

THE BROOKINGS INSTITUTION

CAMPAIGN REFORM IN THE NETWORKED AGE:  
FOSTERING PARTICIPATION THROUGH  
SMALL DONORS AND VOLUNTEERS

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PARTICIPANTS:

**Introductory Remarks and Moderator:**

DARRELL WEST  
Vice President and Director of Governance Studies  
The Brookings Institution

**Panelists:**

ANTHONY J. CORRADO  
Chair of the Board, Campaign Finance Institute  
Nonresident Senior Fellow, The Brookings Institution  
Professor of Government, Colby College

THOMAS E. MANN  
W. Averell Harriman Chair in American Governance  
Senior Fellow, The Brookings Institution

MICHAEL J. MALBIN  
Co-Founder and Executive Director, Campaign Finance Institute  
Professor of Political Science, University at Albany, SUNY

NORMAN J. ORNSTEIN  
Resident Scholar  
American Enterprise Institute

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## PROCEEDINGS

MR. WEST: Good morning. I'm Darrell West, vice president of governance studies at the Brookings Institution, and I would like to welcome you on this forum on campaign reform.

It is a time of great ferment in American politics and American society. We have new developments in terms of communication technology though the Internet, social media, and other digital platforms. There have been changes in terms of campaign practices and how candidates raise money and engage with voters.

The 2008 Obama campaign demonstrated the power of the Internet to mobilize supporters, increase financial contributions from small donors, and raise voter turnout, and I think all these developments raise interesting questions in terms of campaign finance, campaign reform, voter engagement, and citizen participation in the electoral process. For example, how should we think about campaign finance in the Internet era? Do new technologies and new campaign practices change how we should be thinking about elections? Are there new ideas that need to be considered in order to take advantage of the digital revolution?

Today, to discuss these and other questions, we have the four amigos of campaign reform, they are Michael Malbin, who is co-founder and executive director of the Campaign Finance Institute and professor of political science at the State University of New York at Albany; Tony Corrado

is chair of the board of the Campaign Finance Institute, a professor of political science at Colby College, and a nonresident senior fellow at the Brookings Institution; Norm Ornstein is a resident scholar at the American Enterprise Institute; and Tom Mann is my colleague here at Brookings. He's the W. Averell Harriman chair in American Governance and a senior fellow at Brookings.

Now, these are among the top thinkers in the area of campaigns and elections. Each of them is the author of leading books and articles on the topic. Together, they form a collaborative group that has been instrumental in many of the reform activities that have taken place over the last few decades. In fact, the four of them together with Paul Taylor constituted a working group after the 1996 election that released a report entitled "Five Ideas for Practical Campaign Reform," and this report helped shape the Bipartisan Campaign Reform Act of 2002, also known as McCain-Feingold.

So, this morning, these individuals are releasing a new report entitled "Reform in the Age of Networked Campaigns." You can see it right here. It has very patriotic colors of red, white, and blue, and it's a fascinating report filled with great data and some very provocative recommendations. The report's subtitle, I think, summarizes some of the key findings. The subtitle is "How to Foster Citizen Participation through Small Donors and Volunteers." And I think similar to the 1996 effort that I mentioned a moment ago, this new effort is designed to rethink the campaign reform agenda in

light of major developments in communication technology, campaign practices, and judicial rulings, but this time their focus is broader and reaches well beyond campaign finance. It has fascinating new ideas about money and politics as well as voter engagement in the electoral process. It includes ways to redefine public finance, matching funds, ensuring transparency, and improving the communications process.

So, I think with each of these proposals, their goal is to empower citizens rather than simply reduce or restrict money in politics.

I do want to point out this report is the product of a collaboration among three institutions: The Campaign Finance Institute, the American Enterprise Institute, and the Brookings Institution, and if you don't already have a copy, there are copies of the report available out in the lobby and you can pick one up after the forum.

The format for today is, I will ask each panelist to make a brief opening statement outlining their view about campaign reform, then I will pose a couple questions to get the discussion going, and then we will open the floor to questions and comments from you.

So, our first speaker will be Michael Malbin.

MR. MALBIN: Thank you, Darrell. I want to thank Brookings for hosting this joint event for the Campaign Finance Institute-Brookings-AEI working group as we are releasing our report, "Reform in an Age of Networked Campaigns." I also want to thank the Pew Charitable Trusts for supporting this working group financially. I hasten to add that the

conclusions of the report and all of the arguments therein, are the authors' alone, not those of the trustees, staff, or financial supporters of any of the three cooperating organizations.

And while I'm mentioning trustees, I also want to thank about a half dozen of the Campaign Finance Institute's trustees who were in Washington for a board meeting yesterday and are here in the front row. They stayed overnight for the event.

My job in these opening remarks is to give the background for this report. The report has been the result of a long intellectual effort. As Darrell said, our group came together 12 years ago at a previous turning point in campaign finance policy. We're now at another one of those crucial turning points.

For the past 30 years, campaign finance debates have been dominated by arguments over contribution and spending limits. In our view, that debate has become rigid and almost stylized. It has narrowed down what was once a rich and multifaceted conversation into a narrow set of arguments geared for the courts. Now, I don't want to be talking about the merits of any court cases here. Each of us in this group supports contribution limits, but we also think there are limits to what you can accomplish through limits. This has become obvious with recent court rulings. It was also clear before the latest court cases that even though there's a justification for limiting contributions, you simply cannot stop determined rich people and organizations from spending money to influence

the public debate.

So, while we support contribution limits, we also think it's time to look beyond limits toward broader concerns.

The Supreme Court said in *Buckley against Valeo* in 1976, that because contribution limits restrain speech, even though indirectly, they can be allowed only in the name of preventing corruption or the appearance of corruption. But the court has never said that you cannot look at other goals as long as you use policies that do not limit speech.

If you step back and think about the corruption rationale, you realize that preventing corruption is essentially a negative goal. It's about trying to prevent something bad from happening. But the four of us, all of whom are political scientists, have never thought about elections or the role of money in politics solely in terms of trying to prevent bad things. The conversation is always at least partly about what are you trying to accomplish, not just what are you trying to prevent.

I sometimes like to talk about the goals in simplified terms by speaking about the four C's. Corruption is one, competition, candidate emergence, and citizen participation.

The first of those C's, corruption, is about trying to prevent bad things, but the other three -- competition, candidate emergence, and citizen participation -- are all positive objectives. They are ends we would like to encourage.

We know from the courts that we're not allowed to limit speech

to accomplish those positive goals, but there's nothing to stop us from looking at other ways to further those ends. So, we came together as a group about two years ago to begin talking about this, and as it turns out, the Campaign Finance Institute for the past five years has been focused on a research agenda that concentrates on the role of small donors and volunteers.

To put the matter simply, we at the Campaign Finance Institute had become frustrated by claims that the best way to enhance political equality is by putting more restrictions and newer restrictions on those people who already participate. That effort is, as I said before, intrinsically limited, and in some respects futile. The rich and the powerful have too many ways to participate in the policy sphere for that to be the sole method to be used. If you're going to counter their influence, you have to find some way to bring more people into the system. You have to get more people to invest the time and the effort to get involved and to stay involved. Our research at CFI has been suggesting that one of the very good ways you may be able to do this, is to get more people enthusiastic enough to put some of their own money into the system even if it's only a small amount.

Talking in this way or thinking about it this way is almost like shifting directions. It's talking about trying to equalize by building up instead of by squeezing down.

In 2008, as you all know and as Darrell mentioned, there was a surge of small donors in the presidential election that was fueled largely by

the Internet and social networking tools. We as a group wanted to think carefully about that. Here are some of the questions we asked as we sat around the table: One, what precisely was it about the Internet that led to or stimulated or helped provide the conditions for a surge in small donors? Two, will the Obama phenomenon directly translate to other candidates and other offices? Three, do we imagine that modern communications and the communications changes that we can foresee in years going out, will accomplish all the goals that we seek by themselves, without any policy intervention, or does public policy need to be playing a role here? And then four, if there is a role for policy, what do we recommend?

My colleagues today will be answering these questions. First, Tony Corrado will tell us about the ways the Internet has changed the costs and benefits of small donor participation. He will talk about the presidential election but also about congressional and state elections. He will take us through the steps that led us as a group to conclude that public policy remains crucial to accomplishing the goals we seek.

From there we turn to the policies themselves. Norm Ornstein will speak about communication policies as well as about transparency. It turns out that what happened in 2008 rested on Internet conditions whose future cannot simply be assumed. Norm will be speaking about this.

After that Tom Mann will talk about campaign finance policy. He will be talking about a new way to think about public financing as well as about a new approach to the relationship between parties and candidates.



As you listen, you may disagree with one or another of our recommendations. In fact, I suspect that different people in the room will disagree with different recommendations. Fair enough. The big point is about changing the basic terms of reference, the basic frame of argument. We argue that the time has come to expand the conversation beyond the debate over restriction. It's time to focus on empowerment.

With those introductory points in place, I turn the podium over to Tony Corrado.

MR. CORRADO: Thank you, Michael. We are at the beginning of a period of technological innovation that's transforming the means of political communication and changing the way that campaigns are conducted. One only needs to look at the 2008 election to see the types of changes taking place as millions of Americans went online to access information, view videos, get news content, join affinity groups, form affinity groups, raise money online, give money online, volunteer and participate in numerous other ways.

The penetration of broadband and mobile communications is starting to change the communications environment, creating an environment that is producing a more distributed computing environment, a more distributed information environment, and when combined with web-enabled communications, when combined with the user-generated content and applications we're now seeing on the web, when combined with online social networking tools, is spurring an age of interaction in political behavior

that is going to become the defining element of political campaigns in the future. In the report we talk a bit about the effects of technology and some of the changes that are taking place. What it means essentially is that we are entering an age now where access to information is easier than ever before. We're entering an era where new forms of political organization are emerging, new forms of networked communities, and where individual action and involvement, as well as collective action, are easier than ever before.

As a result, the digital revolution is changing the calculus of political participation. What we're seeing now are lower barriers to entry and essentially the facilitation of levels of engaged citizen participation that were thought not to be feasible only a few years ago. Whether you measure it in terms of something like the number of campaign contacts, the number of campaign volunteers, the number of campaign donors, or the number of campaign fundraisers. Obama in 2008, by the end of the campaign, had 70,000 people raising money for him online. Those levels of participation augur a real change in the political environment. As a result, one of the things that we looked at was how technology and this innovation that's starting to take place is raising the prospect of a new model for campaign finance. As Michael noted, a model that builds from the bottom up, rather than restricts from the top down; a model that's designed to really encourage the participation and mobilization of large numbers of small donors rather than relying on a relatively limited group of large fundraisers or key fundraisers; as well as a model that, for the most part, is designed to

promote participation and competition rather than simply restricting the participation of the relative few.

The question that one has to confront, therefore, as one looks at the effects of technology and the changes taking place in the communications environment, and one looks at some of the things that are taking place now in terms of campaign finance policy issues, is whether technology alone is enough. Is it going to be the case that the change in the communications environment can bring about this new model, this new prospect, of small donor participation on a wide scale? Or whether there is a need for policy support to bring this objective into being. Accordingly, we embarked, more or less, on a program of research development that was designed to look at small donors to try to determine to what extent this is starting to take place, and at the same time to give a broader picture of the campaign finance environment, of the campaign finance world, by looking at participation at different levels of election. That's a lot of what the report talks about in its basic research findings.

Generally, it's the case, as you all know, that Obama, in some ways, best presents the model that we're talking about. Certainly the experience of the Obama campaign highlights the value of technology in empowering individuals and at the same time showed the powerful role that small donors can play in the financing of a campaign.

As you all know, for the most part, Obama enjoyed remarkable success in recruiting small donors. In fact, at the Campaign Finance

Institute, extensive analyses were conducted of the individual contributions made to the Obama campaign looking at the amounts contributed by individuals, aggregating their contributions to determine the total amount each individual gave to the Obama campaign and then looking at the role of small donors, defined as those who gave \$200 or less in accordance with federal law, which basically requires the disclosure of contributions of more than \$200.

As the red slice of pie in the pie chart indicates, Obama had great success. In the primaries Obama raised 30 percent of his total funds from individuals who gave an aggregate of \$200 or less to his campaign. In the general election he was even more successful, raising 34 percent of his total general election funding which amounted to \$336.9 million, I believe, from individuals who gave \$200 or less. In essence, 1 out of every \$3 he raised in the general election came from small donors. And the amount he raised from small donors, in fact, was greater than the amount he would have received had he accepted the General Election Public Funding Grant. Public funding would have given him \$84 million; small donors gave him \$114 million in the general election alone.

So as a result, Obama showed the ability to gain that synergy from new technology, social networking activities, and small donor emphasis and recruitment that gave them a very powerful role in his campaign.

The problem is that Obama was not typical. If you look at the other presidential candidates with the exception of Ron Paul, what you find

is that most of the presidential candidates did not raise substantial amounts of money from small donors and in fact the campaign budgets of most of the presidential candidates, especially the leading contenders, followed the patterns of the past. The leading contenders, just like their counterparts in past presidential races, raised the majority of their money from large donors, from individuals who gave \$1,000 or more, and that pattern was very clear in both parties just as it's been clear in other recent presidential races.

What also struck us, and what was particularly material to us with respect to Obama, was that even Obama relied heavily on large contributions to launch his campaign. It wasn't until Obama became highly visible and became established as a leading contender for the Democratic nomination in the fourth quarter of 2007 that his small donations began to ramp up and his online fundraising began to take off and he really started to enjoy the success that was more or less taken as the characteristic of his campaign. But he began in much the same way as all the others. As a result what we found was that presidential aspirants did not really have great success, despite technological change, in recruiting small donors, and that for the most part, small donors did not play a big part in the presidential race outside of the case of Obama and Ron Paul.

That led us to wonder what the picture looked like at other levels of election. So, as a result, we turned to looking down the ticket, at Senate races, House races, state level races. Generally what we found as a general rule, was that as you moved down the ticket you find a decline in

citizen participation -- the lower the level of the race, the lower the level of citizen participation. Small donors play less of a role in Senate races than in presidential races, less of a role in House races than in Senate races, and less of a role in most state elections than in the case of the federal congressional races. In fact, in some states their participation is downright minimal at best.

If you look first at the Senate races, despite online fundraising tools and abilities, despite the changes in political communication, candidates have not experienced any increase in small donor participation. In fact, what we find is that it's actually on the decline. Generally it's the case that, with a few exceptions, congressional candidates tend to raise very little of their money from small donors. In the case of Senate candidates, for example, in 2008, if we look at all Senate candidates taken as a whole, only about 14 percent of the money in those races came from donors of \$200 or less. If you look at just incumbents, the percentage falls to 9 percent. Both Senate candidates taken as a whole or incumbents looked at alone, show a pretty clear pattern. Over the past decade there's been a significant decline in the share of money that comes from small donors, and the absolute dollars raised from small donors has been on the decline. So, despite great growth in Senate candidate fundraising, the dollars taken in from small contributions is now lower than it was 10 years ago.

A similar pattern is found in the House. In the House, if you take the House candidates in 2008 as a whole, only 8 percent of the money

came from small donors. If you look at incumbents in isolation, only 6 percent of the money came from small donors. And in the House you see the same pattern. The percentage from small donors has been on the decline over the past decade, and the amount of money taken in from small donors in absolute dollars, is now lower in 2008 than it was back in the 2000 election cycle, so they're taking in less money from small donors despite all of the discussion about the surge in small donors that was stimulated by the Obama campaign.

We also examined the financial patterns at the state level to the extent that we could. We looked at 36 states that held gubernatorial elections or state level elections in the 2006 election cycle which was the last year that we could get full data for. The state level analysis is complicated a bit due to the variance in state campaign finance laws and disclosure requirements, as we note in some of the more detailed tables that you'll find in the report. But overall what we found in examining these states was that in 13 of the 36 states that we looked at, small donors, even when defined more broadly as donors who gave up to \$250, for the most part, were not responsible for much of the funding that candidates receive at the state level. In general, they were responsible for less than 10 percent of the candidate funding in the 13 states where the percentages tend to be low.

However, what we did find was that there was a group of states, eight states in all, where you saw much more robust small donor participation. In general, just to give you some sense, the median state

turned out to be Maryland. In Maryland, as you can see from the pie chart being shown, about 9 percent of the money received was from donors who gave from \$1 to \$100. There was another 5 percent that was received from donors who gave \$101 to \$250. So, in all, you could say, about 14 percent of the candidate funding came from small donors. That was more or less the median state.

There were, however, eight states where the participation was much more robust, and in fact, in this regard, Minnesota led the way. In Minnesota you had the greatest participation of small donor funding where 45 percent of the money candidates received came from contributions of up to \$100 and there was another 6 percent in contributions between \$101 and \$250, so about half of the funding in Minnesota came from individuals who gave smaller contributions, and that's where the candidates received much of their funds.

We spent some time looking at that group of what we might call the more robust small donor or the more empowered citizenries in those states, What we found with respect to these states was that, at least one part of the story or one explanation that arises is related to the campaign finance laws in these states. Many of these states have campaign finance laws that provide for public funding or they provide for some form of tax credit or tax rebate, or otherwise have rules that serve to stimulate small contributions. We therefore concluded from our analysis of the data and our study of the effects of communication, that public policy can play a beneficial



role in modifying the incentive structures that would promote more engaged small donor participation. And we think that this is especially true in a campaign finance world that we're starting to see develop where there are more avenues for large amounts of money to come in, particularly as a result of either lack of regulation or constitutional constraints, or simple regulatory decisions that have allowed more large money in. In that type of an environment what would really be helpful is policy that tends to encourage the solicitation and the giving of small contributions.

In our view, technology alone does not change the logic of participation. Individuals still have to see the benefits of participation outweighing the cost of participation. Candidates still need to have incentives to go out and solicit small contributions and give individuals a reason to give by demonstrating the value they place on small contributions. We therefore concluded that if broader civic participation is to be achieved, policies need to be put in place to encourage this outcome. Therefore, we embarked on the task of looking at various policy alternatives to see which alternatives might help to promote the communications environment that produces an interactive citizenry, or that might help to generate more small donor financing. Norman will begin by talking about some of the policies with respect to communications and transparency that we identified as potentially valuable.

MR. ORNSTEIN: Thanks. Darrell, just to start, neglected to mention the ground rules for this session. This entire session is on deep

background, so please publicize it and talk about it incessantly on talk radio and every cable news show you can find.

As Mike and Tony have suggested, we really do see this new age as providing dramatic opportunities for a new political dynamic and a new way to expand opportunities and participation in campaign finance, but basically we're talking about what would be necessary and sufficient conditions to make this work, and making sure, not just that we have in this new age of network campaigns the opportunity, but that it can be fulfilled, becomes critical.

So, we have a series of recommendations that we've made about how we can ensure open and accessible communications and information, and also how we can take advantage of the new technologies to come up with a new and much better era of transparency.

All of this, we believe, starts with universal and affordable broadband. We cannot achieve these goals without moving in that direction. The administration is committed to universal broadband, and we see aggressive efforts on the part of the Federal Communications Commission Chair Julius Genachowski and Blair Levin who is in charge of trying to move towards universal broadband, but we believe those efforts really need to be kept up, and even redoubled, and it's not just universal, but affordable broadband. For people who do not have access, getting the ability to move on to these airwaves and use them and apply them, get information and be able to communicate, which means either free or very low cost for those

afford it, also becomes a critical element.

Now, it's true that the marketplace may help to move us in that direction. The smart phones are already coming down significantly in price and before very long, maybe those are the only cell phones available, but even there, the costs, including the costs of having full access, are considerable and that becomes a significant goal.

At the same time, because these are new vehicles for political speech of all different varieties, moving out to citizens and in an interactive fashion, we need to be very sensitive to making sure that we do not have a lot of proprietary information here and that there's access for political speech for candidates, for parties, for all organizations, at what we believe should be in effect the equivalent of what we now have as the lowest unit rate available to candidates for broadcast advertisements, at the lowest rate available for all. This is not -- it's an extension really of the net neutrality kind of debate, but in a different way.

Now, there's a downside to a lot of what's been happening which is the disappearance or at least the diminishment of the public square as we have so many sources of information and as people are cocooning more and more. It's not clear that we can find any panacea for the diminishment of the public square, but making sure that there is at least a public square available to all to have access to election related public information and to enhance participation in different ways becomes a critical component of this. We want to see the government provide a one-stop-shop

here, a place where you can go as a citizen, first of all, and find out relevant information for you as a voter -- where your polling place is, when elections take place, whether your registration information is in order, indeed moving beyond that, whether if you've cast an absentee ballot has been recorded or rejected and ways of dealing with that, as well as information about candidates, information about elections, maybe even opportunities for debate and for interactive processes. And, of course, it's not just up to the government. There are lots of other places where facilitating this kind of information can be doable, but there is a role for public policy here as well.

In addition, transparency, which is, generally speaking, a universally or close to universally accepted norm, now creates wonderful new opportunities and opportunities that we need to take advantage of. There is no reason why we can't have real time disclosure of all kinds of information, about campaign contributions and other things, not have to wait with any kind of a lag, and have it all downloadable, easily accessible and analyzable on a website.

Right now, if you want to find out -- to move to another area -- where political advertisements are taking place and who's sponsoring them, you have to travel physically to individual television stations and look through paper documents, and anybody who's tried to do it knows that most of those stations try to block you from even getting inside. There is no reason why the Federal Communications Commission cannot have a requirement to have all advertising logs available also on real time through a website so that

we can have a real sense of the advertising environment and what's happening there.

There ought to be a single website for disclosure of all the information that now is spread all over the place. If you want to find out about 527s or other such organizations, you have to turn to the IRS. There are other areas of information where you'd turn to the Federal Election Commission or the FCC or other places. There should be one place where you can find all of this disclosure information, one website, and of course to make all of this happen, you need to have software available to the entities and the individuals -- the candidates, the parties, and others -- and it should be the obligation of the government to provide free software, perhaps in different formats, that can facilitate all of this.

These are not heavy lifting elements when you think about it in the end with the exception of some of the difficulties, which are considerable, in moving towards universal broadband or making sure that it is affordable, but in general, these are relatively easy fixes technologically and otherwise. They would go a long ways towards creating the appropriate environment so that we could have a new era of campaigns and move us beyond the old and tired debate.

And with that, we can also move towards a new series of campaign finance related reforms that will have the same impact, and for those I now turn to our colleague Thom Mann.

MR. MANN: Thank you, Norm. Delighted to be the fourth

amigo. It's a real pleasure to come back together with my colleagues after this interval. In the interim, the Campaign Finance Institute was launched and has become a -- a really indispensable source of data-rich research on campaigns and hats off to what you've accomplished, and my delight in being part of this collaborative effort with CFI, with AEI, and of course, here with Brookings.

I also just want to say a note. Norman and I work together on many projects. It continues to be fruitful and a pleasure. Both of us have come to look to Tony Corrado as the indispensable source of evidence, of insight, understanding on all matters campaign finance, and he's played precisely that role again in this project. So, thank you very much.

I gather you've gotten the message. Instead of trying to attempt to further restrict the wealthy few, we seek to activate the many. I think the theme is coming through here. My message now is to translate that into a set of policy recommendations having to do with contribution limits, with public funding, and with political party financing.

Now, in spite of our emphasis on increasing the number of small donors and participation over further restrictions on the wealthy, we believe campaign finance laws should place reasonable limits on contributions to candidates and parties. Ours is not a brief for deregulation. There are two rationales for that. One is negative, which is the traditional rationale for contribution limits dealing with the potential for abuse by both donors and office holders, the problems of corruption, but also, and perhaps

more importantly, putting in the hand of office holders and leaders the power to engage in shakedowns of private entities for large contributions. That remains an important and compelling rationale.

But there's also a positive rationale, namely to create incentives for participation of small donors by encouraging candidates and parties to expand their base of political support, to go after them as well as to increase the efficacy among small donors. If you're out there a citizen and thinking about making a \$100 contribution, but you realize at the same time someone's making a \$100,000 or a \$1 million or a \$10 million contribution, it's a little harder to get jazzed up about that small donation. So, I think contribution limits -- we think -- keep the incentive strong for candidates to seek those donations and for donors to give. Therefore, our recommendations here are not startling. We believe we should maintain current limits on contributions to candidates, federal limits, and that states without contribution limits should establish them, and those with ceilings above the national median for states should adjust their ceilings downward.

The report gives some specifics on what those medians and what those limits are now and the direction in which we think they ought to go. In addition, we believe in limits on contributions to political parties. States should place, and the federal government should maintain, limits on all contributions to political parties, PACs and legislative committees including office accounts and all other soft money accounts. We are in no way backing away from the recommendations we made in "Five Ideas for

Practical Campaign Reform” back in 1996 for the abolition of party soft money.

But that moves us to the bigger set of recommendations namely redefining public funding. First I state the obvious: the presidential public funding program of matching funds in the primaries and a full grant in the general election, the flagship of federal election law, is dead. It collapsed because it no longer served the needs of candidates running for federal office. The spending limits over time became much too low putting participating candidates at a strategic disadvantage and the value of the public matches and the flat grant shrank with the increasing cost of campaigns.

We believe no serious candidate for the presidency will, in the future -- would, in the future, participate in this system in either the primary phase, the nomination phase, or in the general election phase.

On the other hand, we believe public funding retains the capacity, the potential to foster citizen participation, as well as to provide opportunities for non-incumbent candidates who are neither wealthy themselves nor beholden to wealthy supporters. Our primary objective, to reiterate, is not to get private money out of campaigns, but to get many more small donors in, if you will, to multiply the power of individual citizens. So, here's a mouthful of a paragraph that encapsulates our recommendations: We recommend multiple matching funds for small contributions. Multiple meaning, not dollar for dollar, but 2:1, 4:1, even as in New York City, 6:1



match. We say “match” and not “grants” because we believe there is a compelling rationale for keeping the entire system a matching grant system, a matching fund system, in both primary and general elections, that is, the same system, the same rules obtain in both elections, operating at the presidential, congressional, and state level of office, with the receipt of public subsidies tied to lower contribution limits instead of spending limits. Okay? No spending limits, contribution limits as a requirement for the receipt of public funds with a qualifying threshold tied to an early fundraising period, a timely release -- that means early -- of public matching funds, and a ceiling on the total amount of public funding that any candidate may receive.

Now, that’s a mouthful. In the report we discuss how the way in which a public funding program is designed and implemented will determine whether it has its intended effects. Getting the incentives for potential donors right, keeping the administrative burdens on candidates bearable, and allowing candidates who participate to raise enough money to compete against those who don’t, is no simple task, but it’s a worthy task well worth the efforts.

There are many considerations here. We believe, for example, matching funds should be used instead of grants because it ensures candidate outreach and individual engagement throughout the election cycle. One of the most exciting parts of the small donor revolution of 2008 was the extent to which people became multiple donors, that is, to the same candidate over time. The idea that you would shut that off

arbitrarily at some point is a way of depressing civic participation and we think that's why the matching system should be used. Obviously the multiple match creates the real incentives for participation at both ends. Replacing spending limits with lower contribution limits makes participation much more attractive for candidates and offers a very strong incentive to seek out small donations. But those lower contribution limits have to be high enough to make it worthwhile for candidates to participate and to allow donors to come back and give again. So, we don't want to crush it down so it's a one time only contribution. We suggest in the report actually that maybe the restriction should be roughly half the contribution limit that's in current law imposed on non-participating candidates. But, again, those matters are up for grabs.

Now, while the public funding formula to be used will vary for different offices and jurisdictions, we offer guidelines on thinking through the various elements and magnitudes of the matches and contribution limits. By the way, we also believe tax credits or rebates with income caps should be used to enhance participation by small donors, but these should be used as supplements, not a replacement for a matching grant program.

Finally, our last recommendation goes to political parties. We support unlimited, coordinated spending by national parties in support of their candidates. What goes on now is a farce. The courts allow unlimited independent spending. Parties have to go through the ritual of meeting technical requirements that make that operation independent. It's perverse

for political parties and candidates to keep this level of formal separation and in many respects, disingenuous. We think it doesn't serve the best interest of parties or frankly of the voting public.

If you allow, though, unlimited, coordinated spending under current laws, you risk undermining the limits on contributions to candidates in which candidates use the parties to steer wealthy donors to make the nominal contribution to the party which is then spent on behalf of the candidate thereby increasing contribution limits in full. So, to keep it on the up and up we recommend allowing parties to make unlimited coordinated expenditures, but only from money the party's raised from small donors. This would increase the incentives for parties to look for more small donors - that's our theme here -- and strengthen the linkage between candidates and parties which together will increase accountability in party electioneering. That's the recommendations. Contribution limits, yes. New forms of public funding and freeing the parties to help their candidates all they can with money from small donors.

Darrell, it's back to you.

MR. WEST: Okay. Thank you, Tom. I think you'll find this report very thoughtful, comprehensive, and very bold just in the set of recommendations that you've just heard about.

I'd like to start the conversation just by throwing out a couple questions and this will be kind of a grab bag, so anybody who wants to jump in, can.

The first question: you have lots of novel proposals in here -- universal and affordable broadband, real time electronic disclosure, improved transparency, a central disclosure site, a new public financing system, multiple matching funds -- kind of all designed to activate the many, as Tom pointed out. The question I'd like to ask is, how do we know that these things would work? Because when you were gathering evidence in the report you talked about two success cases at the presidential level -- Obama and Ron Paul -- which is kind of an interesting set of cases right there, and then eight examples from state level races where small donor participation was above average. I mean, certainly when you think about the Obama case, as Tony pointed out, is somewhat unique, his ability to raise small donor money, because he was a charismatic candidate. There was a lot of grass roots mobilization, you had big issues on the agenda in 2008: war and economy.

And so, the general question is, you know, is it the rules that would actually drive small donors to be engaged, or does it really take a particular type of candidate and a particular set of political circumstances to activate those small donors?

And then the second question which kind of flows out of the first is, do we have to worry about any unattended consequences because in any reform effort, you know, we have certain goals and certain things that we hope to achieve, but we always have to worry about creative politicians exploiting loopholes and kind of twisting them and ending up in a situation

that's very different. So, for example, on page 19 you write that "broad-based, small donor fundraising is likely to occur after a candidate achieves a certain level of public visibility." So, the question there is, are we going to need fame and celebrity to really mobilize small donors? Like, would one unintended consequence be an increase in celebrity politicians? So, I'll put those two questions on the floor, anybody wants to jump in with either one.

MR. CORRADO: I will just begin with a couple of comments. Number one, if you look more broadly than the 2008 experience, you can find examples in the past, particularly with the presidential public funding system, where the public funding system did encourage more small donor participation, it did encourage more contributions, it did encourage more candidate competition, particularly in the early experience of the presidential public funding system. As more and more candidates participated, whether you look at Carter or Reagan or a wide range of candidates between 1976 and 1992, you can find plenty of examples of individuals who really relied on the public funding to maintain their ability to compete in the presidential race. And it was only after that system was allowed to atrophy that that quit being the factor.

Second, there will be certain candidates who have a certain amount of fame and visibility or book tours or other apparatus that will lead them to be able to perhaps succeed in receiving small contributions and even particular candidates who are in the position where they appeal, as with Ron Paul, to a particular niche in the electorate, that may generate

funding from them online, but generally the question is how do you get the individual who might be more moderate, more centrist, less well known, that ability to start to ratchet up the money to gain that visibility to be able to compete and reach the point where they can start broad based fundraising?

One way to spur competition in small donor participation has to be to give those candidates a reason to go out and search out small contributions rather than just try to rely on large contributions. And the idea of this public funding system is to give these types of candidates the incentive to go out and seek small contributions because of the force multiplier effect that a multiple matching fund system would have in helping them generate the amounts of money they need to then get to the point where they have that visibility, where the electorate will decide whether it likes this candidate or not.

I think that a second aspect is that if you look in the states where there has been success, it's also the case that they have laws that both encourage candidates to seek out small contributions, regardless of whether they're famous or celebrities, and at the same time, have laws that give donors a reason to make a small contribution and to feel that their small contribution will be meaningful, whether it's through a public funding or a tax rebate system or some other rules, and it's that shift in attitudes and incentives that we think is a key, not overlooking, Darrell, your point about fame and celebrity always helping get you a leg up.

I think the one final comment I would make is that if you look at

the role of our recommendations, one thing we are concerned about is not having a public funding system, that if you have a candidate who's already well known, well established, perhaps has celebrity status that can raise some money or is a very well entrenched incumbent, that the public funding system not serve as a mean of exacerbating their financial advantage, so that there should be some limit in the amount of public funds that a candidate receives in a primary or a general election. The idea being to use public funding as a means to generate the visibility and the candidacy and then at some point it being left up to the candidate on their own to make their case to the public.

MR. MALBIN: I have only a couple of points to add, and thank you, Tony, for helping me make this answer shorter because I agree with everything that was just said.

The role of rules is not to -- is not to guaranty or assure that outcomes will occur. There needs to be a communications environment. There need to be candidates who are willing to speak to voters and who have credibility. But the rules change incentives and the rules help give opportunities to candidates who want to start off by reaching out to people who will give small amounts.

We looked at -- when we looked at the states, and we did look at all 50 -- the table in the book only gives you the 36 comparable states with governor and legislative races at the same time -- we looked not only at the percentage of money from small donors, which is what's presented in

this book, but also at the percentage of the population that gave anything. And the states with policies that are geared at stimulating participation, in fact, relate to the percentage of population that gives. Minnesota, by the way, has only about 5 percent of the people giving, but in many states, such as the state where I teach, New York, it's one-third of 1 percent or one-half of 1 percent. Five percent is enough to change the dynamic, completely change the dynamic. It doesn't take 50 percent.

Now, the question of whether there would be unintended consequences that might have perverse impacts: Celebrity is in a way given a boost now under the current system. I don't -- by definition you can't foresee the unforeseen consequences, but in a program that involves incentives, you're much less likely to have them than in a program that involves restrictions. There are no incentives to evade. You might not participate. You might say that, gosh, the tradeoff doesn't work for me and I'll go with private funds. But there's no -- I can't see reasons to try to game the system and if somebody can come up with them, I'm sure we can figure out a fix for it. So, I actually think this is much less of a problem than in the typical sorts of policies we talk about in this arena.

MR. WEST: Okay, why don't we open the floor to some questions from the audience? Doug Chapin? Do you have a question?

MR. CHAPIN: Thank you very much. First of all, on behalf of all of us at the Pew Charitable Trust and my colleagues at the Pew Center on the States, they say you're judged by the company you keep and I think



today's panel means that we are in very good shape indeed.

I wanted to very briefly bolster something that's in the report that Norm mentioned about making information available to voters, and, in fact, we think that's such a great idea that we're already hard at work making it happen.

State and local election officials in 10 states and Los Angeles County are working with us and Google on something called the Voting Information Project. We put a gadget on the Virginia State webpage in 2009 that was seen nearly 3 million times in the 10 days up to election day, working with election officials in all of the states to use that same source of official election information to make voters here in the states aware of what's on the ballot, but also to help military and overseas voters across the world answer their questions -- where do I vote? What's on the ballot? How do I register and check my registration?

We believe that having information is a vital part of this process. We don't necessarily believe it's required to federalize in order to modernize but I'm delighted to see that as impressive and as accomplished group as these folks are willing to stick to the little things of making sure that voters, the media, and everyone across the country, has access to the information they need. I guess if I need to have a question my answer is: wouldn't you agree?

MR. MALBIN: Yes, Doug, and thank you -- and I thank Pew for its support and thank you for your comments. I think what you're doing is

a great thing, but I also think this should be a governmental duty. The private sector should fill it in when the government fails, which is what's happening.

MR. CHAPIN: Just to clarify, this is -- we are working with state and local governments. This is not a private effort. We are actually -- rather than producing this information, we're facilitating the release of this information. We are helping governments do for themselves what they have in the past relied upon outside and third party groups to do. So we couldn't agree more. Thanks.

MR. ORNSTEIN: Let me just add one thing which is that we also need, as a part of this, to make sure that states that are not eager to facilitate are required to compile and provide basic information about the voters -- the voting system. So there is at least a little bit more of a regulatory role here that we haven't talked about much.

MR. WEST: Okay, right here in the second row, we have a question?

MS. WEINTRAUB: Hi guys. Ellen Weintraub from the FEC. I'm also, obviously, very interested in this disclosure question. And since you seem to anticipate some governmental entity taking charge of this one-stop shopping approach, I'd be curious to know who you think should do that, given -- you know -- governments have their little turfs and, you know, we try to do a good job of disclosing what we disclose. But, you know, I don't think it would have occurred to us to try and glom onto other people's

stuff. And Congress made a decision in the 527s that we didn't want us to do that disclosure, they gave it to the IRS, which I always thought was the wrong decision.

So I'd be curious as to who you think should do that? Or should it be some new entity that should do that? And I'd also like throw out a case -- if anybody would like to comment -- what you think the impact might be of the long awaited, upcoming, surely any time now, decision of the Supreme Court in Citizens United on your proposals?

MR. ORNSTEIN: Let's start first by saying it's a pleasure to have an FEC commissioner who follows her fiduciary responsibility faithfully. And the difficulty with giving disclosure to the FEC is that even on disclosure it would be a three/three vote, so. (Laughter) So, until we can find a functional organization that can handle something as -- as I mentioned, it's almost universally accepted, but not quite.

I would just make a brief comment, you know I don't think this is probably neither the time or place to -- in anticipation of what's likely to be a difficult and uncomfortable decision -- but just to reiterate, a part of our motivation here is to try and take the tired old debates we've had over the last 20 or 25 years -- which is part of what motivated us when we went back in 1996, where the debate was all about spending limits and public financing, to try and move it to a different plane of practical realities.

We'd like to take as many of these arguments out of the Supreme Court or the judicial system as we can and move them to another

plane. And if you focus on -- as we have -- on things like disclosure, access to communications tools, and incentives to broaden participation, those ought to be places that don't involve as much litigious activity.

MR. MANN: I'll just add a word. The direction of judicial rulings is clear. There's no question about that. The only question has to do with the speed at which the Court moves to rule against some prior restrictions on political spending and contributions. It's part of the backdrop of our whole report. We see a move in that direction. We also see the resourcefulness of groups now moving to the 501(c) world, accomplishing what they choose to accomplish in campaigns. And it seems to me that's a battle that will be unending and never won for those who are trying to restrict those activities. We will do the best we can with disclosure. We will live with decision the Court hands down, but we will think apart from that and say, what can we do of a positive sort that will accomplish some objectives.

Michael began, I think, with a very important point. The debate between the regulators and the deregulators is stale and stylized, and the Court is consumed with it. And God knows this area needs a breath of fresh air and we think this is the way to achieve it.

MR. MALBIN: I want to add one point to this. We don't want to be read as criticizing the efforts of people who are trying to make the limits that are in the laws work. There are limits in the laws that need to be enforced and many organizations are doing that. What we're trying to do is to open a new debate, a new discussion, and to say, there's a lot more to be

accomplished.

MR. WEST: Tony?

MR. CORRADO: With respect to disclosure, I think you're right, Commissioner. We're going to need a legislative fix because a lot of the problems we have in disclosure now is a result of actions by Congress. I guess I've been around long enough -- or perhaps too long -- to remember when there was one place, the Federal Election Commission, where I used to be able to go to get most of my information on campaign finance. And now what we have seen as you have noted, we have some information that's recorded with the FEC. We have some labor requirements that record at the Department of Labor.

When the 527 disclosure was adopted, it was shifted to the IRS -- although certain activities of these 527s are reported at the Federal Election Commission. We now, recently, had HLOGA where we have new disclosure requirements, some of which include things already disclosed at the FEC, but not in a unified report, some of which entails new disclosure requirements on different types of funding and those reports go to the Clerk of the House and the Secretary of the Senate. So we're now up to about seven or eight entities responsible for pieces of the pie.

And I think that what's clear, is that reform is often about simplification. And this is an area where there's a need for simplification. There should be one entity, whether it's the Commission as the central disclosure agency or some new entity, that has the central disclosure

responsibility where all of these various items are reported in a central place; where each contributor has a unique identifying number so they can easily and readily be researched and databases downloaded; where you have one-stop shopping to find out who's raising and spending money on the various things we disclose. It would be much more user friendly. It would be much more in the interest of the citizenry and it would save us a lot of this unnecessary duplication, particularly now if you're a registered lobbyist, where I imagine you can bill about 100 hours a week just on the various forms you have to fill out for your various campaign disclosures. So I think this is an area that really needs to be looked into.

I also think so for one other reason. Given electronic disclosure, the widespread availability and access to information, there needs to be some thinking done to assure that there are proper protections and sensitivities to the potential for abuse of disclosed information and for the potential ramifications of widely available donor information that I think the current law doesn't really entail, given the fact that most of these disclosure laws were adopted 30 years ago. And, as a result, I think that some of the considerations that have arisen around a disclosure -- you know, it's time to address them.

MR. MALBIN: I want to add one quick point because we did not discuss down to the detail you are now asking, and you are raising a good question. And, by the way, Tony, thank you for mentioning the Secretary of the Senate -- the one piece of the Federal system that does not

disclose electronically, but ought to.

But the site we had in mind -- the one-stop shopping for voters for campaign finance information -- was also meant as a place where you could -- where the voter could put in an address and get the relevant information for state as well as federal. So it's more complicated than even you had said.

So you might have to have a special entity whose function is simply this, bringing things together. An information entity that would deal across jurisdictions.

MR. WEST: Okay, I think there's a question in the very back. Yeah, right there.

MR. PARNELL: Thank you. Sean Parnell with the Center for Competitive Politics. I have a question for you. You talked about the one third of one percent being the figure I think that you gave for people who contribute in New York state, or I could have that wrong. Five percent in Minnesota --

MR. MALBIN: I did say that. It may be a half of 1 percent.

MR. PARNELL: Something like that. What I'm wondering is -- a great deal of what you've been talking about is greater citizen participation and involvement in the process, and I'm wondering how exactly the proposals here really make more than a marginal difference? I mean, I don't know that going from .04 percent to .06 percent of the population contributing, how that actually changes any dynamics? How that, in a

noticeable way, changes the demographics of who's going to be giving.

MR. MALBIN: Sure. Sure.

MR. PARNELL: I just kind of think that -- along with other disagreements I have with what's been said -- but I just kind of think that it just doesn't make much sense to me going from 1 percent to 2 percent. I mean, Barak Obama got 1 percent of Americans to contribute to him. That's kind of the high bar, as near as I can tell. Does going to 1.5 percent make that much of a difference? I just don't see it.

MR. MALBIN: No. I agree with you, Sean. If that's all it did. But fortunately we do have a test case and the test case is the City of New York, which matches \$6 for each of the first \$175. And we looked at the same pool of people, New York City donors giving to New York State elections, New York City donors giving to New York City elections. The New York City donors in New York City elections giving to City Council candidates who are accepting -- who are participating in the system -- is way above the national median, whereas New York State is literally the last.

It tracks. And it does not track in a tiny way, it tracks in a way where the multiplication is seven-, eight-, nine-fold. So when you start looking at what does this do to the percentage of money and, therefore, the incentives for candidates. Again, if you hypothesize -- and this is not a ridiculous hypothesis. Minnesota there's a participation at 5 percent. If you simply assume 3 percent participation and you talk about a multiplier effect of matching money for small contributions, the shape of the bar chart of



where the money's from completely reverses. It does not take much to do that -- to make all states look more like Minnesota in the shape of their funding sources than like New York, California, or others.

MR. PARNELL: I get the, you know, changing the --

MR. WEST: (inaudible) as many people as possible here.

Can we -- do you have a question?

MR. MALBIN: Yes, I think it wasn't about percentage of people participating, as opposed to percentage of money. And I think, yes, it makes a big difference if 5 percent of the people are activated enough to write a \$25 check. If they -- and then you have this reciprocal volunteering and contributing activity, which we see. This is a very high percentage of real participation above -- way above the norm. And Obama participation was somewhat higher than even what you said.

We're not talking about participation as voters. We're talking about people who are engaged in the process. And, yes, you really do leverage up the buy-in factor many times of what their participation could be.

MR. WEST: Okay, Gary Mitchell ?

MR. MITCHELL: Thanks. Gary Mitchell, from the Metro Report. Whenever I listen to conversations particularly about proposed reforms, my mind always goes to what are the anticipated outcomes? And I think Dr. Malbin suggested that that was not necessarily something that's easily measured here, but I gather from your executive summary that overall it's the whole notion of heightened participation which, in and of itself, is a

good thing and leads to good things. As I think about the question of money and politics, that's one side of the equation. The other side of the equation is, from my perspective is -- if I could wave a magic wand -- I'd love to figure out a way that would reduce the amount of time that office holders, particularly members of the House and Senate, have to spend raising money. I gather that's not the purview of this, but given that we have the co-authors of The Broken Branch here, my question is, in your deliberations, was that issue -- was that question ever on the table, and are there things if not in this report, but in ensuing reports that can attack that part of the equation? I'd be interested in hearing your thinking about that?

MR. MANN: Well, surprisingly enough, it is in this report. We actually make an argument that this set of recommendations is responsive to concerns that politician's, office holders, spend so much of their time dialing for dollars, personally meeting with people who have a lot of money, disposable money, to make fairly substantial contributions. We actually think this has a potential reducing that time spent because the way in which you raise large amounts of money in small donations is not for the office holder's to spend time with each of those donors. But, in fact, to build networks and linkages that occur via the Internet and through social networking of various sorts. So we actually think that these recommendations are responsive to that concern. And they achieve it in a way that will be more effective, we think, than efforts to try to restrict them from going after money as they now do.

MR. WEST: Okay, we have just a few minutes left, maybe we can take two or three questions, then we can get our panel to react. Let's do one right here.

MS. PAYTON: I was wondering -- I'm Mary Payton . I'm with the Fairfax County Democratic Committee. I'd like to hear some more specifics about the eight states that had good incentives. You mentioned tax breaks, but were there other things and how did they do the tax breaks? And I'm also wondering if -- assuming they were legislative initiatives -- did they come from Democrats, from Republicans, did they have bipartisan support?

MR. WEST: Okay, well, hold onto that question. A couple more questions right here.

MR. GOODLIFFE: Jay Goodliffe from BYU. My question is following up on Sean Parnell's question, what is your end goal? That is, what percentage of the electorate do you want to be contributing in an election cycle? So one-third of 1 percent, that sounds low. That sounds like it's not high enough for you. If you got 5 percent, say like Minnesota or something like that, is that going to be enough? And when you don't get that with this legislation, this rule change, then are you going to try to bump up the multiplier effect? What's going to happen in four years when we come back for this panel after the legislation has been enacted and you haven't gotten the exact results that you want -- I'm trying to figure out the end -- I think we can all see that you want to increase citizen participation. Is there

no upper limit to what you'd consider good? You can compare to, say, voting turnout. We'd think that 70 percent would be fabulous, right? 50 percent would be pretty good. So what would be fabulous for participation that you'd stop and say, the system works?

MR. WEST: Okay, we like your optimism on legislative enactment. There's a question in the very back, and then we'll have the panel respond to all three of these questions.

SPEAKER: (inaudible)

MR. WEST: Well, we'll go with him.

MR. NYHART: I had a question. How you define small? But before it's -- in small contribution, whether that's \$200, \$500, \$20?

And second, I just wanted to note that the Fair Elections Now Act embodies many of the recommendations you're making and I hope we can work it out together, on increasing participation.

I also want to say, Sean, we too are concerned about the levels of participation and would like to ramp them up through the use of these incentives. I'd really like to get to, what is small and for who?

MR. WEST: Let's go with one last question in the very back?

MR. CARROLL: David Carroll, UC Washington Center. I apologize if I missed this, but what about the tradeoff and the concern that small donors would actually increase or work to increase polarization? That these people are not seeking access -- because they're not going to get access for their \$200, but, in most cases, when it's not a super charismatic

candidate, they are motivated by strong ideological concerns and it would reinforce some of the -- you know, further some of the problems that are discussed in The Broken Branch?

MR. MALBIN: Let me -- oh, are we ready to start answers?  
I'm sorry. (Laughter)

I want to address the last one first, but I will say something about the others. We actually did surveys, extensive surveys, of donors and non-donors in seven states. And part of it was a fairly standard battery of questions, ideological self-identification, but also issue positions. And no surprise, people who are active in the system and give money tend to be more liberal or more conservative than the general public. But it turns out that small donors on almost every dimension and almost every issue, fell somewhere between the general public and the large donor. Not to the extreme. We carry a picture in our head that probably goes back to the days of direct mail, when you had to be very intensively involved to want to take that letter and open it, write a check, seal it, and so forth and so on. These -- the people who gave in the states in small amounts, meaning aggregating to \$100 or less, were more moderate generally than the people who gave \$500 or more. So that concern, you need to put aside.

Does anyone else want to speak to this issue or should I rattle on through all of the issues? Go ahead.

MR. MANN: I just -- of course, there are going to be candidates like Ron Paul. No doubt there will be some Tea Party

candidates. No doubt there will be some others on the other side where you can -- Ned Lamont is a good example, as Tony mentioned, where you will have that. But there's no reason to believe, based on the experience we've seen with the incentives for small donors, that the only candidates that are going to emerge or those that are going to dominate in that emergence are those from extremes. We just don't have that evidence.

MR. MALBIN: The end goal -- 70 percent -- sounded pretty good to me. (Laughter) I don't think the end goal is necessarily, in terms of percentage of people, but 5 percent really does make a difference. It's more about, do you create different incentives for candidates and create a different dynamic in the system? And I don't think you can put a simple number on that, in that way.

On the eight states you're looking at a mixture of -- some of them are public funding like Minnesota. Minnesota has a 100 percent rebate for people -- or had for people who give up to \$50. Other states had tax credits. In some there's a mixture of public funding programs, lower contribution limits, various devices. In Minnesota, it was passed with bipartisan support a long time ago. And, honestly, not in every case did we do the legislative history.

MR. ORNSTEIN: I just wanted to address -- the goal here is not simply citizen participation. We're not, you know -- this is not just we want to get 3 percent, 5 percent, 10 percent, 20 percent giving money. We want a robust campaign system where more people participate, but where

you have opportunities for entry for a broader range of candidates. Where you have a better and more balanced system where you can generate more competition. And where we're not moving away from the notion that corruption on both sides, the dialing for dollars where people are either humiliating themselves to try to raise money or shaking down large donors, or being threatened that if they don't vote in a particular way, the funding from this union, or this organization, or this company will be cut off. Those things happen and we'd like to reduce that, and broadening the base of donors, while also gaining more citizen participation, and doing it in a way that provides incentives rather than just limits. All of those things are combined. So if you try to create a stick figure or a straw man here -- that this is all about getting participation up and if it isn't 3 percent or 5 percent, we've failed. You're missing the point.

MR. CORRADO: I think that, in terms of the goal, one of the things you have to remember is it's not just about getting more people to participate in terms of donating. But one of the things is that the research we look at shows that this is but one part of a process -- it is a step. If you get someone to donate and put their \$5 or \$10 in, those are people that candidates look to to be volunteers. Those are individuals who tend to follow the race more closely. Those are individuals who tend to get engaged in other ways. Not all of them, but a share of them, so that it is one way to stimulate broader political participation in the electoral process.

Second, as Norm noted, you have a system right now that is

very, very, very heavily favored towards incumbents and very incumbent friendly. A system like we're proposing is a way to get more resources to challengers and perhaps increase the opportunity for individuals to seek office, therefore improving candidate participation.

Now, getting more people to donate is a goal, Jay. But one of the things you have to remember is that, if you want to fix on an idea and fix on some number or percent, you're missing the point. What you should fix on is the scalability now possible because of the communications revolution. And you're in an area of public policy where the universe of participants has traditionally been so small that little changes amass into great outcomes, in terms of change.

You know, you're in a world -- if you just want an example -- where back in the days of Al Gore, with his 600,000 donors, that was a real political powerhouse. Then George Bush pushed the envelope to 1 million to 2 million donors, which is still a minute percentage of the United States' population, but suddenly had revised the way Presidential campaigns have been funded. Barak Obama pushed that to 3.9 million donors and created a revolution in the way Presidential campaigns are funded.

You're talking about an area where to move to something as modest as 4 or 5 percent of the population giving has great effects in terms of the amount of money coming into the process, the ease with which these contributions can be collected now through on-line vehicles, and the extent to which more people will be involved in the process. So this is an area



where small changes that you might look at in terms of percentage or that sort of thing have very big magnified effects.

MR. MANN: There was a question about what size of contributions do we consider small donations? There's no arbitrary answer to that. In the tables that CFI has generated, the lowest category is \$200 and that gives you -- at the Federal level, and I think it's \$100 at the state level. Basically, what's interesting is they have also discovered that a fair number of individual citizens who make an initial small donation under \$200, or under \$100, make subsequent contribution to the same candidate or party, and that then aggregates into a higher amount. Those numbers, I think, we have included in the report itself.

And one of the things we think is really important to encourage participation is not to say, okay, your role is over. You know, and no criticism of the fair elections effort at all, but there are differences. We want matches throughout the year. We want the interactions between donors and candidates to be going on. We don't want to reach a limit and then say, we don't need you all. We, you know, we have a grant of money that's coming from the government and then beyond that we'll accept \$100 donation, but if you've made that already, sorry. Your role is through in the process. We think it's important to set these limits at reasonable ways to allow citizens who really get turned on -- once they have some skin in the game decide they want to put a little bit more into it and send their regular \$25, \$50 contributions, that that's really a good thing.

MR. WEST: Okay, I think we are --

MR. MALBIN: Can I just add something?

MR. WEST: Sure.

MR. MALBIN: I do think that when the Fair Elections bill was changed this year to include a match at the end of the process, instead of a spending limit, that that was a major conceptual change and I do want to give credit for that. We're still -- there are still differences, but the bill is now what they call a hybrid bill that does operate to keep people in the game longer than the older approach did and we should notice that.

MR. WEST: Okay, I think we're out of time, but I want to encourage you to read the report. As you have heard from this panel, there are lots of very new and innovative ideas in this -- the report is on-line at Brookings.edu, so please encourage your friends and colleagues to take a look at it.

And I want to thank Michael, Tom, Norm, and Tony for their participation here. Thank you very much.

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## CERTIFICATE OF NOTARY PUBLIC

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/s/Carleton J. Anderson, III

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