynski, Anthony, and David A. Breaux. 1998. "The Financing Role of Parties." In *Campaign Finance in State Legislative Elections*, eds. Joel A. Thompson and Gary F. Moncrief. Washington: Congressional Quarterly, pp. 188–206.

[27] The observation that small business firms will be disadvantaged suggests one reason why Republicans, in general, opposed the ban on soft money contributions. Among the pool of donors that gave *exclusively* soft money, i.e., mostly small firms, 82% of contributions went to Republicans rather than Democrats. In contrast, organizations that gave exclusively hard money contributions directed just 57% of their money to Republicans.