Digital Donors:
How campaigns are using the Internet to raise money and how it's impacting democracy

By

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DEDICATION

To my grandparents.
Especially Grandma Rawson, even though this really isn't a book.

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I. Introduction

Money, perhaps more than anything else, is the reason that many Americans never get involved in politics. It costs more than $300,000 just to run a losing campaign for the U.S. House. Winning costs almost a million. Persistently in national polls, most Americans say they think the campaign finance system in the United States is broken and needs to be fixed. Campaign finance reform groups of all shapes and sizes decry money as one of the spoils of political victory that lures ne'er'dowells into the process. But the growing mountains of money in the political process probably repels more people than it attracts.

More than one campaign manager has warned his client that no candidate has ever lost a race because he spent too much time raising money. Congressional elections may only be held every two years, but the efforts to finance them never stop. A whole industry of professional fundraisers is part of the army of pollsters, advertising producers and press secretaries that run most of America's major political campaigns. The Washington bureau chief of *Fortune* magazine recently devoted an entire book to *The Money Men*. Candidates, parties and political action committees are constantly looking for new sources of money and for new ways of prying more out of the old ones. The manner in which candidates raise money has a huge impact on who participates in the political

process. Once the money is raised, it affects who has access to the candidates and the office holders.

Candidates ask for money just about every way imaginable, and every manner of asking is intended to produce a specific result. During an election year, candidates in competitive congressional races may spend as much time on the telephone with potential donors as they do sleeping. Those phone calls are intended to solicit large personal checks, often from business acquaintances or personal friends of the candidate. Both major political parties offer special events for their biggest donors – often lobbyists and industry leaders having business with the federal government. One Republican Party mailing features photos of "Team 100" members skiing in Aspen, golfing on the beach and on a trade mission to Prague. In it, the GOP asks for $100,000 corporate checks in exchange for "an unparalleled opportunity to get to know and work closely with our Republican leadership across the Nation." Candidates reach out to smaller donors with mass mailings of long, emotional letters that often implore supporters to give "whatever you can."

Bob Dole is widely credited as the first American political candidate to ask for money over the Internet. Since his failed 1996 Republican presidential bid, the Internet has become the lynchpin of the U.S. economy and a catalyst for changes in business, law and popular culture. More than 100 million Americans had Internet access at the end of the 2000 presidential campaign, compared to 14 million who were online when Dole began ran in 1996.

Not only were more Americans online in 2000, those who were online were spending more money online and spending more time paying attention to politics online.

Thirty-three percent of Americans online used the Internet to get news about the 2000 election, up from 22 percent in 1996.[1] Online shopping shot up 67 percent between the end of 1999 and 2000, with more than $8.6 billion in retail sales conducted over the Internet during the final months of the 2000 presidential election.[2]

In four years, the Internet had given Americans a new way to spend money and a new way to participate in – or at least observe – politics. If the popular press was to be believed, it was a time during which anyone could quickly and easily release previously dammed rivers of consumer spending. Anyone could make money online because of the low incremental cost of setting up a Web page or sending e-mail. In politics, that meant that fundraisers could afford to ask more people to give money. Because Internet fundraising relies primarily on electronic transactions via credit card, its advent allowed campaigns to get the money in hand faster than if they had had to wait for the checks to come in the mail. But perhaps most importantly, the Web held promise as a tool with which political fundraisers might reach whole new groups of donors who had never before been invited to give.

Enticing more people to participate in political giving has been a goal of campaign finance reformers for more than a century. Since James Madison wrote about his concern with "factions" in *Federalist 10*, Americans have tried to make their political arena more responsive to the "public good" rather than "special interests." Between the late 19th century and the 1972 Watergate scandal, political money was raised primarily from large corporations, labor unions and political insiders who have some business with the government. Bit by bit, federal legislation was passed that sought to end the quid pro quo of political fundraising by decreasing the power of large corporate checks and

increasing the number of people who invested in a political candidate. Following Watergate, Congress and the courts spent much of the late 1970s fine-tuning federal campaign finance laws into the system we have today, with limits on corporate, PAC and individual donations and public reporting of large donations.

Even before the Internet took hold of the American economy, it captured the attention of civic activists, either as a tool to rebuild democracy or as chisel to widen cultural divides. In April 1997, *Wired* magazine reporter Jon Katz wrote one of the most important early descriptions of online politics. In his article, called "Birth of a Digital Nation," Katz wrote:

> "There are paradigm-shifting changes afoot: the young people who form
>
> the heart of the digital world are creating a new political ideology. The
>
> machinery of the Internet is being wielded to create an environment in
>
> which the Digital Nation can become a political entity in its own right."

But he also wrote:

> "The members of the Digital Nation are not representative of the
>
> population as a whole: they are richer, better educated, and
>
> disproportionately white. They have disposable income and available
>
> time."

Through online political fundraising, we could see either of these two pictures of the political Internet develop. In the offline world, fundraising is already the most unequal form of political participation. The affluent are more than four times as likely to be asked for contributions as the poor.[3] Among the network of political donors and

fundraisers, the relationships between solicitors and donors are primarily relationships between two members of the same privileged demographic group.[4]

While many recent studies have pointed to the decline in voter participation as an indication of declining civic engagement, participation in the political system can also be gauged by campaign fundraising. Just as Americans can cast a ballot, sign a petition or knock on doors for a candidate, they can also give money. Some, including the U.S. Supreme Court, have equated political donations with political speech. However, there are important differences between donations and all other forms of political participation. Every American can cast but one ballot in a campaign, and even retired Americans can volunteer only 24 hours in a day. But, aside from the broad and porous caps on federal giving, the only limit on the amount of money a person can give to campaigns is his or her own personal wealth. In this form of civic involvement the rich can – and do – participate more than the poor.

This study examines the effect of online fundraising on the campaign strategy of candidates and considers the manner in which it is affecting political participation in general. The general news media latched on to the story of online fundraising as a way of measuring the brash predictions that political advisers and entrepreneurs made about the Internet's effect on democracy, but much of their attention was focused only at the presidential level.

It looks at the comparisons between online and offline fundraising and examines the characteristics of the small and constant pool of offline donors that has developed in the past quarter of a century since the current federal campaign finance laws went into effect. It will look at the political and regulatory world that shaped online fundraising

strategy in the 2000 elections, describe the strategy through a content analysis of House

candidate Web sites, and examine the pool of online donors that the strategy produced. At

a time when fundraising entrepreneurs are staking millions of dollars on their ability to

sell the wonders of Internet donations and when candidates receive national news

attention for effective online fundraising, it will use results from the 2000 National

Election Study and a survey of online donors to evaluate some of the common beliefs

about online fundraising. Finally, it will lay out the potential impact of online fundraising

on future political campaigns and on the American political system.

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[1] The Pew Research Center for the People & the Press, Nov. 26, 2000.
[2] U.S. Department of Commerce, 2001.
[3] Verba, Schlozman, and Brady, p. 149.
[4] For a full discussion, see Thielman and Wilhite, <u>Discrimination and Congressional Campaign Contributions</u>

II. A New Pump for the Old Pool

In the time after Bob Dole launched online fundraising in America and before the bubble burst on Internet stocks sometime in the middle of the 2000 presidential campaign, the percentage of Americans who owned stock grew to more than 50 percent, up from less than a quarter at the start of the decade. Much of this money was attracted to the market by the apparent weightlessness of the major stock indexes. Normal rules of market gravity seemed not to apply. This was the New Economy and scores of new magazines employed hundreds of journalists to celebrate and perhaps explain why people would reasonably invest in companies made less money in a year than they spent on one Super Bowl ad.

One of the primary characteristics of the New Economy was the creation of new businesses that had very little physical capital. No expensive manufacturing plants, no warehouses. Just a few guys sitting in a basement with a good idea to ease life's chores or enhance life's leisure was enough to attract millions of dollars in an IPO, the rules of the New Economy seemed to say.

The Promise and Threat of Cyber Democracy

If the economy had new rules, then so did politics in the late 1990s. Public documents were brought out into the digital sunlight. Technology made it easier for minor party candidates to organize supporters and get their message past the gatekeepers of traditional news media. It became easier to fire off a letter of protest to an elected official or editorial page editor or a thousand like-minded individuals. If a person could get access to an Internet connection at home, work, or the library, he could launch a movement. The smoke-filled back rooms were suddenly well-ventilated.

The early heralds of this New Democracy were members of the technical elite. They were not poverty advocates, African-American leaders or feminists. In 1990, Mitch Kapor, founder of the Lotus Development Corporation (makers of the ubiquitous office communication software Lotus Notes) and Steve Wozniak, co-founder of Apple Computer, funded the creation of the Electronic Frontier Foundation as an organization to promote in digital media First Amendment rights and other civil liberties essential to democratic discourse. In 1996, EFF helped organize the Blue Ribbon campaign opposing the "Communications Decency Act." It was one of the first successful grassroots lobbying efforts that used the Internet to organize opposition to congressional action, and it was the first time that Americans who were not members of the technical elite used technology to practice politics.

The early success of such online grassroots campaigns and the demographic similarities between likely voters and early adopters of the Internet – wealthy, educated, male and white – brought political journalists and campaign professionals to the conclusion by the end of the 1996 presidential campaign that the Internet would be a

good way of reaching out to likely voters. Jon Katz and other journalists began citing anecdotal evidence that Internet users were civic-minded, but mostly nonpartisan. In a follow-up to his "Digital Nation" article in *Wired*, Katz created a political typology of "The Digital Citizen."

At the same time Katz was describing the Digital Citizen, scholars who saw the growing importance of technology to the economy began warning of a lack of technical skills among American students – the future workers who would have to drive the New Economy. Internet companies and the Clinton administration began work to connect classrooms to the Internet in an effort to bridge the chasm that became known as the Digital Divide. A series of detailed studies by the U.S. Commerce Department from 1995 to 2000 provided a description of the Americans who lacked Internet access and technical literacy. It found that the same groups of people who had been left out of the New Economy were the same groups of people who had been left out of prosperity and civic engagement in general – racial and ethnic minorities, rural residents, women, inner-city youth, and the poorly educated.

If the Internet was providing Americans with new access to the institutions of democracy, it was providing it to the same types of Americans who had always had access.

The New (Political) Economy

Along with its new rules for the economy and new rules for democracy, the Internet also created new rules for the intersection of money and democracy: political fundraising. The Internet makes it cheaper and easier to conduct the actual transaction of moving money from a donor's wallet to a candidate's bank account. The Internet changes the economics and strategy of recruiting donors, and in 2000 it provided journalists with a new way of measuring the strength of a campaign. In the New Political Economy: the costs of online solicitation decreases as the number of solicitations increases, online fundraising allows success to be quickly converted into money, the news media pay more attention to money raised online, and donor-initiated transactions are more likely.

Table 2.1. The New Political Economy Rules

Old Rules	New Rules
The more you ask, the more it costs	The more you ask, the less it costs
Money can quickly be turned into success	Success can quickly be turned into money
Media measures campaigns by amount raised	Media measures campaigns by manner raised
Candidate motivated	Donor motivated

The Cost of Online Solicitation Decreases as the Number of Solicitations Increases

The 2000 presidential campaign of Elizabeth Dole picked up its online fundraising efforts from where her husband left off in 1996. Within four months of launching her campaign, she had raised $64,000 online – $4,000 more than her husband

raised during his entire presidential bid. "It's the cheapest fund-raiser known to man," Dole spokesman Ari Fleischer told *The Washington Post*.[1]

Most Americans who think about running for office usually get no further than the consideration of the amount of money it would cost just to get started. Candidates need seed money – often from their own pockets – even to get to the point where they can ask others for money. In politics as in other vocations, it takes money to make money. As the campaign continues and more money is needed to fuel the fire, it costs a little bit more each time a candidate asks someone to give. Every request is an additional phone call, an additional postage stamp or an additional "rubber chicken" dinner. Each of those incurs additional costs for the campaign.

The Internet turns the costs of raising money on its head. It costs much less to launch an effective fundraising campaign online. Because there are no incremental costs associated with online solicitation the cost per request actually goes down as candidates extend their call for cash. One thousand e-mails cost the campaign no more than one e-mail.

Most campaigns need $20,000 to $30,000 in seed money just to get the ball rolling.[2] Even with the advent of online campaigning, that amount probably won't change much for candidates who wish to run a winning campaign. But the Internet could make it easier to raise this money. In his book *Campaign Craft*, Daniel Shea outlines the following hypothetical prospecting effort by a campaign. First the campaign must buy or rent a list of people it thinks are likely to donate. Assume it has 40,000 names. Then the campaign must spend about $0.50 per letter on paper, envelopes, postage and the like. Perhaps 2 percent or 3 percent of the recipients will respond, giving an average of $19.

Such a scenario would cost a campaign $20,000 to raise $19,000 – a loss of $1,000!

Each dollar raised would cost $1.05. Campaigns rationalize the loss by resoliciting their

initial donors and eventually turning a profit as most donors who give once will give

again if asked. But with each additional solicitation also comes an additional cost.

Contrast that with the costs of constructing a simple campaign Web site that has

no purpose but to be a conduit for campaign donations. For $5,000 a candidate can

establish a simple Web site. Most vendors of online fundraising technology will provide

Web-based credit card transaction capabilities to the site for no initial cost. The vendors

then charge between 8 percent and 15 percent of each donation. Candidates and online

political consultants estimate that about 1 percent of all visits to a campaign Web site

result in a donation. If a site gets 30,000 hits in a month and the average contribution is

the same $19, a campaign could spend $5,570 on the site and transaction costs and raise

$5,700 – a net profit of $130. Each dollar raised online would cost $0.97. And this is

without even *asking* anyone to donate.

While the differences between the $1,000 loss of direct mail and the $130 profit

of a month of online fundraising is negligible in a campaign that will likely spend more

than $500,000, the real differences come as the campaign continues to raise money.

Remember that with each additional direct mail piece there is the cost of another

envelope, another piece of paper and another stamp. For the campaign that has raised

money online, it has collected a list of perhaps 300 e-mail addresses of donors that it can

resolicit at no additional cost. If the site alone snares another $5,700 in the second month,

and an e-mail solicitation to the 300 original donors nets a 4 percent return[3] of a slightly

higher average contribution of, say, $25, the campaign could raise another $6,000 at the

cost of $600. The campaign would net $5,400 in the second month. As the months go on, the e-mail list grows. Because there is no additional cost associated with each additional e-mail recipient – unlike the additional printing and postage costs associated with each additional postal mail recipient – the cost-per-recipient actually goes down as the campaign sends out more e-mail solicitations.

Including the prospecting efforts and repeat solicitations, online fundraising vendor Rebecca Donatelli estimates that online fundraising costs only 10 cents per dollar raise, compared to the 50-cent costs of every dollar raised through direct mail and the 70-cent costs associated with a dollar raised through telemarketing.

Figure 2.1. Fundraising Costs, by Method
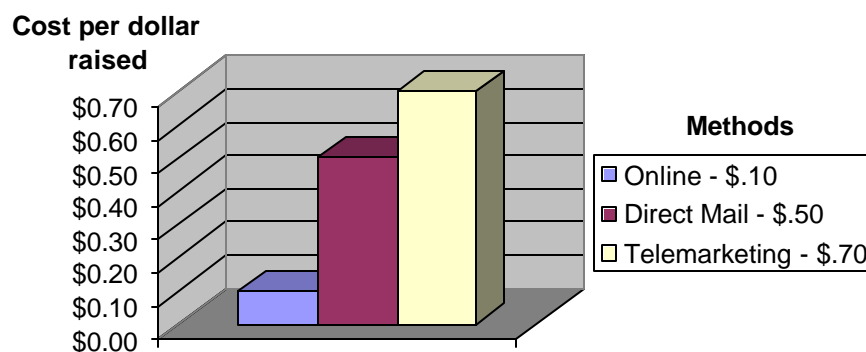
(Source: Rebecca Donatelli in Meeks,"Online Fundraising Gains Traction", MSNBC.com, Nov. 27,200)

Online Fundraising Allows Success to Be Quickly Converted Into Money

Whether a good campaign must first have money to be successful or must first be successful to raise money is a bit of a chicken-and-egg problem. Most big money donors such as political action committees like to know that their money is going to a candidate

who has a decent shot of eventually being elected and in a position to reciprocate the favor. With less and less time being spent covering politics, journalists like to know that they are spending their time following the candidates that have the best chances of winning. One manner in which both donors and the news media get an early gauge of the strength of candidates is to measure the amount of money they raise. Candidates know this and are quick to point out when they have raised more money than their opponent.

In the old political economy, the candidate with the financial advantage not only attracted free media attention and more money, but he also had a greater ability than his to buy advertising, conduct polling, and produce more elaborate campaign events. As soon as the campaign had cashed a contributor's check, it could quickly begin spending the donation on the advertising that it takes to be successful.

At the same time, a sudden burst of success did not mean a sudden influx of cash. An effective street rally or television ad campaign could not turn into money as quickly as money could turn into an effective rally or television ad. Once again, online fundraising turned that old rule on its head.

John McCain's ability to turn the success of his surprise victory in the 2000 New Hampshire primary into a half-million dollars within 24 hours is one of the factors that encouraged political candidates at all levels to try online fundraising in 2000. One Republican consultant quoted anonymously in the *Wall Street Journal* shortly after the New Hampshire primary said it would have normally taken 60 to 90 days for a presidential campaign to print up letters, mail them out and await their return following such a strong showing. Within 60 days of his New Hampshire win McCain had already dropped out of the race. Although online fundraising did not alter the outcome of the

eventual Republican primary, there is no doubt that it allowed McCain to quickly raise the money he would need to continue on his underdog campaign. That is money he never would have seen without the Internet.

The message from McCain's experience to political campaigns at all other levels was, as McCain strategist Max Fose said, "Everyone's going to have a moment in the sun and you've got to be ready."[4] The Internet – which conforms to no political boundary – was almost certainly a key conduit for the $24,600 that came from out-of-state to Missouri Governor Mel Carnahan's U.S. Senate campaign in the seven days after he died in a plane crash.[5] Carnahan was one of 30 beneficiaries of the MoveOn.org political action committee's national online fundraising campaign. The PAC was the fourth largest donor to the Carnahan campaign.

Both candidates and online fundraising vendors planned strategy based on the Internet's unprecedented speed with which it could turn success into money. In early October, the campaign of Republican New York Senate candidate Rick Lazio launched a nationally televised fundraising campaign that urged views to "get on the Web now" and "contribute to help Lazio fight against Mrs. Clinton's millions in soft money." The 30-second spot appeared on such cable channels as MSNBC and The Weather Channel. According to a Lazio aide, traffic to the site surged when the ad was aired.[6]

E-Contributor, one of the leading providers of online political fundraising solutions, put out an August press release in which quick turnaround was one of the primary selling points. In it, CEO Trey Richardson said, "This real-time immediacy is also very appealing to campaigns, which can process and compile information on

donations in approximately 20 seconds rather than in the typical 20 days necessitated by traditional fundraising methods such as direct mail or telemarketing."

According to Richardson, online contributions followed poll numbers in their traditional "post-convention" bounce after the summer's Democratic and Republican party nominating conventions. For online political strategist Jonah Seiger, boosts such as these following successful campaign moments suggest "that online fundraising may be best for getting sort of quick contributions from supporters in key moments when intensity is high and people are really focused on an issue or a race they will respond to fundraising appeals."[7]

<u>News Media Pay More Attention to Money Raised Online</u>

Before a vote is ever cast in an election, candidates run to win the "money primary" – the name for the pre-primary contest judged by the news media to see which candidate can raise the most money first. While the media pays some attention to where the money comes from (In-state or out-of-state? PACs or individuals?), it rarely paid attention before 2000 to the manner in which the money was raised. News stories made little mention of whether the money was raised via telemarketing or direct mail. Occasionally, large fundraising dinners would draw media attention when the candidate wanted to show them off as a sign of his strength.

But for candidates in the 2000 election, simply raising money online often meant a major news story about the campaign, painting the effort in a favorable light.

In January 2000, *USA Today* ran a synopsis of the amount of money that the presidential candidates had raised online in the previous year. The online editions of *The*

Washington Post and *The New York Times* both had a beat covering online politics during the 2000 campaign season, with much of the focus on online fundraising. Many articles about online fundraising made a point to mention that online contributions were often small amounts from individuals – implying that such contributions indicate a wide base of support among average folk, not special interests. In an article on *Slate*, Larry Makinson, a senior fellow at the campaign fundraising watchdog Center for Responsive Politics, called online fundraising "the only healthy development in the campaign finance process."

Candidates used the news media's interest in online fundraising to their advantage. There were indications that McCain's campaign – possibly in an attempt to garner favorable press attention – may have artificially boosted the amount of money it raised online in the week following the New Hampshire primary. In June 1999, the Republican presidential campaign of Ohio Congressman John Kasich distributed a press release touting his online fundraising advantage over Vice President Al Gore. The release cited an *Associated Press* report that said Kasich had raised $23,000 via the Internet, while Al Gore – whom the release sarcastically called the "father of the Internet" – had raised $17,000 online.

Just as many of the "rules" of the New Economy may turn out to be no more than exceptions that prove the rules of the Old Economy, this trend of media attention on the media of campaign solicitation could very well be unique to 2000. If the money raised via the Internet does not indicate substantial differences between online and offline donors or between candidates who accept contributions online and those who do not, the news media may see less value in continuing its focus on the manner in which campaigns raise

money. Certainly one reason that the media focused on online fundraising in 2000 was that it was new. By 2002, if the predictions of some online fundraisers holds true, it will be commonplace in campaigns.

<div align="center">Online Fundraising Allows for Donor-motivated Transactions</div>

The impact of political e-mail and banner ad campaigns have been the subjects of entire studies in their own right. Here, our primary concern is the online fundraising that is conducted on candidate Web sites. For it is the advent of Web-based technological credit card transactions that created the New Political Economy rules. Web-based fundraising transactions provide a paradigm shift from traditional check-writing. They fundamentally alter the relationship between candidate-solicitor and the pool of potential donors.

In the old political economy, the primary rule of fundraising is that a person will not give unless he is asked. The likelihood that even a staunch supporter would make the effort to track down a campaign's mailing address and send in a check without being asked to do so in person, over the phone or in a letter was slim, if not nil.[8] The number of possible donors that a campaign could have was equal to the number of requests it made for money.

By 2000, candidate Web addresses were not hard to find. They could be found in news articles, in online search engines, and hanging across the dais at political stump speeches. If someone saw a mention of a candidate and had Internet access, it was easy for him to find a place where he could hear more from the candidate. Once on the candidate's site, he might come across a page that would allow him to give money to the

candidate. Candidates who provided such a function online could receive a donation without ever making a one-on-one request. The number of donors that a campaign with online fundraising could have was suddenly greater than the number of requests it made for money. That is not to say that an effective online fundraising campaign lacks solicitation efforts. It is to say that Web-based fundraising solutions provide the opportunity for a donor-candidate transaction that is not initiated by the campaign. Such a transaction is rare, if not nonexistent, in the offline fundraising world.

The Small, Stable and Homogeneous Pool of Donors

One of the primary results of traditional candidate-initiated fundraising has been that candidates have had a large effect on who gives money. Studies of presidential and congressional donors have found that there is a small, stable and homogenous pool of Americans who give to political campaigns. This pool is made up almost entirely of people who have been asked to donate. It is a club for which Americans do not apply on their own accord, but for which they are asked to join.

If a person has given previously to a presidential campaign, for example, it is likely that that person has both given before and will be asked to give again. Surveys of presidential campaign donors conducted in 1972 and 1988 indicated that more than 80 percent of the donors had previously given to a presidential campaign. Almost 90 percent of those who donated money to a presidential campaign in 1988 were asked to make a contribution again in 1992.[9]

The club of people who participate in the political system by donating money is small, both relative to entire population and to the number of people who are politically

active in other ways. Less than a quarter of Americans gave to a political cause in 1988, with only 5 percent of those contributing to a congressional candidate. The percentage of Americans who said they gave money to a political party or candidate is less than the percentage of those who report they vote in local elections, actively work for a candidate or party, contact a local official about issues, or are active in community problem-solving organizations.[10]

Although the pool of donors has grown somewhat following changes in the federal campaign finance laws that encouraged candidates to seek smaller contributions from more people, membership in the club has remained fairly stable. As we have seen, once a person makes a political contribution it is likely that he will make another and remain in the pool of donors who are solicited year after year. While few donors leave the pool every year, few new donors are added. Among people who gave $200 or more to presidential candidates in 1988, only 17 percent were first-time donors. In 1972, only 13 percent were giving for the first time.[11]

Those who do join the pool of donors look demographically similar to those who are already in it. People who donate to political campaigns are most likely white, male, older than average, well-educated and – most importantly – wealthy. In their study of donors to presidential campaigns, Clifford W. Brown Jr., Lynda W. Powell and Clyde Wilcox suggest three reasons that these characteristics are common among political donors. First, they note that financial resources required to donate to a political campaign guarantees that members will always be affluent. Second, it is more efficient for campaigns to target potential donors who are similar to current donors. Third, people who

donate are often asked to solicit their friends and business acquaintances. Those friends and acquaintances are often similar in socioeconomic status.[12]

This final reason that the pool of political donors is homogenous does not manifest itself in mass mail or telemarketing fundraising, but in personal solicitation by the candidate and his surrogates. The donors sought out by these solicitations are often asked for larger amounts of money than those contacted impersonally by the campaign. The manner of solicitation partially determines the demographic makeup of who is asked to give, and thus plays a role in determining the demographic makeup of actual donors. The Internet provides a new medium of campaign finance transactions and alters the method of solicitation. Therefore, it is reasonable for believers of a benevolent Cyber Democracy to expect online fundraising to cause the donor pool to be more representative of Americans at large. Because the Internet makes donor-initiated contributions more likely, it is possible that online fundraising could allow the donor pool to be more self-selecting. Who becomes a member of the donor pool could rely less on who is asked to be a member and more on who wants to be a member.

But not every group of Americans is online in equal proportions. As it turns out, the Digital Divide falls along the same fault lines as the Donor Divide – white, well-educated, wealthy men on one side and everyone else on the other. Only recently have women become a higher proportion of the online population than men, but the percentage of women online is still below the proportion of women in the total population. The one demographic category for which this pattern of similar fault lines does not match is age. The average age of Americans with Internet access is lower than the population in general, while the average age of political donors is higher. However, the average age of

the online population has been increasing in recent years with senior citizens being one of the fastest growing segments of new Internet users. Because it is efficient for campaigns to seek new donors who are similar to current donors, it is easy to see the reasons that campaigns would find the online audience an appealing place to look for money. It is also easy to see the ease with which online fundraising could only widen the disparity of political participation among advantaged Americans and those who have traditionally been left out of the process – especially in fundraising where family income is the number one factor in determining whether or not someone will participate.[13]

If online fundraising does expand the small, stable and homogenous pool of political donors it will be by circumstance rather than design. The designers of the military and academic networks that were the precursors of the modern commercial Internet could have cared less about creating a network for mass political campaigning. Theirs was a network of elites. Even the technological elite who first began using the Internet as a political tool had few thoughts about online fundraising as a form of political participation that needed to be expanded. In the early literature citing the Internet as a harbinger of perfect democracy, fundraising played no role – either for good or ill. If online fundraising does have an effect on the democratic process it will be a result of the political and regulatory environment into which it was born.

The Regulatory Atmosphere

Past attempts at altering the makeup of the donor pool have been only moderately successful. The rules that govern the majority of individual contributions today began to take effect in the early 1970s, and were expanded in the late 1970s following Watergate.

In 1971, Congress passed the Federal Election Campaign Act in 1971, which was intended to dilute the impact on campaigns of large contributions from a few wealthy donors by limiting the amount of money individuals could contribute. An ancillary effect was that more donors would be added to the pool as candidates were forced to divide the funding of their campaigns into smaller pieces. Among other things, this early version of the Act required that candidates and political committees provide the U.S. General Accounting Office with names of people who gave more than $100.

Following Watergate and the 1976 U.S. Supreme Court ruling in *Buckley v. Valeo* that prohibited limits on campaign spending, Congress renewed its focus on the regulation of political donations. The result was the set of laws that currently regulate campaign finance, including various contribution limits on individuals, local, state and national political parties, and political action committees. For example, individuals can only contribute $1,000 per election to each candidate and can contribute no more than $25,000 per year to any federally regulated candidate, party or PAC.

By the time Bob Dole began using his Web site to solicit donations to his 1996 presidential campaign, the Federal Election Commission had already laid the regulatory groundwork for campaigns to not only ask for money online but actually be able to conduct online campaign finance transactions. The FEC first allowed credit card contributions in 1978 and electronic funds transfers in 1989.

In 1995, the founders of NewtWatch, a now-defunct political action committee that existed primarily as an online entity, made several requests of the FEC covering all aspects of online political activity, including online solicitation and transactions. In April, the Commission issued a landmark advisory opinion that permitted NewtWatch to

conduct online fundraising as long as it complied with all existing campaign finance regulations, specifically those related to contribution limits, record-keeping and disclosure.

Since that time, the FEC has struggled to find analogies for online political contributions in existing campaign finance law. Primarily it has grappled with questions of how to determine whether different online activities and properties are "something of value" – and therefore either a prohibited corporate contribution or an individual contribution that must be reported as a specific dollar amount to the FEC. This is especially difficult in a communication medium in which each additional page view, e-mail or link incurs no additional cost to its creator. However, these in-kind contributions are not our focus, just as online volunteering, political discussion groups, news coverage or other things valued by political campaigns are not our focus. Rather, we are interested in looking only at monetary donations that provide campaigns with the greatest freedom to shape and distribute their messages.

The Political Atmosphere

Following the NewtWatch decision and Bob Dole's 1996 presidential campaign, online politics began to be professionalized. First launched following the 1996 elections, the Politics Online conference became an annual gathering of online political professionals. Although only 0.02 percent of Dole's donations were solicited from his Web site, predictions about the Internet's role in 1998 were enthusiastic.[14] Forecasters noted that it would be the first election after online credit card transactions had become easy and widely available. However, as it turned out, the online fundraising activities of

the 1998 campaigns that got most of the attention were miscues. Daniel Sansoni, a candidate for state representative in Pennsylvania, sent a mass e-mail asking for money and was shut down by his Internet service provider because of all the complaints. Steve Langford, a Democratic Georgia state representative who ran for governor also received negative attention for spamming potential donors.[15]

Online contributions were neither frequent nor lucrative in 1998. A study by Harvard professor Elaine Kamarck indicated that only 11 percent of the U.S. House and Senate and gubernatorial candidates with Web sites provided the ability to make online credit card donations.[16] In California, Democratic U.S. Senator Barbara Boxer was held up as an unusually prolific online fundraiser for collecting $25,000 – about two-thousandths of one percent of her $15 million total.[17] The biggest online political news to come out of the 1998 elections was the campaign of Minnesota Governor Jesse Ventura, who used the Internet to mobilize supporters during the final days of the campaign. He raised $70,000 through his Web site.[18]

Online fundraising had its first hint of a success story in December 1998, when the Web site MoveOn.org collected $10 million in pledges to defeat the Republican House members leading the charge to impeach President Bill Clinton. Michael Cornfield, the research director at the Democracy Online Project told the *Associated Press* that these pledges prompted "a change in attitude. It is like a bell has gone off. The race is on. 'Let's raise money online.'"

The husband and wife team of Joan Blades and Wes Boyd, co-founders of a computer software company best known for its popular flying toasters screen saver, launched the site in September 1998 to collect signatures for a petition encouraging

House members to censure President Clinton for his affair with Monica Lewinsky and move on. In October 1998 they registered with the FEC as a political action committee.

MoveOn.org was to money-hungry campaigns what Sutter's Mill was to the California gold rush. Blades and Boyd had proven that there were untapped veins of gold in them thar hills. For campaign finance reformers, MoveOn.org indicated that the Internet might be used to raise large amounts of money in small increments on a shoestring budget. While MoveOn.org's founders certainly wanted to be successful fundraisers for their chosen political cause, they often touted their PAC as an uncodified campaign finance reform.

"MoveOn.org has shown the power of the Internet for grassroots lobbying and is now showing its viability as an alternative to $1,000-a-plate fundraisers. The Internet can help thousands of ordinary citizens give their $25 to support candidates, and diffuse the power of narrow and extreme special interests," Blades said in a 1999 MoveOn.org press release.

At the same time MoveOn.org was expanding expectations about online fundraising, Arizona Sen. John McCain was preparing for his presidential bid. His online fundraising ability following the 2000 New Hampshire Republican primary further awakened politicians to the ability of the Internet to raise money fast. His campaign's tactic of using a pop-up solicitation window on the campaign Web site was mimicked by campaigns across the country. By the end of 1999, McCain had collected more than 6 percent of all his contributions via his Web site – a higher proportion than any other candidate.

Online fundraising fit well with McCain's overall image as a maverick. Even before his success in New Hampshire, McCain's campaign touted the Web as "another avenue to reach out to people, a different group of people than with mail appeals and fundraisers."[19] A McCain campaign strategist said that 30 percent of the people who gave money on McCain's Web site were first-time donors.[20]

McCain's Web site was the jar in which he caught financial lightening after his surprise win of the New Hampshire primary. Immediately after the victory, his campaign added a pop-up window to his Web site – a secondary browser window that literally jumped out at visitors asking them to give – and sent an e-mail out to 100,000 people asking them to donate online.[21] Max Fose, a strategist for John McCain's 2000 Republican presidential campaign called the Internet "the closest thing you have to impulse buying in politics."[22]

McCain, who was locked in a tight battle with Texas Gov. George W. Bush and at a severe fundraising disadvantage, had proven that he could win. The win gave an incentive to donate to potential supporters who had been holding on to their money for fear that they would be throwing it away on a bad bet. The Web site gave them a place to contribute while the euphoria of victory was still with them. According to various news reports, McCain raised $20,000 the first hour after being declared the winner in New Hampshire, $300,000 overnight, $501,415 the next day, and $2 million by the end of the week. He had raised only $1.5 million online before New Hampshire, and would raise about $3 million more online before dropping out of the race the next month.[23]

However, there is no way of knowing how much of McCain's take truly came via the Web site and how much his numbers might have been inflated by a campaign staff

eager to enhance their candidate's image as a populist and campaign finance reformer. The FEC does not require campaigns to tell the story behind the manner in which each donation was solicited or how the transaction took place. The only two groups of people who know for certain how the money was raised are the donors and the campaign staff members, both of whom have a self-interest in how the story is told.

In the weeks following the New Hampshire primary, Rebecca Fairley Raney, a reporter for *The New York Time*s Web site wrote a series of articles in which a key McCain strategist said that "some" of the donations that had originally been reported as Web-site donations had really come over the phone and entered on the Web site by McCain staffers. The strategist later reversed himself. Michael Cornfield of the Democracy Online Project immediately offered to make an independent verification of the McCain campaign's claims, and said he received a verbal commitment from the campaign that he would have the chance to do so. However, Cornfield is still waiting for the data. Meanwhile, McCain's campaign continued to benefit from their online fundraising prowess. In the midst of *The New York Times*'s online articles about the questions surrounding McCain's online fundraising, *The New York Times* newspaper ran an article that didn't mention the controversy and heralded McCain's donations that it said did not come "the old fashioned way."

In fact, most of the sources for the news media's generally laudatory stories about online fundraising during the 2000 election cycle were people who had either a financial or political stake in its success. In 1999, Douglas Boxer – who ran the 1998 campaign site of his mother, Sen. Barbara Boxer, and later went on to become the senior director of a commercial political site – predicted that every major congressional campaign would

have online fundraising in 2000.[24] The prediction was far from coming true. Phil

Noble, who markets an "Instant Online Fundraiser" boldly said the Internet would do for

fundraising what machine guns had done for bank robbers. Even MoveOn.org over-

estimated its success. Of the 25,000 people who pledged $13 million in 1999, only about

2,000 people actually contributed a little more than $2 million during the 2000 election

cycle. "Ironically, it's [the success of online fundraising] most important to people trying

to get into this business," Cornfield told *Intellectual Capital* in March 2000. "People

trying to become first-generation online political consultants have an uphill battle to

begin with."

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[1] Glasser, "McCain's Fuzzy Web Pitch," *The Washington Post*, July 8, 1999; and Raney, "Candidates Try Asking for Money Via E-Mail," *New York* Cybertimes, July 15, 1999.

[2] Himes, p. 68.

[3] Response rates to e-mail solicitations of up to 50 percent have been cited by some online fundraising vendors, but the presidential campaigns of both John McCain and Elizabeth Dole reported e-mail response rates of 3 percent and 4 percent, respectively, in July 1999.

[4] Fose, "E-Fundraising: Prospects, Donors & Dollars," Politics Online Conference, Washington, D.C., Dec. 4, 2000.

[5] Branch-Brioso, "Most Recent Fund in Senate Race Are From Outside State," St. Louis Post-Dispatch, Nov. 3, 2000.

[6] Lewine, "America's Online In Rick Anti-Hil Ad," Daily News, Oct. 11, 2000.

[7] Meeks, "Online Fundraising Gains Traction," MSNBC.com, Nov. 27, 2000.

[8] Sarouf, p. 11.

[9] Brown, Powell and Wilcox, 1995, pp. 30-31.

[10] Verba, Schlozman, and Brady, pp. 55, 72.

[11] Brown, Powell and Wilcox, 1995, p. 33.

[12] Brown, Powell and Wilcox, 1995, p. 43.

[13] Verba, Schlozman, and Brady, p. 136.

[14] Meeks, Nov. 27, 2000.

[15] Veiga, "Campaign Fundraising via E-mail Leads to Quick Cash for Candidates," Associated Press, July 18, 1999.

[16] Kamarck, "Campaigning on the Internet in the Off-Year Elections of 1998".

[17] Scheiber, "Campaigns Warm to Web Fundraising," Roll Call, Aug. 9, 1999.

[18] Veiga, "Campaign Fundraising via E-mail Leads to Quick Cash for Candidates," Associated Press, July 18, 1999.

[19] Opinsky, Howard, qtd, in Raney, July 15, 1999.

[20] Fose, Max, qtd. in Swibel, "Point Click and Pay," Washington Business Journal, March 6, 2000.

[21] Simpson, Feb. 2, 2000.

[22] Fose, Politics Online Conference, Dec. 4, 2000.

[23] Simpson, Feb. 2, 2000; Kwan, Feb. 3, 2000; Birnbaum, March 6, 2000.

[24] Scheiber, Aug. 9, 1999.

III. Methodology

This study is intended to be a first look at the techniques that political campaigns are using the Internet to raise money, and the affect that their efforts are having on political participation. We wanted to determine how candidates were asking for money on their campaign Web sites, how donors were responding to the online solicitation and how the diversity of the online donor pool compared to that of all donors.

To do this, we conducted a content analysis of a list of U.S. House candidate Web sites that researchers at NetElection.org determined had an online fundraising element. We also conducted a survey of more than 1,800 people who used the Internet to give to a political campaign in 2000. To compare online donors with other groups of people, we also analyzed results from the 2000 National Election Study.

The content analysis began with a list of candidate Web addresses provided by Steven Schneider, editor and research fellow at NetElection.org, a project of the Annenberg Public Policy Center of the University of Pennsylvania. NetElection researchers located candidate sites through searches on publicly available search engines, media sites and specialized political web sites and searches for domains including the names of candidates. House campaigns were selected because they are more common in frequency and scale than presidential, senatorial, or gubernatorial campaigns. They

provide more opportunities to discuss the experimental online fundraising methods on which future candidates at all levels will build.

From that list, we downloaded between October 12 and October 14, 2000 each site from the Internet using WebZIP 4.0. This timeframe was chosen for download in an effort to analyze a snapshot of the Web sites during the height of the campaign season when a complete political strategy was most likely to be represented on each site.

Following the 2000 election, the sites were reviewed to determine: the candidate's name, the candidate's party, the state and district in which the race was taking place, whether the candidate was an incumbent, whether the site had a pop-up fundraising solicitation, whether the site had purposive, solidary, material or simple solicitations, and the name of the fundraising vendor, if any, who provided the transaction technology. Candidate committee reports filed with the Federal Election Commission were used to verify information on the site.

Some sites did not download correctly, either because they were not available online during the download period or because the settings on the download software were not set to retrieve all elements of the site. In most cases, enough of the site was downloaded for the content analysis to be completed. However, some fundraising elements could have been incompletely downloaded from at least 31 sites.

The survey of online donors was inspired by the methodology and questions asked in previous surveys of political donors conducted by Georgetown University professor Clyde Wilcox and others.[1] For those surveys, lists of actual donors were culled from Federal Election Commission reports. The donors were then surveyed twice through the mail. Our survey lists were compiled from the lists of donors provided by online

fundraisers. We used e-mail to invite the donors to participate in the study, and then collected their responses in a Web-based survey form on Pollcat.com. We decided not to use FEC records to create our survey list for two reasons. FEC records only list contributors who gave more than $200 during an election cycle. With the frequent news media reports during the 2000 election cycle citing average contributions between $39 and $100, it was important to survey donors who would not appear on the FEC reports. Also, FEC reports do not designate who gave online. A survey based on FEC reports would first have to determine whether a donor had actually given via the Web.

The survey was conducted via the Internet rather than mail to avoid the prohibitive costs and time delays of a mail survey. The fast pace of change in Internet technology and the instability of the online audience made quick measurement a priority.

In exchange for the lists of donors, we have agreed not to identify the specific sources of the lists or any characteristics of donors that would compromise the privacy of donors or the propriety of fundraising data from individual campaigns and companies. These concerns were cited by several online fundraisers as reasons for not participating in the study.

The donor surveys were conducted between February 23 and March 19, 2001. Two groups of donors were surveyed. The first target group was a list of 11,068 online donors to a Democratic political action committee. An introductory e-mail was sent by one of the PAC leaders. That survey netted 1,763 responses, or 16 percent of those solicited. The second target group was a list of 1,268 online donors to political campaigns during the 2000 election cycle. No introductory e-mail was included in that mailing. That

target group eventually returned 133 valid responses, or 10 percent of those solicited. Nobody was solicited twice.

Internet-based survey research is still new, so it is important to note specific problems we found in our survey. One of the largest problems is controlling who answers the survey, and judging the truthfulness of respondents. To help eliminate both potential problems, we checked the e-mail addresses of respondents against those on the solicitation lists and only accepted responses from those whose e-mails matched. Another problem is non-response rate. It is interesting to note that 3 percent of the second target group sent back e-mails refusing to participate. Another 10 percent of the e-mails in the second target group were not reachable. Technology problems may have also contributed to non-response rates. Several online donors wrote expressing an inability to access the survey site. Each time, we checked the site and found it to be functioning correctly. We did not address concerns associated with weighting respondents to online surveys.

Although 92 percent of our sample came from the first list of PAC donors, we did not segregate the responses of that group from other responses. Most donors make more than one political donation, so respondents from the first mailing most likely gave to candidates or parties as well as PACs. Likewise, respondents from the second mailing most likely gave to more than one cause. Our questions asked respondents about their first online donation and all of their online donations as a whole, not any specific donation after their first.

Previous studies have found differences between political action committee donors and other political donors.[2] Also, there are some differences between Republican donors and Democratic donors. For example, Republican donors have higher than

average income levels and Democrats have higher education levels.[3] Democrats are

also more likely than the members of the general voting age population to be members of

a minority group. We did not weight our responses to account for any of these

differences.

Between the respondents from the first and second mailings, there was little

difference on most questions in the ranking of which responses were given most

frequently.

To examine average online donation amounts, we examined sample lists of

donors and associated donation amounts. Three online fundraisers provided the lists.

To compare the characteristics of online donors with those of the voting age

population, all Internet users, and all political donors, we examined unweighted responses

in the 2000 National Election Study conducted by the University of Michigan Center for

Political Studies. The NES conducted telephone surveys of 1,807 respondents in the three

weeks following the November 2000 General Election.

No one who provided data for this study participated in any of its analysis.

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[1] See Brown, Powell and Wilcox, 1995, and Green, Hernson, Powell, and Wilcox, 1997.
[2] Jones and Miller, 1985.
[3] Brown, Powell and Wilcox, 1995.

IV. Asking, Without Asking

Online or off, the goals of fundraising do not change. Every medium of solicitation has its unique strengths and weaknesses, but campaigns use all of them to achieve the same goals. David Himes, a former deputy director of finance for the National Republican Congressional Committee defines three goals of fundraising. They are:

1. "To raise all the money needed to finance the political plan, in a timely and cost-effective manner.

2. "To ask more people to give to a campaign than have ever been asked before.

3. "To ask every donor repeatedly to give again until all donors reach their legal or financial limit."[1]

The Internet as a fundraising tool is strong in all three areas. It allows candidates to receive the contributions faster than if they were made with a check. It has lower start-up costs and costs less per dollar raised than telemarketing, direct postal mail or event-based fundraising. It has the potential to snare donors who are not part of the small and stable fundraising network. And the cost-per-contact goes down as the number of contacts with potential donors goes up.

How Candidates Asked Online

In the world of political fundraising there are two statements a candidate is most likely to hear from a consultant. One is, no candidate has ever lost because he spent too much time raising money. The other is, nobody gives money to a campaign without being asked. However, almost everything about online fundraising among U.S. House candidates in the 2000 election cycle flew in the face of those two traditional fundraising principals. Far from Doug Boxer's prediction that every candidate would have online fundraising in 2000, 181 – 24 percent – of the 780 U.S. House candidates provided the service. Even among the few who did have it, most did not directly ask visitors to contribute. It would be preposterous to think that a candidate would send a direct mail piece that consisted of nothing more than a small, plain flyer with the imperative "Contribute!" at the top and a line for a credit card number at the bottom. Yet, that's as unsophisticated as the request was on almost 80 percent of the House candidates' sites.

When considering how few candidates asked for money on their Web sites, it must be taken into account that for most campaigns the Web site is an unnecessary expense because they are likely to win without much effort. Many of the same candidates who did not ask for money online – or did not even have a campaign site – most likely also never ran television ads or debated an opponent. According to the Center for Voting and Democracy, 64 of the 435 House districts had only one major-party name on the ballot. In another 236 districts, there was more than a 20-percentage-point difference in the number of votes received by the winner and loser. However, even among candidates who did consider it necessary to put up a Web site, only about 26 percent used it to ask for money.

At least two candidates – Rep. J.C. Watts of Oklahoma and Rep. Tom DeLay of Texas – asked for money even though neither was in a competitive race. Both Republican leaders in the House, Watts won by 34 points and DeLay won by 24 points. Yet both had Web sites that were paid for by, and funneled money to, their political action committees.

If a lack of competitiveness provides a candidate with no strategic need to ask for money online or to even have a Web site at all, then candidates in a competitive race should be more likely to employ more sophisticated campaign tactics, including online fundraising. Of the 38 major party candidates in the 19 House races that *Congressional Quarterly* said there was "no clear favorite," 24 candidates – 63 percent – solicited money online. In Missouri's 6th District and in the race for Montana's at-large House seat, neither candidate conducted online fundraising. In the 10 races in which one candidate asked for money online and the other did not, half of the candidates who did not ask for money lost.

Regardless of the competitiveness of the race, candidates who face tougher odds of being elected are more likely to make the Internet an important part of their campaign. Of the 181 House candidates who conducted online fundraising, 127 – about 70 percent – were either running for an open seat or were challenging an incumbent. Open seat races are often some of the most competitive races in the country. Even if the districts are overwhelmingly Democratic or Republican, there is usually a tough fight for the seat either in the general election or the primary.

Challengers often have less money than their opponents. The Web offers them a relatively inexpensive campaign tool. With online fundraising, candidates can avoid some

of the expensive initial costs associated with a traditional direct mail or telemarketing effort. Because there are no incremental costs associated with each additional page view or e-mail, the Internet allows these candidates the ability to cast a wider net for money at a lower cost per solicitation.

Along with challengers, minor-party candidates have also traditionally faced a tougher time getting elected than members of the Democratic or Republican parties. First, in many states they must circulate a successful petition just to get a line on the ballot. Even then, they do not have the advantage of tapping into a national political network that is an important part of a successful fundraising effort. Additionally, many of the minor parties are focused intensely on a narrow set of issues that attract a narrow set of supporters. Advocates of Cyber Democracy have long seen the Internet as a way of leveling the playing field for minor party candidates. *Wired* reporter Jon Katz and others have noted that the early online population tended toward a libertarian ideology and that many had no strong partisan allegiances toward either the Democrats or Republicans. The 1998 Minnesota gubernatorial campaign of Jesse Ventura, who ran as a Reform Party candidate, and the appeal to independents of John McCain's 2000 presidential campaign furthered the notion that maverick candidates not closely aligned with either major party could use the Internet to flourish.

However, minor party candidates were no more likely than Democrats or Republicans to conduct online fundraising. About 24 percent of Republicans and 24 percent of Democratic candidates had online fundraising. A quarter of Reform Party congressional candidates (two of eight) raised money online, and 23 percent of

Libertarian candidates raised money online. Only one of the nation's seven Green Party congressional candidates raised money online.

Among the few candidates who solicited campaign contributions online, most of the appeals for money were unsophisticated, relative both to offline fundraising methods and to suggestions of top online fundraising consultants. The first rule of telemarketing, direct mail, or event-based fundraising is that nobody will give money to a campaign unless they are asked. As we have seen, there is a difference between asking for money online and simply accepting donor transactions online. In 1996, Bob Dole's presidential campaign only solicited money online. The technology to accept credit card transactions via the Internet was still too new and awkward for it to be effectively used. In addition, there were unanswered questions about the Federal Election Commission's treatment of donations that had come via credit card over the Internet. Visitors to Dole's site who were interested in contributing needed to print out a contribution form, write a check and mail it.

The primary purpose of Dole's Web site was to introduce visitors to the candidate and provide information that would convince a visitor to support Dole. It was – as many campaign Web sites still are – primarily an online brochure. At their most basic, campaign Web sites are billboards along the Information Superhighway. They provide a lot of information, but little interactivity. They can say a lot about a candidate, but can only tell it to someone who happens to drive by. Unlike direct mail, telemarketing, or broadcast advertising, billboards and Web sites cannot force themselves in front of people who would otherwise make no effort to learn about the campaign.

As in fundraising, few people will come to a Web site unless they are asked. They can be invited either by an explicit request from the campaign or attracted by a link on another Web site. Even at the height of campaign season, political terms rarely turn-up as frequently requested words in search engines, which suggests that few people seek out campaign Web sites on their own accord. This study is not concerned with the path that potential donors take to the Web sites, but only with the manner in which the request for money is made once a visitor has made a decision to seek out a candidate's online address.

Once a person has made the effort to load a candidate's Web site in his browser, the campaign can assume that the person has at least some interest in the race. Not all visitors can be categorized as supporters, however. The visitor could be a journalist looking for a press release or a member of the opponent's staff looking for a quote to use against the candidate in an upcoming debate. Visitors could also be devout supporters. It could be a campaign spokesperson that wants to make sure he is on message, or a student who is looking for information to support an argument he is having with a friend. Still other visitors could be voters looking for information that will help them make a decision at the voting booth. In all cases, the campaign knows that the visitor has made an active decision to visit the site.

Because there is no way for a campaign to know why a visitor is on its site, it must make a request for a donation at some point during the visit if the campaign hopes to close the sale – even if the visit is the result of a prior e-mail, telephone, personal or postal solicitation to donate online. John McCain's online strategist Max Fose called the Internet the closest thing in politics to impulse buying, but – unless the first rule of

fundraising does not hold true on the Internet – campaign Web sites can only capitalize on that impulse if the point of solicitation is placed close to the point of transaction.

Of the 181 House candidates who solicited money on their Web sites in some manner – either by accepting online credit card transactions or by using the site to encourage visitors to send checks through the mail – most did nothing more than provide a link to an online contribution page. That provides no more reason to donate than an ATM at the mall provides a reason to buy new shoes. Most campaigns took advantage of the new technology that allowed them to conduct online transactions, but showed no understanding of the first rule of fundraising – that nobody gives without being asked. Seventy-eight percent of the sites that conducted online fundraising provided only simple solicitation messages that merely walked potential donors through the mechanics of giving. Complex solicitations, which made an argument in favor of donating or provided some benefit to the visitor, were on only 22 percent of the sites.

Figure 4.2. Types of Solicitation

22%

78%

☐ Complex ■ Simple
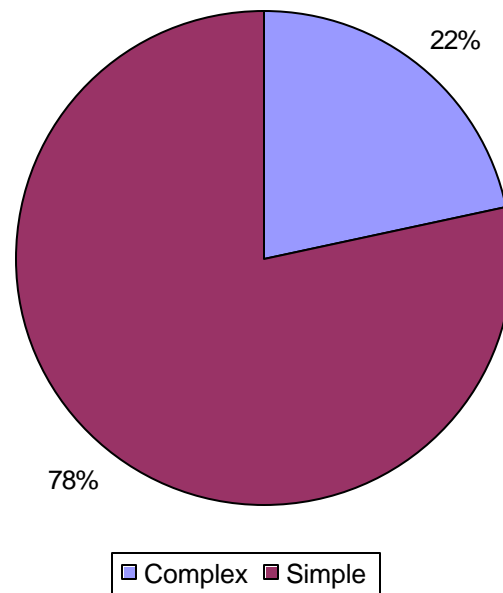
Considering some of the vitriolic appeals found in other fundraising media, it is surprising to see how profoundly shy candidates are about asking for money on their Web sites. Nebraska Congressman Lee Terry, a Republican who represents the state's 2nd District, provided an online contribution page on his Web site despite his status as a safe incumbent. He invited visitors to his site to "click your way around, sign up for updates, help us out by volunteering, and visit often." Amid that whole list of ways to get involved with the campaign, donating money was conspicuously absent. Many candidates did make complex online appeals for volunteering or getting involved with the campaign in some manner, but few included donating in their requests for action. Republican Rep. Tom Osborne, the former University of Nebraska football coach, was the only House

candidate in the country who put his online fundraising page as a subsection beneath his section soliciting help with the campaign.

Even some candidates who were associated with online fundraising success stories or involved in Internet issues had only simple solicitations. MoveOn.org, the online political action committee that was one of the early leaders in online fundraising was the top contributor to the campaign of Adam Schiff, the Democratic challenger to Rep. James Rogan in California's 27th District. Boosted to victory in part by MoveOn.org's $200,000, Schiff had only a simple solicitation on his Web site. Congresswoman Anna Eshoo, a Democrat who represents part of Silicon Valley, did not take credit card donations online. She requested that donors print out a contribution form and mail it in with a check.

A few campaigns explained their decision not to accept online contributions. Ralph Mullinger, a Libertarian candidate in Ohio's 4th District, provided online transactions but wrote on his site, "If you send a check, we get the full amount of the contribution." Roscoe Bartlett, the Republican challenger in Maryland's 6th District, cited online transaction costs, too, in his request for checks by mail. He did not accept credit card donations, but did use a service called Paybycheck that allowed donors to have their donation drawn directly from their checking account for a flat fee of $1.36 per transaction. "If your contribution will be less than $25.00, we ask that you mail a check and not use the on line iCheck Form," Bartlett's site said.

Most sites spent significantly more space explaining FEC rules and the types of campaign contributions that they could not accept, rather than explaining the reasons that a visitor should give. Perhaps the most passive online solicitation came from Michael

Bailey, the unsuccessful Republican challenger in Indiana's 9th District. "Contributions

are appreciated," his site said. Similar to most of his fellow candidates who accepted

online donations, it was as if Bailey wanted to find a way of asking, without asking.

In his book *Campaign Craft*, Daniel M. Shea outlines five key elements of a good

fundraising appeal. They are:

1. Urgency;

2. A compelling story;

3. A personal connection with the potential donor;

4. The mention of a hot issue;

5. An indication that the campaign is behind but catching up;

There is no way of achieving any of these goals with a simple solicitation. Many

of the campaign sites that did have online fundraising – and many that did not –

contained some elements of a successful fundraising appeal. It is not uncommon to find

online current campaign news, personal stories about the candidate, or position

statements on hot button issues. But few campaigns with otherwise comprehensive sites

connected the urgency, the compelling stories or the hot button issues to their need for

money and the ability to quickly make a contribution.

Max Fose, the Web site manager for John McCain, echoes Shea in his list of three keys to online fundraising. They are:

1. Integrate it into the Web site, make it easy to find and use;

2. Give it a sense of urgency;

3. Explain a reason to give;[2]

Following the New Hampshire primary, Fose accomplished all three goals with the use of a pop-up window on McCain's site. The goal of the window was, as deputy campaign manager Wes Gullet put it, "to be bigger and more impressive in terms of, 'We need you, now, to participate'."[3] Considering the frequency with which McCain's online fundraising effort was held up by the news media as a successful example to other campaigns, it is surprising how few sites added a pop-up fundraising window to their site. Only 18 percent of U.S. House candidates with online fundraising had pop-up fundraising solicitations in the month before the general election.

Andy Brack, the Democratic nominee in South Carolina's 1st Congressional District and the editor of a leading journal of online politics, said he was inspired by McCain's example and added a pop-up window on his Web site. However, he questioned whether it was annoying or effective, noting "If you don't annoy people when you're raising money, you're not going to raise any money."

One explanation for the muted online calls for campaign contributions is that candidates could not target their message to supporters. It is one thing to call your opponent a foe of widows and orphans in a fundraising letter mailed only to supporters, but it is considered impolitic to be so rude in a public debate with journalists and swing voters in the audience. However, negative campaigning as a whole is not rare online.

Between March and August 1999, New York Mayor Rudolph Giuliani raised $23,000 for his aborted Senate campaign via www.HillaryNo.com, a Web site dedicated to harsh criticism of Hillary Rodham Clinton's Senate candidacy.[4]

Several studies in the early 1990s set out to describe the reasons that people give to political campaigns. The two primary studies that serve as the basis for this work are the survey of presidential campaign donors done in 1988 and 1992 by Clifford W. Brown Jr., Lynda W. Powell and Clyde Wilcox, and a two-stage survey of voluntary activity of the American public conducted in 1989 and 1990 by Sidney Verba, Kay Lehman Schlozman, and Henry E. Brady. Their findings were published in the books *Serious Money* and *Voice and Equality*, respectively.

Serious Money was the first comprehensive examination of the role of the individual donor in financing a presidential campaign. It focused only on people who gave more than $200 to a presidential campaign in 1988 or 1992, but holds lessons about donor motivation that are applicable to other circumstances. The authors of the study surveyed by mail a random sample of presidential donors. The sample was drawn from the list of contributors that each presidential campaign filed with the Federal Election Commission. The FEC only requires campaigns to report individual donations of more than $200, so the study was limited to these donors who gave "serious money."

In their study, the authors described the campaign fundraising process as two sets of decisions. Based on the regulatory and political environment, campaigns determine the allocation of their limited resources of time and money to the solicitation strategy. Once the campaigns make contact with the potential contributors, they must make their own decisions about which candidates to support and in which amounts. The potential donors

make their decisions based their ability and motivation to give. The ability to give is determined primarily by one's household income. Motivation is determined by a number of factors including the manner in which they are solicited, from whom the request comes, to whom they are asked to give, and which personal benefits they might receive from making a donation.

The donor motivations described in *Serious Money* fell into three categories first described by James Q. Wilson in 1973 – "a desire for policy outcomes or purposive benefits, a desire for social or solidary benefits, and a desire for material benefits." In the survey of donors to the 1988 presidential campaigns, donors who said they gave money to "influence policies of government" or "make a difference in the outcome of an election" were said to exhibit purposive motives. Solidary motives were assigned to donors who said they gave to achieve a "feeling of recognition" or because they "enjoy the social contacts." Donors who said they were motivated by "business and employment reasons" or because a donation is "expected of someone in my position" were assigned to the material category. [5]

Brown, Powell and Wilcox found "a clear relationship between the motives for participation and the methods of successful solicitation." They found that donors who were impersonally solicited most often expressed a purposive motivation for their donation, followed in frequency by solidary motives and material motives being less likely. Among donors who were personally solicited, material motives were most frequently cited, followed in decreasing frequency by solidary motives and then purposive motives. So, among donors solicited personally material motives were most

frequent and purposive motives were least frequent. The opposite is true for donors solicited impersonally, who cited purposive most often and material motives least often.[6]

We know that the Internet provides a different method of solicitation and medium of transaction than other fundraising methods, so we can expect it to have a unique relationship with the motives of online donors. For campaigns to shape their online fundraising strategy, they must draw from the lessons learned in offline fundraising, including these lessons about the relationship between solicitation method and donor motivation. For example, an e-mail solicitation from a friend would most effectively appeal to material motivations of a potential donor. A donor solicitation on a campaign Web site that does not personalize its content for the visitor would most effectively appeal to purposive motivations. This survey focuses on the Web-based solicitation and transaction, where we should find more purposive appeals and purposive-motivated donors relative to the number of solidary or material appeals and motivations.

In terms of solicitation methods, 2000 was the Jurassic period in the evolution of online fundraising. Dinosaurs still ruled the earth while small but more complex mammals were skirting around the underbrush, a sign of things to come. True, the landscape of online fundraising in 2000 was dominated by simple solicitations, but there are interesting organisms further down the taxonomy. Within the phylum of complex solicitations, it is important to consider the impact of purposive, solidary, and material appeals.

Figure 4.3. Complex Solicitations, by Type

# of sites
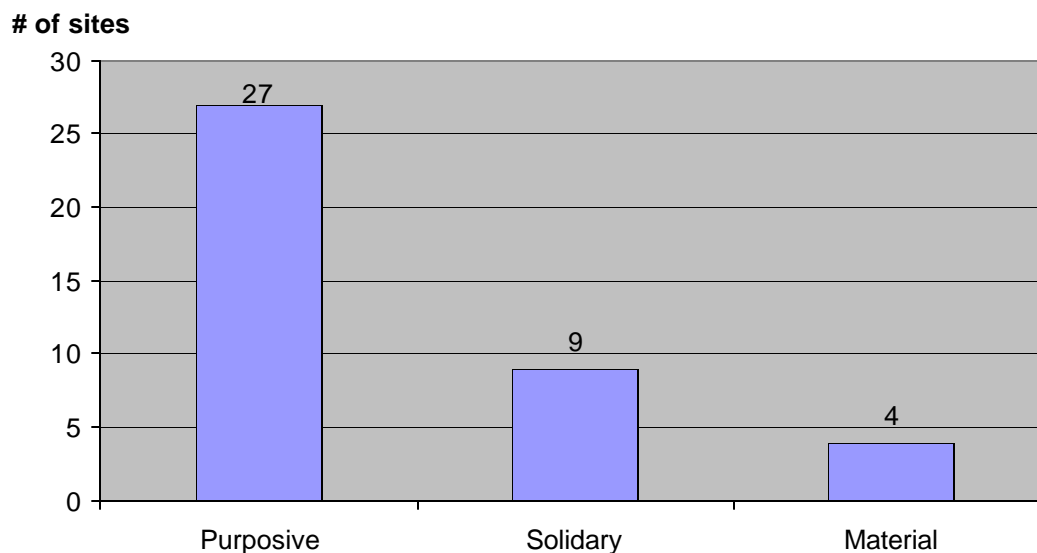
(Note: Four sites had more than one complex solicitation type.)

Although John McCain received more attention for his online fundraising effort than any other candidate in 2000, it was one of McCain's fellow Arizona Republicans that had perhaps the most complete online fundraising effort of the cycle. Visitors to Rep. J.D. Hayworth's site were greeted with a pop-up window asking them to "please help keep this award-winning site up and running by making a contribution right now for $1,000, $500, $250, $100 or whatever you can afford…." The plea met Fose's three guidelines. It was well-integrated with the site, expressed urgency and articulated a reason to give.

Hayworth was the only U.S. House candidate to make purposive, solidary and material appeals. On the transaction page, potential donors were asked "To help J.D. fight the Clinton-Gore machine, the Washington labor bosses, and their liberal allies" – a purposive appeal. Hayworth's homepage included the personal message that he "would

be honored, and forever grateful, if you would consider joining our team" – a solidary appeal. Shoppers at Hayworth's online store could buy a pair of Hayworth coasters for $15 or a Team Hayworth lapel pin – "a great addition to any suit." While online shopping does not invoke a sense of professional obligation, it is a material appeal because it provides the donor with a direct benefit as other material appeals do.

Of the 36 sites that did make a complex solicitation, only four had more than one solicitation type. As one might expect of impersonal Web sites, purposive appeals were most likely and material appeals were least likely. Twenty-seven sites made purposive appeals, nine made solidary appeals, and four sites appealed to potential donors' material motivations. Without tracking down the strategist behind each congressional campaign site, it is difficult to determine with certainty the reasons that each type of appeal was made. We can conjure, however, that the experience of offline campaign fundraising influenced the strategy of online campaign fundraising. Donors who give via impersonal contact with a campaign are most likely to cite purposive motivations. The Web is an impersonal medium. Therefore, it is rational for campaigns to focus their appeal to potential donors' purposive motivations.

Purposive Appeals

Although campaign contributions are a way in which people can get involved in the political process, not all donations are made *because* the donor wants to be involved. Donors who cite solidary or material motivations as their primary reasons for making campaign contributions receive direct personal psychological or material benefit *regardless* of who wins the race. Donors who have purposive motivations receive only

indirect personal benefits. They do not give because they want to feel good about

participating in American civic traditions, but because they want to influence public

policy or influence the outcome of the race. They receive benefit only if their desired

outcome occurs. Purposive solicitations are those that appeal to a potential donor's desire

to "influence policies of government" or "make a difference in the outcome of an

election."

In July 1999, John McCain launched a site that was a pure purposive appeal for

money. Itsyourcountry.com urged visitors to "stop the special interests' control of

Washington" by donating money. However, the site did not explicitly say that donations

would go to McCain. It was stripped of all but the smallest reference to McCain's

presidential bid or the Republican Party. Although the site stirred controversy with some

who thought McCain might be trying to hide the final destination of the donations, the

lack of information was essentially a bet that online donors would be more likely to give

to a cause than to a person. It was unlikely that donors would be motivated by solidary

desires, because it was difficult to tell which group they might be joining. It was equally

unlikely that they would give for material reasons, because it was difficult to tell from

whom they would be able to collect their benefits.

The most successful purposive online fundraising appeal was MoveOn.org. The

site was launched solely to influence the outcome of a public debate, and sustained

through the 2000 elections entirely to influence the outcome of those elections. Although

the site has developed a sense of community as its leaders seek direction for the PAC

from its donors, the community was originally a collection of unaffiliated donors each

acting independently. MoveOn.org did not entice large donors with promises of

recognition, personal benefit or access to decision makers. Most of its donors received no benefit unless their candidates won – as did 13 out of the 30 candidates that MoveOn.org supported.

<p style="text-align:center;">Solidary Appeals</p>

In the anonymous and impersonal atmosphere of the Web – where nobody knows you're a dog, as the old *New Yorker* cartoon punchline goes – it is difficult to make a solidary appeal, one that taps into a potential donor's desire to achieve a "feeling of recognition" or their enjoyment of "social contacts." Candidates could list on their Web site the names of top contributors, but that would most likely open them to criticism from their opponents. George W. Bush listed the names of all contributors on his site, but made no special effort to give recognition to top donors. Even if the solicitation were made online, the fulfillment of a solidary appeal would most likely have to be made offline – with a plaque to hang in a donor's office or a ticket to a gathering of like-minded donors.

Two presidential candidates offered online donors exclusive access to online events for contributions far less money it would have taken to attend the events in person. Republican candidate Steve Forbes was the first candidate to offer this unique online access in July 1999 when he took 20 minutes out of a $1,000-a-plate dinner at New York's Waldorf-Astoria Hotel to have an online chat with about 400 donors who gave only $10. In February 2000, shortly after his online fundraising bonanza following the New Hampshire primary, McCain raised $50,000 through a similar online event.[7] During a fundraising event at a Washington, D.C., hotel, McCain conducted a Web-based video

discussion with donors who had contributed more than $100. During the chat, he answered questions that some of the donors had sent via e-mail.[8]

Perhaps the most unorthodox solidary appeal was made by Rep. Jay Inslee, a Democrat who represents Washington's 1st District. Many campaigns had e-mail newsletters to which Web site visitors could subscribe. Some later used the subscription list to solicit money and support. However, Inslee put a twist on that formula when he required visitors to contribute to his campaign *before* they could subscribe to his e-mail newsletter.[9] By doing so, he essentially created a self-selected group of donors that would share exclusive information from the campaign.

Rep. Lynn Rivers, a Democrat who represents Michigan's 13th District, featured a prominent link on her transaction page that invited donors to become a "Rivers Regular." A "Rivers Regular" was a donor that authorized the campaign to make a standard credit card charge against the donor's account every month. While donors could give a regular one-time credit card contribution online, they could not become a "Rivers Regular" unless they called the campaign headquarters. For a donor that is enticed by becoming a member of an exclusive group of donors, contact with a live person at campaign headquarters is probably more alluring than sitting alone at the keyboard and typing in the credit card number.

Material Appeals

Perhaps the most creative online fundraising efforts came from campaigns that solicited donors with material appeals. In the offline world, material appeals are those that invoke a sense of professional obligation. Online it is an appeal that promises a donor a direct and specific benefit as result of the donation. Material solicitations on the Web in 2000 fell into two categories: merchandizing and sponsorship.

Perhaps the broadest material fundraising appeal was launched by the California Republican Party in August 2000. Teaming up with the online mall Ebates.com, the state GOP built Republicanshopping.com – a collection of links to 400 online retailers. In exchange for receiving free promotion of the site among the state's Republican faithful, the stores pass along a rebate between 2 percent and 40 percent of every purchase to the Party. Ebates benefits from the increased traffic generated by the deal. That increase in traffic allows it to go out and solicit more online stores to add to its mall.[10] The appeal to donors is that they get a shirt, or golf clubs or shoes in direct exchange for their money.

Al Gore used his campaign site to sell tickets to a fundraising event in Nashville during his presidential campaign. Of the 1,000 people who attended the party at the Wildhorse Saloon in December 1999, nearly 250 made their requisite donation on the Web and were given an online ticket that they could print off and present at the door for admission.[11] This type of merchandizing is also a solidary appeal because it provides donors with offline social interaction.

Some candidates have even tried online gambling to raise money. Although not every donor wins the prize, they do receive material benefits in the form of a chance to win. Michael Curtiss, one of three candidates competing in the Republican congressional

primary in Illinois's 17th District, raised about $50,000 by raffling guns on the Internet – including a .50 caliber ArmaLite AR-50 rifle. At least 1,000 people bought $20 tickets for that item alone.[12]

Sponsorship appeals to donors who want to buy the ability to partially determine campaign strategy. No House candidate offered sponsorship opportunities online during 2000, but 2002 could see some candidates follow the lead of presidential candidate Steve Forbes, who used his Web site to screen campaign television ads and then provide visitors with the ability to vote with their wallets on how the campaigns should use the ads.

In November 1999, Forbes offered his e-mail list subscribers the ability to sponsor one of his three new television commercials. The cost: anywhere from $10 to $1,000. Potential contributors could watch the ads online and then select the programs during which they thought the ads should run. One thousand dollars got them a vote for *Crossfire* or *Larry King Live.* For $500, a donor could choose *MSNBC's News with Brian Williams.* A $250 donation got *News 9 at 6* in Manchester, N.H. Seventy-five dollars $75 got them *Wheel of Fortune* in Des Moines.[13]

In each of these cases, the donor buys input into the campaign rather than just giving the campaign unrestricted funds. If sponsorship opportunities were merely a purposive appeal, the campaign would ask donors to give money so that the candidate and his advisers could have more options when considering how to use the ads, rather than asking donors to give money in exchange for essentially becoming a virtual campaign adviser.

How Donors Responded

Even though perhaps a quarter of Americans in every election cycle are asked to give money to a political cause, few actually do.[14] In 2000, about 10 percent of Americans gave money to a political campaign or party. A third of Americans used the Internet in 2000 to get news or information about politics, but only 5 percent of those gave money to a candidate for political office.[15] So, somewhere between 1 percent and 2 percent of all Americans made an online political contribution in 2000.

Donors who respond to purposive appeals are unique. Unlike donors who respond to solidary or material solicitations, purposive donors do not receive a direct and specific benefit from their donations. Their donations accomplish their goals only if the policy debate or the election turns out the way they want, an event that depends on the actions of others. For these reasons, we can say that donors who cite purposive reasons for giving are more altruistic than solidary or material donors.
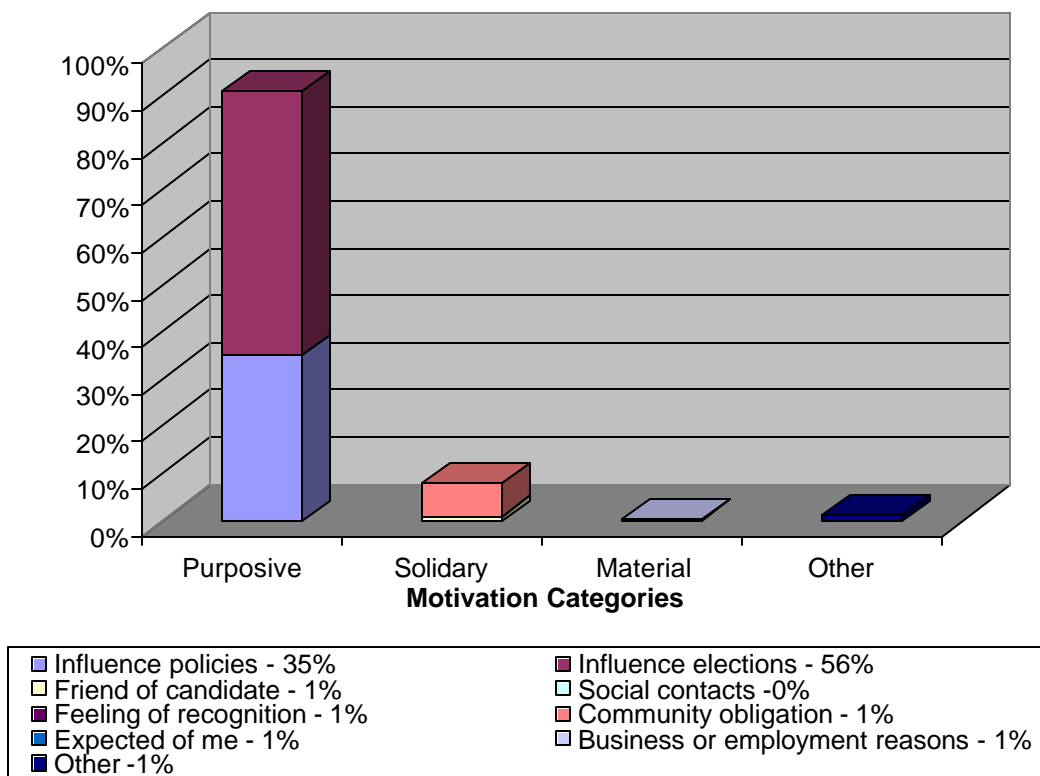
Most candidates who conduct online fundraising choose to make purposive appeals and choose not to make solidary or material appeals. A very few candidates made the choice to use several types of complex solicitation, usually combining a purposive appeal with either a solidary or material appeal. This decision by candidates to focus their online fundraising strategies on a single type of appeal indicates that they believe online audiences are most likely to respond to purposive appeals and less likely to respond to solidary or material appeals. Based on the popular perception of the characteristics of the online audience and an understanding of the strengths and weakness of the impersonal nature of the Web, this is a reasonable campaign strategy to pursue.

Online donors overwhelmingly cited purposive motivations when asked to select the most important reason that they personally made a political donation. Ninety-one percent of the survey respondents said that the primary reason they donated was either to influence the election or influence government policies. Similar to the presidential donors who were solicited impersonally, donors who gave money online during the 2000 election also were least likely to cite material motivations. Only four of the 1,894 respondents said they contributed primarily because it was expected of them or for business or employment reasons. About 8 percent of online donors cited solidary motivations. Of those 8 percent, most of the donors said a sense of community responsibility was the primary reason they contributed money to a political candidate. Less than 1 percent of donors said they gave primarily because they were friends of the candidate. The only reason that none of the donors said was their most important reason for making a political donation was the desire for social contacts.

Because of both the nature of the medium and the manner in which it is used by campaigns, the Web – in addition to being impersonal – is essentially a passive medium for collecting contributions. The Web provides more opportunity for donor-initiated transactions than offline fundraising methods. Most candidates who conducted online fundraising also broke the number one rule of donor solicitation – nobody gives unless they are asked. Few candidates made active requests for money on their Web sites.

Figure 4.4. Motivations of Online Donors

(Which of the following is the most important reason for you personally to make a political donation?) N=1,894

Legend:
- Influence policies - 35%
- Friend of candidate - 1%
- Feeling of recognition - 1%
- Expected of me - 1%
- Other -1%
- Influence elections - 56%
- Social contacts -0%
- Community obligation - 1%
- Business or employment reasons - 1%

Table 4.1. Responses, by Motivation Category

|	Purposive		Solidary				Material		Other	N
	Influence policies	Influence election	Friend of candidate	Social contacts	Feeling of recognition	Community obligation	Expected of me	Business or employment reasons		
PAC Donors	628	998	7	0	1	114	1	2	20	1,771
Candidate Donors	36	59	10	0	1	15	0	1	1	123
Response Total	664	1,057	17	0	2	129	1	3	21	
Category Total	**1,721**					**148**		**4**	**21**	**1,894**

But if candidates broke the number one rule of fundraising by not asking for money online, then so did many of the donors. Almost half said they made their first online political contribution without being solicited. In fact, the most common manner in which online donors said they were "solicited" was not a solicitation at all. Contrary to all previous experiences with traditional fundraising, 38 percent of online donors said they gave online for the first time after finding the opportunity on their own.

It is important to note that the question specifically referenced the *first* time that a donor gave money online. Some online donors could have previously given offline and been solicited in a different manner for that donation. Also, once a person joins the pool of donors with their first political contribution, it becomes increasingly likely that the donor will be solicited to give again. The second and subsequent times that a donor gives online, it becomes increasingly likely that he will be solicited – either personally or impersonally – and less likely that he would find the opportunity on her own.

Among donors who were actively solicited – as opposed to those who either found the opportunity on their own or heard about the opportunity in a news media account – most of the solicitations came from somebody that the donor did not personally know. Although there is no way of determining the number of Americans that were solicited online and did not give, it is likely that the ratio of people who received an impersonal solicitation to those who received a personal solicitation is even greater than the ratio of online donors who assented to either type of solicitation. Prior studies of traditional donors have found that people are more likely to contribute if the request comes from somebody they know. Of people who were asked to donate money to a political cause in 1988, 46 percent of the requests from a personally known source

received assent. Only 8 percent of the requests for money from strangers were

successful.[16]

Figure 4.5. How Donors Were Solicited
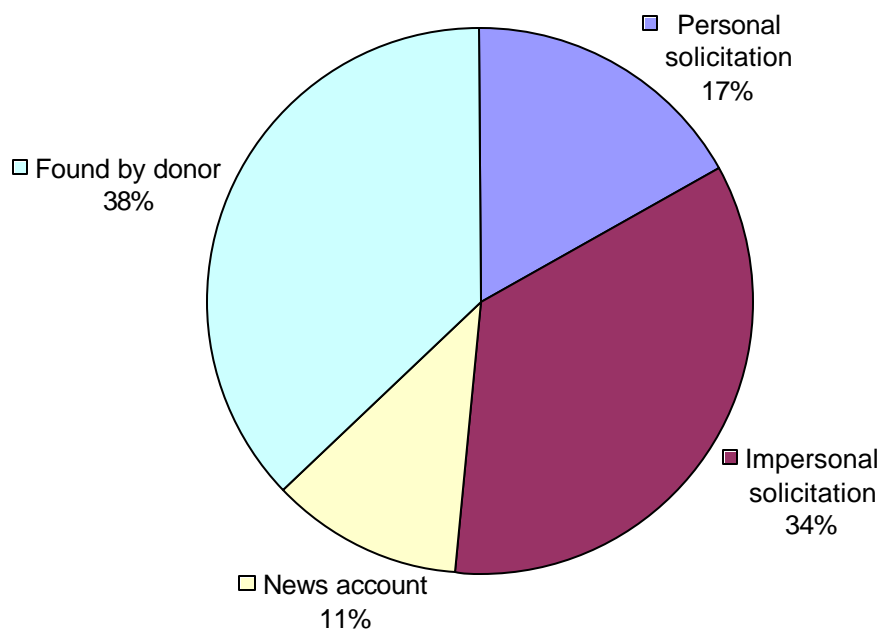
(Thinking back to the first time you made a political donation online, how was that contribution solicited?) N=1,806

[1] Himes, 1995, pp. 67-68.
[2] Fose, Politics Online Conference, Dec. 4, 2000.
[3] Simpson, Feb. 2, 2000)
[4] Scheiber, Aug. 9, 1999.
[5] Brown, Powell, and Wilcox, 1995, p. 47.
[6] Brown, Powell, and Wilcox, 1985, pp. 64-65.
[7] Raney, Feb. 12, 2000.
[8] Arent, "McCain Offers Chat for Chit," Wired, Jan. 26, 2000.
[9] Weinstein, "Email for Contributors Only?," NetElection.org, June 29, 2000.
[10] Kaplan, "Republicans Work for Change With E-Commerce Web Site," Los Angeles Times, Aug. 28, 2000.
[11] Raney, Feb. 12, 2000.
[12] Cole, "An Illinois Candidate Makes a High-Caliber Bid," Time.com, March 5, 2000.
[13] Arent, Nov. 24, 1999.
[14] Verba, Schlozman, and Brady, p. 149.
[15] Pew, Nov. 26, 2000.
[16] Verba, Schlozman, and Brady, p. 142.

V. A Digital Donor Divide

At the heart of the debate over the Internet's role in American politics is the question about whether the Internet will provide new opportunities for political involvement to people who have traditionally been disenfranchised, or whether it will merely expand the level to which previously engaged Americans can participate in the process. Studies of the Digital Divide conducted by the U.S. Commerce Department and others have found that the types of Americans who lacked Internet access and technical literacy were likely to be the same groups who had been left out of much of the political process. Racial and ethnic minorities, rural residents, women, inner-city youth and the poorly educated all lag behind the general public in the rate at which they are online. Previous studies of donors have also found differences between the demographic characteristics of donors and those who do not contribute to political causes. The fault lines of this Donor Divide follow the lines of the Digital Divide, with family income being the primary indicator of whether someone contributes to political campaigns.

It is important to take a look not only at the interaction between campaigns and donors, but also at the types of Americans who are participating in the campaign fundraising exchange. Political donations are a form of political expression and participation by which we can measure how evenly American democracy is distributed. As Sidney Verba, Kay Lehman Schlozman and Henry E. Brady noted in *Voice and*

Equality, their study of civic volunteerism in American politics, campaign

contributions are a unique form of political participation. They outline four characteristics

of donations that make them unique:

1. Donations are "the single form of participation for which the volume of input
   varies most substantially among activists;"

2. Donations are "unusual in the configuration of participatory factors that
   predict it;"

3. "Compared with requests for any other kind of activity, requests for donations
   are more common; they are more likely to come from strangers; and they are
   less likely to be met with assent;" and

4. Donors "are less likely than those who engage in other forms of participation
   to think that their activity made much difference."

For these reasons, they called monetary donations "the junk food of participation, a

relatively easy form of involvement that provides a certain number of empty participatory

calories but relatively little in the way of lasting nutrition."[1]

Much of the debate over campaign finance reform lays bare perhaps the biggest

contradiction in American democratic values. It is essentially a debate about whether

equality or freedom is more important to the political system. Despite federal regulations

to the contrary, political giving is one of the least restricted ways in which someone can

get involved in American politics. Unlike votes that can only be cast for a limited number

of candidates in the donor's district, donations can be given to support any candidate in

the country. Unlike volunteer hours, money can go to support any range of political

activities that the donor may be unqualified to perform. On the other hand, the ability for

Americans to participate in political giving is perhaps more unequal than any other

form of political participation. All Americans are afforded one, and only one, vote. Not

all Americans have the same personal financial situation that affords them the

opportunity to give money to a candidate. Although Congress has tried to level the

playing field with limits on donations, most Americans have personal financial limits far

below the federal ceilings.

If the ability to participate in campaign financing is unequal among Americans,

then it must be unequal in someone's favor and to someone else's detriment. As we have

seen, the group of Americans who give to campaigns is a small, stable, homogenous pool.

About 10 percent of Americans give money to a political campaign in any election cycle.

Most donors in each cycle have given before and are likely to give again. Most are white,

well-educated, wealthy, older men. Online fundraising provides the potential to attract

new members to the donor pool by providing a new solicitation medium and by giving

potential donors increased ability to join without being asked. It also provides the

potential to diversify the pool with donors who did not previously participate because

they were not part of the socioeconomic network of candidates, solicitors and donors.

Most political observers would consider positive either or both of the Internet's

potentials to increase the pool of donors or make it more diverse. Candidates would like

to see new sources of campaign money. Advocates of Cyber Democracy would like to

see a change in the power structure that would result from a diversification of the donor

pool. Americans concerned with the Digital Divide would like to see increased equality

in access to the tools of political and financial success. Most congressional donors believe

that candidates spend too much money and rely too heavily on large "soft money"
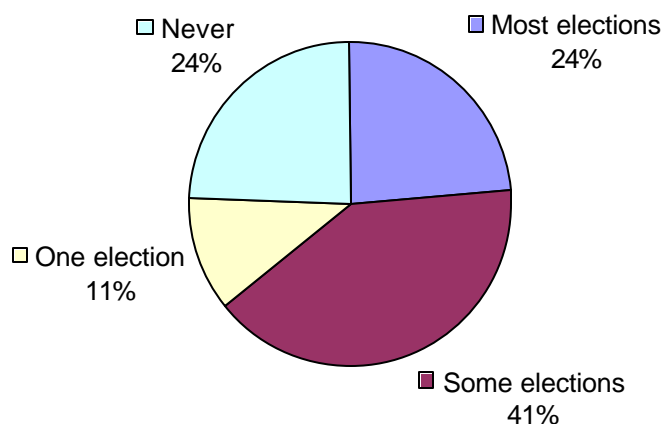
donations and political action committees.[2] They would like to see campaigns financed by a broader group of small donors.

While the Internet in 2000 did draw some new donors to the existing pool, they overwhelmingly looked similar to the old donors.

A Deeper Donor Pool …

Anecdotal reports in the news media during the 2000 election cycle pointed to online fundraising as a way in which candidates could tap new pools of donors. Primarily citing data provided by John McCain's presidential campaign staff, stories indicated that as many as a third of online donors in 2000 had never before given to a political cause. However, it's important to note that McCain's campaign drew many newcomers to all forms of political participation. Seventy percent of all McCain donors – online and off – were making a political contribution for the first or second time ever.[3]

A look at online donors to campaigns at all levels reveals that 24 percent had never before given to a political cause. Compare that to the 13 percent to 17 percent of big-money presidential donors in each election cycle who are first-time donors. An additional 11 percent said they had only made one donation prior to the 2000 elections. Considering the stability of the donor pool prior to 2000, it is not surprising, however, to see signs of stability even among online donors. More than half of all online donors – 65 percent – said they had made more than one political contribution prior to the 2000 election cycle. Almost as many online donors contributed "in most elections" as did the number of online donors who said they were first-time givers.

Figure 5.1. Prior Giving Among Online Donors

(Prior to the 2000 elections, how often did you donate to a political action committee, candidate or party?) N=1,906

The higher than usual percentage of first-time donors may be attributed as much to online fundraisers' efforts to attract new donors as to the innate qualities of the Internet. Several political fundraisers and vendors said they were making a conscious decision to drive new donors to the Web. Many other new donors may have gone online as a result of news media coverage about Internet fundraising.[4]

It will be important to track these first-time donors in 2002 and 2004 to see how campaigns treat them and whether they remain in the pool. Brown, Powell and Wilcox found that newly mobilized donors are the least likely to remain in the donor pool during the next cycle. They also found that first time donors are often brought into the process through their attraction to heavily ideological candidates who may not run again in the next election. It is also possible that the New Economy motivated people to make online political contributions just as it motivated people to trade stocks online. An economic downturn could take away from some online donors the financial ability to continue giving.

However, on average, new members to the donor pool will remain members for an average of two to three years. Mal Warwick & Associates, a direct mail fundraising consulting firm, estimates that "during that time, these donors will make three or four additional contributions, and their average gifts will be 1½ to 2 times the size of their initial gifts."

Although there is some evidence to suggest that political donors are also likely to be involved in other forms of civic engagement, donors who first give in response to an impersonal solicitation – such as those commonly cited by online donors – are not likely to be invited by campaigns in the future to participate in the political process in other ways.[5] If a donor is nothing more than a name on a list, that is all he is likely to remain.

…But Not Wider

Following a speech to conservative activists in July 1999, Republican presidential candidate Dan Quayle urged supporters to go to his campaign Web site and make a contribution. "I'm not going to have a lot of the fat cats and the big wallets out there supporting us," he said. "But I want people out there that are listening to this to tune in to that Web site, Quayle.org, [click on the] credit card and join the 21st Century Club. That's only $21. Just give us $21, and you will be put on a fancy mailing list, you will be supporting us and we will be on our way to victory."[6] Quayle's appeal was meant to indicate that he was a different type of candidate than one who would take money from "special interests" – a group that has only a vague definition in the American political lexicon, but one many people understands to be made up of a group of elites.

Despite Quayle's plea, and with a few exceptions, online fundraising did not facilitate a more diverse donor pool. Rather, online fundraising seems to have taken the Donor Divide and the Digital Divide and fused it into one wider chasm between traditional privileged and traditionally disenfranchised demographic groups. The Digital Donor Divide is wider than either the Digital Divide or the Donor Divide alone.

The U.S. voting age population is the base against which we measure the Digital Donor Divide. To ensure that we are comparing similarly sampled groups, all of our data about the voting age population, Internet users, and political donors comes from the 2000 National Election Study. Data about online political donors comes from our survey of that group.

In our examination of the demographic differences between these groups, we considered gender, educational attainment, income, race and age. These are the demographic categories in which previous studies have found a difference between the general population and either Internet users or political donors. To measure the differences between the voting age population, Internet users, political donors and online political donors, we examined the differences between the percentage of each sample that was made up of the "elite" group in each demographic category. These groups – men, college graduates, the wealthy, whites, and older adults – have historically had greater access to the political system and economic marketplace. Most of the demographic groups are self-explanatory, but a few require elaboration. College graduates are considered to be anyone who has received a bachelor's degree or other advanced degree. The wealthy are considered to be Americans who are in families that have an annual yearly income of above $50,000 – 116 percent of the U.S. 1999 median household

income, expressed in 2001 dollars. This income group constitutes the upper 20 percent of the voting age population. To examine age, we considered the average age of each group. We assume that the social contacts and life experiences that give someone an advantage in the political and economic arenas increase with age.

Before discussing the demographic characteristics of online donors, it is important to understand the differences between the voting age population and Internet users and political donors in general. The voting age population is 43 percent male, 31 percent college graduates, 20 percent wealthy, 78 percent white and has an average age of 47 years. In all of those categories but age, Internet users are more likely to be elites. The most dramatic differences are in the income and education categories. The portion of Internet users who are college graduates and the portion that are wealthy is 40 percent higher than that of the voting age population.

Table 5.1. Elite Demographic Groups

	Voting Age Population	Internet Users	All Political Donors	Online Donors
Male	43%	46%	58%	49%
College graduate	31%	43%	54%	82%
Annual family income > $50,000	20%	28%	43%	79%
White	78%	83%	85%	95%
Average age	47	43	53	53

(*Source: 2000 National Election Study and survey of online donors*)

In every demographic category, political donors are even more likely to be members of the elite group than are Internet users. Once again, income is the category in which we see the greatest percentage increase. The portion of political donors that are

wealthy is 53 percent greater than that of Internet users, and 115 percent greater than the portion of the voting age population that is wealthy.
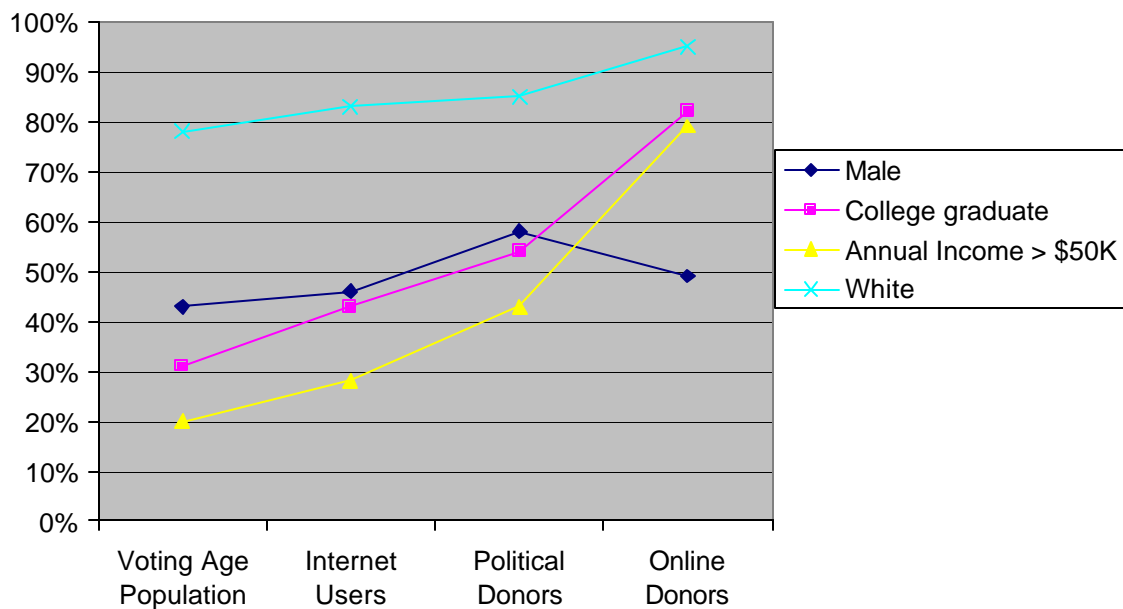
Rather than increase the diversity among the pool of donors, online fundraising has the effect of increasing the concentration of elite demographic groups in the donor pool. Internet users are more likely to be privileged than the voting age population, donors are more likely to be privileged than Internet users and online donors are even more likely to be white, wealthy and college-educated. The average age of online donors is the same as that of all donors, but is still higher than either the population of Internet users or the voting age population. Online donors are also more likely to be women than are all donors, but men are still a slightly higher percentage of the group than they represent among either Internet users or the voting age population.

Education and income stick out as the two demographic factors that are most different between online and all donors. Online donors are 83 percent more likely than all donors to have annual family incomes greater than $50,000. They are 52 percent more likely to have a college degree. These two demographic factors are closely associated with one another, so it is not surprising to see both increase together. It is in these two demographic categories that online donors differ most from the voting age population, with college graduates being more than twice as prevalent among online donors and wealthy Americans being nearly four times as prevalent.

Age and gender are the two categories of online donors that do not increase over all donors in their portion of elites. Online donors are less likely to be male than are donors over all, but they are more likely to be male than are all Internet users. The manner in which different genders are solicited for online donations does not account for

this greater instance of women among online donors. Both women and men who give

online are about equally as likely to be first-time donors or to have found the opportunity

to contribute without being solicited.

Figure 5.2 Rate of Increase in Elite Groups

The one demographic group through which the Digital Divide and the Donor

Divide cut differently is age. Even without counting Internet users who are below the

minimum voting age of 18 years, the online audience is younger than the voting age

population as a whole. However, political donors are older than the voting age

population. Online donors have the same average age as donors as a whole, but are 23

percent older than Internet users as a whole.

As we see with age characteristics, when the two Divides cut in different

directions, it appears as if the Donor Divide is the stronger factor in determining the

direction of the Digital Donor Divide. This introduces the question of whether the demographic makeup of online donors would change if the demographics of Internet users or political donors were to change. When we think about online donors, should we consider them to be Internet users who make political donations or political donors who use the Internet? Which characteristic is primary?

It is easy to see that online donors are more similar to donors than they are to Internet users in every demographic category except age. This indicates that it would be more likely for a previous donor to give money via the Internet than it would be for someone who used the Internet to donate. For example, for an Internet user to be an online donor, the likelihood that he had a college degree increases 90 percent. For a donor to be an online donor, the odds of him having a college degree would increase only 52 percent.

Relative to the voting age population, it is also more likely for a donor to have Internet access than it is for an Internet user to have made a political contribution – online or offline. Donors are 41 percent more likely than the general voting age population to have Internet access, while Internet users are only 10 percent more likely than the general voting age population to have made a political donation. Only 7 percent of Internet users cited online fundraising as a feature they would like to see on a candidate's Web site.[7] Online donations should be thought of as different way that donors make political contributions, not as a different way of using the Internet.

Perhaps the clearest indication that online donors are more similar to all donors than they are to all Internet users is that 76 percent of all online donors said that they had previously given to a political cause. The Internet for these donors is but another method

they can use to give. The Internet makes it easier to make an "impulse purchase," as John McCain adviser Max Fose refers to online donations, but it does not build a mini-mart in new neighborhoods. For candidates trying to determine whether someone is likely to give online, it would be more important for them to know whether the person is a previous donor than whether the person has Internet access.

The Democratic Senatorial Campaign Committee's fundraising strategy took into account the likelihood that online donors were merely donors who would give anyway. DSCC spokesman David DiMartino saw the Internet was an inefficient way to collect inevitable donations. "Since most Internet donations are small, after paying a processing fee, and the time wasted, it would be much better for someone like [Michigan Senator] Debbie Stabenow to get the $20 directly from the contributor," he said.[8]

<u>Donation Amounts</u>

Few durable goods can be found at the grocery checkout stand amid the packs of chewing gum and magazines. Merchandizers market more expensive items differently than inexpensive ones. They know that consumers are more likely to spend more time mulling over the purchase of a washing machine than a breath freshener. Many retailers use the Web to allow consumers to compare the details of big-ticket items such as cars and computers. Marketers of impulse goods rely more on emotional appeals.

Whether online donations are the political equivalent of "impulse purchases" or "junk food," most of the strategic discussion about how to solicit funds online assumes that it is not a decision over which potential donors will agonize at length. Although the Web is an information-rich environment that could help steer donors to a comfortable

big-ticket donation, most strategists are going for volume. "When you're seven inches away from all the information you need about a cause, it is an emotional decision to make a contribution. It's not an economic decision, it's impulse," said Trey Richardson, CEO of E-contributor, a company that provides campaign fundraising software.[9]

Online fundraisers throughout the 2000 election cycle could not come to a consensus about whether online donations were larger or smaller than offline donations. Experts cited average transaction amounts between $37 and $100, with most estimates in the $50 range. Our survey of 2,452 online donors indicated that the average donor through the course of the campaign gave about $222 via the Internet. In a survey of 1988 donors, the average self-reported annual donor total was $247, or about $367 in 2001 inflation-adjusted dollars. Previous studies indicate that the average contributor makes between two and four donations per campaign.[10] If that holds true for online donors, the average per transaction was about $75.

[1] Verba, Schlozman, and Brady, pp. 516-518.
[2] Green, Hernson, Powell, and Wilcox, 1997.
[3] Simpson, Feb. 2, 2000.
[4] Brown, Powell, and Wilcox, 1995, p. 33.
[5] Brown, Powell, and Wilcox, p. 115.
[6] Lowy, "The Presidential Race," Scripps Howard News Service, Aug. 1, 1999.
[7] E-Advocates/Juno, 2000.
[8] Shaffrey, "Mixed Results for Party Fundraising Websites," The Hill, March 22, 2000.
[9] Associated Press, "Political Fund-Raising on the Internet," Las Vegas Sun, Aug. 17, 2000.
[10] Sarouf, 1992, p. 29.

VI. Conclusion

Although online fundraising brought changes to campaign strategy and political participation during the 2000 election cycle, it clearly has not yet realized its potential. In 2000, merely providing the ease of online transactions was not enough to mount a successful fundraising campaign. "Some people made money, some didn't…. Those that really worked their Web sites, made it an integral part of their fundraising efforts, those campaigns made money," online fundraising strategist Rebecca Donatelli told MSNBC.com at the end of the campaign.[1] MoveOn.org conducted one of the most successful online fundraising efforts during the last campaign cycle, raising more than $2 million from 2,000 contributors. However, more than 25,000 originally pledged $13 million to the cause. E-contributor's Trey Richardson expects that in 2004, $170 million – 12 percent of all projected political donations – will be contributed online. By that time, the Republican National Committee expects to generate online at least 25 percent of its sub-$100 donations.

The Internet is rapidly changing all facets of American life, including politics. In the last four years, the Internet has grown from a domain of the technological elite to a medium used by most Americans. Its market penetration has grown faster than that of any other medium. Its potential to radically alter the dynamics of political participation is

perhaps stronger than the advent of any previous medium. Campaign contributions, as a method of political participation, is but one aspect of American democracy on which the Internet is having an effect.

Just as not every group of Americans has historically had equal access to the political process, not every group of Americans has equal access to the political potential of the Internet. If the Internet has provided Americans with new access to the institutions of democracy, it has primarily provided it to the groups of Americans who have always had access – specifically white, well-educated, wealthy, older men.

The ability to acquire the political resources necessary to run a successful campaign is the determining factor for many who want to run for office. With the costs of running a successful campaign rising rapidly over the last decade, candidates and political parties are constantly looking for untapped pools of donors and for new ways of extracting more money from previous donors. The manner in which U.S. House campaigns sought money online in 2000 was not sophisticated. Most candidates passively accepted contributions that happened to come their way. They did not use their Web site as a solicitation tool that could quickly and easily push potential donors to make true "impulse purchases." Of the candidates who did ask for money online, most appealed to the purposive motivations of donors who wanted to influence the outcome of either a public policy debate or simply the campaign itself.

The pool of campaign contributors has been a small, stable and homogenous group of Americans. While online fundraising in 2000 did make the pool slightly less stable by adding new donors, it did not make it more representative of the voting age population. In fact, online donors are more likely to be members of a historically

privileged demographic group than either people who just use the Internet or people who just donate to political campaigns. Online fundraising seems to have fused the Digital Divide with the Donor Divide to create a greater chasm between digital donors and the rest of Americans.

Aside from being more likely than all donors to be rich, white and college-educated, online donors are different from political donors in general. They are more likely to have given to a campaign without being asked, more likely to be motivated by altruistic goals than personal gratification, and more likely to give slightly less money to all political causes over the course of an election cycle.

However, just because these were the characteristics of online fundraising in 2000 – the first presidential election year in which online credit card transactions were wide-spread – does not mean that they are inevitable characteristics that will always be part of online political fundraising. This study merely establishes the first point in what must be a lengthy measurement of the behaviors of online campaigns and online donors.

If the rules of the New Political Economy hold, then online fundraising will change American politics. It will change the manner in which campaigns seek money, it will change the pool of Americans who finance the political system, it will change the manner in which journalists cover politics and it will change the manner in which campaign finance reformers propose to improve the system. However, there is no guarantee that these new "rules" will hold. With the recent downturn of the stock market the rules of the New Economy now seem less likely to be rules at all and more likely to be aberrations. Similarly, the campaigns of 2002 or 2004 could prove the New Political Economy Rules to be aberrations.

What It Means for Campaigns

Campaigns strategists would like to use the Internet to help them accomplish the three goals of fundraising: to raise all the money they need in a timely and cost-effective manner, to attract new donors, and to solicit every donor repeatedly until all donors have reached their financial or legal limit.

The economics that cause online solicitation to be cheaper per contact as the number of contacts increase will not change. However, other factors could cause the Internet to cease being "the cheapest fund-raiser known to man," as Elizabeth Dole's campaign spokesman called it. Vendors seeking increased profits could decide that they should raise the percentage of each donation that they siphon off in transaction costs. Some campaigns are already encouraging small donors *not* to give online, but to mail in their checks so they will not be subject to a vendor's transaction fees. It is possible that campaigns will begin to put the emphasis of their online fundraising efforts not in attractive new donors, but as a convenience for the campaign and for their larger donors. In 2000, 76 percent of online donors had given to a campaign before and would likely have given without the convenience of the Internet. There is no reason a campaign should incur online transaction costs for small donations that they would have received anyway.

When it comes to attracting new donors, the Internet appears to be one of the most cost-effective ways of doing so. There are indications that the Internet attracts a higher percentage of new donors than are normally attracted in a campaign year. Compare the 24 percent of online donors who were giving for the first time to the 13 percent to 17 percent of all donors who are first-time donors to presidential candidates during an

election cycle. Although online fundraising does not attract a more representative pool of donors, it does do an above-average job attracting new donors.

Aside from the support that campaign donations can indicate for a candidate, there is no reason that a campaign fundraiser would care about the demographic makeup of his donors. However, there is one key exception. Because repeat solicitation over the years is key to the calculus of fundraising, it would be preferable for campaigns to have a loyal pool of younger donors who have a longer lifetime over which they will likely continue to give. The average age of all donors – and online donors – is 53 years. The average age of the voting age Internet population is 43 years. If donors conservatively average $200 in political contributions a year, someone who starts giving at 43 will give $2,000 more over his lifetime than if he started giving at 53. It is possible, though not necessarily likely, that as Americans begin using the Internet at a younger age, Internet users will embrace online fundraising at a younger age. It would be beneficial for campaigns to encourage them to do so.

This study examined how campaigns solicited money and the reasons that donors gave money. However, it was not able to tie specific donor responses to specific appeals. As online solicitation becomes more sophisticated it will be important to measure the relationship between specific appeals and specific responses.

It is clear that Web-based solicitation still has not developed to the same level of sophistication found in offline solicitation. Offline experience suggests that purposive solicitations will predominate on impersonal candidate Web sites. However, with recent advancements in the science of tracking online visitors, campaigns could begin personalizing their Web solicitations. For example, if a candidate shows interest in a

specific issue area of the Web site, a fundraising appeal could target that visitor's interest. Personalized appeals do not have to be purposive, however. If a visitor demonstrated an interest in the candidate's family, a solicitation could ask the visitor to join the candidate and his family at a picnic. Candidates armed with the right databases could even make effective material appeals online. Perhaps a campaign would one day have technology that will allow it to identify a visitor to its site as a physician, lawyer, realtor, teacher, lobbyist or member of another highly regulated profession. The candidate could then demonstrate his support – and potential support – of that industry in his fundraising appeal.

This study also did not examine online advertising or e-mail campaigns, both of which will likely be key to any donor solicitation. Republican National Committee Chairman Jim Nicholson called building a database of supporters' e-mail addresses his organization's "job one" during the 2000 election cycle.[2] Through banner ads and e-mail solicitation, campaigns could be more active about specifically asking people to contribute – no longer violating the number one rule of fundraising. It could become increasingly candidate-driven, and less donor-driven. This could make online fundraising more effective for campaigns, but it could also reinforce the exclusivity of the donor pool.

While 24 percent of online donors were new to the donor pool, newly mobilized donors have been the donors least likely to remain part of the pool during the next election cycle. It will be important for campaigns to ask them to give again if they want the donors to get in the habit of giving. It is hard to imagine that anyone who gave an e-mail address to any political campaign or group for any reason during 2000 will not be

asked to give money in 2002 or 2004. However, there may be indications even before then about the manner in which new donors are solicited as advocacy organizations continue their online fundraising efforts, even in the off-years.

It will also be important to examine whether new donors who gave for the first time online will be more or less likely than other donors to participate in other political activities. Nearly eighty percent of big-money presidential donors have on occasion tried to influence an act of Congress.[3] However, many more people give only money to a political cause than give only time or give a combination of time and money.[4] Will online donors be more likely to participate in other political activities because it is easier to participate in them online?

The timing of online campaign contributions was also a factor that we noted but did not examine. Jean Elliott Brown, the Democratic nominee in Florida's 16th Congressional District, used the Internet to raise early money and demonstrate the viability of her campaign. In November, even after Election Day, the National Republican Senatorial Committee saw 1,549 contributions come via its Web site in the hours after a radio talk show host suggested that listeners go online and donate.[5]

What It Means for Democracy

The current debate over political fundraising mirrors the current debate over the role of the Internet in shaping political participation. Both get to the heart of the conflict between the two primary values of American democracy: freedom and equality. Political money allows people great freedom to decide the manner and magnitude to which they participate in politics. However, it is one of the most unequal forms of political

participation. The Internet provides great freedom from government control and opens the political process. As former Electronic Frontier Foundation chairwoman Esther Dyson said, "This is a medium of conspiracy, not of propaganda."[6] However, the Internet is also the domain of the same privileged Americans that have always had access to the political process –a group unlikely to participate in a conspiracy.

One potential that the Internet did not realize during 2000 was its ability to reach new constituencies of donors. As campaigns learn more effective ways to raise money online it is likely that they will continue to target the rich, as they do in offline fundraising. The opportunities for a conspiracy of non-traditional donors to overtake the political fundraising process will diminish as fundraising strategists become increasingly sophisticated in their use of the Internet.

If the 2000 cycle is any indication, online fundraising could lead to an increase in nationalized campaigns for the House and Senate, and perhaps to an increasing emphasis on issues. Some critics of online fundraising are already concerned with its potential to facilitate quid pro quo contributions.

Jean Elliott Brown, the Florida Democrat, was by all accounts a prolific online fundraiser. She was an early supporter of MoveOn.org and, in turn, MoveOn.org financially supported her campaign. However, her online fundraising efforts were tied to this political action committee that had as its original purpose retribution against the House leaders of President Clinton's impeachment. The news media and her opponent drew a connection between her association with MoveOn.org's national effort and the high percentage of her contributions that came from outside Florida. In a July 2000 report, Jean Elliott Brown had raised 42 percent of her money from outside Florida,

compared to the 23 percent raised by Republican opponent, Mark Foley. In a *Palm Beach Post* article, Foley said that one of Brown's greatest challenges to winning was that she "was recruited to run by an outside group."[7] Foley used Brown's out-of-state money in a fundraising letter of his own, noting, "Ordinarily, you wouldn't expect people from these cities [outside Florida] to care about who in Congress represents the people of Palm Beach Gardens, Port St. Lucie or Sebring."[8]

Foley was insinuating that a House member should represent the interests of his geographic constituencies rather than national ideological constituencies, and that Brown would be more beholden to a "special interest" than to the people in her district. Certainly, this is not a new criticism of a candidate, but online fundraising makes the criticism more likely. Because the Internet conforms to no political boundaries, it is just as easy to ask for money from someone 10,000 miles away as it is to ask for money from someone next door. This is especially true when a local race receives national attention, as did Hillary Clinton's New York Senate race. Both Rudolph Giuliani and Rick Lazio used their Web sites specifically to collect money from people outside New York who opposed Clinton.

South Carolina Democratic congressional candidate Andy Brack said he worried about the damage that online donors could do to his reputation. He noted that one of his repeat online donors was an unknown man from New York. Brack said that for all he knew the man could be a felon or some other unsavory person with whom he would not want to associate his campaign. To help ally this concern, Artistotle Publishing, a leading vendor of online fundraising solutions, provides its clients with the ability to check whether each donor is a registered voter, and therefore not a foreign citizen or felon.

If online fundraising makes it easier for candidates to seek and obtain support from around the country, then it also puts an emphasis on national issues and personalities rather than local social or professional contacts. MoveOn.org donors to Jean Elliott Brown's campaign most likely gave to her because they supported her stance against the impeachment of President Clinton. Non-New Yorkers donated to Hillary Clinton's opponents most likely because they feared the impact that she would have on public policy or the integrity of public office.

Although most online fundraising appeals were focused on a potential donor's desire to impact public policy or the outcome of the election, some critics already fear the use of the Internet to further a sort of virtual good ol' boy network. *Palm Beach Post* columnist Jac Wilder VerSteeg wrote a piece in July 1999 in which he expressed his concern about the inevitable political professionalization of a medium that was colonized by academics and individuals of disparate interests. "I can see the day when whichever party controls the White House will give you, for a small donation, a virtual tour of the Lincoln Bedroom," he wrote. He went on to promote the hope of small online micro-donations of a dollar or two. "In theory, that small-bucks-in-bulk aspect could reduce the clout of mega-givers. But politicians always will notice the one who gives $100,000 more than the 100,000 who give $1." Concerned that donors would one day be able to "click here" to add a politician to their shopping cart, he was also the impulse buying metaphor and turned it on its head

If online fundraising does become more popular in 2002 and 2004 as many campaign professionals expect, it could affect the debate over campaign finance reform. The Internet could potentially achieve the reforms through practice that advocates have

not been able to achieve through legislation. If the Internet continues to attract new donors and smaller contribution averages, campaigns will begin to rely more on thousands of small donations than on a few large ones – especially if the small donations cost little to raise compared to the expensive dinners at which large donors are courted.

Some opponents of contribution caps advocate improved disclosure as a sufficient campaign finance reform that would perhaps not "clean up" the system, but at least give voters a better idea about how "dirty" it was. One of the reasons that Congress requires that candidates disclose only the donors who give more than $250 is that campaigns would otherwise spend all their time on keeping records of small donations. If candidates had to do so much bookkeeping, they would likely avoid small donations as a waste of time. That would be contrary to the intent of the donor limits. However, as more donations are given online, more donor information is automatically collected without the expense of human intervention. That information is collected from online donors no matter the amount they give. Several online fundraising solution vendors promote their products as a simpler, automated way of complying with the more than 8,000 federal, state and local laws that govern campaign finance.

The Internet would also make disclosure available to the public more quickly. Just as money is available to candidates as soon a donor enters his credit card number online, the donor's name and information could be available to the Federal Election Commission and the public. This would help reduce concerns about the lack of disclosure during the final frantic days of a campaign during which candidates are doing whatever they can to collect money from every last available source.

As the 2000 election cycle has shown, online fundraising will not have inherent impacts on either campaigns or the American political process. It will be strategists and regulators and the decisions they make over the next four years that will determine whether the online fundraising draws more people to the political process or whether it keeps more people out.

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[4] Verba, Schlozman, and Brady, p. 67.
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[7] Lipman, "Out-of-State Money Boosts House Campaigns," <u>The Palm Beach Post</u>, July 22, 2000.
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Appendix I: FEC Regulations Impacting Online Fundraising

June 2000 – Responding to a request from online fundraising vendor Campaign Advantage, the FEC advises that it is permissible to collect online donations with electronic check technology. (http://herndon3.sdrdc.com/ao/ao/990022.html)

November 1999 – The Federal Election Commission issued a request for comments on how it should regulate campaign activity conducted via the Internet. During the three-month period during which the request was open, the FEC received more than 1,200 comments. It has yet to make a report or take action based on those comments. (http://www.fec.gov/using_internet.html)

September 1999 – Online fundraising vendor Aristotle Publishing received an FEC Advisory Opinion allowing the company to serve as a financial intermediary between donors, campaigns and credit card companies. (http://herndon3.sdrdc.com/ao/ao/990022.html)

June 1999 – Following a request from Bill Bradley's presidential campaign, the FEC said that qualified online credit card donations were eligible for federal matching funds. The FEC subsequently added a section to Federal Code (11CFR9034.2) making eligible all online donations under $250 made after January 1, 1999. (http://herndon3.sdrdc.com/ao/ao/990009.html)

August 1995 – Responding to an inquiry from the Lamar Alexander

presidential campaign, the FEC says that whether a contribution to a presidential

campaign was solicited online would have no impact on whether the contribution was

qualified as a federally matchable contribution.

(http://herndon3.sdrdc.com/ao/ao/950035.html)

April 1995 – NewtWatch, a political action committee that existed primarily as

an online entity requested and received an Advisory Opinion from the FEC allowing it to

solicit and collect money via the World Wide Web. The FEC also said that online

fundraising efforts were subject to the same regulations as offline campaigns –

specifically regarding record-keeping and disclosure.

(http://herndon3.sdrdc.com/ao/ao/950009.html)

December 1989 – Advisory Opinion allows campaign donations to be

electronically transferred directly from a donor's bank account to the campaign account.

(http://herndon3.sdrdc.com/ao/ao/890026.html)

September 1978 – Advisory Opinion allows use of credit cards for campaign

finance transactions. (http://herndon3.sdrdc.com/ao/ao/780068.html)

Appendix II: Survey Items Used in Analysis of Online Donors

1. **Prior to the 2000 elections, how often did you donate to a political action committee, candidate or party? (N=1,906)**

   In most elections …..24%

   In some elections ….41%

   In one election …….11%

   Never………………24%

2. **Thinking back to the first time you made a political donation online, how was that contribution solicited? (N=1,806)**

   I heard about it from someone I knew personally……..17%

   I heard about it from someone I knew impersonally ….34%

   I heard about the opportunity in a news account………11%

   I found the opportunity on my own……………………37%

3. Which of the following is the most important reason for you personally to make a political donation? (N=1,892)

Personal friend of candidate………..1%

To influence government policies….35%

It's expected of me…………………*

Enjoyment of social contacts..……...0%

Feeling of recognition………………*

Sense of community obligation…….7%

To influence election's outcome……56%

Business or employment reasons…..*

Other……………………………….1%

* = less than 1 percent.

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