

INSIGHT

Do Small Donors Cause Political Dysfunction?

By Ian Vandewalker MAY 8, 2024

A boom in small donations has transformed recent elections, signaling that millions more people than ever before are engaged in politics through campaign finance. Small donors gave more than \$4 billion in the 2020 federal elections, up from \$1 billion in 2016.¹ Thanks to social media and online fundraising platforms, this nationwide pool of donors has become an important target of political fundraising. In a democracy, broad participation in this critical aspect of the electoral process is good. But are there downsides to the increase in small money?

A number of critics say there are.² These commentators have argued that politicians' growing reliance on small donors exacerbates two related trends: increasing *polarization*, wherein politicians take more and more extreme ideological stances, and *fragmentation*, in which renegade officials buck their party leaders and undermine their ability to govern. These critics question the advisability of a popular campaign finance reform proposal: small donor matching.³ Such programs amplify small donations — typically defined as contributions of around \$200 or less — by matching them with public funds to offset the current system's dependence on the very wealthiest donors.

There is little evidence that the risks posed by small donors outweigh the benefits of lifting their voices. Critics have overstated their role in increasing political polariza-

At a Glance

- >> Many small donors give in patterns indistinguishable from those of other classes of donors.
- >> Wealthy donors have a much greater impact on U.S. political dysfunction than do small donors.
- >> Public financing encourages candidates to fundraise from their constituents rather than seek national notoriety.

tion and fragmentation. American politics has many problems. The rise of small donors is not one of them.

All donors, regardless of how much they give, tend to be more partisan and ideological than the average voter. Many small donors give in patterns indistinguishable from those of other classes of donors. And while small donor giving has increased significantly in recent years, big-money spending has grown faster. The few wealthy donors who give the largest amounts have a much greater impact on American politics and prop up more than their share of extreme, norm-breaking candidates.

Most important, whatever the role of small donors in fueling dysfunctional politics, well-designed matching programs do not make it worse. Matching programs do not simply amplify existing small donors but transform fundraising incentives to change who gives in ways that may mitigate polarization and fragmentation.

Small Donors and Polarization

American politicians have moved away from the center and toward either end of the ideological spectrum.⁴ Through much of the 20th century, the two major parties included coalitions of regional and ideological factions; now they are ideologically coherent and distinct. The most liberal Republican in Congress is now to the right of the most conservative Democrat.⁵

Partisan polarization can have benefits, such as making party labels a valuable source of information for voters.⁶ But excessive polarization poses significant risks. Without ideological overlap between the two parties, bipartisan compromise becomes difficult.⁷ Especially when control of government can change hands in every election, the party in the minority has little incentive to help govern.⁸

Measures of polarization refer to the ideological distance between politicians. When political scientists talk about “extremism” in this sense, they are simply referring to ideological positions distant from the center, without invoking the violent or revolutionary connotations the word often has. Nevertheless, hyperpartisanship can erode mechanisms of democracy when partisans’ drive to defeat the other side threatens the unwritten norms of the legislative process and the willingness to accept unfavorable election results.⁹

To be sure, polarization in U.S. politics has been asymmetrical: Republicans have moved farther to the right than Democrats have moved to the left.¹⁰ What matters here is the lack of overlap and the challenge it poses for governance. Even so, this paper does not argue for moderation or centrism, but rather recognizes harms caused by the high levels of polarization seen today in order to explore whether policy can help ameliorate those harms.

Increasing polarization has many causes unrelated to campaign finance. Factors that have developed over several decades include a changed media landscape in which traditional and social media attract audiences by stoking conflict and outrage; the realignment of the major parties after the civil rights era; and Americans’ geographic sorting by ideology, abetted by the practice of gerrymandering.

To what extent can polarization be attributed to small donors?

The highly visible rise of small donors matters less than it might seem. Small donors are still swamped by big donors. In 2022, just 21 individuals and couples together

spent \$783 million, easily outspending the total given by the millions of people who made small donations.¹¹ Indeed, small donors’ share of total campaign spending has remained basically flat, at around one-quarter of election funding, while megadonors — those who give \$100,000 or more — tripled their own share to account for more than one-third of all money spent in 2018.¹²

True, some politicians attract hosts of small donors with attention-grabbing stunts. Antics that led to a spike in small donations include New Jersey Sen. Cory Booker saying he would release confidential documents damaging to then–Supreme Court nominee Brett Kavanaugh even at the risk of being expelled from the Senate, former North Carolina Rep. Madison Cawthorn opposing the certification of the 2020 presidential election result, and Georgia Rep. Marjorie Taylor Greene attempting to impeach President Biden on his first day in office.¹³

More generally, studies find that candidates closer to the ends of the ideological spectrum tend to rely on small donors for a greater share of their fundraising.¹⁴ This is so even though there is evidence that small donors’ own beliefs are less polarized than those of large donors.¹⁵ This disconnect may be due to the fact that many candidates’ media and fundraising strategies rely on extremism to activate a national pool of potential partisan donors.¹⁶

The association between ideology and small donors is far from perfect, however. Donors give to candidates they have heard of, and there are many paths to being well known. Hyperpartisan antics are one, but not the only one. Many party leaders, such as former House Speaker Nancy Pelosi, who raised \$15.5 million from small donors in 2020 (the second-highest total for any House Democrat), and others who consciously brand themselves as willing to work across the aisle, such as Sens. Lindsey Graham of South Carolina (\$52 million) and John Hickenlooper of Colorado (\$15 million), also do well with small donors.¹⁷

To the extent that notoriety particularly motivates small donors, it can lead them to give to candidates running from the center who *oppose* incumbents seen as ideologues. In his challenge to New York Rep. Alexandria Ocasio-Cortez in 2020, John Cummings raised \$7.8 million from small donors — 70 percent of his funding.¹⁸ Marcus Flowers, running against Representative Greene in 2022, raised an astounding \$13.3 million from small donors — more than Greene’s entire campaign haul.¹⁹

Furthermore, if small donors prop up some extreme candidates, big donors do so too. In the House, for example, some members toward the ends of their parties’ ideological spectrums rely primarily on large donors and receive few small contributions. For example, Reps. Maxine Waters of California and Chip Roy of Texas, both far from the ideological centers of their respective parties, rely primarily on midsize and large donors, perhaps because these candidates lead powerful committees that oversee key industries.²⁰

Moreover, super PACs, often funded by highly ideological and very wealthy individuals, now dominate the campaign finance landscape. In 2022, tech billionaire Peter Thiel spent \$35 million on the Senate bids of two hard-line conservative newcomers, the unsuccessful Blake Masters in Arizona and Ohio Sen. J. D. Vance, who is now one of the farthest-right senators.²¹ Packaging magnate Richard Uihlein and his family spent \$50 million in support of far-right candidate Darren Bailey in the 2022 Illinois governor's race.²² Uihlein and other megadonors have spent millions propping up the campaigns of election deniers across federal and state elections.²³ Extremist megadonors like these can wield more influence with a single transaction than a million small donors can.

Nonetheless, small donors have played a role in funding some prominent ideologues. But as explained below, well-designed public financing systems can blunt this dynamic by steering more candidates to fundraise among their own constituents rather than rely on a more polarized national donor base.

Small Donors and Fragmentation

Another trend driving American political dysfunction that some critics have blamed in part on small donors is increased fragmentation — the breakdown in party unity that makes governance difficult even for the party in the majority.²⁴ Fragmentation was powerfully illustrated in 2023 when a few renegade Republicans delayed the election of California Rep. Kevin McCarthy as speaker of the House by repeatedly voting against him and then initiated his ouster 10 months later, a first in American history.²⁵

Some trace such dynamics back to candidates' ability to rely on small donors, arguing that they disrupt party leaders' ability to keep members in line by threatening to withhold party spending.²⁶ The boom in small contributions has indeed freed some politicians from reliance on party money.²⁷ But as with political polarization, some of the biggest causes of fragmentation are unrelated to small donors. For one thing, the country is relatively evenly divided, and the party that controls a congressional chamber often has a narrow majority. As a result, party leaders tend to support every vulnerable incumbent, no matter how rebellious.²⁸ Meanwhile, because of geographic sorting and the effects of gerrymandering over the past several decades, more and more members hold safe seats and simply don't need party funds to secure reelection.²⁹

And to the extent that the problem is that politicians can find sources of funding outside their party, that is not primarily because of small donors, on whom only a comparatively small number of candidates actually rely. For instance, in 2022, while small donors accounted for more

than 40 percent of the funding for 5 of the 20 anti-McCarthy GOP rebels in the House, they accounted for less than 20 percent for 10 others.³⁰ Similarly, Sen. Joe Manchin of West Virginia, who has stymied fellow Democrats' agenda several times, including by refusing to vote to change filibuster rules to enact popular measures like the Freedom to Vote Act, never raised more than 5 percent of his funding from small donors for any of his Senate campaigns.³¹

Several insurgent members have also enjoyed significant support from big-money super PACs, often in contested primaries. For example, Rep. Mary Miller of Illinois, who defeated a moderate fellow incumbent in her primary for a redrawn seat in 2022, was boosted by more than \$5 million from groups affiliated with the far-right Club for Growth. The same groups spent more than \$2 million in another primary to elect Florida Rep. Anna Paulina Luna.³² In the 2024 GOP Senate primaries, the Club for Growth and affiliated super PACs have backed far-right candidates, going up against the Senate Leadership Fund, a super PAC run by associates of Senate Minority Leader Mitch McConnell, which tends to support establishment candidates.³³

Since *Citizens United* and the rise in super PACs, incumbents most fear independent expenditures that fund their challengers, including in primaries.³⁴ Traditional party organizations have withered for the past half century, in part due to reforms that restricted the parties' ability to raise money to support their candidates.³⁵ Super PACs have taken their place, giving party rebels easy access to big spending.

In sum, as with polarization, we should not overstate the role of small money in the intraparty battles that have too often paralyzed Congress. And whatever role small donors have played, well-designed matching programs can mitigate the problem by giving more candidates an incentive to raise money from their constituents and focus on the concerns of the people who elect them, rather than seek national notoriety.

Transforming the Small Donor Pool Through Matching

Whatever effect small donors have on political polarization and fragmentation, matching their contributions is unlikely to amplify these effects.

Small donor matching programs have existed in the United States for decades. The most effective programs offer a multiple match with a high ratio of public funds to private money. The ratio in New York City, for instance, is 8 to 1 on donations of up to \$250 for citywide candidates

(raising the value of a \$10 contribution to \$90 and a \$250 contribution to \$2,250).³⁶ In many programs, donors whose contributions are matched cannot give more than the matchable limit, encouraging candidates to rely primarily on small donors. Increasingly, matching programs also favor donations from actual constituents. New York State’s recently enacted program, for instance, matches donations only from the residents of a legislative candidate’s district.³⁷

Matching programs along these lines encourage civic participation,³⁸ enhance candidate and donor diversity,³⁹ free candidates from reliance on big donors,⁴⁰ and enhance elected officials’ ties to their own constituents.⁴¹ These are among the reasons that small donor matching is the most powerful response to the big money unleashed by *Citizens United*.

We have not seen worsening dysfunction in the places where matching funds have been used. In the presidential system, small donor matching funds paid for primary campaigns for decades. Candidates including Jimmy Carter, Ronald Reagan, Walter Mondale, George H. W. Bush, and Bill Clinton — hardly a roster of ideological outlaws — benefited from this system.⁴²

Similarly, New York City’s long-standing multiple match has not fueled extremist politics there. In the 2021 mayoral election, the centrist Eric Adams won a hotly contested Democratic primary, narrowly defeating another moderate in second place, Kathryn Garcia.

Adopted more widely, well-designed matching programs would not exacerbate the problems of polarization and fragmentation for at least two reasons.

First, successful matching programs tend to change the composition of the pool of small donors. One of their defining features is that they encourage new donors to give.⁴³ Under recently established programs, majorities of donors have never given before.⁴⁴ Candidates likewise testify that telling potential supporters about the match helps them recruit new donors.⁴⁵ In jurisdictions with matching programs, donors are less concentrated in the neighborhoods and communities that usually account for most campaign spending, and significantly more money comes from candidates’ own constituents.⁴⁶

Well-designed matching programs may also foster more ideological diversity among small donors. Giving is typically not spontaneous but rather a response to fundraising solicitations.⁴⁷ Candidates who rely on extreme ideology and party-bucking antics, whose donors are already motivated to give, stand to benefit less from small donor matching programs than do those who rely on appeals to pragmatism and compromise or local concerns.

This benefit is likely to be especially pronounced for programs that match only in-district donations.⁴⁸ The sort of inflammatory fundraising strategies that critics tend to worry the most about depend on having a nationwide donor base. For example, Florida Rep. Matt Gaetz, a far-right

House member who led the charge to oust Speaker McCarthy, raised more than 90 percent of his contributions from outside his district in 2020.⁴⁹ An approach such as Gaetz’s — directing millions of solicitations to extreme partisans nationwide — would not work for in-district fundraising because the vast majority of congressional districts do not contain enough potential donors who can be motivated through extremist or disruptive appeals.

A generous in-district match is instead likely to dramatically increase the relative incentive for candidates to engage directly with their constituents through face-to-face grassroots events like house parties, as the experience of local jurisdictions with small donor matching programs has shown.⁵⁰ Such events are likely to feature discussions of local issues that cross ideological and partisan lines — issues that were indeed often an engine for compromise when the two major parties had more ideological diversity.

The second reason why well-designed matching programs do not exacerbate polarization and fragmentation is that matching programs amplify the voices of a class of donors who currently provide major support to moderates: midsize donors who give in the neighborhood of \$300 to \$1,000. While many small donors also give to moderates, and many extreme candidates do not rely significantly on small donors, moderate candidates tend to rely more on midsize and larger donors than their counterparts at either end of the political spectrum.⁵¹

These candidates and their donors stand to benefit significantly from matching programs. Take, for example, a donor who typically gives an unmatched \$1,000 contribution. Under a program with a 9-to-1 match, the donor need give only \$250, which is worth \$2,500 to the candidate.⁵² For only a quarter of what they would have given without a match, the donor can have more than twice the impact, and the candidate will receive more than twice the benefit. Matching programs transform midsize donors into small donors and amplify their contributions, which increases the amount of money going to moderates overall.

Conclusion

Small donors are not a driving force behind political dysfunction in the United States, and the benefits of amplifying their voices far outweigh any drawbacks. Matching programs work best when they operate in concert with other sound campaign finance policies to make megadonor money, which is all too easy to wield in support of disruptive candidates, less important and boost the relative influence of people who give in small amounts. Such policies include strong transparency rules for super PACs and other outside groups, safeguards to prevent these groups from acting as alter egos of campaigns, and robust enforcement.⁵³

It is also important to revive traditional party organizations, which can mitigate the most extreme polarization. Because parties aim for majority control of government, they focus on winning general elections. They tend to prefer moderate candidates who are more likely to appeal to general election voters, and they spend on the competitive races in purple districts. Parties can also slow fragmentation. Although parties' ability to use campaign finance to maintain discipline is limited, organizationally strong parties have ways of keeping

members in line. For example, they can mobilize grass roots for or against a candidate, which can be as valuable a bargaining chip as financing. As the Brennan Center for Justice has argued, certain campaign finance reforms could strengthen the parties, a valuable defense against dysfunction.⁵⁴

Small donor matching has many widely recognized benefits for democracy. Despite critics' concerns about boosting small donors' giving power, it can help make campaign finance a force to ameliorate dysfunction.

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41 Even programs that do not limit the match to district residents see an increase in in-district giving, likely due to candidates combining fundraising with voter outreach. Nirali Vyas, Chisun Lee, and Joanna Zdanys, “The Constituent-Engagement Effect of Small Donor Public Financing: A Statistical Comparison of City Council (2017) and State Assembly (2018) Fundraising in New York City,” Brennan Center for Justice, September 9, 2019, <https://www.brennancenter.org/our-work/research-reports/constituent-engagement-effect-small-donor-public-financing-statistical>.

42 Compare Richard Briffault, “A Better Financing System? The Death and Possible Rebirth of the Presidential Nomination Public Financing Program,” in *The Best Candidate: Presidential Nomination in Polarized Times*, Eugene D. Mazo and Michael R. Dimino, eds. (Cambridge, UK: Cambridge University Press, 2020), 240–42. https://scholarship.law.columbia.edu/faculty_scholarship/2590.

43 Malbin, Brusoe, and Glavin, “Small Donors, Big Democracy.”

44 See, e.g., City of Portland, Oregon, Open & Accountable Elections Commission, *Report on Open & Accountable Elections: 2020 Election Cycle*, August 5, 2021, <https://www.portland.gov/sites/default/files/2021/0a/ec-report-8.5.2021.pdf> (reporting that 54.6 percent of surveyed donors had never given to a candidate before).

45 Brennan Center for Justice, “Faces of Small Donor Public Financing 2021,” March 11, 2021, <https://www.brennancenter.org/our-work/research-reports/faces-small-donor-public-financing-2021>.

46 Vyas, Lee, and Zdanyk, “The Constituent-Engagement Effect” (finding that in-district donors for the New York City Council increased under a program that matches donations from any district in the city).

47 La Raja and Wiltse, “Don’t Blame Donors for Ideological Polarization” (finding that patterns in donor polarization “may reflect the simple fact that particular candidates activate the most ideological elements in the donor population”); and Alex Keena and Misty Knight-Finley, “Are Small Donors Polarizing? A Longitudinal Study of the Senate,” *Election Law Journal* 18, no. 2 (June 2019), <https://doi.org/10.1089/elj.2018.0498>.

48 Compare Pildes, “Small-Donor-Based Campaign-Finance Reform,” 163. (“To reduce the polarizing effects of individual contributions, a national small-donor matching bill could limit public matching funds to small-donor contributions from district residents.”)

49 OpenSecrets, “In-District vs. Out-of-District,” accessed March 22, 2024, <https://www.opensecrets.org/elections-overview/in-district-vs-out-of-district?cycle=2020&display=A>.

50 Brennan Center, “Faces of Small Donor Public Financing 2021.” Historically, the major objection to limiting matching to in-district donations was that it disadvantaged candidates running in less wealthy communities. But as New York State’s new system shows, that obstacle can be overcome by structuring the match progressively so that the smallest contributions are amplified the most. Compare Ian Vandewalker, Brendan Glavin, and Michael Malbin, “Analysis Shows Amplification of Small Donors Under New

NY State Public Financing Program,” Brennan Center for Justice and OpenSecrets, January 30, 2023, <https://www.brennancenter.org/our-work/research-reports/analysis-shows-amplification-small-donors-under-new-ny-state-public>. (“More than 90 percent of major-party general election candidates would raise as much or more money by participating in public financing compared to what they actually raised in 2022.”)

51 Albert and La Raja, “Small Donors in US Elections”; and Culberson, McDonald, and Robbins, “Small Donors in Congressional Elections.” The reasons underlying this giving pattern are not entirely clear, but potential causes include wealthier donors giving pragmatically to influence policy and more moderate candidates choosing to focus on midsize and large donors because they see it as the most viable fundraising strategy.

52 The experience of the New York City program provides evidence that donors will give the matchable amount. Under New York City’s program, candidates strategically raise donations of exactly the matchable amount. Malbin, Brusoe, and Glavin, “Small Donors, Big Democracy,” 11. New York City matches these amounts even on larger contributions, so the effect would be even stronger under a program that matches *only* small donations.

53 Brennan Center for Justice, “The Brennan Center’s Money in Politics Toolkit,” May 1, 2018, <https://www.brennancenter.org/our-work/policy-solutions/brennan-centers-money-politics-toolkit>.

54 Weiner and Vandewalker, “Stronger Parties, Stronger Democracy.”

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