

THE PAC PHENOMENON: AN OVERVIEW*

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In organizing this Symposium on political action committees [PAC's] and campaign financing, the editors of the *Arizona Law Review* have performed an invaluable service for political practitioners, electoral analysts, and informed citizens. Few developments during the past decade have been more important to American electoral politics than the virtual revolution in campaign financing that occurred in the 1970's. In the name of electoral reform, this revolution has brought about at the federal level partial public financing for presidential candidates, stringent restriction on large contributions by individuals (particularly so-called "Fat Cats") who in the past donated hundreds of thousands or even millions of dollars to candidates, a reduced role for the political parties in funding office seekers, comprehensive disclosure of the sources and uses of campaign funds, and detailed public regulation of campaigning and elections.

As my contribution to this Symposium, I shall concentrate on yet another important aspect of the campaign finance revolution of the 1970's—what frequently is designated as the PAC Phenomenon—and reflect upon both its impact on American electoral politics during the past decade and its likely significance during the 1980's. Rather than reexamine the empirical evidence corroborating the recent rapid growth of PAC activity,¹ I shall pose major policy considerations raised

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1. For empirical work on the growth of PAC's, see generally E. Epstein, *Business and Labor Under the Federal Election Campaign Act of 1971*, in PARTIES, INTEREST GROUPS, AND CAMPAIGN FINANCE LAWS 107 (M. Malbin ed. 1980); E. Epstein, *The Emergence of Political Action Committees*, in POLITICAL FINANCE: SAGE ELECTORAL STUDIES Y.B. 159 (H. Alexander ed. 1979); M.

by the PAC Phenomenon. This analysis provides a policy perspective of the PAC Phenomenon which will be useful for examining the other contributions to this Symposium. I shall focus on the role of corporate, other business-related, and labor PAC's in federal elections—the primary area of my empirical research on the subject of PAC's. Many of the issues raised and observations made in the following pages are, however, germane to all PAC's irrespective of their sponsorship or whether they operate at the state and local rather than federal level.

Succinctly stated, the PAC Phenomenon is the rapid emergence during the 1970's of nonlabor sponsored—and particularly business-affiliated—political action committees as significant sources of financial contributions and other forms of politically valuable goods and services in election campaigns. Only sixty or so business-related committees functioned at the beginning of the decade. In 1970, there were some three hundred identifiable PAC's, most of which were affiliated with organized labor. Slightly over six hundred were registered with the FEC by January 1, 1975.

Currently there are almost 2,500 PAC's registered with the Federal Election Commission [FEC]² and uncounted others have filed with public bodies responsible for regulating state and local elections. These committees are affiliated with a diversity of economic, social, ideological, single-issue, and other nonpartisan political groups and coalitions reflecting many of the concerns in contemporary American politics. Of the PAC's registered with the FEC, 1,153 are affiliated with corporations, 290 are affiliated with labor unions, and approximately 1,000 fall into other categories: no-connected organizations, trade/member/health, cooperative, and corporations without stock.³ Conservatively, one-half of the PAC's in the other categories may be considered business-related PAC's.

In addition to expanding in numbers, virtually all categories of PAC's, with the exception of labor PAC's, have dramatically increased the scope and vigor of their activities. During each two-year election cycle, PAC's have grown in importance as a source of funds for congressional candidates. In 1976, PAC's contributed an estimated \$22.6 million of the nearly \$104.7 million received by candidates for the House and Senate. In 1978, PAC's gave \$35.2 million of the slightly

Malbin, *Of Mountains and Molehills: PAC's, Campaigns, and Public Policy*, in *PARTIES, INTEREST GROUPS, AND CAMPAIGN FINANCE LAWS* 152 (M. Malbin ed. 1980); Malbin, *Campaign Financing and the 'Special Interests'*, *PUB. INTEREST* 21 (Summer 1979); INSTITUTE OF POLITICS, JOHN F. KENNEDY SCHOOL OF GOVERNMENT, HARVARD UNIVERSITY, *AN ANALYSIS OF THE IMPACT OF THE FEDERAL ELECTION CAMPAIGN ACT, 1972-78* 16 (1979) (prepared for the House Comm. on Administration) [hereinafter *ANALYSIS OF FECA*].

2. FEC Press Release (July 30, 1980).

3. *Id.*

more than \$200 million raised by congressional contenders. Through March 31, 1980, PAC's have contributed over \$14 million with the bulk of the giving for this election cycle yet to come.⁴

PAC growth has been particularly apparent among corporate and other business-related committees. According to data collected by the Citizens' Research Foundation [CRF], PAC's associated with business—corporate and noncorporate—made federal campaign disbursements of an estimated \$1.4 million in 1968 (a presidential election year before public financing). In 1978, all categories of business-affiliated committees had adjusted disbursements of \$37 million and made contributions to congressional candidates exceeding \$17.3 million. In comparison, CRF data indicates that spending in House and Senate races reported by national-level labor committees totalled \$7.6 million in 1968. FEC reports for 1978 reveal that labor organizations had adjusted disbursements of \$18.6 million and contributions to federal candidates of \$10.3 million. Although the 1968 CRF data and 1978 FEC data are not identically composed, they are useful in demonstrating the relative growth rates of business and labor committees during the decade of the 1970's.⁵

It is striking today to review the standard works on campaign financing written during the 1960's and early 1970's and find no reference to political action committees.⁶ To be sure, the authors of these treatises were perfectly aware of the existence and operations of PAC's such as the AFL-CIO's Committee on Political Education [COPE], Business-Industry Political Action Committee [BIPAC], National Committee for an Effective Congress [NCEC], American Medical Political Action Committee [AMPAC], and Americans for Constitutional Action [ACA]. These scholars were also familiar with the bipartisan "good government" or "civic action" funds established during the 1960's by a number of corporations, particularly California-based aerospace firms, and with the fundraising activities of a number of companies and trade associations. The latter groups solicited political contributions from senior-level management and then made donations to candidates and party committees on the recommendation of a small group of politically involved company or industry officials.

Except for organized labor—which has utilized the PAC mechanism as its primary mechanism for all forms of union electoral activi-

4. *Id.*

5. The 1968 and 1978 data are drawn respectively from H. ALEXANDER, *FINANCING THE 1968 ELECTION* (1971); Federal Election Commission Press Release, *FEC Releases Fund Report on 1977-78 Financial Activity of Non-Party and Party Political Committees* (April 24, 1980).

6. See, e.g., A. HEARD, *THE COSTS OF DEMOCRACY* (1960); H. ALEXANDER, *MONEY IN POLITICS* (1972).

ties since the mid-1930's—PAC's prior to the 1970's were a minor factor in channeling business-related and other social interest contributions into federal electoral politics. The federal laws that governed campaign financing were sufficiently porous and the opportunity for individuals and groups to donate substantial sums of money to parties and candidates sufficiently great that PAC's were not essential. Nevertheless, PAC's were important to social interests that sought to raise substantial sums of money by means of small donations from geographically dispersed but relatively homogeneous contributors, particularly where there already existed an organizational mechanism. Labor unions and some professional and trade organizations especially fit this description.

The widespread use of PAC's and their increased importance in campaign financing in the United States, particularly at the federal level, is clearly a product of the crucial legal developments during the period 1971-76 that significantly affected the political roles of parties, individuals, and interest groups. Since I have examined these legal developments and their consequences—intended and unintended—at considerable length in earlier publications,⁷ they require only brief summation here.

The aggregate effect of the legal developments during the 1970's has been to both legitimate and institutionalize the political action committee as the primary mechanism for electoral political activity for business corporations, labor unions, trade and professional associations, cooperatives, nonstock companies, and a variety of membership organizations with widely divergent ideological and issue orientations. The Federal Election Campaign Act of 1971 [FECA]⁸ is the root cause of the PAC Phenomenon. In addition to allowing corporations and labor unions to communicate on any subject (including partisan politics) with their respective shareholders, members, and their families, and to conduct nonpartisan registration and get-out-the-vote drives among these same constituencies, it permitted corporations and labor organizations to use company and union funds to establish and administer a "separate segregated fund" to be used for political purposes—that is to set up political action committees. FECA and the United States Supreme Court's decision in *Pipefitters Local 562 v. United States*⁹ (which relied on FECA to uphold the legality of a union-con-

7. See generally E. Epstein, *Business and Labor Under the Federal Election Campaign Act of 1971*, *supra* note 1; E. Epstein, *The Emergence of Political Action Committees*, *supra* note 1; Epstein, *Corporations and Labor Unions in Electoral Politics*, 425 ANNALS 33 (May 1976); Epstein, *Labor and Federal Elections: The Legal Framework*, 15 INDUS. REL. 257 (1976).

8. Federal Election Campaign Act of 1971, Pub. L. No. 92-225, 86 Stat. 3 (1972) (current version codified at 2 U.S.C. §§ 431-455 (1976 & Supp. III 1979)).

9. 407 U.S. 385 (1972).

trolled, separate segregated fund financed from systematically collected "voluntary" membership contributions) removed the cloud of legal uncertainty that had hung over labor (and corporate) use of the PAC mechanism since the mid-1940's.

The FECA Amendments of 1974¹⁰ further facilitated PAC operations by clarifying that corporations and labor unions which were government contractors were not prohibited from establishing PAC's—an ambiguity present in the 1971 legislation. In the aftermath of the FEC's controversial decision in SUN-PAC, which opened the door for widespread corporate use of the PAC mechanism,¹¹ the 1976 FECA Amendments developed the legislative framework that now governs PAC's at the federal level.¹² Under the 1976 formula, corporate PAC's could solicit contributions from stockholders and executive or administrative personnel and their families while labor organizations could solicit from union members and their families. Twice a year, union and corporate PAC's could "cross-over" and solicit each other's constituencies by mail, using an independent third party as middleman. Labor received the right to utilize payroll deductions to collect money from members if companies used such deductions. Both corporations and unions were subjected to a nonproliferation provision designed to eliminate the incentive for a single firm or union to establish multiple PAC's. Finally, membership organizations, trade associations, cooperatives, and corporations without capital stock were explicitly authorized by FECA to establish PAC's, thereby expanding the categories of social interests for which the PAC mechanism was made clearly available. The 1979 amendments to FECA¹³ had no direct effect on PAC's except to require them to include in their names the name of their connected or sponsoring group and thus clearly identify the organizations' sources of funds. The aggregate effect of FECA was well summarized in a report prepared for the Committee on House Administration by a study group at the Institute of Politics at Harvard University. The Harvard study group identified three problems as the most severe results of FECA:

- 1) The individual contribution limits have been set too low. Candidates for federal office have not been able to raise sufficient funds under these limits and have turned increasingly to personal sources and political action committees. At the same time, rather than stem-

10. Federal Election Campaign Act Amendments of 1974, Pub. L. No. 93-443, 88 Stat. 1263 (current version codified at 2 U.S.C. §§ 431-455 (1976 & Supp. III 1979)).

11. FEC Advisory Opinion No. 1975-23 (December 3, 1975).

12. Federal Election Campaign Act Amendments of 1976, Pub. L. No. 94-283, 90 Stat. 475 (current version codified at 2 U.S.C. §§ 431-455 (1976 & Supp. III 1979)).

13. Federal Election Campaign Act Amendments of 1979, Pub. L. No. 96-187, 93 Stat. 1339 (current version codified at 2 U.S.C. §§ 431-455 (1976 & Supp. III 1979)).

ming the flow of money into electoral politics, the low limits have merely diverted much of it into more indirect and less accountable channels.

2) In order to enforce the law, the Federal Election Commission has been forced by the logic of its mandate to place extreme burdens upon actors in the political system. . . . Over-regulation has rapidly begun to emerge as a grave concern in this most sensitive area of our government system.

3) Pressed by both of these trends, our political parties have been weakened further.¹⁴

Particularly pertinent to our analysis are the first and third points: the restrictive effect of FECA on individual campaign contributions, and the diminished position of the political parties in the electoral process. Both developments enhance the importance of PAC's as alternative sources of campaign funds. Under FECA, individuals may contribute \$1,000 to a candidate per election, \$20,000 to a national party committee per year, and \$5,000 to any other committee (including a PAC) per calendar year, and a total of \$25,000 per calendar year. Party committees are restricted to giving to a candidate \$1,000 (\$5,000 if it is a multicandidate committee) per election with unlimited total contributions. National party committees—either individually or jointly with the pertinent senatorial campaign committee—can give \$17,500 to a Senate candidate in the calendar year in which the candidate seeks election. PAC's may give \$5,000 per candidate per election, \$15,000 to a national party committee per calendar year, and \$5,000 to any other committee, with unlimited total contributions.

With the limitations placed on individual donors and party committees, PAC's have become an important alternative source of funds for political candidates. They constitute, in essence, a redistributive mechanism enabling the candidate to receive money collected primarily from small contributors from whom it would be uneconomical and/or inconvenient for the candidate to solicit individually. By focusing upon PAC's, candidates realize time and other efficiencies not otherwise available, save for seeking money from the attendees of fundraising benefits (rock concerts and the like) held on their behalf. In short, it has become more efficient to solicit PAC's than individuals.

While many factors have contributed to the declining or, in any event, altered position of the parties in the past ten years, a key factor is the diminished importance of local, state, and national party groups in satisfying candidates' campaign financing requirements. It is now much easier for a candidate—particularly a media-attractive candi-

14. ANALYSIS OF FECA, *supra* note 1, at p. vii.

date—to go it alone rather than depend upon party sources for campaign funds. Party groups can give candidates only a minor proportion of their campaign financial needs. In campaign '78, the two major parties directly contributed a total of \$6.4 million to federal candidates and spent an additional \$4.8 million on their behalf.¹⁵ In contrast, PAC's during the 1977-78 election cycle contributed \$35.2 million. This amount does not include independent expenditures (for which no final FEC figures have been released) by PAC's on behalf of candidates. The 1978 figures are consistent with contribution patterns for 1972, 1974, and 1976.

Through the 1970's, reports Gary C. Jacobson, "the basic trends towards financing campaigns with less party money and more PAC money is common to candidates of both parties."¹⁶ Jacobson estimates that average party contributions to Democrats fell seventy-seven percent (in deflated dollars) between 1972 and 1979 while party donations to Republicans fell fifty-eight percent. On the other hand, PAC contributions to Democrats increased 100% while those to Republicans grew 224% (a manifestation of the tremendous growth in corporate and other business-related PAC activity).¹⁷ PAC's in campaign 1978 contributed approximately eighteen percent of the candidates' overall receipts and twenty-five percent of general election moneys. The decreased financial importance of the parties to a candidate's campaign, particularly at a time of rapidly rising campaign costs, resulting from extensive reliance on the mass media and other expensive technologies, unquestionably has affected the impact of party groups in the selection of candidates and has contributed to a shift in the function of the national parties from intermediation and consensus formation to policy advocacy.¹⁸

Absent major changes in the federal campaign financing laws and a continued increase in the number and financial resources of political action committees, PAC's during the 1980's will play an even greater role in the financing of candidates, while the parties' role will diminish. The enhanced importance of PAC funds will likely favor congressional incumbents and candidates in open races and make it progressively more difficult for challengers to raise money. In 1978, incumbents received nearly fifty-seven percent of all PAC contributions. Open-seat candidates (no incumbent running) received slightly over twenty-one

15. FEC Press Release, *supra* note 5.

16. Jacobson, *The Pattern of Campaign Contributions to the Candidate for the U.S. House of Representatives, 1972-78*, in *ANALYSIS OF FECA*, *supra* note 1, at 22.

17. *Id.* at 23.

18. N. POLSBY & A. WILDAVSKY, *PRESIDENTIAL ELECTIONS* 279-86 (5th ed. 1980).

percent. The remaining twenty-two percent went to challengers.¹⁹ Coupled with the increasing importance of small, individual contributions of \$100 or less which tend to go to incumbents and the lessened role of large donations of \$500 or more on which challengers have traditionally relied,²⁰ the pattern of incumbent or open-race support among PAC's bodes ill for would-be challengers.²¹

PAC's at the State Level

While the PAC Phenomenon has been more apparent at the federal level, there is evidence that it has also taken hold in at least some states. The California experience is instructive.²² There has been a dramatic increase in the number of PAC's operating in California since the mid-1970's. Business and business-related PAC's in California have proliferated at a rapid rate while the number of labor PAC's has remained relatively constant. In the 1976 California primary election campaigns, 282 PAC's made contributions to legislative candidates, candidates for statewide office, and funds for statewide ballot measures. In the 1978 primaries, 350 PAC's contributed to various races and ballot issues.²³ Two-thirds of the way through the 1980 California primary campaign the number of PAC's had climbed to 513 and gave every indication of exceeding 550 by the end of the campaign.²⁴ During the period 1976 to 1980, business PAC's increased from 81 to 209 while labor PAC's went from 130 to 136. Other PAC's (professional, ideological, membership, and issue-oriented) went from 71 to 168.

What makes the California figures particularly interesting is that, unlike FECA, California law contains no prohibitions against corporations and labor unions contributing organization treasury funds directly to state candidates or ballot measures. Given organized labor's historical preference for utilizing PAC's as its primary mechanism for electoral involvement, the number and constancy of labor PAC's active in California is hardly surprising. The rapid increase in business PAC activity, however, is less explicable.

It has been suggested that the growth in business PAC activity is not really a new phenomenon but, rather, the substitution of one form

19. FEC Press Release, *supra* note 5.

20. Jacobson, *supra* note 16, at 28.

21. This analysis might not apply to those challengers with substantial personal sources of funds or strong ideological appeal, or where the incumbent is weak and the race is viewed as potentially competitive by PAC managers.

22. A study released in May, 1980 by the California Fair Political Practices Commission indicates that California has had a PAC growth "strikingly similar" to that experienced at the federal level. CALIFORNIA FAIR POLITICAL PRACTICES COMMISSION, THE CALIFORNIA PAC PHENOMENON 5 (May 1980).

23. *Id.* Table II-A.

24. *Id.*

of business electoral involvement for another. According to this argument, PAC's are merely new conduits for money that is used to enter the electoral arena in a variety of ways: as individual contributions by large business-related donors, as illegal business or labor contributions made *sub rosa*, or, where permissible, as contributions made directly by a business corporation or other business-related organization.

The California experience, however, appears to belie this "old wine in new bottles" explanation. According to recent data, at the same time that business PAC's were rapidly multiplying, the number of "business nonPAC's" (contributions made directly by corporations, trade associations, general business groups, and other business-related entities) remained relatively constant. There were 288 business nonPAC's active in the 1976 California primary; 265 in 1978; and 264 two-thirds through the 1980 primary season.²⁵ Indeed, the number of business nonPAC's making contributions to California legislative primary election campaigns (California Senate and Assembly races) actually increased from 112 to 146 to 156 from 1976 to 1978 to 1980. Thus, while business PAC activity is rising in California, business nonPAC activity is keeping pace.

To be sure, these aggregate statistics clearly need much refinement and analysis before sweeping generalizations regarding their significance are possible. We do not know, for example, whether some corporations make direct contributions to a candidate or ballot measure and have an affiliated PAC making contributions in an identical or similar manner. Neither is it clear whether there is substantial overlap in the identity and behavior of business PAC's and business nonPAC's in terms of individual organization, industry groupings, and enterprises located in the same geographical area. Notwithstanding these difficulties, it appears reasonable to assume that overall business-related electoral activity in California has increased from 1976 to 1980 and that the growth of business PAC's has not been at the expense of other forms of business-related electoral involvement.

A plausible explanation for the growth of business-related PAC activity in California similar to what has occurred at the federal level is that once an organization has made the commitment to develop and utilize a federal PAC for its electoral involvement, the additional costs of establishing PAC's in states in which it has a strong political interest are insignificant. Indeed, once an organization has gone the PAC route at the federal level, logic dictates that it utilize the PAC mechanism in key states. PAC's permit business organizations to undertake electoral activity in a manner frequently less visible and offensive to segments of

25. CALIFORNIA FAIR POLITICAL PRACTICES COMMISSION, *supra* note 22, Table II-A.

the public than direct corporate or trade-association giving. In fact, a recent nationwide study by the Washington-based Public Affairs Council indicates that even where direct corporate contributions to state candidates are legally permissible, the great majority of responding firms (116 of 159) do not make such contributions.²⁶ Absent necessary empirical research, this line of conjecture is admittedly speculative. What is not speculative, however, is the conclusion that PAC growth is a state as well as federal phenomenon and has not been at the expense of other forms of electoral involvement.

EMPIRICAL QUESTIONS RAISED BY THE PAC PHENOMENON

The emergence of PAC's as significant sources of campaign funds and other forms of electoral activity has raised a variety of empirical and policy issues. Ultimately, of course, the policy issues are of much greater importance than the empirical ones since they require us to address such fundamental normative questions as: the efficacy of democratic institutions in the United States after two centuries of national existence; the nature and quality of political participation and representation in this country; and what political roles (if any) are appropriate for the large, ubiquitous organizations (multinational business corporations, international labor unions, trade, occupational, and professional associations, and a multitude of membership, ideological, and interest groups) characteristic of this nation's stage of advanced industrial capitalism.

The preliminary character of our empirical information concerning PAC's and their political behavior and impacts, however, requires tentativeness at this time in formulating our policy responses. Notwithstanding the considerable advances in our information concerning the sources and uses of campaign moneys in the federal electoral process, we remain ignorant regarding many if not most aspects of the PAC Phenomenon. Thanks to disclosure requirements contained in federal and state political reform legislation passed during the 1970's and the mass of hitherto unavailable contributions data now generated by recently created public agencies, we now possess a reasonably accurate picture of the aggregate quantitative aspects of the Phenomenon, particularly at the federal level. We know, for example, the current numbers, growth rates, levels of receipts, disbursements, expenditures, patterns of incumbency, and partisan support for various categories of PAC's grouped according to their FEC classifications (*e.g.*, corporate, labor, trade/membership/health). We can also readily identify the

26. PUBLIC AFFAIRS COUNCIL, PAC NEWS 2 (July 1979).

largest committees within each of the pertinent groupings. Scholars, journalists, and public interest groups have done some research on the electoral behavior of particular PAC's stratified by size (*e.g.*, *Fortune* 500 listing), industry or professional grouping (*e.g.*, energy related, dentists, automotive), geographical location (the San Francisco Bay area), and other PAC characteristics.

Collectively, however, such efforts in compiling information have barely scratched the surface of the informational ore available in the raw data. The objectives of more detailed and analytically useful research consistent with the existing data base would be: 1) to examine as widely and deeply as possible the total range of PAC activities during the period 1972-80; 2) to relate PAC operations and behavior to essential organizational characteristics in an effort to ascertain the key structural and other factors that may determine PAC activity; 3) to "position" PAC activities in the context of other aspects of a group's electoral (and selected nonelectoral) political involvements; and 4) to attempt to assess the effect of specific instances of PAC activities on electoral outcomes and on the formulation and implementation of public policy—a far more difficult problem.

Lest readers think I am an unduly harsh critic of my academic colleagues, let me assure them that I am casting stones first and foremost at my own scholarly glass house and fully recognize the reasons underlying the insufficiencies in the existing work: the newness of the data; its relative inaccessability for systematic computer analysis as a result of cost, geography and FEC disclosure policies; and the necessity to do the most basic research prior to attempting more sophisticated studies. To use a medical metaphor, we have been exploring the gross anatomy of PAC's (their numbers, sizes, affiliations, receipts, expenditures, and contributions) but have not even begun to explore their internal anatomy and physiology (organizational characteristics and practices), let alone the fine details of PAC neuroanatomy and neurophysiology which will inform us about the relationship of organizational electoral activities conducted both within and without the PAC framework.

Let me amplify the parameters of essential research for better understanding of the quantitative dimensions of the PAC Phenomenon. I shall use corporate PAC's to illustrate the types of desirable empirical work. For descriptive convenience, I retain the medical metaphor used above.

I. *Gross Anatomy: Examination of the Total Range of Corporate PAC Activity During a Specified Time Period: 1972-80*

Such research at the gross anatomy level would focus on corporate PAC behavior along three dimensions: aggregate (all corporations); intermediate (cohorts of corporations grouped according to selected characteristics such as size, organizational structure, industrial classification, market position, geography, nature and extent of governmental regulation and the like); and single (to permit comparisons among individual companies). The research, along these three dimensions, would examine:

- (1) PAC formation and nonformation by firms and industries.
- (2) PAC receipts.
- (3) PAC disbursements, expenditures, and contributions to candidates on the basis of party; status of candidate (incumbent, challenger, open race); legislative assignments and leadership positions (*e.g.*, committee chairman); competitiveness of race; in-district or out-of-district status; and ideology.
- (4) PAC disbursements and contributions to party committees and other nonparty PAC committees such as trade associations, general business organizations, and the like.
- (5) PAC contribution practices (high, median, low amounts) for specified categories of recipients based on candidate characteristics indicated in (3). By also focusing upon selected candidates, it will be possible to ascertain the relative importance of corporate and other PAC money to their campaigns.
- (6) The strategy and timing of the activities indicated in (3) and (4): preelection (early, late); primary and/or general election; postelection.
- (7) Internal PAC organizational characteristics and practices (PAC structure, solicitation and allocation practices—"earmarking," payroll deductions and the like).
- (8) PAC contributions and election outcomes. Are there manifest patterns between the nature and extent of corporate PAC contributions and electoral outcomes? For example, is there any correlation between corporate PAC support of Republican candidates in open house races and the electoral success of these candidates? I am aware that great care must be used in attempting to relate PAC behavior and election outcomes. Yet some benchmarks may be discernible.

In addition to examining these factors for single years, time-series (1972, 1974, 1976, 1978, and 1980) analysis should be undertaken to

permit comparisons. For example, studies should be made of aggregate, intermediate, and single corporate behavior for the eight-year (five-election) period, as well as, to the extent possible, pre-1972 PAC activities. Differences in PAC behavior at the federal and state levels for both candidates and ballot issues would be revealed by such research.

II. *Corporate Anatomy and Physiology: Relation of PAC Operations and Behavior to Essential Firm Characteristics*

A second layer of inquiry would examine the key determinants of corporate-PAC activity. Although the analysis here would primarily concentrate upon the individual firm, where appropriate it would proceed along the aggregate and intermediate levels specified in Part I. Among the variables which could be examined are:

- 1) corporate size: particular emphasis would be given to *Fortune* 1300 firms;
- 2) organizational structure: conglomerate, single industry, multiple industry;
- 3) industry classification;
- 4) market (competitive) structure of the industry: nature and degree of concentration;
- 5) domestic and international market position;
- 6) importance of governmental decisions to the firm:
 - (a) nature and extent of government regulations,
 - (b) government contracts,
 - (c) firm or industry subsidies,
 - (d) allocation of property rights (licenses, strategic reserves),
 - (e) taxation policies,
 - (f) import limitations and tariffs;
- 7) geographical location;
- 8) profitability;
- 9) distribution of stock ownership in firm;
- 10) nature of the firm's executive leadership and the political styles and propensities of its top management (The Frawley, Dart, or Ford phenomenon); and
- 11) firm's affiliations with other groups (*e.g.*, trade association members, Chamber of Commerce of the United States, BIPAC).

Since it is quite possible that some of the above variables may prove not to be useful or tractable for analyzing either individual companies

or groups of companies, individual scholars could make additions and deletions to the list where appropriate.

III. *Neuroanatomy and Neurophysiology: Corporate PAC Activities in the Context of Other Types of Corporate Electoral (and Selected Nonelectoral) Political Involvement*

While PAC activity today constitutes the most dramatic form of corporate electoral involvement, it is most certainly not the exclusive form of such involvement. Companies engage in such varied activities as voter registration, get-out-the-vote campaigns, political communications to shareholders and managerial employees, independent expenditures, and, where legal, direct company contributions to candidates and ballot measures. This component of the research, in accordance with the three dimensions discussed above, will examine:

- 1) Federal electoral activities engaged in by corporations outside the PAC mechanism: registration, get-out-the-vote activities, political communications, and independent expenditures;
- 2) direct and indirect (via general business committees) corporate contributions and expenditures in state candidate ballot races in selected states (a sample of approximately one dozen states to be determined on the basis of size, geographical location, economic character, legal restrictions, political institutions, and the availability and quality of data) to ascertain possible relationships between PAC operation at the federal level and direct corporate activity at the state level;
- 3) contributions by corporate executives and directors outside the corporate PAC structure;
- 4) the relationship between corporate PAC operations and selected forms of company nonelectoral political behavior (*e.g.*, the establishment of Washington corporate offices, lobbying expenditures and headquarters for corporate public affairs or governmental relations departments). Such analysis will clarify whether PAC activity is *sui generis* or correlates with other indicators of company political activity; and
- 5) the relationship between corporate PAC activity and the activity of other related groups, such as industry-trade associations and their PAC's, the PAC's of labor unions associated with a given firm, and industry or geographic coalition of companies.

This analysis would complete the picture of corporate electoral activity in an effort to "position" PAC firm operations *vis-à-vis* the total range of a company's electoral (and related nonelectoral) involvements.

The state studies could prove to be interesting cross-checks of overall corporate electoral strategy and structure.

Research at all three levels will require extensive computer analysis of substantial sets of electoral data. Fortunately, the data base now exists at the federal level from FEC data for elections since 1972. Both the quantity and quality of the FEC raw data have improved substantially for each succeeding election. State data varies in both quality and quantity. When such empirical research is completed, we would know much of what can be learned about corporate PAC behavior for the period 1972-80: for any given firm; for any grouping of firms (*e.g.*, the leading 100 *Fortune* industrials, Chicago-based financial firms, conglomerates, textile exporters, and FCC-regulated enterprises); and for the overall class of corporations.

Although such a body of research could not purport to examine definitively corporate electoral *power*, it would offer as close and accurate a scrutiny of corporate electoral *behavior* as is possible at this time. It would, moreover, provide an empirical informational base essential to a systematic and comprehensive analysis of the policy issues raised by the PAC Phenomenon. While the research agenda outlined above has highlighted corporate PAC activity, many aspects of the proposed research apply equally to other types of political action committees—particularly those affiliated with labor unions, business-related associations, and professional organizations.

THE PAC PHENOMENON: POLICY CONSIDERATIONS

The emergence of PAC's during the 1970's as increasingly important sources of campaign funds at both the federal and state levels has raised a variety of policy issues which go to the heart of the purpose and character of the American electoral process. As suggested in the preceding section, our information concerning many specific aspects of PAC activity is incomplete. The overall configuration of PAC expansion, however, is sufficiently clear to indicate some of the more pressing policy concerns which, absent major legislative changes that could alter either the current system of campaign financing or the role of PAC's within it, are likely to be with us during the 1980's.

These policy considerations raise questions about the character of political participation and representation within contemporary American political democracy, the impact of PAC's upon the nature and distribution of political power within the United States, and the effect of the PAC Phenomenon on other American political institutions—particularly the parties. They also bring into issue the role and importance of PAC money in the determination of officeholder and ballot issues

through the electoral process, and, ultimately, the impact of the PAC Phenomenon upon the formulation and implementation of public policy at the federal and state levels. It is useful to specify some of the most important policy considerations:

1. In the overall context of American political theory, what is the underlying policy rationale for the PAC presence in the American electoral process?
2. Does the PAC mechanism facilitate or impede electoral participation among the citizenry?
3. Should PAC's remain treated as homogeneous entities irrespective of their sponsoring group or should PAC's be accorded differential rights and treatment depending upon the nature of the organizations with which they are affiliated (*e.g.*, membership groups *vis-à-vis* corporations and/or labor unions)?
4. Does current federal and/or state law have a differential impact on the ability of various social interests to utilize the PAC mechanism, and if so, should the laws be changed?
5. Has the PAC Phenomenon increased the electoral efficiency of certain interests within American society while simultaneously weakening the electoral position of other groups?
6. Does the PAC Phenomenon give an excessive electoral role to those social interests that are able to aggregate large amounts of moneys from a significant number of relatively small contributors?
7. Has the PAC Phenomenon unduly influenced the determination of public policy at the federal and state levels by placing a premium on wealth within the American electoral process?
8. Are stringent legal limitations on or elimination of PAC operations compatible with constitutional speech and association protections?

The above list obviously does not exhaust all of the issues regarding PAC's that occupy the attention of political analysts. It does focus attention, however, on major considerations posed by the PAC Phenomenon. Inevitably, the answers to such questions will be as much a product of the normative positions we hold regarding the underlying character of American democracy as of any consensus concerning the intrinsic meaning of the data that have been and will be generated from PAC's. Unfortunately for students of political action committees, Congress, in its legislative efforts during the 1970's, has paid little attention to examining and explaining the policy rationale underlying the PAC

mechanism. There remains, accordingly, a somewhat enigmatic quality to their role in the American electoral process.

CONCLUSION

The growth of PAC's may be viewed as part of a general trend toward increasingly vigorous nonparty collective political participation. Indeed, it is a direct although largely unanticipated consequence of the federal electoral campaign laws of the 1970's, which have favored PAC contributions over personal or party contributions. The impact of media and direct mail, as well as the importance of the technical aspects of campaigning, have made money more important. PAC's are an identifiable constituency to which contributors can look for funding. The PAC mechanism has particularly favored certain groups. It serves interests which have substantial identifiable constituencies such as corporations, trade associations, or unions. They do not work as well for groups that do not have substantial organizational or financial resources, or that have not had a history of involvement in the political process. There are very few PAC's organized by minority groups, the elderly, or other disadvantaged elements in our society. PAC's have also been a boon to ideological (particularly conservative) and single-issue constituencies that have felt unrepresented by parties and interest groups. By forming specialized PAC's, these social interests have substantially enhanced their political position. This is desirable to the extent that it enables them to articulate their views in the political process and enhances electoral competition. Where it has a totally negative focus, however, such as "getting" members of Congress who are disfavored by PAC's, it is less palatable.

And what of the future? The answer to whether the PAC Phenomenon will prove to be a benefit or a bane to the electoral process lies directly in the handling of the organizations operating PAC's—particularly business groups, unions, and single issue groups.

During 1976-78, PAC's did not, in my opinion, constitute a source of excessive wealth in the political process. Whenever PAC contributions, as a percentage of total contributions to candidates, exceed the current level of approximately twenty-five percent, the time will have come for Congress to consider limiting PAC activities. This will be the case particularly if contributions by PAC's—which are inherently a diverse group—prove to be reinforcing rather than competitive. We shall not reach the point of requiring substantial alteration of the current regulatory framework, however, unless PAC managers badly misuse or overuse the PAC mechanism. If PAC's become *too* successful—providing a disproportionate source of funds for candidates—PAC's may

meet the fate of the greedy king who owned the goose that laid the golden egg. Just as that foolish monarch undid himself by slaughtering the goose to get the golden eggs more quickly, so too if PAC's grow too numerous, too large, and too dominant a source of campaign financing, they will bring down the wrath of public concern regarding their role in the electoral process. This would be unfortunate for, within moderation, modern PAC's have a legitimate role to play in the American electoral process.