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The Importance of Donors in American Politics

Campaigns cost money – a lot of money. In 2012, Mitt Romney, Barack Obama, and their allies collectively spent more than \$2 billion in the race for the presidency, with each side spending more than \$1 billion. Looking just at money raised by the campaigns from individual donors, the Obama campaign outraised the Republicans by over \$500 million in 2008 and over \$250 million in 2012.¹

In contrast to most other democracies, American elections have returned to being privately financed. While interest groups continue to exert an outsized role in funding congressional candidates, most of the money raised by presidential candidates comes from individual donors. This book examines the individual donors that gave to presidential candidates in 2008 and 2012. In order to do so, we utilize a unique dataset that includes a sample of small donors whose identities were not publicly disclosed, but whose names and contact information were given to us by the major party nominees in 2008 and 2012. The BYU Donor Study dataset also includes disclosed donors, whose information was made public through the Federal Election Commission (FEC). This is the first study of individual presidential donors to have a random sample of donors at all giving levels and in two consecutive elections.

A second unique aspect of this study is that it includes a panel study of donors who gave in 2008 and were interviewed again in 2012. A panel study like this allows us to assess the contextual impact of different election environments. How did donors who gave in both 2008 and 2012 view the overall message of the 2012 campaign? How do those donors compare with 2008 donors who did not give again in 2012? We will also compare both of these groups with donors who gave to Obama or Romney in 2012, but did not give to a presidential nominee in 2008. Here, it will be beneficial to define two terms that will be used throughout the course of this book. We use *continuing donors* to describe those who gave to Obama in 2008 and 2012 or to John McCain in 2008 and Romney in 2012. Additionally, we define *lapsed donors* as those that

gave to either Obama or McCain in 2008, but withheld donations in 2012. In general, continuing donors were older and less predominantly male and affluent than lapsed donors. Obama continuing donors were more educated and less predominantly white than Obama lapsed donors. Republican continuing donors were more likely to be married, and their lapsed donors had more education than continuing donors did.

Individual donors play an especially important role in American electoral politics because of the frequency of elections, length of campaigns, and a constitutional structure that mandates separate winner-take-all contests for presidential, Senate, and House races. Moreover, the peculiar American invention of primaries and caucuses forces candidates to initially raise large sums of money to compete for, and secure, their party's nomination. If successful, they must then raise even more money to compete in the general election. The declining, and now virtually nonexistent, role of public campaign financing also elevates the importance of individuals and groups that fund presidential campaigns.

In addition to providing the necessary funds to compete in electoral politics, the level of donor support is seen by the media and public as an indicator of broad support for a particular candidate. Ironically, this benchmark for support persists despite the fact that donor profiles typically do not match general election voters or the public at large. During this so-called money primary, the media evaluates and compares presidential candidates based on money raised, cash on hand, and past fundraising success (an evaluation which occurs months before votes are cast). Thus, the amount of money candidates raise is interpreted as a sign of their viability in the absence of actual votes. While it is hard to know which came first – the lack of sufficient funds or the struggling campaign – the ability to raise contributions from individual donors continues to symbolize the competitiveness of a candidate.²

ENDURING QUESTIONS ABOUT DONORS

While donor participation and influence skyrocketed in 2008 and 2012, very little is known about the typical profile of these donors.³ Who are they and why did they contribute? Was the surge in individual donors and the amount they contributed the result of a particular candidate and party, or was it a more widespread phenomenon? How have changes in campaign finance law altered the amount raised from individuals? These and other questions relating to individual, presidential donors, and the changing legal structure that regulates political contributions are the focus of this book.

One set of central questions we ask addresses the motives for donor participation. How does donating as a form of participation compare to other forms like volunteering or voting? Who contributes? Has the type of individual who donates changed over time? Do donors also engage in other campaign activity or are they only what some have labeled as “checkbook” participants? Political contributions are a unique form of participation because they require

a monetary sacrifice that voting and volunteering do not. In exploring who makes campaign contributions, we build on prior studies in political science and philanthropy as well as various interviews with fundraising consultants.

Despite reports of small donors far outnumbering large donors, the precise number of donors to federal candidates, party committees, and political action committees (PACs) is not known because those giving less than \$200 are not reported to the FEC. In 2008, there were 1.1 million reported contributions to the two major party presidential nominees. In 2012, this number rose to 1.3 million contributions. Drawing a random sample from these data would be misleading because some donors gave multiple times in one election cycle.⁴ Had we sampled the FEC contribution dataset as publicly provided, the probability of a donor being in the sample would be greater if they had made multiple contributions. In order to create a representative sample of donors, we worked with colleagues in computer science to link the disaggregated contribution data. As a result, we obtained a simplified list of reported donors to the FEC. The linked data include the name, address, and total amount each donor contributed. Knowing the total amount contributed allowed us to draw a stratified random sample of donors with oversampling of large (those giving over \$200 overall) and Republican donors. In the end, our expectation that large donors would be less likely to complete the survey was confirmed.

Our principal aim was to have a stratified, random sample of donors at all giving levels. To accomplish this, we needed the cooperation of each major party candidate in providing random samples of their small donors – those donating less than \$200 overall. We are grateful for the cooperation of the Obama, McCain, and Romney campaigns in 2008 and 2012 in providing us the needed samples of small donors. These samples allowed us to gather data from a stratified random sample of donors at all giving levels in 2008 and 2012. The unprecedented nature of this study cannot be stressed enough. Candidates have very rarely shared contact information for small donors with researchers. While there has been a growing sense of the importance of small donors, this is the first systematic study of them based on reliable sampling information. By combining the small donor samples with the merged FEC contribution data, we can examine specifics about donors such as the exact amount given, the date of each donation, etc. Additionally, our access to small donor contact information in both 2008 and 2012 allows us to compare them in the context of two different election environments and three different candidates. While Obama ran in both elections, the tone and dynamics of his candidacy were very different in 2008 and 2012. We examine in detail this rich data resource and express appreciation to each campaign for sharing it with us.

Using the combined donor data for both 2008 and 2012, we answer questions that have previously eluded scholars. For example, how many total donors are there in a presidential election cycle? The small donor data given to us by the campaigns allow us to make some assumptions about donors overall in both 2008 and 2012 beyond the major party nominees. We estimate

that between 9 and 10 million individuals contributed at all giving levels to presidential and congressional candidates, national party committees, and federal PACs in 2008. In 2012 that number is estimated to be between 12 and 13 million individuals. Although children (under age 18) are allowed to contribute to political campaigns with their own money, our survey had no donors under age eighteen. Table 1.1 provides a summary of our estimate of the number of

TABLE 1.1. *Number of donors to major party presidential nominees in 2008 and 2012*

	2008		2012	
	Obama	McCain	Obama	Romney
Small	3,216,039	613,385	3,646,949	1,438,203
Itemized	568,169	241,245	644,819	352,398
Total	3,784,208	854,630	4,291,768	1,790,601

Number of (unitemized and itemized) presidential nominee donors and donors to other federal candidates, party committees and PACs in 2008 and 2012

	2008	2012
Presidential nominee donors	4.6 million	6.1 million
Other federal donor ^a	>4.4 million	>5.9 million
Total	>9 million ^b	>12 million ^c

^aIncludes donors to other presidential candidates, congressional candidates, political party committees, and PACs.

^bFor 2008, we arrive at this estimate as follows: From the FEC records, we estimate 2,061,712 itemized donors with 8,288,749 separate contributions. This does not include the Senate donors because they are not submitted in the same way. We estimate about 905,000 contribution records for Senate candidates. Assuming the same linkage rate as the other FEC records (and duplicate and refund rates), that would be about 720,000 contributions with say, 200,000 donors, not including small donors. The Obama campaign reported 3,216,039 million small donors (with about 568,169 itemized donors according to our merge). The McCain campaign reported 613,385 small donors (with about 241,245 itemized donors). There were about 1.4 million itemized donors left between the other presidential candidates, House, PAC/party, and Senate candidates. If we assume the same ratio of small to not-small donors for Senate/House/PAC as presidential, it would be between 2.5 to 1 (McCain) and 5.7 to 1 (Obama). Conservatively, say at least 3 million. If so, then we estimate a total of 2.2 million itemized donors and 3.2 million (Obama) + 0.61 million (McCain) + more than 3 million (other) small donors. That is over 9 million donors.

^cFor 2012, we estimate 2,624,442 itemized donors with 18,634,630 contributions. (This does include an estimate of Senate donors.) The Obama campaign reported 3,646,949 small donors (with about 644,819 itemized donors). The Romney campaign reported 1,438,203 small donors (with about 352,398 itemized donors). Thus, for Obama, the ratio is about 5.7 to 1 and for Romney, the ratio is about 4.1 to 1. There are 1,653,399 itemized donors left over. We conservatively estimate there to be at least 4.8 million donors to the nonmajor presidential candidates and others. This would lead to 4.3 million (Obama) + 1.8 million (Romney) + 1.65 million (itemized other) + more than 4.8 million (unitemized other) donors. This is over 12 million donors.

Source: Obama, McCain and Romney campaigns and merged FEC donor data

donors to federal candidates, parties, and PACs in the FEC data base with the additional data on the actual number of small donors to the major party presidential nominee's campaigns.

We estimate that the number of donors to major party presidential nominees increased by 1.3 million additional donors in 2012. Much of this increase was due to Romney's much larger number of small and itemized donors compared to McCain in 2008. The Obama campaign had over 500,000 more donors in 2012 than it did in 2008, with increases in the number of both itemized and small donors. We do not have comparable data on small donors to other candidates, but combining what we know about the presidential nominees with our linked FEC data we can estimate that there were at least 9 million individual donors in 2008 and over 12 million donors in 2012.

In addition to the surge in money that donors contributed, both elections witnessed a dramatic increase in the number of individuals contributing. Obama received contributions from nearly 3.6 million individuals in his 2008 campaign, with almost half of these donors making their initial contribution in the final months of the election. Remarkably, the number of Obama donors rose to over 4 million in 2012, with 44 percent giving their initial contribution in the last three months of the campaign. Romney had 1.8 million donors, or less than half as many as Obama, with three-fifths of his donors making their initial contribution in the last three months of the 2012 campaign.⁵ Romney's total donors in 2012 were, however, more than double the number of McCain donors in 2008 (about 800,000). When comparing McCain donors to those who gave to Obama and Romney, it is important to remember that McCain accepted public funds for the general election and therefore did not pursue contributions for both the general elections as Romney and Obama did. However, McCain continued to raise funds for the 2008 general election through a joint fundraising committee with the Republican National Committee (RNC). Both Obama in 2008 and 2012 and Romney in 2012 declined public funding for the general election. As has now become the norm, all major party nominees in 2008 and 2012 declined public matching funds during the nomination contests. The demise of public funding has made individual contributions more important than when substantial portions of campaign costs came from public funds.

How does the number of donors compare to the number of voters? The best estimate of the eligible voting population was 213 million in 2008 and 222 million in 2012.⁶ Of the voting-eligible population, 63.6 percent voted in the 2008 general election and 58.7 percent in 2012.⁷ Donors to federal candidates, party committees, and PACs collectively represented about 7 percent of the number of voters in 2008 and about 11 percent in 2012. Prior studies have estimated donors to be about 8 percent of the population in the 1960s and 4 percent in the 1990s.⁸ Estimates that are more recent have been higher, but appear to suffer from substantial overreporting. We discuss the overreporting of turnout and making campaign contributions in Chapter 2.

One fundamental tenet of democratic governance is that the will of a majority of those who vote is reflected in the candidates who win office. Much has been written about the extent to which this is the case.⁹ However, in order to compete for office, candidates must appeal to the donors who will fund their campaigns. Given the outsized role played by donors, it is important to understand the similarities and differences they share with voters. If donors differ significantly with voters on issues relating to policy or governance, then elections become less representative and donors can skew public policy. Overall, we find that donors are significantly more affluent, more educated, older, and less demographically diverse than voters. Based on our surveys of donors in 2008 and 2012, we also conclude that donors are significantly more strongly partisan and ideologically polarized than voters. Keeping in mind that “office seekers know they cannot ignore the volunteers who donate to them,” understanding donors will help us grasp how donations impact the political process.¹⁰ Other research by Larry Bartels takes this intuition a step further and finds US Senators to be much more responsive to the opinions of their affluent constituents, individuals who are more likely to vote, volunteer, and contribute money to a campaign.¹¹ This simple political reality reinforces the need to know more about donors and how their participation impacts the political process.

Do the strong partisan and ideologically polarized issue positions of donors influence public policy? Do these issue positions affect how politicians vote or create policy? Writing more than a half-century ago, noted political scientist V. O. Key said: “It is probably fair enough to conclude that men of wealth on the whole use money in politics to protect what they regard as their interests. Their votes are few in a regime of popular government and they build their political defenses by the use of money. Others have votes, they have money.”¹² More recently, legal scholar Edward B. Foley has described the electoral consequences of empowering donors as giving them “a greater opportunity than poor citizens to attempt to persuade undecided voters to agree with their positions.”¹³ Foley’s argument assumes that candidates effectively use dollars to persuade voters, thereby increasing their chances of winning elections.

Taken to the extreme, corruption can emerge as donors receive advantages from policies that are implemented due to their contributions. This is the rationale the US Supreme Court has given for limiting the amount of money individuals can contribute to campaigns and barring corporations and unions from contributing directly to candidates from their general funds.¹⁴ Given this information, we ask: Are donors motivated by a quid pro quo relationship with the candidate they contribute to, or are their motives less self-serving and more broadly based? We do not find evidence that donors expect direct personal benefits because of their contribution. Only 1 percent of presidential donors in 2008 and again 1 percent in 2012 said they believed they could personally or professionally gain by contributing. Given that the median total

amount contributed by presidential donors in our random samples was about \$60 in 2008 and \$50 in 2012, such a finding is not surprising.

While donations to candidate campaign committees are limited, the ability of donors since 2010 to contribute unlimited amounts to candidate-affiliated, independent-expenditure-only committees (Super PACs) raises new concerns surrounding political donating. The importance of small numbers of substantial donors, or even a single donor, in promoting a candidate and influencing public policy are cause for concern. In 2012, the Grand Old Party (GOP) nomination contest was prolonged in part by Super PACs spending money on behalf of Newt Gingrich (Winning Our Future) and Rick Santorum (Red White and Blue). Neither candidate had sufficient funds to compete without this help. The extensive Super PAC advertising during the contest resulted in “significant collateral damage to the image of the eventual nominee, Romney, and the Republican Party.”¹⁵

Large Super PAC donors were especially important to the Romney campaign in both the nomination and general election phases of 2012. Romney’s Super PAC, Restore Our Future, outspent Gingrich or Santorum’s Super PACs by almost \$18 million during the primary. In the general election, Romney’s Super PAC along with other outside money groups helped make up Obama’s large advantage in limited individual contributions to his campaign (see Chapter 2).

While not discounting the importance of large donors, small donors were an equally important part of the fundraising story in 2008 and 2012. Press reports and academic studies like *Business Week*’s Moira Herbst emphasized their contributions by saying things like: “Small donors have flooded money into the Obama campaign.”¹⁶ Our unique small donor samples allow us to better understand this very large group of individuals. To begin, we explore in detail who the small donors were, when and how often they gave, and why they became involved. Additionally, we compare small donor profiles from 2008 who gave again in 2012 with both those who did not give again and with new small donors in 2012. In 2008, there were a total of roughly 3.2 million Obama and 613,000 McCain small donors. In 2012, Obama finished with 3.6 million small donors compared to Romney’s 1.4 million. Even more impressive than the number of small donors, were the \$178 million and \$193 million they donated to the Obama campaign in 2008 and 2012, respectively. On the other hand, McCain and Romney only managed to rake in \$31 million and \$81 million from small donors in their respective campaigns. As we will discuss, Obama’s 2008 and 2012 campaigns were innovative in finding ways to raise small contributions. As Juliana Smoot, Deputy Campaign Manager of the Obama campaigns, said, “Somebody could have a potluck dinner at their home, [charging] 10 dollars and then they’re able to give it online. We were able to get a lot of small donors that way.”¹⁷

Small donors were also central to the fundraising of Bernie Sanders and Donald Trump in 2016. Building on lessons learned from candidates like Obama and Vermont Democratic governor Howard Dean, the Sanders campaign raised \$134.7 million in

contributions from small donors, but because several of his donors gave multiple times, once those who ended up giving more than \$200 are removed, his net receipts from small donors was \$100 million, or 44 percent of the funds the campaign raised. In 2016 Hillary Clinton raised \$138 million from small donors and small donors giving to her joint fundraising committee with the Democratic National Committee, making up 22 percent of the funds she raised for her campaign committee and joint fundraising committee. Together, Donald Trump's campaign and the party joint fundraising committee raised \$238.6 million in small donor contributions over the 2015–16 cycle, or 69 percent of all funds contributed, with 64 percent (\$151.6 million) of his funds raised from small donors.¹⁸ In Trump's case, a large share of his small donor dollars were raised after he secured the nomination and formed a joint fundraising committee with RNC. This joint party/Trump effort raised more than double the amount from small donors that his campaign raised. For both Sanders and Trump, the primary means of contacting donors was through the Internet.

THE FUNDRAISING CONTEXT IN 2008 AND 2012

American presidential elections have been consistently competitive since 1992. The 2008 and 2012 presidential elections promised to be close contests as well. Democrats felt a lingering sense of frustration with the outcome of the 2000 election where George W. Bush won the presidency despite losing the popular vote. Both parties mobilized donors and voters in 2004 where Bush secured reelection and won the popular vote. As we will see, there were important developments in use of the Internet and in voter mobilization in these elections that set the stage for 2008 and 2012. A further reflection of the closely divided public was the fact that party control has changed in one or both chambers of the US Congress after the 2002, 2006, 2010, and 2014 elections. We find evidence that donors are more strongly partisan and ideological than was true in prior donor studies. This partisan polarization, driven in part by individual voters sorting themselves by parties and ideology, is even more pronounced among donors than voters.¹⁹ We will demonstrate that donors are often motivated by negative views of the opposing party and opposing candidates. Further research has found this also to be the case among voters.²⁰

Contextualizing the 2008 and 2012 elections aids us in explaining the growth in overall campaign contributions and the number of individuals making contributions – especially small contributions. With no incumbent president or vice president seeking election in 2008, and with crowded fields in both party primaries, there was an intense competition for donors and their money.²¹ Furthermore, the 2008 election was historic in many ways. There were a host of “firsts,” and the watchword of the protracted campaign was “change.” One of the most fundamental changes was the remarkable transformation of campaign finance and the evolving media, legal, and regulatory landscapes that

drove it. Yet, Obama's ability to raise \$745 million in limited campaign contributions was one of the most important, and impressive, changes.²²

The 2008 Obama campaign's success in raising money from individuals was unprecedented. That his 2012 campaign surpassed 2008 in individual contributions is another reason to examine who contributed and why. While McCain and Romney did not match Obama's receipts from individual donors, McCain came close in 2008 to raising what Bush did in 2004. Subsequently, Romney far exceeded both Bush and McCain – especially among large donors. The contrast between Obama and his GOP opponents will also be enlightening in identifying the differences in donor demographics, motivations, issue positions, and use of the Internet to solicit and receive campaign contributions.

The mix of candidates seeking the presidency in the 2008 and 2012 elections presents another compelling reason to study their donors. While not the first woman to run for president, Senator Clinton was the most viable female candidate to date and was touted as the early front-runner. In terms of potential donors and fundraising, she not only had the advantage of inheriting her husband's "list" of donors, but also built her own network as a successful statewide candidate in New York. By rallying women to her candidacy, could she motivate them to also enter the traditionally male-dominated world of campaign donations? Obama was much less known on the national stage than Hillary Clinton, John Edwards, Joe Biden, and Christopher Dodd, but his keynote speech at the 2004 Democratic nominating convention and successful Senate campaign in Illinois energized the party. At the same time, his Iraq War opposition and being African American most certainly energized donors. However, Obama was not the only minority seeking the Democratic nomination; New Mexico governor Bill Richardson, a Hispanic and former Secretary of Energy in the Bill Clinton administration, had the potential of launching a path-breaking candidacy.

The Republican primary also produced some historic candidacies, though to a lesser extent. Romney, for one, would have been the first Mormon president. In addition, while he avoided calling attention to his age, McCain, if elected, would have been the oldest elected president in US history. He also would have been the first active president to have served in Vietnam, where he spent five years as a prisoner of war. McCain, known as a maverick for his bipartisan actions in the Senate, pioneered the use of the Internet as a fundraising tool, raising \$5 million in his failed 2000 presidential bid.²³ McCain had been a visible sponsor of the 2002 Bipartisan Campaign Reform Act (BCRA), also called the McCain–Feingold law. In 2008, McCain faced the challenge of raising funds for a presidential contest without the support of many GOP or Bush donors, some of whom were annoyed at his rhetoric criticizing their role as large-party, soft-money donors.

As remarkable as Obama's 2008 campaign was in raising money, it was uncertain whether he could match or exceed that success in 2012. There was speculation that some of his supporters had become disaffected. Obama

summarized this challenge as: “Now I’m the incumbent president. I’ve got gray hair. People have seen disappointment because folks had a vision of change happening immediately. And it turns out change is hard, especially when you’ve got an obstructionist Republican Congress.”²⁴ Would the large number of small and new donors in 2008 give again in 2012? Could the campaign recruit new donors to replace donors who gave in 2008, but not in 2012? How much would frustration with insufficient “change” after his 2008 victory diminish his donor base in 2012?

In 2012, Republicans again had a contested primary, this time with successful business entrepreneur and former Massachusetts governor Romney generally retaining front-runner status during a highly competitive race in which former US House Speaker Newt Gingrich, former US senator Rick Santorum, Texas governor Rick Perry, and former CEO Herman Cain each claimed the lead at various points.²⁵ Romney’s advantages in fundraising included potential donors from his 2008 campaign, his work with Bain Capital (a private equity firm), and members of his Mormon faith. Romney worked to exploit irritation with financial services reform and concerns with Obamacare and the economy into his fundraising appeals.

Going into the 2012 contest, there were also many questions about how Republicans would adapt to being underfunded in 2008. Once the party known for greater success among small donors, could they counter this new Democratic advantage with a surge in small donors for their own candidate? It was widely assumed that the GOP general election nominee would not accept public funds in 2012, as Obama had not in 2008, but would the Republican nominee be competitive in general election fundraising? Should Romney become the nominee, one possible source of funding could be his own funds, but how much of his own money would he spend? Obama and his advisors assumed Romney would “write a check” to his own campaign. However, Romney felt that the \$45 million he gave to his 2008 campaign was “his personal lifetime dollar limit in the pursuit of the presidency.”²⁶ Additionally, two of Romney’s senior advisors believed that to self-fund in 2012 would make Romney “look like a rich guy trying to buy the presidency.”²⁷

Furthermore, 2012 differed from 2008 in that there was an incumbent seeking reelection. Obama, unlike Lyndon B. Johnson in 1968 and Jimmy Carter in 1980, did not face serious internal party challengers for renomination, permitting him to focus his fundraising and campaign on the general election. Republicans were eager to defeat him and roll back his major policy accomplishment – Obamacare. Given the uncertainty of his reelection, would donors adequately fund his 2012 campaign? Could he replenish his donor pool with new donors to make up for those who dropped out? At the same time, Obama and his team had gained experience from 2008. Spencer Zwick, who headed Romney’s fundraising, said the candidate who has run before has “a loyal donor base that is with you from the beginning. They know who you are; you built up credibility with them.”²⁸ The 2012 GOP field included Romney, who had also retained