

POLITICAL FINANCE IN THE DIGITAL AGE: A CASE STUDY OF THE UNITED STATES

Case Study, November 2024

EXECUTIVE SUMMARY

This case study is part of a global comparative study on digital political finance by International IDEA, focusing on legislative and regulatory frameworks and practices in the United States. It finds that while new 2023 regulations for political ads are more comprehensive, loopholes persist, and are reinforced by the Federal Election Commission's (FEC) limited enforcement capacity. Innovations like cryptocurrencies and social media enable campaigns to bypass traditional regulations, complicating transparency and fund tracking. Federal and state-level agencies lag in establishing regulatory frameworks and policies to protect digital users, often leaving platforms to set their own guidelines. The study recommends expanding the FEC's role to include digital finance, addressing for example anonymous cryptocurrency transactions that risk illicit contributions to political campaigns. When social media influencers fail to disclose paid political content, it can mislead followers and raises ethical concerns. Platforms therefore need to balance user interests with transparency tools to prevent misinformation and undue influence. The study recommends a collaborative effort between federal agencies, social media platforms, artificial intelligence companies, and other stakeholders to uncover illegal practices and ensure transparent, accountable political financing.

INTRODUCTION

Technological advancements are changing the landscape of political campaign finance in the United States—now shaped by cryptocurrency (digital currency), social media advertising, social media influencers and artificial intelligence (AI). The popularity of social media platforms enables campaigns in the USA to take a digital-centric approach to sharing and promoting political content, and to increasingly adopt non-traditional methods of raising funds for political purposes. The Federal Election Commission (FEC) plays an essential function

as the autonomous regulatory body tasked with administering and enforcing the country's campaign finance law at the national level (FEC n.d.b). This case study will address opportunities and challenges at this scale, without delving into a detailed discussion of state-level dynamics. However, it is important to acknowledge that states independently govern campaign finance and political advertising within their jurisdictions. Some state-level examples will be referenced pertaining to the effectiveness of the regulatory framework and to closing gaps and loopholes in the age of digital political finance.

The objective of this case study is twofold: first, to document and analyse strategies, practices and challenges pertaining to the digital aspects of US political finance and campaigning. Second, to document the lessons learned, to assist stakeholders in safeguarding the integrity of institutions and political processes in other contexts. While the USA has a relatively lax regulatory framework for digital political finance, knowledge gathering in this field is a pressing concern for voters concerned about electoral accountability and the risks to democracy, including digital risks, corruption and foreign interference. The case study begins by providing an overview of the FEC's legal framework on political communication. Subsequently, it explores social media advertising—these ads can be misleading, so knowing who is funding these ads, what their interest is, and how much they are spending helps voters make informed decisions during elections (Lund and Strine 2022; Campaign Legal Center n.d.) and the role of digital service providers and digital currency in political campaigns. Following this exploration, an analysis of the effectiveness of the regulatory framework is presented, along with a concise section on the lessons learned and concluding remarks.

1. LEGAL FRAMEWORK

The USA is a federal republic forming a presidential system with three branches of government: the executive (the President), the legislative (Congress), and the judicial (US Supreme Court). The state level has a similar structure of government. A pivotal moment in federal politics occurred in 1971 with the enactment of the Federal Election Campaign Act by the US Congress. A principal legal framework governing political donations, the legislation regulates political spending and imposes limits on campaign fundraising. Subsequently, the establishment of the FEC in 1974 introduced disclosure mandates for campaign contributions and granted corporations, labour unions, and trade associations the ability to form Political Action Committees (PACs) (Caltech n.d.). PACs receive support from their members to facilitate campaign activities, subject to federal constraints on funds raised and spent. However, political finance for state senators and representatives is governed under state laws and regulations. These state regulations vary widely, especially concerning digital ads and platforms.

While the FEC is primarily responsible for regulating federal campaign finance, other institutions, such as the US Supreme Court, exert significant influence.

The landmark 2010 case *Citizens United v. Federal Election Commission* demonstrated the complicated nature of US campaign finance laws. The Supreme Court ruled that corporations could contribute unlimited amounts to 'electioneering communications' (media distributed publicly that references a federal candidate around the election season) (FEC n.d.c). Additionally, the US Court of Appeals for the DC Circuit created the legality of what are known as 'Super PACs' in *SpeechNOW.org v. FEC* (2010) (Persily, Bauer and Ginsberg 2018). Super PACs are corporations and groups outside the 1971 framework described above. They can freely accept and spend unlimited sums of money on political ads, often lacking sufficient transparency regarding the origins of these donations (Lau 2019). In the decade after its entrance into campaign finance in 2010, spending through Super PACs has increased from USD 62 million to USD 2.1 billion in 2020 (OpenSecrets n.d.b; Persily, Bauer and Ginsberg 2018). As of 1 November 2024, Super PAC spending in the 2024 electoral cycle was USD 2.6 million (Open Secrets 2024).

On 1 December 2022, the FEC adopted a rule on disclaimer requirements on Internet communications, which broadened prior requirements and definitions. Previously, Internet requirements for political ads and communications were loosely regulated with a lack of concrete regulations on disclosure requirements (FEC 2022a). Conventional political advertising media, particularly television, already had clear regulations on disclaimers. These must be clearly written (and sometimes audible) and understandable for viewers to recognize who paid for the advertisement and if it was authorized by the candidate's committee. There are specific requirements for how long the disclaimer must be displayed, how much space it should take up, and even the contrast between the text and background (FEC 2022b).

The updated disclaimer requirements for Internet communications aim to align with those applicable to broadcast and print media, tailored to the unique dynamics of online communication. Under the new rules, which took effect on 1 March 2023, the FEC notes that 'Disclaimers must be "clear and conspicuous" regardless of the medium in which the communication is transmitted.'... "identifying who paid for the communication ..."' (FEC n.d.d). The FEC clarified the definition of public communication to cover 'communications placed or promoted for a fee on another person's website, digital device, application or advertising platform' (FEC n.d.d). One major difference from other media is that public communication on the Internet is not required to have the 'stand-by-your-ad' disclaimer, which requires political candidates to personally associate themselves with their television and radio ads to discourage controversial claims or attack ads. Instead, online ads must have a written disclaimer that 'can be viewed without taking any action' if the form of communication has a text or graphic element. However, the new rule has exceptions for Internet public communication that would allow for adapted disclaimers or exceptions to disclaimers altogether (FEC n.d.d). These new requirements are more comprehensive than previous rules, but loopholes persist for digital ads, as the FEC's limited enforcement capabilities can raise concerns about transparency and accountability.

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Introduced by Senator Amy Klobuchar (Democrat-Minnesota) but not yet passed by either chamber of Congress, the ‘Honest Ads Act’ of 2023 (see GovInfo n.d.) goes further than current FEC rules by proposing requirements for disclosure on digital advertisements, a ban on online platform advertisements paid for by foreign nationals, and an official database of online political ads.

Currently, there are no regulations in the US requiring purchasers of online advertising to disclose their expenditures and donors, marking a lack of transparency.

2. THE RISE OF SOCIAL MEDIA ADVERTISING IN POLITICAL CAMPAIGNS

The rapid evolution of political advertising technology—coupled with weak regulations of disclosure—reduce electoral transparency and can contribute to erode public trust. Currently, there are no regulations in the USA requiring purchasers of online advertising to disclose their expenditures and donors, marking a lack of transparency (Weiser and Bannon 2018). Additionally, estimating expenditure on political advertising is challenging due to inconsistent disclosure requirements and varying policies among social media platforms regarding what constitutes a political advertisement. These gaps in transparency can make ads misleading; understanding who funds them, their interests, and their spending helps voters make informed decisions during elections (Lund and Strine 2022; Campaign Legal Center n.d.).

Digital platforms have transformed campaign political communication and advertisement as a result of changing news and entertainment habits. Fundamental to this transformation is the use of social media and digital services such as streaming services. Social media platforms advance communication, especially bridging gaps between voters and politicians. Social media brings benefits to democracy and civic engagement, but it also poses risks, especially in campaign finance. A major issue is the lack of transparency and enforcement in political advertising, allowing corporations to use ads to influence electoral outcomes in ways that serve their special interests.

The importance of social media in campaign finance is shown by the spending of the leading presidential candidates in 2020, Donald J. Trump and Joseph R. Biden. In total, some USD 2.1 billion was spent on online political advertisements (since 1 January 2020 on Facebook; and since 27 May 2018 on Google). Altogether, 14 million ads were produced with the involvement of 98,000 advertisers (OpenSecrets 2024). As noted in Table 1, the Trump Make America Great Again Committee from January 2020 until January 2021 spent USD 94.6 million on Facebook advertisements and USD 46.2 million on Google (OpenSecrets n.d.e).

During the 2020 campaign season, Biden’s team spent USD 108.2 million on Facebook advertisements and USD 83.7 million on Google, totalling USD 191.9 million on online advertising (Table 2) (OpenSecrets n.d.c). The Trump campaign spent approximately USD 129.7 million on Google and USD 138.7 million on Facebook, totalling USD 268.4 million (OpenSecrets n.d.d) during the 2020 campaign season (Table 3). Google and Facebook will likely become even more important as fewer voters use broadcast and print media (Massoglia and Evers-Hillstrom 2019; Schwartz 2022).

An election expert informant for this case study reiterated the idea that digital platforms are garnering significant small donor contributions (Palmer 2023).

Table 1. 2020 election spending on online ads by platform (rounded to the nearest USD million)

Advertiser (candidate, PAC, company)	Facebook	Google	Total spending
Make America Great Again Committee	95m	46m	141m
Biden for President	46m	84m	130m
Donald J. Trump for President	44m	83m	127m
Biden Victory Fund	68m	1.5m	69.5m
Facebook Inc.	37m	0	37m
Facebook App	20m	0	20m
Total USD	310m	215m	525m

Source: OpenSecrets, 'Online Political Ad Spending', updated 2024, <<https://www.opensecrets.org/online-ads>>, accessed 29 May 2024.

Table 2. 2020 presidential election online ad spending by candidate Biden (rounded to the nearest USD million)

Total online ad spending for Biden	Candidate spending	Supporters spending	Total
Total online spending across online platforms	191.9m	56.6m	248.5m
Google	83.7m	16.9m	100.6m
Facebook	108.2m	39.6m	147.8m

Source: OpenSecrets, 'Online Political Advertiser Profile for Biden for President', [n.d.c], <<https://www.opensecrets.org/online-ads/advertiser/biden-for-president/32559>>, accessed 29 May 2024.

Table 3. 2020 presidential election online ad spending by candidate Trump (rounded to the nearest USD million)

Total online ad spending for Trump	Candidate spending	Supporters spending	Total
Total online spending across online platforms	268.4m	31.9m	300.3m
Google	129.7m	9.5m	139.2m
Facebook	138.7m	22.3m	161m

Source: OpenSecrets, 'Online Political Advertiser Profile for Donald J Trump for President', [n.d.d.], <<https://www.opensecrets.org/online-ads/advertiser/donald-j-trump-for-president/8870>>, accessed 29 May 2024.

With growing concerns among US voters about the impact of money on politics, the lack of regulation and transparency in political advertising spending could exacerbate these issues, potentially contributing to further undermine trust in US elections.

The US voters are overwhelmingly in support of limits on campaign contributions by individuals and groups, with 72 per cent in support, according to Pew Research Center (Cerde and Daniller 2023). What is striking is the ease with which individuals and groups can contribute to campaigns and public communication through digital means. For example, the Super PAC named Americans for Prosperity Action received a USD 3 million donation from the multinational conglomerate Koch Industries in August 2022 and went on to spend over USD 810,000 on Facebook advertisements (Schwartz 2022). These substantial donations and the use of social media platforms for political advertising can damage public confidence in government and threaten democratic principles. As concerns among US voters rise over the influence of money in politics, the limited regulation and transparency in political advertising spending can contribute to a perception of distorted representation. This lack of oversight may deepen public skepticism and erode confidence in the fairness of electoral processes.

3. DIGITAL STRATEGIES IN POLITICAL FINANCE

According to industry group the Interactive Advertising Bureau (IAB 2021), a social media influencer is defined as an individual or group of content producers who have amassed a social media following due to their 'personality, lifestyle, content style, writing and/or opinions' (TealHQ n.d.). Political parties and candidates strategically recruit social media influencers for their ability to amplify political messages to a target demographic. In 2023, 90 per cent of Americans were using social media, the leaders among the adult population being Facebook (74.2 per cent), Instagram (60.7 per cent), TikTok (42.4 per cent), and X, formerly known as Twitter (41.8 per cent) (Shewale 2024). Distinct from traditional print and broadcast media, digital platforms allow for influencers' political messaging to appear immediately and in a manner more relatable to their particular followers. Besides celebrities, small-scale influencers—also referred to as nano-influencers (fewer than 10,000 followers)—are 'normal individuals ... who have connections to their followers offline' (Goodwin, Joseff and Woolley 2020: 5). Small-scale influencers are thus able to convey a sense of authenticity and trust in their social networks, extending this to their favoured candidates.

Ethical considerations nevertheless arise surrounding financial transparency and integrity of influencers' political messaging. Importantly, payment transactions between political campaigns and influencers often remain

secretive as social media platforms are unable to govern off-platform dealings. In particular, PACs can further increase their political contribution efforts by hiring social media influencers through ‘dark money’ that remains undetected by governing authorities (Caltech n.d.). The term ‘dark money’ refers to spending aimed at influencing political outcomes where the origin of the funds remains undisclosed (OpenSecrets n.d.a). In 2020, more than USD 116 million of ‘dark money’ was linked back to Democratic or Republican party-affiliated groups; existing FEC loopholes allow for such contributions to remain concealed from the public eye (Massoglia 2020). The current FEC framework fails to enforce disclosure of campaign influencer payments on social media platforms. Although Super PACs are required to disclose their donations, certain groups come to function as de facto ‘dark money’ outlets when the majority of their funding cannot be traced back to the original donor (OpenSecrets n.d.a). As well as being a corruption risk in itself, this lack of transparency creates a challenge to the level playing field: some political campaigns disproportionately benefit, undermining the principles of fairness and integrity in the democratic process. It also increases the risk of foreign interference in elections. The lack of transparency can not only enable corruption but also disrupt the fairness of political campaigns. Concealed funding can create misleading impressions and promote biased messaging through influencers. This can undermine the electoral process and can compromise democratic principles. When campaign contributions remain hidden, voters struggle to identify the sources of political influence, impairing their ability to make well-informed decisions. Consequently, this lack of clarity can distort public perception and can contribute to weaken the overall credibility of elections.

Having previously banned political advertisements due to controversies, X announced that it would lift the ban in preparation for the 2024 US presidential election. X’s Chief Executive Elon Musk reported the platform would expand its safety and elections teams, deploy screening processes for eligible campaigns, and establish an advertisement transparency centre for anyone to review promoted political content—without seeking to ‘determine the truthfulness of disputed information’ (Woollacott 2023). While X will impose stricter policies on paid-for-promoted political posts, campaign-hired influencer content on the platform will remain difficult to unearth. Moreover, Elon Musk’s public endorsement of one of the 2024 US presidential candidates raises concerns about potential conflicts of interest and the platform’s ability to maintain impartiality. Other social media companies emphasize fact-checking to contain the spread of election misinformation, but may be outpaced in this by evolving influencer marketing strategies. Stories that are falsified or debunked have often already made their impact; by the time they are corrected, viral content and mobilized follower support have generated widespread attention and significantly influenced public perception, making it challenging to fully mitigate the damage. As mentioned, no federal guidelines exist concerning influencer political advertisement so it is unsurprising that social media platforms’ disclosure policies lack detail (Lai 2022).

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The NextGen PAC, the largest youth voting organization in the USA, funded around USD 2 million during the 2022 campaign cycle in support of Democratic candidates. It partnered with TikTok influencers who were required to disclose their paid posts (Lai 2022). The Democratic Majority Action PAC paid influencers between USD 300 and USD 500 per post, while other campaigns opted to hire influencers to join their staff (Lai 2022). Not all PACs and public relations firms require influencers to acknowledge paid political content in their posts. Determining paid versus unpaid influencer content mainly rests on a trust system that allows for deceptive messaging and questionable ethical practices. When influencers act as paid PR, they may promote messages they do not genuinely believe in, misleading voters in the process. This deception undermines electoral accountability, as voters may not realize they are being influenced by paid endorsements rather than genuine opinions (Zakrzewski 2024). Such practices allow campaigns to propagate false messages at arm's length, eroding their responsibility and potentially compromising the integrity of the electoral process.

The emergence of cryptocurrencies has further transformed political finance in the US.

The emergence of cryptocurrencies has further transformed political finance in the USA. Decentralized currencies such as Bitcoin bypass traditional banking systems, breaching spending limits. Similar to the regulatory uncertainty of paid social media influencers, cryptocurrencies also lead to concerns of illicit contributions, anonymity and political financial accountability. The decentralized structure of cryptocurrencies enables peer-to-peer transactions to be validated without an intermediary. Additionally, cryptocurrencies offer enhanced security through cryptography and user anonymity, which further complicates tracking fund activity.

The cryptocurrency industry has greatly increased its lobbying of Congress in recent years, spending USD 21.6 million in 2022 compared to USD 2.5 million in 2020 (Giorno and Sayki 2023). In 2022, Senators Debbie Stabenow (Democrat-Michigan) and John Boozman (Republican-Arkansas) introduced the Digital Commodities Consumer Protection Act (DCCPA) which proposes a supervisory administrative body for 'digital commodities', as well as to oversee the cryptocurrency industry's Commodity Futures Trading Commission (CFTC) (Chen 2022). The DCCPA would strengthen federal authority as it overrides state-level registration prerequisites regarding money transfers and virtual currency. The collapse of the cryptocurrency exchange platform FTX, and the indictment of its founder, Sam Bankman-Fried, underscores the severity of securities fraud and money laundering. Notably, Bankman-Fried was a significant supporter of the DCCPA, which highlights the ongoing tensions and regulatory challenges within the cryptocurrency industry (Chen 2022; Giorno and Sayki 2023). Pertinent to the FTX case, customers' funds were illegally used to finance political campaigns (Department of Justice 2022). This underscores a significant issue in contemporary political finance, emphasizing the potential adverse impact of cryptocurrencies on the US political landscape. Furthermore, cryptocurrencies make it easier for cross-border and global financial donations to political campaigns, and raise the risk of foreign interference. Digital anonymity conflicts with democratic governance, which relies on open and accountable processes.

4. ANALYSIS OF REGULATORY EFFECTIVENESS

Regulatory frameworks on digitalization in political finance and campaigns exist in the USA, however, many believe they are inadequate in addressing transparency and accountability in the digital age (Zakrzewski 2024). The FEC finalized a ruling on online political advertisements only recently—while they have been in use for a decade—indicating the slow pace of policy development at the national level. While the FEC’s new regulations on disclaimers for online political ads are paving the way for transparency at a future point, loopholes and vague definitions remain. Transparency and accountability are the primary concerns of political finance. Many experts working in this field agree that the priority in the digital age is how to strengthen and encourage transparency.

An election expert interviewed for this study commented on the ambiguous delimitation of public communication, which makes it difficult to identify what a political ad is and what the FEC is responsible for regulating. Similarly, the *Harvard Law Review* draws attention to the FEC’s referring only to political ads as those ‘placed’ for a fee, whereas previous drafts had mentioned ads ‘placed or promoted’ for a fee (*Harvard Law Review* 2023). Furthermore, disclaimers for ads on ‘services’ were also rejected in the final regulation covering public communications. It is unclear whether these rejected phrases will create areas of unregulated communications. More generally, the same *Harvard Law Review* report indicates scepticism about enforceability and effectiveness of these rules.

An expert in campaign finance voiced similar concerns about gaps in the regulatory framework that could easily be exploited by Internet-based platforms and applications. Ports (2022) shares the concern about stable interpretation and enforcement, pointing out the same changes in wording—and that FEC Commissioners will issue ‘Interpretative Statements’.

The FEC enforcement process can be in the form of audits, complaints, referrals or self-submissions (FEC n.d.a). However, the party-political composition of this body greatly hinders these processes, especially at a time when bipartisan collaboration is at a low ebb. No more than three commissioners can belong to the same party, yet four votes are required for official FEC action (Weiner and Bacskai 2023). These partisan divides leave the FEC with weak enforcement capability.

Another of the expert informants emphasized free speech in the political process, including digital ads and political contributions. Regulation may infringe on free speech or human rights. To counter the risks of AI or other technology, they recommended educating the public on how to identify misleading information and political speech.

Perspectives from experts interviewed for this study thus differed greatly. The views of anti-corruption advocates tend to emphasize the bias of the system towards wealthy individuals. They point out that restricting individual contributions is impractical and emphasize how money has not only

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dominated but also corrupted politics since Super PACs were created (Vogl 2023).

Because nationwide regulation on political finance and campaigns on digital platforms have been inadequate in addressing major concerns, some in the field of campaigns and political finance suggest state regulatory frameworks may be more adept at enabling transparency (National Conference of State Legislatures 2023; Weiser and Bannon 2018). Some states such as California, New York and Washington already have laws that require social media platforms or online media to disclose information about contributors to political ads and to record information on a public database (National Conference of State Legislatures 2023). If a number of states adopt their own policies, it may create ripple effects across the country. However, it is uncertain whether this decentralized approach will achieve the desired outcomes. At present, regulatory and legislative efforts on this issue are insufficient and lack comprehensive scope.

Social media companies, too, have deployed tools to balance the transparency and privacy of their users. Facebook does not fact-check political ads but has instituted an Ad Library which gives information on how political ads are targeted and how Facebook political campaigns are financed (Hutchinson 2020). Users can withdraw from audience targeting, stop categorization based on collected data and opt out of political ads—if not entirely (Hutchinson 2020). Facebook's advocacy for greater regulation has included support for the aforementioned 'Honest Ads Act' proposals (Hananel 2023; Hutchinson 2020).

Facebook's development of transparency tools further highlights the shortcomings of the 2023 disclosure rules. Unlike the usual approach that starts with the actor (campaign, political party, PAC), addressing non-transparent ads produced by the Russian Internet Research Agency required Facebook to shift the focus to the ad itself, and to determine the political nature of the content by taking a broader approach to ad classification, signalling a proactive self-regulation approach on the company's part (Harbath 2023).

Besides Facebook, Google is the other major platform in the political advertisement arena as other social media companies including TikTok, LinkedIn and Pinterest have banned campaign advertisements (Nott 2020). Google's policies for political advertisements are consistent with those issued to other products and it is against their guidelines to issue false messaging (Nott 2020). Furthermore, Google's election ads are designed to align with traditional media practices, making them more visible and accessible for public discussion (Nott 2020).

However, the key commercial players in digital political advertising space are not legally liable for the content posted on their platforms. This is because under section 230 of the Communications Decency Act 1996, social media companies are considered Internet service providers and not publishers (Nott 2020). Unlike newspapers and television stations, which are protected by the

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First Amendment's guarantee of freedom of the press, social media platforms are private companies. Therefore, they are not obligated to adhere to these constitutional protections and can set their own content policies¹ (Nott 2020). Facebook prominently displays 'Paid for by' labels on political advertisements to disclose funding sources, hence the availability of campaign spending data such as that in Tables 1–3 above. Records show two primary US presidential contenders in 2020, President Joe Biden and Former President Donald Trump, spent a combined historic USD 217 million on advertisements across Facebook and Instagram (a subsidiary of Facebook) (Stromer-Galley et al. n.d.).

An expert in social media election integrity emphasizes the intricate challenge of discerning the authentic sponsors behind Facebook political ads. The 2016 election led to significant criticism of inadequate collaboration between the government and social media companies. Addressing this issue necessitates the implementation of robust guardrails, especially given the complex nature of managing domestic speech, which encompasses the expression of ideas, opinions and information by individuals and entities within the country's borders (Harbath 2023). Ideally, congressional-level legislation could provide a unified regulatory framework across states, ensuring transparency for all stakeholders.

The potential consequences of unregulated AI could play out in the 2024 general election. While many aspects of AI could be used in campaigning, 'deepfakes' are currently gaining the attention of politicians and the FEC. In August 2023, the FEC held public comment on proposals to ban deepfakes in campaign advertising. Deepfakes are 'computer-created manipulation of a person's voice or likeness using machine learning to create content that appears real' (McKenzie 2023). The obvious danger AI and deepfakes pose to informed voter choice is the capacity to deceive audiences that candidates or other political actors have spoken or acted in various ways detrimental to electoral credibility. In June 2023, Republican presidential candidate Ron DeSantis released a manipulated video featuring Former President Donald Trump, which was an obvious 'attack ad'. Most concerning, however, are deepfakes that are not readily perceived as such, for at least some portions of the electorate. Deepfakes are also a potential tool that could be used by foreign entities to interfere in US elections, as noted by the Congressional Research Service (Sayler and Harris 2023). While the FEC is hearing comments on deepfakes, it is evident that AI is already being used in the 2024 campaigns with little regulation (McKenzie 2023). AI will be a significant concern for potential threats to campaigns and political finance as it develops and becomes more convincing.

Sarah Kreps, specialist in AI policy' reports that 'erosion of trust is particularly dangerous in a political context. Nowhere is this issue more pressing than with the 2024 election cycle' (Cornell University 2023). Google announced that from

¹ The First Amendment to the US Constitution guarantees freedoms related to religion, speech, press, assembly and petition. These protections apply to government actions and do not extend to private entities.

November 2023, it would require political campaigns to label ads that utilize AI (Cornell University 2023). The decision to require advertisers to include disclaimers—such as ‘This audio was computer-generated’ or ‘This image does not depict real events’—will support responsible political content dissemination on Google’s platforms (Alba 2023) and may set a constructive example for other social media companies to emulate.

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President Biden’s Executive Order (EO) on the Safe, Secure, and Trustworthy Development and Use of AI, unveiled in October 2023, is a step forward in seeking to foster responsible innovation within AI technology (The White House 2023) (see box 1). However, it is characterized by numerous voluntary commitments; several provisions lack the force of law. Additionally, the EO neglects the domain of political finance, leaving unresolved questions about tackling fraudulent financial activities that may persist or emerge through AI. With federal regulatory bodies failing to act quickly to provide guidance on how to handle emerging software technologies that can mislead millions of online users and voters, it is in the hands of social media companies to implement security policies capable of distinguishing inauthentic content. The absence of stringent regulation renders these efforts ineffective. This regulatory weakness highlights a broader issue: the inability of current frameworks to adapt swiftly to new challenges, leaving significant gaps in oversight and accountability.

Given the slow pace of federal legislative and regulatory action, it is unlikely that much new regulation will be able to combat current and future risks to campaigns and political finance in the digital space, in time for the 2024 race. Existing self-regulation by social media companies will have to suffice for now. Moving forward, a more holistic approach will be necessary to combat these risks and promote innovation and opportunities in the digital space. Voters across both major parties and various demographics believe wealthy individuals have too much influence on politicians, while people in their

Box 1. AI regulation in US campaign finance laws: Lessons learned

President Biden’s Executive Order (EO) on the Safe, Secure, and Trustworthy Development and Use of AI represents a pivotal stride in fostering responsible innovation within AI technology (West 2024). The EO does not address political finance, leaving unanswered questions on how to deal with fraudulent and unlawful financial activities that persist or may emerge through AI. The primary threat stems from the manipulation and disinformation of online political content. In the absence of federal oversight, the Munich Security Conference had gathered major tech firms to voluntarily collaborate and implement measures to prevent the misuse of AI during election cycles (Roy 2024). These challenges highlight the pressing necessity for stringent regulation against evolving digital threats.

No federal statute or regulation exists to address the use of AI in political campaigns.

Congress’s legislative inaction is guided by the decision to gather more information on AI during the 2024 elections. Delay in drafting regulation increases the risk of domestic and foreign actors utilizing AI technology to generate deepfakes and voice clones to misguide voters. The growing public mistrust and heightened calls for guidance from the private sector underscore the critical need for robust governmental supervision in effectively managing and controlling the application of AI technology.

districts have too little influence. The current lack of transparency in campaign finance may be contributing to the record low levels of trust in the federal government (Jones 2018; Pew Research Center 2023). The majority of voters support campaign finance laws and believe it is possible to limit the role of money in politics (Cerdeira and Daniller 2023). Thus, while immediate regulatory action is limited, there is strong public support for future reforms to enhance transparency and accountability in political finance.

One informant called for a complete ban on cryptocurrency exchanges due to links with criminal activity but another was cautious, calling for bans and regulations, citing the existing laws in place that address these concerns (Palmer 2023; Vogl 2023). Both seem to highlight the need for a robust civil society but in different ways. The anti-corruption specialists call for a civil society ombudsman to monitor and reveal disinformation on social media platforms where news proliferates at a much larger scale. Some election experts offer the opinion that the public should be trusted to understand what is real and what is not, rather than having any regulations on these platforms, limiting their freedom of speech (Palmer 2023; Vogl 2023).

Both perspectives offered insights about possible next steps that agencies, organizations and civil society could take. One perspective emphasizes not only educating the public to seek trusted sources but also ensuring fair oversight and transparency in the use of AI (Palmer 2023). Anti-corruption advocates echoed election officials' views on the need to educate the public about the dangers of money in politics and misleading news. One specialist argued that social media companies should adhere to ethical standards similar to those for print media, pointing to Russian interference via social media in the 2016 election as an example. (Vogl 2023).

Regulations and policies alone will not prevent unethical and illegal practices in political finance and campaigns in digital spaces. However, an integrated approach involving a variety of stakeholders can lead to meaningful and effective policies that ensure transparency and enforcement. Social media and digital platforms have already started implementing their own policies on political ads, while some politicians are taking pledges not to accept any donations from big PACs. Despite these efforts, voluntary self-regulation has not been sufficient to solve the problem entirely. Therefore, combining these efforts with robust regulations and collaborative enforcement mechanisms is essential to address the complexities of political finance in the digital age.

An integrated approach involving a variety of stakeholders can lead to meaningful and effective policies that ensure transparency and enforcement.

5. CONCLUSION

Political finance in the age of digitalization is a pressing matter across the USA as cryptocurrencies, social media platforms and generative software developments enable political campaigns to bypass many traditional media regulations and transparency measures. Importantly, federal oversight agencies are lagging in their efforts to institute policies in a timely manner

to safeguard digital users from inauthentic or misleading political content. Amid the poorly regulated digital space, it is often the case that digital platforms are first to act and establish guidelines for political ad targeting and messaging. Without disclaimer information referencing paid or manipulated political content, identifying genuine digital information will progressively become more challenging. While the role of the FEC is centred on finance laws of political campaigns, its policies must encompass the digital sphere with updated language to govern monetary transactions that circulate outside traditional banking institutions. Worryingly, the lack of transparency inherent in cryptocurrencies and difficulty in enforcing compliance measures can open the way to foreign or otherwise illicit contributions interfering with the US election process.

The growing presence of social media influencers marks a new trend in how political campaigns in the USA are conducted. Influencers' ability to relay information and opinion in a persuasive manner attracts a dedicated online following, and thus has the potential to serve public participation in politics (Zakrzewski 2024). However, failure to disclose paid political content can mislead followers, one among several ethical concerns. Social media platforms balance the interests of varying users, yet without transparency tools, political messaging can spread misinformation and allow disproportionate digital presence to wealthy political campaigns. Without urgent regulation of AI in the sphere of political campaigning, deepfakes threaten to create public confusion. It is a collective effort of federal oversight agencies, social media platforms, AI companies and other engaged stakeholders to unearth illegal digital practices and ensure transparent and accountable political financial transactions.

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Through the project, members of political finance oversight agencies and civil society organizations, political party officials and legislators can learn about good practices and lessons learned from various countries that can help them devise and implement political reforms to protect the integrity of political processes and institutions against existing and emerging digital risks.

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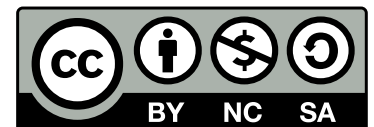
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